



# Pioneer in value investing since 1993

An award-winning asset manager,  
with **220+ performance awards** won since inception.  
This testifies to what we do best – *investing through discipline.*

Our investment capabilities:

Equities | Fixed income | Alternatives | Multi-asset | Quantitative Investment Solutions

**Value Partners Group Limited**  
**惠理集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 806

**2020** Interim Report

# Key facts about Value Partners

One of Asia's most established asset managers with **assets under management of US\$11.8 billion<sup>1</sup>** across equities, fixed income, alternatives, multi-asset portfolios and quantitative investment solutions

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**Temple of Value Investing**, where the "ideals of value investing are implemented and transmitted to future generations"

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**We provide an award-winning menu of funds.** For example, our flagship **Value Partners Classic Fund** offers 27 years of outstanding returns

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**Fundamental investment approach with about 70 investment professionals** focusing on Greater China and Asia ex-Japan investments **conducting over 6,500 due diligence meetings every year**

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**220+ coveted performance awards and prizes** won since 1993

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**Headquartered in Hong Kong**, with offices in Shanghai, Shenzhen, Kuala Lumpur, Singapore and London providing localized research and client servicing

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**Dedicated client services** and commits to resolving clients' queries in an effective and timely manner

Footnote:

1. As of 30 June 2020 (unaudited).

## Corporate profile

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

Value Partners was the first and only asset management firm listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 806 HK) after it went public in November 2007. The firm had US\$11.8 billion of assets under management as of 30 June 2020.

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

# Corporate information

## Board of Directors

### Co-Chairmen and Co-Chief Investment Officers

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

### Executive Directors

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

### Independent Non-executive Directors

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

### Non-executive Honorary Chairman

Mr. YEH V-Nee

### Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

### Authorized Representatives

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

### Members of the Audit Committee

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

### Members of the Nomination Committee

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

### Members of the Remuneration Committee

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

### Members of the Risk Management Committee

Mr. HO Man Kei, Norman *(Chairman)*  
Mr. CHENG Tsz Chung  
Ms. LEE Vivienne  
Mr. TSUI Fook Wang, Frank  
Ms. WONG Ngai Sze, Icy  
Ms. WONG York Ying, Ella

## Registered Office

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

## Principal Office

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

## Cayman Islands Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited  
Royal Bank House-3rd Floor  
24 Shedden Road, P.O. Box 1586  
Grand Cayman, KY1-1110  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

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

## Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## Legal Advisor

Reed Smith Richards Butler

## PRC Legal Advisor

LLinks Laws Offices

## Principal Bankers

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

## Website

[www.valuepartners-group.com](http://www.valuepartners-group.com)

## Stock Code

Stock Exchange of Hong Kong: 806

## Financial highlights

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

<b>(In HK\$ million)</b>	<b>For the period ended 30 June</b>		
	<b>2020</b>	2019	<b>% Change</b>
Total revenue	<b>579.8</b>	815.1	-28.9%
Gross management fees	<b>519.6</b>	679.5	-23.5%
Gross performance fees	<b>15.6</b>	3.4	+358.8%
Operating profit (before other gains)	<b>114.7</b>	162.0	-29.2%
Profit attributable to owners of the Company	<b>125.5</b>	250.9	-50.0%
Basic earnings per share (HK cents)	<b>6.8</b>	13.5	-49.6%
Diluted earnings per share (HK cents)	<b>6.8</b>	13.5	-49.6%
Interim dividend per share	<b>Nil</b>	Nil	

<b>(In US\$ million)</b>	<b>30 June 2020</b>	31 December 2019	<b>% Change</b>
Assets under management	<b>11,844</b>	15,007	-21.1%



The Group has committed with endeavour and resources to continually engage with our external stakeholders, which enabled dynamic two-way dialogues and relationship building. Meanwhile, as the pandemic still rages in part of the globe, we maintain our mindful watch over any risks of the next wave of contagion.

### Performance and expanding product offering

Globally during the first half of 2020, the virus uncertainty and lockdown arrangements have severely hurt investors' confidence. Despite challenges, the Group was able to continue its prime duty as a fund manager by delivering outperformance in the portfolios under management.

Several of our equity funds performed strongly and achieved a positive return during the first six months of the year. Among our funds, the two best-performing funds are a healthcare fund<sup>1</sup> and Chinese Mainland Focus Fund<sup>2</sup>, which respectively returned 20.2%<sup>3</sup> and 19.1%<sup>2</sup> during the period. Other equity products, including the flagship Value Partners Classic Fund, have reached their respective high-water marks.

To enhance our products' visibility and promote our investment capabilities, the Group launched digital campaigns via various channels, including both social and traditional media. In June 2020, the Group experienced success in promoting Chinese Mainland Focus Fund and Value Gold ETF, which respectively addressed investors' interest by providing them an entry into investing in China's new economy sectors and gold bullion as a portfolio diversifier. The marketing campaigns span from animated videos to social media posts, encompassing a broad advertorial strategy. We gained positive feedback from fund distributors and growing inquiries from potential investors.

In terms of product offering expansion, the Group targets to launch additional strategies by the end of 2020.

Despite the virus hit, the long-term structural story of China remains intact. As a pioneer investor in the Greater China markets since 1993, we are pleased to see a growing population of Southeast Asian investors that acknowledge the opportunity. We are delighted to announce our plan to list a Shariah-compliant ETF<sup>1</sup> tracking China A-shares on the Malaysian bourse. An ETF which will enable investors to play a part in China's growth and future while complying with the Shariah principles.

Furthermore, the COVID-19 aftermath is set to bring about long-term positive impacts on the Mainland's medical system, catalyzing improvements in medical equipment, drug and vaccine logistics system, research and development. In addition to an ageing population, China's healthcare sector enjoys an upside potential that is set to unfold over the next few decades. Meanwhile, our existing China-focused healthcare strategy, established in 2015, is to seek authorization from the Hong Kong regulators which will enable retail distribution in the city.

The importance of holding gold in a portfolio has, well and truly, been demonstrated during these times of rising market uncertainties. To that end, we are constantly reviewing our existing products and aim to enhance the funds' features to meet investors' increasing needs.





Meanwhile, Value Partners Investment Management (Shanghai) Limited has obtained an Investment Advisory Qualification from the Asset Management Association of China. The qualification enables our mainland entity to service the private asset management advisory needs.

### Global footprint

Global central banks amassed the rescue plan post-COVID-19. The virtually zero interest rate in some major markets has resulted in a growing dominance of low and negative-yielding products. In Asia, with its pandemic situation better than elsewhere, Asian assets, in particular those from China, continue to offer decent relative investment value. China presents a “first-in, first-out” case and an orderly recovery since April, with some sectors delivering impressive year-on-year growth.

Overseas investors’ interest in Chinese equities and bonds is expanding and the trend is to sustain for at least the coming decade. This is primarily because of the underrepresentation of foreign investors in China’s onshore assets. Now, the size of Chinese markets becomes too big to ignore for foreign investors, who collectively own merely 4% of the assets<sup>4</sup>. Incremental growth in foreign interests have manifested itself in several institutional tenders for China specialists, in which Value Partners has been asked to participate. Ahead, our global arms will continue to build brand awareness for Value Partners across the world.

### ESG commitment and implementation

The Group is a proud signatory of the United Nations Principles for Responsible Investment and is committed to actively support and promote responsible investment initiatives. We strictly abide by the environmental, social and corporate governance (“ESG”) disclosure requirements on the Hong Kong Stock Exchange as a listed member, and fully align our ownership responsibilities with the Principles of Responsible Ownership outlined by the Securities and Futures Commission of Hong Kong. Being a pioneer value investor in Asian markets since 1993, we conduct in-depth due diligence meetings with the investees on a regular basis and exercise human judgement based on the value investing discipline. This process enables us to evaluate companies with ESG metrics effectively.

In terms of risk-adjusted return, as ESG factors tend to play out over a long term, the Group recognizes that integrating ESG analysis in the investment process can help identify business models that likely generate sustainable returns and resist competitive pressures, and is consistent with our investment philosophy.

## Management discussion and analysis

### Outlook

As we highlighted in March this year, the financial markets are to weather risks for 2020, which could stem from geopolitical tussles, trade or diseases. While China's macro recovery is ahead of the curve and prospects remain strong, we expect corporate earnings recovery would be diverging among sectors. The unprecedented COVID-19 situations present many unknowns globally. We expect the disparity in company earnings and macro expectations to emerge. With that in mind, it is crucial to stick to investment discipline, with which we identify whether share prices are buoyed or dented by short-term sentiments or individual companies' fundamental strength. We believe the latter would be more rewarding following the global recovery path.

### Appreciation

Last but not least, we would like to thank all of our colleagues, shareholders, clients and business partners for their continued support. We would also like to recognize our colleagues' dedication, commitment and contributions towards the success of Value Partners.

1. *These funds are not authorized by the Securities and Futures Commission of Hong Kong and are not available to the general public in Hong Kong.*
2. *Annual calendar returns of Value Partners' Chinese Mainland Focus Fund over the past five years: 2015: +1.7%; 2016: -10.3%; 2017: +61.2%; 2018: -28.3%; 2019: +36.6%; 2020 (Year to date as at 30 June): +19.1%.*
3. *Annual calendar returns of the health care fund over the past five years : 2015: -3.7%; 2016: +1.9%; 2017: +20.8%; 2018: -5.4%; 2019: +21.0%; 2020 (Year to date as at 30 June): +20.2%.*
4. *Source: Wind.*

*Source for performance figures: Value Partners and Bloomberg. Past performance is not indicative of future performance. Performance is in USD, NAV to NAV, with dividend reinvested and net of fees.*

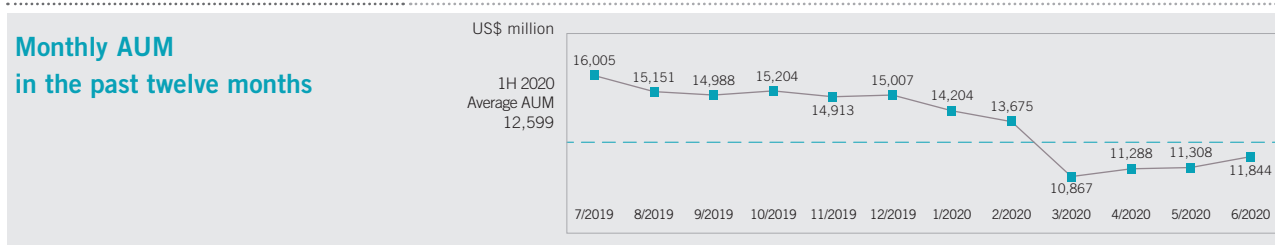
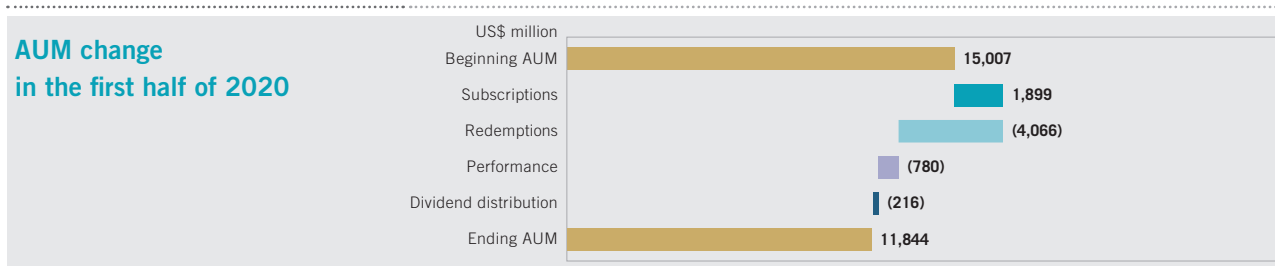
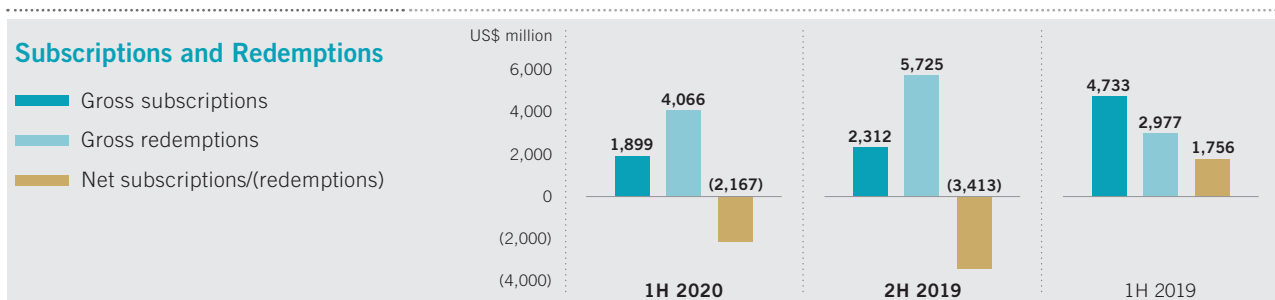
## Assets Under Management (“AUM”)

### AUM and return

The Group’s AUM stood at US\$11,844 million at the end of June 2020 (31 December 2019: US\$15,007 million). The decline was mainly due to the Group’s net redemptions of US\$2,167 million in the first half of 2020 and the negative fund performance which dragged AUM by US\$780 million.

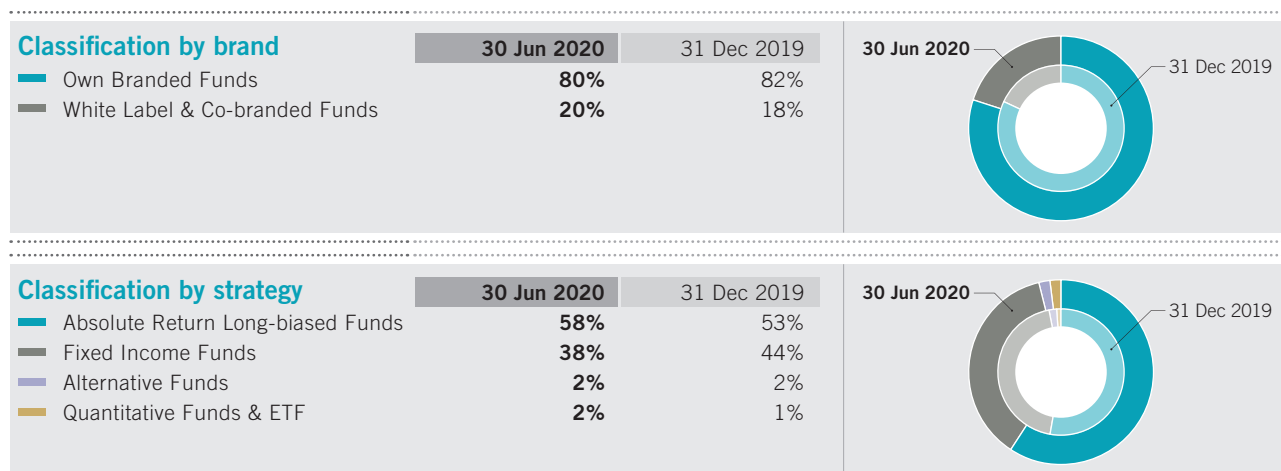
Overall fund performance<sup>1</sup>, calculated as the asset-weighted average return of funds under management, decreased 4.3% in the period under review. Among our funds, the Value Partners Greater China High Yield Income Fund<sup>2</sup>, the Group’s largest public fund<sup>3</sup> in Hong Kong, fell 6.8% during the period. The Value Partners Classic Fund<sup>4</sup>, our flagship product, increased 0.2% during the period, while the Value Partners High-Dividend Stocks Fund<sup>5</sup> declined 11.9% during the period.

In the first half of 2020, gross subscriptions decreased to US\$1,899 million from US\$2,312 million in the second half of 2019 as investment sentiments turned sour. Meanwhile, gross redemptions for the first half of 2020 came down to US\$4,066 million from US\$5,725 million in the second half of 2019. All in all, we had net redemptions of US\$2,167 million (2H 2019: US\$3,413 million).



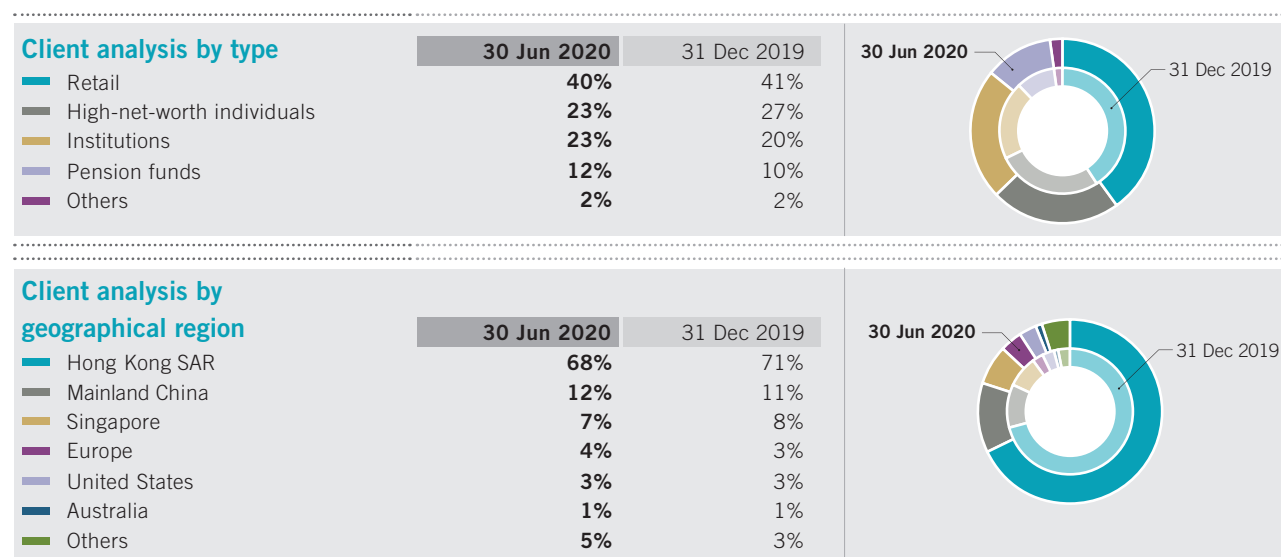
### AUM by category

The charts below show breakdowns of the Group’s AUM as at 30 June 2020 using two classifiers: brand and strategy. Own Branded Funds (80%) remained the biggest contributor to the Group’s AUM by brand amid our expansion in the distribution network. By strategy, Absolute Return Long-biased Funds (58%) continued to represent the largest share of the Group’s AUM, followed by Fixed Income Funds (38%), 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, pension funds, high-net-worth individuals (“HNWIs”), endowments and foundations, funds of funds, and family offices and trusts – remained the Group’s primary set of fund investors, accounting for 60% of total AUM (31 December 2019: 59%). Meanwhile, retail clients contributed 40% of total AUM (31 December 2019: 41%). In terms of geographic location, Hong Kong clients continued to be the largest segment, contributing 68% of the Group’s AUM (31 December 2019: 71%). There was a rise in the share of AUM attributable to clients in mainland China, which increased to 12% (31 December 2019: 11%) as the Group’s China and related business saw steady growth in the first half of 2020. The share of AUM contributed by clients in Singapore slightly decreased to 7% (31 December 2019: 8%), while clients from the United States and Europe took up a combined 7% (31 December 2019: 6%).

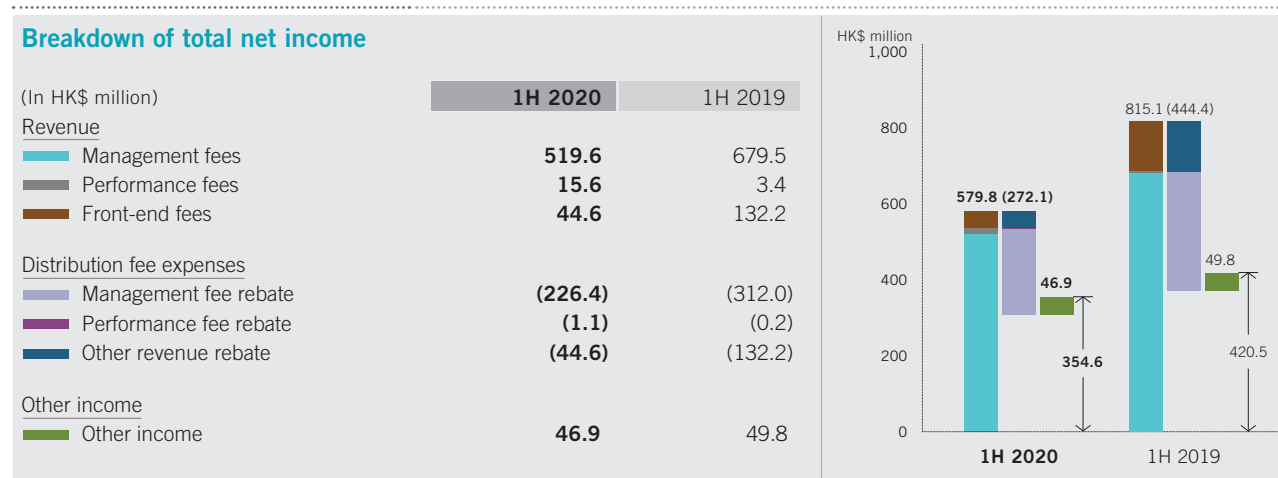


## Summary of results

Key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2020	1H 2019	% Change
Total revenue	<b>579.8</b>	815.1	-28.9%
Gross management fees	<b>519.6</b>	679.5	-23.5%
Gross performance fees	<b>15.6</b>	3.4	+358.8%
Operating profit (before other gains)	<b>114.7</b>	162.0	-29.2%
Profit attributable to owners of the Company	<b>125.5</b>	250.9	-50.0%
Basic earnings per share (HK cents)	<b>6.8</b>	13.5	-49.6%
Diluted earnings per share (HK cents)	<b>6.8</b>	13.5	-49.6%
Interim dividend per share	<b>Nil</b>	Nil	

## Revenue and fee margin



The Group's profit attributable to owners of the Company decreased to HK\$125.5 million for the six months ended 30 June 2020 (1H 2019: HK\$250.9 million). Gross management fees, the Group's largest revenue contributor, dropped 23.5% to HK\$519.6 million (1H 2019: HK\$679.5 million) on a 26.1% decrease in the Group's average AUM to US\$12,599 million (1H 2019: US\$17,048 million).

During the period, our annualized gross management fee margin increased to 108 basis points (1H 2019: 103 basis points) due to the increase in the AUM portion on own branded funds compared to the first half of 2019, which have relatively higher margins. Our annualized net management fee margin was widened to 61 basis points (1H 2019: 57 basis points), while our management fee rebates for distribution channels decreased to HK\$226.4 million (1H 2019: HK\$312.0 million).

## Financial review

Gross performance fees, another source of revenue, increased to HK\$15.6 million (1H 2019: HK\$3.4 million). Performance fees are generated when eligible funds, at their performance fee crystallization dates, report returns exceeding their high watermarks for the respective period up to the crystallization date.

Other revenue mainly included front-end load, of which a substantial amount was rebated to distribution channels (a usual practice in the market).

Other income, which mainly comprised of interest income, dividend income and rental and other income mainly from an investment property, totaled HK\$46.9 million (1H 2019: HK\$49.8 million). The change was mainly due to the drop in interest income to HK\$30.0 million (1H 2019: HK\$32.2 million) and dividend income to HK\$7.2 million (1H 2019: HK\$7.8 million).

### Other gains – net

(In HK\$ million)	1H 2020	1H 2019
Net gains on investments	29.8	101.5
Fair value gain of an investment property	–	6.3
Gains on disposal of property, plant and equipment	–	0.5
Net foreign exchange losses	(6.8)	(0.9)
Other gains – net	23.0	107.4

Other gains mainly included fair value changes and realized gains or losses on seed capital investments, investments in our own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments are made by the Group to provide capital that was considered necessary to new funds during the initial phase of fund launches. The Group also invests in its own funds alongside investors, where appropriate, for better alignment of interests and investment returns.

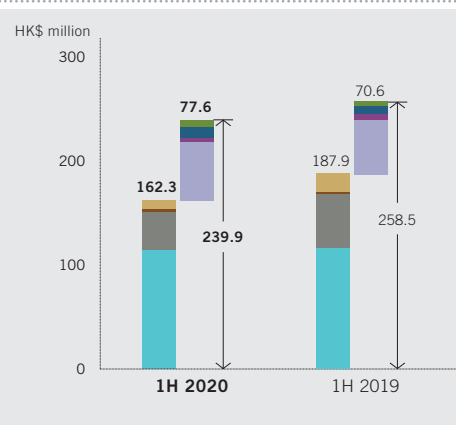
### Investment in joint ventures

Investment in joint ventures represents the Group's 50% equity interest in Value Investing Group Company Limited, Clear Miles Hong Kong Limited and VP-ZACD Holdings Pte. Ltd.. Value Investing Group Company Limited has trust beneficiary interests in three Japanese logistics centers, while Clear Miles Hong Kong Limited has 100% indirect interest in an Australian industrial property. The Group's share of gains amounted to HK\$10.1 million (1H 2019: HK\$11.4 million), which was attributable to the rental income for the six months ended 30 June 2020.

## Cost management

### Breakdown of total expenses

(In HK\$ million)	1H 2020	1H 2019
<b>Compensation and benefit expenses</b>		
Fixed salaries and staff benefits	115.2	117.2
Management bonus	36.1	51.6
Staff rebates	2.7	1.6
Share-based compensation expenses	8.3	17.5
<b>Other expenses</b>		
Other fixed operating costs	56.7	52.6
Sales and marketing	3.9	7.0
Depreciation excluding depreciation of right-of-use assets – properties	10.3	7.3
Non-recurring expenses	6.7	3.7



In terms of cost management, the Group continued to exercise stringent cost discipline and kept fixed operating expenses well covered by net management fee income, which is a relatively stable source of income. Such coverage is measured by the “fixed cost coverage ratio”, an indicator showing the number of times that fixed operating expenses (excluding discretionary and non-recurring expenses) are covered by net management fee income. For the current period, the Group reported a fixed cost coverage ratio of 1.7 times (1H 2019: 2.2 times). With the potential challenges in mind, we are well prepared for the future with ways such as resource realignment and ongoing cost control measures to ensure our ability to navigate the upcoming headwinds and to undergo the strategic development projects in the pipeline.

### Compensation and benefit expenses

During the period, fixed salaries and staff benefits slightly decreased by HK\$2.0 million to HK\$115.2 million (1H 2019: HK\$117.2 million).

As part of its compensation policy, the Group distributes 20% to 23% of its annual net profit pool as a management bonus to employees. The management bonus for the first half of 2020 totaled HK\$36.1 million (1H 2019: HK\$51.6 million). The profit pool is calculated by deducting certain adjustments from net profit before the management bonus and taxation. This discretionary bonus is maintained to promote staff loyalty and performance while aligning employee and shareholder interests.

The staff of Value Partners is entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the period amounted to HK\$2.7 million (1H 2019: HK\$1.6 million).

During the period, the Group recorded expenses of HK\$8.3 million (1H 2019: HK\$17.5 million), which were related to stock options granted to employees. This expense item had no impact on cash flows and was recognized in accordance with Hong Kong Financial Reporting Standards.

### Other expenses

Other non-staff operating costs – such as rent, legal and professional fees, investment research fees, and other administrative and office expenses – amounted to HK\$56.7 million for the period (1H 2019: HK\$52.6 million), while sales and marketing expenses decreased to HK\$3.9 million (1H 2019: HK\$7.0 million).

### Dividends

The Group has been adopting a consistent dividend distribution policy that takes into account the relatively volatile nature of asset management income streams. This policy states that dividends (if any) will be declared annually at the end of each financial year to better align dividend payments with the Group's full-year performance. Dividend per share is declared based on the Group's realized profit, which excludes unrealized gains and losses recognized.

### Liquidity and financial resources

Fee income is the Group's main source of income, while other income sources include interest income generated from bank deposits and dividend income from investments held. At the end of the first half of 2020, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$1,810.4 million. Net cash inflows from operating activities amounted to HK\$15.3 million, while the Group had no corporate bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio, measured by interest bearing external borrowings (excluding borrowings by investment funds where the Group has a controlling interest) divided by shareholders' equity, was zero, while its current ratio (current assets divided by current liabilities) was 8.4 times.

### Capital structure

As at 30 June 2020, the Group's shareholders' equity and total number of shares issued were HK\$4,103.8 million and 1.86 billion, respectively.

1. Overall fund performance is calculated by taking an asset-weighted average of returns of the most representative share class of all funds managed by Value Partners.
2. Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P Acc USD) over the past five years: 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019: +9.4%; 2020 (Year to date as at 30 June): -6.8%.
3. SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
4. Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019: +32.4%; 2020 (Year to date as at 30 June): +0.2%.
5. Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1) over the past five years: 2015: -3.7%; 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019: +14.9%; 2020 (Year to date as at 30 June): -11.9%.

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. Past performance is not indicative of future performance.



## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF VALUE PARTNERS GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

### **Introduction**

We have reviewed the interim financial information set out on pages 16 to 39, which comprises the interim condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

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

### **Conclusion**

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 13 August 2020

# Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
<b>Income</b>			
Fee income	6	579,819	815,059
Distribution fee expenses		(272,102)	(444,352)
<b>Net fee income</b>		<b>307,717</b>	<b>370,707</b>
Other income	7	46,872	49,834
<b>Total net income</b>		<b>354,589</b>	<b>420,541</b>
<b>Expenses</b>			
Share-based compensation	22	(8,275)	(17,543)
Other compensation and benefit expenses	8	(153,978)	(170,369)
Operating lease rentals		(4,491)	(4,616)
Depreciation of right-of-use assets – properties		(14,900)	(14,742)
Other expenses		(58,278)	(51,278)
<b>Total expenses</b>		<b>(239,922)</b>	<b>(258,548)</b>
<b>Operating profit (before other gains)</b>		<b>114,667</b>	<b>161,993</b>
Net gains on investments		29,846	101,536
Fair value gain on an investment property	13, 19	–	6,299
Others		(6,826)	(407)
<b>Other gains – net</b>	9	<b>23,020</b>	<b>107,428</b>
<b>Operating profit (after other gains)</b>		<b>137,687</b>	<b>269,421</b>
Finance costs		(1,883)	(3,084)
Share of gain on joint ventures	15, 19	10,143	11,382
<b>Profit before tax</b>		<b>145,947</b>	<b>277,719</b>
Tax expense	10	(20,414)	(26,812)
<b>Profit for the period attributable to owners of the Company</b>		<b>125,533</b>	<b>250,907</b>

## Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
<b>Other comprehensive loss for the period</b>		
<i>– Items that may be subsequently reclassified to profit or loss</i>		
Fair value gains on financial assets at fair value through other comprehensive income	–	295
Foreign exchange translation	(11,350)	(2,596)
<b>Other comprehensive loss for the period</b>	<b>(11,350)</b>	<b>(2,301)</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>114,183</b>	<b>248,606</b>
<b>Earnings per share attributable to owners of the Company (HK cents per share)</b>		
<b>Basic earnings per share</b>	<b>6.8</b>	<b>13.5</b>
<b>Diluted earnings per share</b>	<b>6.8</b>	<b>13.5</b>

The notes on pages 21 to 39 are an integral part of this condensed consolidated interim financial information.

# Condensed consolidated balance sheet

As at 30 June 2020

	Note	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited
<b>Non-current assets</b>			
Property, plant and equipment	12	186,642	195,025
Right-of-use assets – properties		25,439	40,466
Investment property	13, 19	163,871	168,526
Intangible assets	14	17,200	15,409
Investments in joint ventures	15, 19	308,288	318,504
Deferred tax assets		271	–
Investments	17, 19	1,679,383	1,297,836
Other assets		2,886	11,634
		<b>2,383,980</b>	<b>2,047,400</b>
<b>Current assets</b>			
Investments	17	77,236	42,291
Investment held-for-sale	18	–	395,549
Fees receivable	20	113,828	179,434
Prepayments and other receivables		51,254	47,293
Cash and cash equivalents	21	1,810,399	2,200,778
		<b>2,052,717</b>	<b>2,865,345</b>
<b>Current liabilities</b>			
Investment held-for-sale	18	–	222
Accrued bonus		57,164	151,218
Distribution fee expenses payable	23	110,296	157,033
Other payables and accrued expenses		37,233	42,909
Lease liabilities		26,904	28,056
Current tax liabilities		13,802	40,640
		<b>245,399</b>	<b>420,078</b>
<b>Net current assets</b>		<b>1,807,318</b>	<b>2,445,267</b>
<b>Non-current liabilities</b>			
Accrued bonus		8,261	9,937
Borrowing	19	78,281	80,538
Lease liabilities		972	12,335
Deferred tax liabilities		–	413
		<b>87,514</b>	<b>103,223</b>
<b>Net assets</b>		<b>4,103,784</b>	<b>4,389,444</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Issued equity	22	1,407,105	1,407,105
Other reserves		239,044	242,439
Retained earnings		2,457,635	2,739,900
<b>Total equity</b>		<b>4,103,784</b>	<b>4,389,444</b>

The notes on pages 21 to 39 are an integral part of this condensed consolidated interim financial information.

# Condensed consolidated statement of changes in equity

For the six months ended 30 June 2020

	Note	Attributable to owners of the Company			Total equity HK\$'000
		Issued equity HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
<b>Unaudited</b>					
<b>As at 1 January 2019</b>		1,410,107	231,912	2,336,442	3,978,461
Profit for the period		–	–	250,907	250,907
<b>Other comprehensive income/(loss)</b>					
Fair value losses on financial assets at fair value through other comprehensive income		–	295	–	295
Foreign exchange translation		–	(2,596)	–	(2,596)
<b>Total comprehensive income/(loss)</b>		–	(2,301)	250,907	248,606
<b>Transactions with owners</b>					
Share-based compensation	22	–	17,543	–	17,543
Transfer of share-based compensation reserve upon exercise or forfeiture of share options		–	(305)	305	–
Dividends to owners of the Company	11	–	–	(111,349)	(111,349)
<b>Total transactions with owners</b>		–	17,238	(111,044)	(93,806)
<b>As at 30 June 2019</b>		1,410,107	246,849	2,476,305	4,133,261
<b>Unaudited</b>					
<b>As at 1 January 2020</b>		1,407,105	242,439	2,739,900	4,389,444
Profit for the period		–	–	125,533	125,533
<b>Other comprehensive income</b>					
Foreign exchange translation		–	(11,350)	–	(11,350)
<b>Total comprehensive income/(loss)</b>		–	(11,350)	125,533	114,183
<b>Transactions with owners</b>					
Share-based compensation	22	–	8,275	–	8,275
Transfer of share-based compensation reserve upon exercise or forfeiture of share options		–	(320)	320	–
Dividends to owners of the Company	11	–	–	(408,118)	(408,118)
<b>Total transactions with owners</b>		–	7,955	(407,798)	(399,843)
<b>As at 30 June 2020</b>		1,407,105	239,044	2,457,635	4,103,784

The notes on pages 21 to 39 are an integral part of this condensed consolidated interim financial information.

## Condensed consolidated statement of cash flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
<b>Cash flows from operating activities</b>		
Net cash generated from operations	35,874	122,826
Interest received	27,348	35,064
Tax paid	(47,936)	(14,361)
<b>Net cash generated from operating activities</b>	<b>15,286</b>	<b>143,529</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(7,110)	(3,878)
Disposal of property, plant and equipment	299	–
Purchase of investments	(650,820)	(265,741)
Disposal of investments	659,935	721,287
Dividends received from investments	6,046	5,897
Return of shareholder's loans	20,359	11,789
<b>Net cash generated from investing activities</b>	<b>28,709</b>	<b>469,354</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(408,118)	(111,349)
Principal elements of lease payments	(13,379)	(16,328)
Interest expense on borrowing	(1,088)	(1,636)
<b>Net cash used in financing activities</b>	<b>(422,585)</b>	<b>(129,313)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(378,590)</b>	<b>483,570</b>
Net foreign exchange (losses)/gains on cash and cash equivalents	(11,789)	4,059
Cash and cash equivalents at beginning of the period	2,200,778	1,629,166
<b>Cash and cash equivalents at end of the period</b>	<b>1,810,399</b>	<b>2,116,795</b>

The notes on pages 21 to 39 are an integral part of this condensed consolidated interim financial information.

# Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

## 1 General information

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

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

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 13 August 2020.

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

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

## 3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### Investments and other financial assets

The Group has purchased certain debt instruments during the period and the relevant accounting policy is as follows.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

### 3 Accounting policies (continued)

#### Investments and other financial assets (continued)

##### Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

### 4 Fair value estimation

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

	Level 1		Level 2		Level 3		Total	
	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited
Investments (Note 17)								
Listed securities	237,808	231,431	-	-	-	-	237,808	231,431
Unlisted securities								
Loan note – Australia	-	-	-	-	437,383	439,777	437,383	439,777
Equity securities	-	-	1,195	1,425	-	-	1,195	1,425
Investment funds	-	-	726,713	463,034	206,114	204,460	932,827	667,494
Investment held-for-sale (Note 18)	-	-	-	395,327	-	-	-	395,327
Sub-total	237,808	231,431	727,908	859,786	643,497	644,237	1,609,213	1,735,454

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

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

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

Specific valuation techniques used to value financial instruments include:

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



#### 4 Fair value estimation (continued)

The following table presents the movement in level 3 instruments.

	Period ended 30 June 2020				Year ended 31 December 2019			
	Listed securities HK\$'000 Unaudited	Unlisted securities – investment funds HK\$'000 Unaudited	Unlisted securities – loan note HK\$'000 Unaudited	Total HK\$'000 Unaudited	Listed securities HK\$'000 Audited	Unlisted securities – investment funds HK\$'000 Audited	Unlisted securities – loan note HK\$'000 Audited	Total HK\$'000 Audited
<b>As at 1 January</b>	-	204,460	439,777	644,237	178	6,968	390,856	398,002
Additions	-	1,164	-	1,164	-	196,250	-	196,250
Gains/(losses) recognized in profit or loss	-	490	(2,394)	(1,904)	(178)	1,242	48,921	49,985
<b>As at 30 June 2020/31 December 2019</b>	-	206,114	437,383	643,497	-	204,460	439,777	644,237
Total gains/(losses) for the period/year included in the condensed consolidated statement of comprehensive income for level 3 instruments held at the end of the period/year	-	490	(2,394)	(1,904)	(178)	1,242	48,921	49,985
Change in unrealized gains or losses for level 3 instruments held at period/year end and included in profit or loss	-	490	(2,394)	(1,904)	(178)	1,242	48,921	49,985

As at 30 June 2020 and 31 December 2019, the level 3 instruments include a suspended listed security, investment funds, and a loan note with a related call option (Note 19).

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

As at 30 June 2020 and 31 December 2019, the suspended listed security was marked to zero as a result of illiquidity adjustment.

As at 30 June 2020 and 31 December 2019, the investment funds were stated with reference to the net asset value provided by the respective administrator of the investment funds.

During the period ended 30 June 2020, addition of level 3 investment funds amounting HK\$1,164,000 represents a capital contribution of an existing private equity fund. During the year ended 31 December 2019, the addition amounting HK\$196,250,000 represents a private investment fund which primarily invests in private debt equities.

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

As at 30 June 2020 and 31 December 2019, the loan note with a related call option was valued using discounted cash flow analysis with expected market yield of 5.25% (the discount rate) (2019: 5.5%) as the unobservable input.

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

### 4 Fair value estimation (continued)

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

There were no transfers between levels of the fair value measurement hierarchy for the period ended 30 June 2020 (2019: Nil).

As at 30 June 2020, the fair value of investments measured at amortized cost in the condensed interim financial information is HK\$161,070,000 (2019: Nil).

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

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

### 5 Segment information

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

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

The Group has one reportable segment – asset management business as at 30 June 2020 and 31 December 2019. The asset management business derives revenues from the provision of investment management services to investment funds and managed accounts.

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

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

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

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

## 6 Revenue

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

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
Management fees	519,618	679,537
Performance fees	15,568	3,368
Front-end fees	44,633	132,154
<b>Total fee income</b>	<b>579,819</b>	<b>815,059</b>

## 7 Other income

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
Interest income from cash and cash equivalents	12,943	17,213
Interest income from financial assets at fair value through profit or loss	12,394	10,414
Interest income from financial assets at amortized cost	4,623	–
Interest income from financial assets at fair value through other comprehensive income	–	4,559
Dividend income from financial assets at fair value through profit or loss	7,211	7,751
Rental income mainly from an investment property	5,822	6,006
Others	3,879	3,891
<b>Total other income</b>	<b>46,872</b>	<b>49,834</b>

## 8 Other compensation and benefit expenses

The government wage subsidies of HK\$1,631,000 (2019: Nil) are included in the “other compensation and benefit expenses” line item. There are no unfulfilled conditions or other contingencies attaching to these subsidies.

## 9 Other gains – net

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
Net gains on investments		
Net gains on financial assets at fair value through profit or loss	29,846	101,536
Net fair value gain on an investment property	–	6,299
Others		
Net foreign exchange losses	(6,875)	(907)
Gains on disposal of property, plant and equipment	49	500
<b>Total other gains – net</b>	<b>23,020</b>	<b>107,428</b>

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

### 10 Tax expense

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

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2020 at the rate of approximately 16.5% (2019: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
<b>Current tax</b>		
Hong Kong profits tax	12,830	22,372
Overseas tax	5,689	5,480
Adjustments in respect of prior years	2,579	(529)
<b>Total current tax</b>	<b>21,098</b>	<b>27,323</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(684)	(511)
<b>Total tax expense</b>	<b>20,414</b>	<b>26,812</b>

### 11 Dividends

Final dividend of HK\$408,118,000 declared by the Company is related to the year ended 31 December 2019 and was paid on 21 May 2020. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2020 (2019: Nil).

### 12 Property, plant and equipment

	30 June	31 December
	2020 HK\$'000 Unaudited	2019 HK\$'000 Audited
<b>Opening net book amount</b>	<b>195,025</b>	<b>26,543</b>
Adjustment for change in accounting policy	–	(2,375)
Opening net book amount (adjusted)	195,025	24,168
Additions	3,537	191,825
Disposals	(528)	(16,768)
Depreciation	(8,556)	(13,085)
Write back of depreciation on disposals	279	16,768
Exchange differences	(3,115)	(7,883)
<b>Closing net book amount</b>	<b>186,642</b>	<b>195,025</b>

### 13 Investment property

	<b>30 June 2020</b>	31 December 2019
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Audited
<b>Beginning of the period/year</b>	<b>168,526</b>	167,663
Fair value gain	–	5,072
Foreign exchange translation	<b>(4,655)</b>	(4,209)
<b>End of the period/year</b>	<b>163,871</b>	168,526

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 2020 and 31 December 2019.

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

The Group's investment property is related to the investment in Value Partners Asia Pacific Real Estate Limited Partnership (the "Real Estate Partnership"). Refer to Note 19 for further information.

### 14 Intangible assets

	<b>30 June 2020</b>	31 December 2019
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Audited
<b>Opening net book amount</b>	<b>15,409</b>	16,146
Additions	<b>3,573</b>	3,650
Amortization	<b>(1,781)</b>	(4,387)
Exchange differences	<b>(1)</b>	–
<b>Closing net book amount</b>	<b>17,200</b>	15,409

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

### 15 Investments in joint ventures

As at 30 June 2020 and 31 December 2019, “Investments in joint ventures” represents the Group’s 50% equity interest in Value Investing Group Company Limited (“Value Investing”), Clear Miles Hong Kong Limited (“Clear Miles HK”) and VP-ZACD Holdings Pte. Ltd.. Value Investing has trust beneficiary interests in three logistics centers in Japan, and Clear Miles HK holds an Australian industrial property through its subsidiary.

	<b>30 June 2020 HK\$’000 Unaudited</b>	31 December 2019 HK\$’000 Audited
<b>Beginning of the period/year</b>	<b>318,504</b>	302,483
Share of gain of joint ventures	<b>10,143</b>	32,649
Return of shareholder’s loans	<b>(20,359)</b>	(16,628)
<b>End of the period/year</b>	<b>308,288</b>	318,504

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

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

<b>Name</b>	<b>Place of incorporation</b>	<b>Principal activities</b>	<b>Interest held</b>	
			<b>30 June 2020 Unaudited</b>	31 December 2019 Audited
Value Investing Group Company Limited	Hong Kong	Investment holding	<b>50%</b>	50%
Clear Miles Hong Kong Limited	Hong Kong	Investment holding	<b>50%</b>	50%
VP-ZACD Holdings Pte. Ltd.	Singapore	Investment holding	<b>50%</b>	–

The Group’s investments in joint ventures is mainly related to the investment in the Real Estate Partnership. Refer to Note 19 for further information.

## 16 Investments in associates

### Investments in associates measured at fair value

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

	Place of incorporation	Interest held	
		30 June 2020 Unaudited	31 December 2019 Audited
惠理中國豐秦1號私募投資基金 <sup>(b)</sup>	China	–	22%
惠理華教(深圳)股權投資合夥企業(有限合夥) <sup>(c)</sup>	China	42%	–
惠理中國安欣價值滬港深1期私募投資基金 <sup>(c)</sup>	China	49%	–
Value Partners Asia Principal Credit Fund Limited Partnership	Cayman Islands	29%	29%
Hanwha Value Partners Asia High Dividend Equity Feeder Fund	South Korea	30%	31%
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund <sup>(a)</sup>	Ireland	32%	99%
Value Partners Ireland Fund ICAV – Value Partners Health Care Fund	Ireland	33%	21%
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	China	49%	49%

	Net asset value		Profit/(loss) for the period/year and total comprehensive income	
	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited
惠理中國豐秦1號私募投資基金 <sup>(b)</sup>	–	16,006	–	3,828
惠理華教(深圳)股權投資合夥企業(有限合夥) <sup>(c)</sup>	19,894	–	(89)	–
惠理中國安欣價值滬港深1期私募投資基金 <sup>(c)</sup>	2,287	–	96	–
Value Partners Asia Principal Credit Fund Limited Partnership	682,412	672,392	27,630	23,485
Hanwha Value Partners Asia High Dividend Equity Feeder Fund	117,423	132,917	9,624	938
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund <sup>(a)</sup>	970,560	398,759	12,252	5,754
Value Partners Ireland Fund ICAV – Value Partners Health Care Fund	321,910	248,408	51,822	48,071
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	5,520	5,662	(46)	(38)

(a) During the period ended 30 June 2020, further investors invested into Value Partners Ireland Fund ICAV-Value Partners Greater China High Yield Bond Fund. Hence, it was reclassified from “investment held for sale” to “investment in associates”.

(b) As at 30 June 2020, 惠理中國豐秦1號私募投資基金 was derecognized from “investment in associates”.

(c) 惠理華教(深圳)股權投資合夥企業(有限合夥) and 惠理中國安欣價值滬港深1期私募投資基金 were recognized as “investment in associates”.

The fair value of the Group’s interest in such investment funds are summarized in Note 25.3.

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

### 17 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Financial assets at amortized cost		Total	
	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited
<b>Listed securities (by place of listing)</b>						
Equity securities – Long – Hong Kong	14,919	38,441	–	–	14,919	38,441
Equity securities – Long – United States	374	307	–	–	374	307
Investment funds – Hong Kong	222,515	192,683	–	–	222,515	192,683
<b>Market value of listed securities</b>	<b>237,808</b>	<b>231,431</b>	<b>–</b>	<b>–</b>	<b>237,808</b>	<b>231,431</b>
<b>Quoted debt securities</b>						
Debt securities – China	–	–	147,406	–	147,406	–
<b>Amortized cost of quoted debt securities</b>	<b>–</b>	<b>–</b>	<b>147,406</b>	<b>–</b>	<b>147,406</b>	<b>–</b>
<b>Unlisted securities (by place of incorporation/establishment)</b>						
Equity securities – Singapore	1,195	1,425	–	–	1,195	1,425
Investment funds – Australia	–	21,330	–	–	–	21,330
Investment funds – Cayman Islands	218,847	208,528	–	–	218,847	208,528
Investment funds – China	86,648	91,061	–	–	86,648	91,061
Investment funds – Hong Kong	141,083	125,585	–	–	141,083	125,585
Investment funds – Ireland	419,461	143,147	–	–	419,461	143,147
Investment funds – South Korea	35,013	41,115	–	–	35,013	41,115
Investment funds – United States	31,775	36,728	–	–	31,775	36,728
Loan note – Australia	437,383	439,777	–	–	437,383	439,777
<b>Fair value of unlisted securities</b>	<b>1,371,405</b>	<b>1,108,696</b>	<b>–</b>	<b>–</b>	<b>1,371,405</b>	<b>1,108,696</b>
Representing:						
Non-current	1,587,170	1,297,836	92,213	–	1,679,383	1,297,836
Current	22,043	42,291	55,193	–	77,236	42,291
<b>Total investments</b>	<b>1,609,213</b>	<b>1,340,127</b>	<b>147,406</b>	<b>–</b>	<b>1,756,619</b>	<b>1,340,127</b>

### Interests in structured entities

The Group provided seed capital to set up a number of investment funds, of which the Group acts as the investment manager or investment advisor. As at 30 June 2020 and 31 December 2019, except for the consolidated investment fund disclosed in Note 19, the Group determined that all of the other investment funds are unconsolidated structured entities. Refer to Note 25.3 for further details.

The maximum exposure to loss for all interests in unconsolidated structured entities is the carrying value of the investments in investment funds (refer to Note 25.3) and fees receivable as shown in the condensed consolidated balance sheet. The size of the investment funds ranges from US\$0.3 million to US\$4.1 billion (31 December 2019: US\$3.7 million to US\$6.1 billion). During the period, other than seed capital, the Group did not provide other financial support to unconsolidated structured entities and had no intention of providing other support.



## 18 Investment held-for-sale

The Group classified its interests in an investment fund as held-for-sale as the Group intends to market the 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 31 December 2019, the major assets of the relevant investment fund were quoted debt securities and the total fair value of the investment held-for-sale was HK\$395,327,000.

	Place of incorporation	Effective interest held by the Company			
		30 June 2020 Unaudited		31 December 2019 Audited	
		Directly	Indirectly	Directly	Indirectly
As at 31 December 2019					
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund <sup>(a)</sup>	Ireland	–	32%	–	99%

- (a) During the period ended 30 June 2020, further investors invested into Value Partners Ireland Fund ICAV-Value Partners Greater China High Yield Bond Fund. Hence, it was reclassified from “investment held for sale” to “investment in associates”.

## 19 Investments in Value Partners Asia Pacific Real Estate Limited Partnership

In 2017, the Group set up the Real Estate Partnership to engage in real estate private equity business. The Group committed US\$100 million (equivalent to HK\$782 million) capital to the Real Estate Partnership, and the undrawn commitment amounted to US\$7 million (equivalent to HK\$54.3 million) as at 30 June 2020 (31 December 2019: US\$7 million (equivalent to HK\$54.7 million)). The Real Estate Partnership focuses on the acquisition of stabilized income assets in the Asia Pacific.

The Group has recognized investment gains and other income for the real estate private equity business. As at 30 June 2020 and 31 December 2019, the majority of the gains and incomes are unrealized.

As at 30 June 2020 and 31 December 2019, the Group held controlling interest in the Real Estate Partnership and all assets and liabilities of this fund was consolidated within the Group’s condensed consolidated balance sheet.

	Place of incorporation	Effective interest held			
		30 June 2020 Unaudited		31 December 2019 Audited	
		Directly	Indirectly	Directly	Indirectly
Value Partners Asia Pacific Real Estate Limited Partnership	Cayman Islands	–	100%	–	100%

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

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

As at 30 June 2020 and 31 December 2019, the assets and liabilities held by the Real Estate Partnership consolidated within the Group's condensed consolidated balance sheet are as follows:

Underlying investments		Note	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited
<b>Non-current assets:</b>				
Investments in joint ventures	– Three Japanese logistic centers – One Australian industrial facility	(i)	<b>308,288</b>	318,504
Investment property	– One New Zealand student accommodation building	(ii)	<b>163,871</b>	168,526
Investments – Loan note	– One Australian office building	(iii)	<b>437,383</b>	439,777
<b>Non-current liability:</b>				
Borrowing		(iv)	<b>(78,281)</b>	(80,538)
Other net assets (current)		(v)	<b>78,096</b>	50,284
<b>Total</b>			<b>909,357</b>	896,553

- (i) The Real Estate Partnership held 50% equity interest in Value Investing and 50% equity interest in Clear Miles HK which held three logistic centers located in Japan and an industrial facility located in Australia, respectively. These interests are presented as “Investments in joint ventures” on the condensed consolidated balance sheet. Refer to Note 15 for further details.
- (ii) The Real Estate Partnership held a student accommodation located in New Zealand. Refer to Note 13 for further details.
- (iii) The Real Estate Partnership held a loan note with a related call option issued by the AM 9 Hunter Street Finance Unit Trust (the “Finance Trust”). The proceeds from the loan note were used solely by the Finance Trust to invest in the units of another trust which holds a property in Australia. The related call option is exercisable (1) in the event of default by the Finance Trust; or (2) execution of any contract to sell, dispose, or transfer the Australian property or the property of the Finance Trust. The exercise of the related call option enables the Group to own interest (in the form of ordinary units) in the Finance Trust. The loan note is presented as “Investments” on the condensed consolidated balance sheet. Refer to Notes 4 and 17 for further details.
- (iv) The Real Estate Partnership's borrowing of NZD15,675,000 (equivalent to HK\$78,281,000) (31 December 2019: NZD15,675,000 (equivalent to HK\$80,538,000)) is secured by the student accommodation building located in New Zealand. The repayment date is 16 October 2021 and the effective interest rate is the sum of the lending bank's bill rate for that interest period plus a margin of 2.15% per annum.
- (v) Other net assets comprise of cash and cash equivalents, prepayments and other receivables, and other payables and accrued expenses.

## 20 Fees receivable

The carrying amounts of fees receivable approximate their respective fair values due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security as at 30 June 2020 (31 December 2019: Nil).

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

	<b>30 June 2020 HK\$'000 Unaudited</b>	31 December 2019 HK\$'000 Audited
<b>Fees receivable that were past due but not impaired</b>		
1 – 30 days	1,467	744
31 – 60 days	–	622
61 – 90 days	–	455
Over 90 days	112	800
	<b>1,579</b>	2,621
Fees receivable that were within credit period	<b>112,249</b>	176,813
<b>Total fees receivable</b>	<b>113,828</b>	179,434

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

There was no impairment provision on fees receivable as at 30 June 2020 (31 December 2019: Nil).

## 21 Cash and cash equivalents

	<b>30 June 2020 HK\$'000 Unaudited</b>	31 December 2019 HK\$'000 Audited
Cash at banks and in hand	405,499	129,147
Short-term bank deposits	1,402,884	2,039,240
Deposits with brokers	2,016	32,391
<b>Total cash and cash equivalents</b>	<b>1,810,399</b>	2,200,778

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

### 22 Issued equity

	Number of shares	Issued equity HK\$'000
<b>Unaudited</b>		
<b>As at 1 January 2020 and 30 June 2020</b>	<b>1,855,082,831</b>	<b>1,407,105</b>
<b>Audited</b>		
<b>As at 1 January 2019</b>	1,855,814,831	1,410,107
<b>Share buy back</b>	(732,000)	(3,002)
<b>As at 31 December 2019</b>	1,855,082,831	1,407,105

### Share options

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share options will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. No options (during the year ended 31 December 2019: Nil) were granted under the share option scheme during the six months ended 30 June 2020.

The total expense recognized in the condensed consolidated statement of comprehensive income for share options granted to directors and employees during the six months ended 30 Jun 2020 was HK\$8,275,000 (six months ended 30 June 2019: HK\$17,543,000) which has no impact to the Group's cash flows.

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

	Average exercise price (HK\$ per share)	Number of options ( '000)
<b>Unaudited</b>		
<b>As at 1 January 2019</b>	12.37	141,120
Exercised	13.60	(790)
Exercised	14.09	(260)
<b>As at 30 June 2019</b>	12.36	140,070
<b>Unaudited</b>		
<b>As at 1 January 2020</b>	<b>12.34</b>	<b>137,820</b>
Forfeited	<b>14.09</b>	<b>(100)</b>
<b>As at 30 June 2020</b>	<b>12.33</b>	<b>137,720</b>

## 22 Issued equity (continued)

### Share options (continued)

Out of the 137,720,000 (31 December 2019: 137,820,000) outstanding share options, 128,553,333 (31 December 2019: 112,190,367) options were exercisable as at 30 June 2020 with weighted average exercise price of HK\$12.80 (2019: HK\$13.33). No options (during the year ended 31 December 2019: Nil) were exercised during the six months ended 30 June 2020.

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

Expiry date	Exercise price (HK\$ per share)	Number of options ('000)	
		30 June 2020 Unaudited	30 June 2019 Unaudited
11 November 2021	13.60	22,110	24,020
16 December 2021	14.09	87,610	88,050
30 May 2022	3.94	500	500
14 April 2025	5.87	27,500	27,500

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

## 23 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 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited
0 – 30 days	98,730	148,181
31 – 60 days	1,999	654
61 – 90 days	795	817
Over 90 days	8,772	7,381
<b>Total distribution fee expenses payable</b>	<b>110,296</b>	<b>157,033</b>

## Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

### 24 Commitments

#### 24.1 Operating lease commitments

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The lease terms are within one year. The majority of the lease agreements are renewable at the end of the lease period at market rate. As at 30 June 2020, the future aggregate minimum lease payments only include non-cancellable short-term leases.

	<b>30 June 2020 HK\$'000 Unaudited</b>	31 December 2019 HK\$'000 Audited
Not later than one year	<b>1,078</b>	803
Later than one year and not later than five years	–	–
<b>Total operating lease commitments</b>	<b>1,078</b>	803

#### 24.2 Capital commitments

As at 30 June 2020, the Group has unfunded capital commitments in a private equity fund amounted to US\$51.4 million (equivalent to HK\$398.1 million) (31 December 2019: US\$53.1 million (equivalent to HK\$413.5 million)). As at 30 June 2020, the capital commitment contracted to purchase licensed software and hardware but not yet incurred amounted to HK\$58,800 (31 December 2019: HK\$459,000).

## 25 Related-party transactions

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

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

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

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
Consultancy fee to a close family member of key management personnel	145	145

### 25.2 Key management compensation

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

	Six months ended 30 June	
	2020 HK\$'000 Unaudited	2019 HK\$'000 Unaudited
Management bonus, salaries and other short-term employee benefits	9,510	9,152
Share-based compensation	4,855	10,099
Pension costs	27	32
<b>Total key management compensation</b>	<b>14,392</b>	<b>19,283</b>

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

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

# Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2020

## 25 Related-party transactions (continued)

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

	Fair Value	
	30 June 2020 HK\$'000 Unaudited	31 December 2019 HK\$'000 Audited
<b>Consolidated structured entity</b>		
Value Partners Asia Pacific Real Estate Limited Partnership (Note 19)	909,357	896,553
<b>Structured entity held-for-sale</b>		
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund <sup>(e)</sup> (Notes 16 & 18)	–	395,327
<b>Unconsolidated structured entities</b>		
Hanwha Value Partners Asia High Dividend Equity Feeder Fund (Note 16)	35,013	41,115
Premium Asia Income Fund	–	21,330
Value China ETF	4,510	5,382
Value Gold ETF	218,006	187,301
Value Partners Asia Fund, LLC	340	369
Value Partners Classic Fund <sup>(a)</sup>	321	324
Value Partners Fixed Income SPC	–	–
– Value Partners Credit Opportunities Fund SP <sup>(b)</sup>	–	4,065
Value Partners Fund Series – Value Partners Asian Total Return Bond Fund <sup>(c)</sup>	14,460	–
Value Partners Fund Series – Value Partners China A-Share Select Fund <sup>(d)</sup>	96	92
Value Partners Fund Series – Value Partners Asian Innovation Opportunities Fund <sup>(e)</sup>	75,913	71,134
Value Partners Greater China High Yield Income Fund <sup>(f)</sup>	1	1
Value Partners Hedge Fund Limited <sup>(f)</sup>	2	2
Value Partners High-Dividend Stocks Fund <sup>(g)</sup>	289	338
Value Partners Ireland Fund ICAV – Value Partners Global Emerging Market Bond Fund <sup>(e)</sup>	–	90,331
Value Partners Ireland Fund ICAV – Value Partners Health Care Fund (Note 16)	107,706	52,816
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund <sup>(e)</sup> (Notes 16 & 18)	306,694	–
Value Partners Multi-Asset Fund <sup>(d)</sup>	39,439	43,110
Value Partners Venture Capital Investment (Shen Zhen) Limited Partnership (Note 16)	2,848	2,863
Value Partners Asia Principal Credit Fund Limited Partnership (Note 16)	200,710	197,762
金海九號證券投資集合資金信託計劃	65,404	64,145
興業信託•興易惠理1號	–	1,265
惠理中國新時代優選1號私募投資基金	6,229	12,007
惠理中國中壁1號私募投資基金	1,429	1,431
外貿信託 – 惠理滬港深6號	1,105	1,213
交銀國信•匯利202號集合資金信託計劃	1,105	1,159
惠理中國豐泰1號私募投資基金 (Note 16)	2,246	3,468
惠理中國鴻信1號私募證券投資基金	2,486	2,344
惠理中國豐泰2號私募證券投資基金	1,247	1,122
惠理中國中睿滬港深1號私募證券投資基金	1,160	–
惠理中國安欣價值滬港深1期私募證券投資基金 (Note 16)	1,138	–
惠理華教(深圳)股權投資合夥企業(有限合夥) (Note 16)	8,338	–
<b>Total investments in investment funds which are managed/advised by the Group</b>	<b>2,007,592</b>	<b>2,098,369</b>

- (a) The units held were “C” units.  
 (b) The units held were Class A Acc.  
 (c) The units held was Class A MDIs and Class A Acc.  
 (d) The units held were Class A units.  
 (e) The units held were Class A Acc and Class X Acc units.  
 (f) The shares held were management shares.  
 (g) The units held were Class A2 MDIs units.



## **25 Related-party transactions (continued)**

### **25.4 Investments in an investment fund managed by a related company**

As at 30 June 2020, the Group had investments in Malabar India Fund, LP amounting to HK\$31,414,000 (31 December 2019: HK\$36,339,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.6% (31 December 2019: 6.6%).

## **26 Cyclical**

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

## Other information

### Directors' interests in shares, underlying shares and debentures

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of Shares	Approximate percentage of issued Shares (For number of Shares only)	Number of underlying Shares in which the Directors hold under the share option scheme <sup>(3)</sup>	Approximate percentage of issued Shares
					(For the aggregate number of Shares held/interested and the underlying Shares under the share option schemes)
Dato' Seri CHEAH Cheng Hye	Founder of trust/beneficial <sup>(1)</sup>	403,730,484	21.76%	–	21.76%
	Beneficial	60,733,516	3.27%	56,620,000	6.32%
Mr. SO Chun Ki Louis	Beneficial	15,765,723	0.84%	33,390,000	2.64%
Ms. HUNG Yeuk Yan Renee	Founder of trust <sup>(2)</sup>	16,870,583	0.90%	–	0.90%
	Beneficial	1,200,000	0.06%	10,170,000	0.61%
Mr. Ho Man Kei, Norman	Beneficial	10,621,132	0.57%	10,190,000	1.12%
Dr. CHEN Shih-Ta Michael	Beneficial	–	–	500,000	0.02%
Mr. Nobuo OYAMA	Beneficial	500,000	0.02%	300,000	0.04%

Notes:

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

**(b) Interest in associated corporation**

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of issued shares of the relevant associated corporation
Dato' Seri CHEAH Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	74,000 non-voting shares	0.49% of the total issued non-voting shares
Ms. HUNG Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. HO Man Kei, Norman	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares

**(c) Share options**

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) and expired on 24 October 2017 (the "2007 Share Option Scheme"). All outstanding options granted under the 2007 Share Option Scheme will continue to be valid and exercisable in accordance with the principal terms of the 2007 Share Option Scheme. The Company adopted a new share option scheme at the annual general meeting held on 4 May 2017 (the "2017 Share Option Scheme"). A summary of the movements of the outstanding share options during the six months ended 30 June 2020 are as follows:

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

## Other information

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

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2020	Number of Share Options			As at 30/06/2020
					Granted	Exercised	Lapsed	
Employees	31/05/2012	31/05/2013-30/05/2022	3.94	100,000	-	-	-	100,000
		31/05/2014-30/05/2022	3.94	100,000	-	-	-	100,000
		31/05/2015-30/05/2022	3.94	100,000	-	-	-	100,000
	12/05/2015	12/05/2018-11/11/2021	13.60	3,859,995	-	-	-	3,859,995
		12/05/2019-11/11/2021	13.60	3,859,995	-	-	-	3,859,995
		12/05/2020-11/11/2021	13.60	3,860,010	-	-	-	3,860,010
	17/06/2015	17/12/2015-16/12/2021	14.092	1,656,660	-	-	(33,333)	1,623,327
		17/12/2016-16/12/2021	14.092	1,656,660	-	-	(33,333)	1,623,327
		17/12/2017-16/12/2021	14.092	1,656,680	-	-	(33,334)	1,623,346
	15/10/2018	15/04/2019-14/04/2025	5.87	3,166,666	-	-	-	3,166,666
15/04/2020-14/04/2025		5.87	3,166,666	-	-	-	3,166,666	
15/04/2021-14/04/2025		5.87	3,166,668	-	-	-	3,166,668	
Other <sup>(4)</sup>	17/06/2015	17/12/2015-13/08/2020	14.092	100,000	-	-	-	100,000
		17/12/2016-13/08/2020	14.092	100,000	-	-	-	100,000
		17/12/2017-13/08/2020	14.092	100,000	-	-	-	100,000
Total				137,820,000	-	-	(100,000)	137,720,000

## Notes:

- (1) The closing prices of the Shares immediately before the share options granted on 31 May 2012, 12 May 2015, 17 June 2015 and 15 October 2018 were HK\$3.90, HK\$13.68, HK\$13.50 and HK\$5.87 respectively.
- (2) No share option was cancelled during the period under review.
- (3) Out of a total of 56,620,000 share options, the grant of 54,800,000 share options to Dato' Seri CHEAH was approved in the extraordinary general meeting of the Company held on 27 July 2015.
- (4) An amount of 300,000 share options were granted to Mr. LEE Siang Chin on 17 June 2015. He resigned as an Independent Non-executive Director with effect from 14 August 2018. The Board, pursuant to the 2007 Share Option Scheme, approved to extend the exercise period of Mr. LEE's share options for two years from the effective date of his resignation.

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

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

## Share option expenses

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

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

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

## Substantial shareholders' interests

As at 30 June 2020, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### Interests or short position in the Shares under the SFO

Name	Nature of interest	Number of Shares held/interested <sup>(1)</sup>	Approximate percentage of issued Shares (For number of Shares held/interested <sup>(1)</sup> only)	Number of underlying Shares under the share option schemes	Approximate percentage of issued Shares (For the aggregate number of Shares held/interested and the underlying Shares under the share option schemes)
Ms. TO Hau Yin <sup>(2)</sup>	Spouse	464,464,000 (L)	25.03%	56,620,000 (L)	28.08%
Mr. YEH V-Nee	Beneficial	298,805,324 (L)	16.10%	–	16.10%
Mrs. YEH Mira <sup>(3)</sup>	Spouse	298,805,324 (L)	16.10%	–	16.10%
Cheah Capital Management Limited <sup>(4)</sup>	Beneficial	403,730,484 (L)	21.76%	–	21.76%
Cheah Company Limited <sup>(4)</sup>	Corporate	403,730,484 (L)	21.76%	–	21.76%
BNP Paribas Jersey Nominee Company Limited <sup>(4)</sup>	Nominee	403,730,484 (L)	21.76%	–	21.76%
BNP Paribas Jersey Trust Corporation Limited <sup>(4)</sup>	Trustee	403,730,484 (L)	21.76%	–	21.76%
Haitong Securities Co., Ltd. <sup>(5)</sup>	Corporate	93,308,000 (L) 13,000 (S)	5.03%	–	5.03%

Notes:

- The letter "L" denotes long position in the Shares and the letter "S" denotes short position in the Shares.
- Ms. TO Hau Yin is the spouse of Dato' Seri CHEAH Cheng Hye.
- Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.
- Cheah Capital Management Limited ("CCML") is wholly-owned by Cheah Company Limited ("CCL") which in turn is wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.
- Haitong Securities Co., Ltd. is deemed to be interested in the 93,308,000 Shares pursuant to the SFO, among which (i) 13,000 Shares are held by Haitong International Financial Solutions Limited; (ii) 1,193,000 Shares are held by Haitong International Securities Company Limited; and (iii) 92,102,000 Shares are held by West Ridge Investment Company Limited. Each of Haitong International Financial Solutions Limited, Haitong International Securities Company Limited and West Ridge Investment Company Limited is an indirect wholly-owned subsidiary of Haitong International Securities Group Limited (a company listed on the Main Board of the Stock Exchange with stock code 665), which is in turn indirectly owned as to 64.40% by Haitong Securities Co., Ltd.

Save as aforesaid and as disclosed in the “Directors’ interests in shares, Underlying shares and debentures” and “Substantial shareholders’ interests” sections of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2020 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

## Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## Foreign exchange

Except for its Renminbi-denominated bank deposits, which has a balance of around HK\$153.7 million as at 30 June 2020 (30 June 2019: HK\$154.1 million), the Group has no significant foreign currency exposure because the majority of receipts and payments as well as assets and liabilities are denominated in the Hong Kong dollar (the Company’s functional and presentation currency) and the United States dollar, which is linked to the Hong Kong dollar.

## Human resources

As at 30 June 2020, the Group employed 173 staff (30 June 2019: 181) in Hong Kong SAR, 35 staff (30 June 2019: 23) in Shanghai, 6 staff (30 June 2019: 7) in Shenzhen, 4 staff (30 June 2019: 5) in Singapore, 2 staff (30 June 2019: 3) in London and 6 staff (30 June 2019: 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 2020.

## 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 2020.

## Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2020 have been reviewed by the Company’s external Auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## Corporate governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

### **Model Code for securities transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2020.

### **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](http://www.hkexnews.hk)) and the Company ([www.valuepartners-group.com](http://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.

### **Disclosure of information of Directors**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors are as follows:

The monthly salary of Dato’ Seri CHEAH Cheng Hye was adjusted from HK\$415,805 to HK\$311,860 for the period from 1 April 2020 to 31 August 2020.

The monthly salary of Mr. SO Chun Ki Louis was adjusted from HK\$426,200 to HK\$340,960 for the period from 1 April 2020 to 31 August 2020.

### **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.