



Value Partners
Investing through discipline

VALUE PARTNERS TAIWAN FUND

2020 ANNUAL REPORT

For the year ended 30 June 2020



Value Partners Hong Kong Limited

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

This report shall not constitute an offer to sell or a solicitation of an offer to buy units in any of the funds.

Subscriptions are to be made only on the basis of the information contained in the explanatory memorandum, as supplemented by the latest semi-annual and annual reports.

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VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

GENERAL INFORMATION

Manager

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

Directors of the Manager

Dato' Seri Cheah Cheng Hye
Mr. So Chun Ki Louis
Mr. Ho Man Kei, Norman

Trustee, Registrar, Administrator and Principal Office

HSBC Trustee (Cayman) Limited

Principle address:

Strathvale House
90 North Church Street
George Town
Grand Cayman
Cayman Islands

Registered address:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Custodian, Registrar's Agent and Administrator's Agent

HSBC Institutional Trust Services (Asia)
Limited
1 Queen's Road Central
Hong Kong

Legal Advisors

With respect to Cayman Islands law
Maples and Calder
P.O. Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

With respect to Taiwan law
Rusin & Vecchi
Bank Tower, 9th Floor
205 Tun Hwa North Road
Taipei, Taiwan, R.O.C.

*With respect to Hong Kong and
International law*

Deacons
5th Floor, Alexandra House
18 Chater Road Central
Hong Kong

Auditor

PricewaterhouseCoopers
P.O. Box 258
18 Forum Lane
Camana Bay
Grand Cayman
KY1-1104
Cayman Islands

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Website : www.valuepartners-group.com

GENERAL INFORMATION (Continued)

Recent awards and achievements

Corporate Awards		
2019	•	Asia Asset Management 2019 Best of the Best Awards China: Best WFOE House – <i>Asia Asset Management</i>
2018	•	I&M Professional Investment Awards 2018 House Performance Awards: Offshore China Equity (10-Year) – <i>Insights and Mandate</i>
	•	Benchmark Fund of the Year Awards 2018, Hong Kong Greater China Equity House: Outstanding Achiever – <i>Benchmark</i>
	•	Benchmark Fund of the Year Awards 2018, Hong Kong Asia ex-Japan Equity House: Best-In-Class – <i>Benchmark</i>
2017	•	Benchmark Fund of the Year Awards 2017, Hong Kong Manager of the Year - Greater China Equity (Outstanding Award) Dato' Seri Cheah Cheng Hye and Mr. Louis So (Value Partners' Co-CIOs) – <i>Benchmark</i>
	•	AsiaHedge Awards 2017 Management Firm of the Year: Value Partners – <i>AsiaHedge</i>

VALUE PARTNERS TAIWAN FUND

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MANAGER'S REPORT

Performance review

The second quarter of 2020 marked a strong rebound for Taiwan equities, with the Taiwan Stock Exchange Index ("TWSE") and the MSCI Taiwan Index increasing by 23.4% and 21.4%¹, respectively. In comparison, the Value Partners Taiwan Fund (the "Fund") increased by 26.5% during the quarter.

On a year to date basis, the Fund fell 0.6% compared to the 0.8% and 1.8%¹ losses of the TWSE Index and MSCI Taiwan Index. Since its inception in March 2008, the Fund gained a cumulative of 147.5% on a net return basis. Over the same period, the TWSE and MSCI Taiwan Index were up 130.1% and 109.6%¹.

Continued macro headwinds – U.S.-China tension and COVID-19

The U.S.-China relations became strained towards the end of May, adding pressure on Taiwan's economic outlook and weighed on the investment sentiment, especially for the Huawei supply chain. The U.S. administration proposed to restrict technology export to certain Chinese companies further. If enacted, a green light from the U.S. will be required before Huawei and its affiliates procure chipsets and other key components from companies that use U.S. equipment or technology in production.

Aside from geopolitical issues, COVID-19 continued to persist around the world. Many countries are battling a new wave of infections after reopening. While we continue to see demand recovering across the board, the emerging risk of second-wave pandemic still drives the market volatility and haunts the global economy, particularly for non-technology supply chains.

Taiwan showing great resilience

Year to date, Taiwan's exports in information technology and electronic components continued to show robust growth momentum on the back of aggressive 5G development in China and the trends of cloud computing and remote working. With the strength in technology-related exports neutralizing the significant export decline in the non-technology sectors, Taiwan's overall exports remained solid, up 0.5% in the first half of this year². The government now expects 2020 real exports to contract 0.7% year on year³, relatively resilient versus other Asian peers.

Meanwhile, consumer confidence index bottomed in May and started rebounding since June. Retail sales saw narrowing YoY contraction in June, while wholesales returned to positive YoY growth. We also see continuous relocation of the supply chain back to Taiwan, with over US\$4.0 billion applied for wiring back and about US\$1.5 billion prepared for direct investments³. With stable exports and reviving domestic economy, the government forecasted 2020 GDP in 2020 to grow 1.7% YoY⁴ in late-May, better than the market's previous expectation of around 1% YoY growth and International Monetary Fund's projection of 4% YoY decline a few months ago⁵.

MANAGER'S REPORT (Continued)

Portfolio update and outlook

In the second quarter of 2020, the Fund gained 26.5%, while TWSE and the MSCI Taiwan Index recovered 23.4% and 21.4%¹, respectively. Taiwanese stocks regained most of the lost grounds during the first quarter, supported by strong recovery in smartphone and continued robust demand for 5G network upgrades and remote working/learning devices. Many Taiwanese companies, especially in the technology supply chain, posted better-than-feared 2Q20 top-line results despite global lockdowns during April and May.

During the quarter, our technology stock picks have performed well and contributed to the Fund's gains. Two of our top five holdings, including Genius and Mediatek, recorded strong 70-80% share price rally during the quarter. Being one of the major lens suppliers for Apple, Genius' share price rallied with improving iPhone unit sales and on-track market share gains. As for Mediatek, the company is one of the global top five integrated circuit (IC) design houses and the second-largest mobile processor supplier with major shares in Android smartphone. Despite being late in 4G initial product design cycle, Mediatek's 5G solution came out on par with the company's major peer with decent pricing/margins and share gain potentials. The recent tougher Huawei restriction from U.S. also brought further market share gain opportunities for Mediatek. Aside from mobile, the company has strong design capabilities in high-margin power management IC, WiFi/Bluetooth IC and customized networking IC to cater to the fast-growing demand for Internet of Things (IoT) and 5G. We think the company's strong earnings growth potential in the coming years is still under-appreciated.

Looking forward, the developments of overseas pandemic and US-China tension could continue to weigh on the market sentiment. However, given the value proposition offered by Taiwanese companies, we think many of them could manage through the challenges and benefit from the opportunities, including 5G, cloud computing and work from home. We see plenty of investment opportunities in the market and at the same time, would continue to stick to valuation discipline.

Value Partners Hong Kong Limited

23 October 2020

1. Source: Morningstar, 30 June 2020
2. Source: Ministry of Finance, R.O.C., 7 July 2020
3. Source: National Taxation Bureau of the Northern Area, Ministry of Finance, 15 July 2020
4. Source: National Statistics, Republic of China (Taiwan), 28 May 2020
5. Source: International Monetary Fund, 14 April 2020

All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in USD terms on NAV-to-NAV basis with dividends reinvested) as at 30 June 2020. Performance data is net of all fees. All indices are for reference only.

Individual stock performance is not indicative of fund performance.

The views expressed are the views of Value Partners Hong Kong Limited only and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. All materials have been obtained from sources believed to be reliable, but their accuracy is not guaranteed. This material contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

VALUE PARTNERS TAIWAN FUND

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MANAGER'S REPORT (Continued)

5 biggest holdings of securities as at 30 June 2020

Stock	Industry	Valuation (2020 Estimates)	Remarks
Taiwan Semiconductor Manufacturing (Code: 2330 TT) Market cap: US\$274.5 billion	Semiconductors and semiconductor equipment	Price: TWD313.0 P/E: 17.4x P/B: 4.1x Yield: 3.8%	Taiwan Semiconductor Manufacturing is a world-class independent semiconductor foundry. It provides integrated circuit (IC) design houses with integrated services for process design, wafer manufacturing and testing. As a global leader with more than 50% share of the outsourcing market, the company has consistently outperformed competitors in terms of technology and profitability. We think the company is well-positioned to continue to benefit from the growing IC manufacturing outsourcing market and the rising demand for the internet of things trend, AI chips and new application areas.
Genius Electronic Optical (Code: 3406 TT) Market cap: US\$2.6 billion	Technology, hardware and equipment	Price: TWD700.0 P/E: 16.5x P/B: 4.0x Yield: 1.8%	Genius Electronic Optical primarily engages in the design and manufacture of optical lenses for use in mobile phones, notebooks, automotive and surveillance cameras. The company was founded in 1976 and is a key supplier of lenses for Apple iPhones. We have been monitoring this company for several years and witnesses first-hand the progress it has made in terms of technology. Consequently, we are confident of the ability to capture more market share this year.
Hon Hai Precision Industry (Code: 2317 TT) Market cap: US\$40.5 billion	Technology, hardware and equipment	Price: TWD86.3 P/E: 9.6x P/B: 0.9x Yield: 5.1%	Hon Hai Precision Industry is a leading electronics manufacturing service provider with nearly one million employees globally. The company designs and manufactures smartphones, PCs, printers, TVs, game consoles and networking products for many global giants, such as Apple, Dell, Hewlett-Packard, Sony, Nokia and Cisco Systems. Hon Hai has aggressively moved its manufacturing sites from China's coastal areas to lower-cost inland sites in previous years and further enhanced its cost competitiveness over its peers.

MANAGER'S REPORT (Continued)

5 biggest holdings of securities as at 30 June 2020 (Continued)

Stock	Industry	Valuation (2020 Estimates)	Remarks
Delta Electronics (Code: 2308 TT) Market cap: US\$14.7 billion	Technology, hardware and equipment	Price: TWD167.5 P/E: 17.7x P/B: 2.8x Yield: 3.5%	Delta Electronics specializes in power supplies and video display products for industrial automation, data centre, telecom power system and electronic vehicles with footprint covering China, Japan, Korea and the United States. The company also produces magnetic and networking components, which stand to benefit from the growing 5G demand. We think Delta is well-positioned to address several long-term technology trends of 5G, new energy vehicle, cloud computing and factory automation. We also expect the company to deliver solid margin improvements with continuous production and efficiency enhancement in Thailand operations.
MediaTek Inc (Code: 2454 TT) Market cap: US\$31.1 billion	Semiconductors and semiconductor equipment	Price: TWD579.0 P/E: 20.3x P/B: 2.6x Yield: 2.9%	MediaTek is a Taiwanese integrated circuit (IC) design company with broad product offerings. The company is a market leader in developing tightly-integrated, power-efficient systems-on-chip (SoC) for mobile devices, home entertainment products, networking equipment and other Internet of Things (IoT)-related applications. We expect the company to deliver strong earnings growth in the coming years, driven by 5G product launches and enhanced mobile margin profile. We also think the company is well-positioned to offer total solution chips to address the increasing IoT applications in the 5G era.

Note: The above investments made up 28.8% of Value Partners Taiwan Fund as at 30 June 2020. The stock prices are based on the closing of 30 June 2020.

Individual stock performance/yield is not necessarily indicative of overall fund performance.

VALUE PARTNERS TAIWAN FUND

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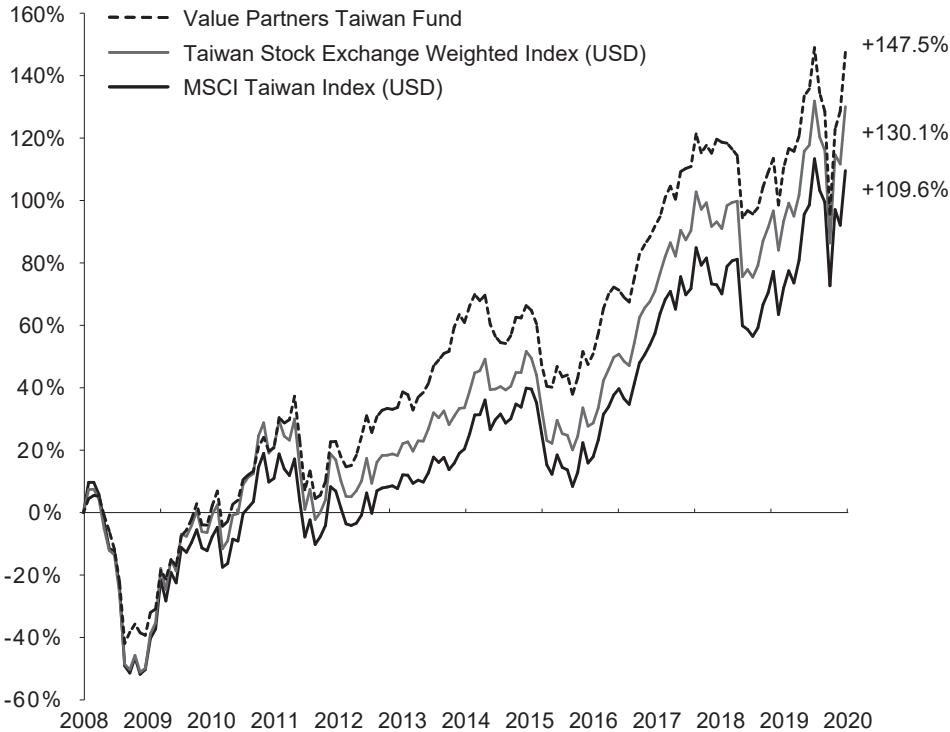
MANAGER’S REPORT (Continued)

Value Partners Taiwan Fund

NAV per unit = US\$24.75 (as at 30 June 2020)

Performance since launch

From 3 March 2008 to 30 June 2020



STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

The Manager, Value Partners Hong Kong Limited, is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 30 January 2008 (as amended) to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of Value Partners Taiwan Fund (the "Fund") at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Fund in accordance with the Trust Deed dated 30 January 2008 (as amended) and take reasonable steps for the prevention and detection of fraud and other irregularities.

Trustee's responsibilities

The Trustee, HSBC Trustee (Cayman) Limited, is required to:

- ensure that the Fund is managed by the Manager in accordance with the Trust Deed dated 30 January 2008 (as amended) and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period on the conduct of the Manager in the management of the Fund.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

TRUSTEE'S REPORT

We hereby confirm that, in our opinion, the Manager, Value Partners Hong Kong Limited, has, in all material respects, managed Value Partners Taiwan Fund in accordance with the provisions of the Trust Deed dated 30 January 2008 (as amended) for the year ended 30 June 2020.

For and on behalf of

HSBC Trustee (Cayman) Limited

Trustee

23 October 2020

**INDEPENDENT AUDITOR'S REPORT
TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY
AS TRUSTEE OF VALUE PARTNERS TAIWAN FUND****Report on the audit of the financial statements****Our opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Value Partners Taiwan Fund (the Fund) as at 30 June 2020, and its financial transactions and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 30 June 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The Trustee and Manager (the Management) are responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

VALUE PARTNERS TAIWAN FUND

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INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF VALUE PARTNERS TAIWAN FUND

Other Information (Continued)

Our opinion on the Fund's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Fund's financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In addition, Management is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 30 January 2008 (as amended) and the deed of retirement and appointment of the Trustee dated 17 May 2018 (collectively, the Trust Deed), and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the SFC Code).

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY
AS TRUSTEE OF VALUE PARTNERS TAIWAN FUND****Auditor's responsibilities for the audit of the financial statements (Continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF VALUE PARTNERS TAIWAN FUND

Other Matter

This report, including the opinion, has been prepared for and only for HSBC Trustee (Cayman) Limited solely in its capacity as trustee of the Fund in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and Appendix E of the SFC Code.

PricewaterhouseCoopers

Cayman Islands

23 October 2020

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	<i>Note</i>	2020 US\$	2019 US\$
Assets			
Financial assets at fair value through profit or loss	3(d)	75,328,677	64,148,558
Amounts receivable on sales of investments	5(f)	859,169	80,182
Amounts receivable on issue of units		54,376	2,800
Dividends and interest receivables	5(f)	75,653	281,434
Margin deposit		3,196	1,859
Bank balances	5(f)	<u>10,709,729</u>	<u>8,950,426</u>
Total assets		<u>87,030,800</u>	<u>73,465,259</u>
Liabilities			
Amounts payable on purchases of investments		745,266	6,212,175
Amounts payable on redemption of units		3,000,609	2,000
Management fee payable	5(a)	83,599	62,205
Performance fee payable	5(b)	1,584,343	—
Accruals and other payables	5(f)	<u>61,063</u>	<u>59,058</u>
Total liabilities		<u>5,474,880</u>	<u>6,335,438</u>
Net assets attributable to unitholders	4	<u>81,555,920</u>	<u>67,129,821</u>

Signed by:

Value Partners Hong Kong Limited, *Manager*

HSBC Trustee (Cayman) Limited, *Trustee*

The notes on pages 19 to 36 are an integral part of these financial statements.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 US\$	2019 US\$
Income			
Dividends		2,618,183	2,231,538
Interest on bank deposits	5(f)	5,289	20,606
Net realised gains on investments		7,249,845	648,708
Change in unrealised gains/losses on investments		6,010,824	(2,706,595)
Other income		11,839	–
Net foreign exchange gains/(losses)		<u>124,112</u>	<u>(36,173)</u>
Total net income		<u>16,020,092</u>	<u>158,084</u>
Expenses			
Management fees	5(a)	902,879	756,779
Performance fees	5(b)	1,584,343	–
Trustee fees	5(c)	125,792	105,922
Transaction costs	5(f)	662,186	569,166
Safe custody and bank charges	5(f)	47,635	40,193
Legal and professional fees		90,942	69,779
Auditor's remuneration		42,900	47,800
Other operating expenses		<u>65,040</u>	<u>122,748</u>
Total operating expenses		<u>3,521,717</u>	<u>1,712,387</u>
Profit/(loss) before tax		12,498,375	(1,554,303)
Withholding tax on dividend income	6(c)	<u>(536,355)</u>	<u>(460,194)</u>
Profit/(loss) for the year		<u><u>11,962,020</u></u>	<u><u>(2,014,497)</u></u>

The notes on pages 19 to 36 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 US\$	2019 US\$
Net assets attributable to unitholders as at 1 July	67,129,821	66,247,482
Issue of units	9,973,418	12,583,605
Redemption of units	(7,509,339)	(9,686,769)
Net increase from capital transactions	2,464,079	2,896,836
Profit/(loss) for the year	11,962,020	(2,014,497)
Net assets attributable to unitholders as at 30 June	81,555,920	67,129,821

The notes on pages 19 to 36 are an integral part of these financial statements.

VALUE PARTNERS TAIWAN FUND

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 <i>US\$</i>	2019 <i>US\$</i>
Cash flows from operating activities		
Profit/(loss) for the year	11,962,020	(2,014,497)
Adjustments for:		
Dividends	(2,618,183)	(2,231,538)
Interest on bank deposits	(5,289)	(20,606)
Withholding tax on dividends income	536,355	460,194
	<u>9,874,903</u>	<u>(3,806,447)</u>
Increase in financial assets at fair value through profit or loss	(11,180,119)	(1,385,573)
(Increase)/decrease in margin deposit	(1,337)	452,375
Decrease in other receivables	—	509
(Increase)/decrease in amounts receivable on sales of investments	(778,987)	1,014,196
(Decrease)/increase in amounts payable on purchases of investments	(5,466,909)	4,732,794
Increase/(decrease) in management fee payable, performance fee payable, accruals and other payables	1,607,742	(1,299,935)
	<u>(5,944,707)</u>	<u>(292,081)</u>
Cash used in operations	(5,944,707)	(292,081)
Dividends received	2,823,162	2,399,257
Interest on bank deposits received	6,091	21,029
Withholding tax on dividends paid	(536,355)	(460,194)
	<u>(3,651,809)</u>	<u>1,668,011</u>
Net cash (outflow)/inflow from operating activities	----- (3,651,809) -----	----- 1,668,011 -----
Cash flows from financing activities		
Proceeds from issue of units	9,921,842	12,585,361
Payments on redemption of units	(4,510,730)	(9,708,385)
	<u>5,411,112</u>	<u>2,876,976</u>
Net cash inflow from financing activities	----- 5,411,112 -----	----- 2,876,976 -----
Net increase in cash and cash equivalents	1,759,303	4,544,987
Cash and cash equivalents as at 1 July	<u>8,950,426</u>	<u>4,405,439</u>
Cash and cash equivalents as at 30 June, representing bank balances	<u>10,709,729</u>	<u>8,950,426</u>

The notes on pages 19 to 36 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Value Partners Taiwan Fund (the “Fund”) is an open-ended unit trust established by the Trust Deed dated 30 January 2008 (as amended). The Fund is registered under the Mutual Funds Law (revised) of the Cayman Islands, governed by the laws of the Cayman Islands and regulated by the Cayman Islands Monetary Authority. Besides, the Fund is authorised by the Securities and Futures Commission of Hong Kong and is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “Code”).

The Fund’s investment objective is to achieve long-term capital growth through primarily investing in equity and equity-linked securities of companies that are listed on (a) the Taiwan Stock Exchange; (b) the Taipei Exchange; or (c) any stock exchange but which have their main operations or majority of assets in or derive the majority of their income from Taiwan. This includes companies incorporated and/or quoted outside Taiwan. The Fund’s investment activities are managed by Value Partners Hong Kong Limited (the “Manager”).

The principal office of the Fund is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires the exercise of judgment in the process of applying the Fund’s accounting policies.

All references to net assets throughout this document refer to net assets attributable to unitholders unless otherwise stated.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards effective 1 July 2019

There are no other standards, amendments to standards or interpretations that are effective on the financial statements of the reporting periods beginning on 1 July 2019 that have a material impact.

Standards that are not yet effective and have not been early adopted by the Fund

A number of new standards, amendments to standards and interpretations are effective for reporting periods beginning on or after 1 July 2020, and have not been early applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial assets at fair value through profit or loss

(i) *Classification*

Assets

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.

The Fund's policy requires the Manager and the Trustee to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(ii) *Recognition/derecognition*

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial assets at fair value through profit or loss (Continued)

(iii) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income in the year in which they arise.

(iv) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on last traded prices at the close of trading on the reporting date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Over-the-counter derivatives that are not traded in an active market is determined by using broker quotes or valuation techniques.

(v) Transfer between levels of fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

(c) Income

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised in the statement of comprehensive income on a time-proportionate basis using the effective interest method.

(d) Expenses

Expenses are accounted for on an accrual basis.

(e) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs when incurred, are immediately recognised in statement of comprehensive income as an expense.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

(g) Collateral

Cash collateral provided by the Fund is identified in the statement of financial position as margin deposit and is not included as a component of cash and cash equivalents.

(h) Foreign currency translation

The financial statements are presented in the United States dollar, which is the Fund's functional and presentation currency.

The Fund has adopted the United States dollar as the functional currency of the Fund since the subscriptions and redemptions of the Fund are mainly transacted in United States dollars. In addition, performance measurement and reporting to the unitholders as well as settlement of fees and expenses are carried out in United States dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(i) Taxation

The Fund currently incurs withholding tax imposed by certain countries on investment income and capital gains. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(k) Redeemable units**

The net asset value per unit is computed for each dealing day. The price at which units are issued or redeemed is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day.

Units of the Fund are redeemable at the options of the unitholders and are classified as equity in the statement of financial position which represents the net assets attributable to unitholders (or “net asset value” or “net assets” or “NAV”). The units are entitled to dividends and payment of a proportionate share based on the Fund’s net asset value per unit on the redemption day.

(l) Presentation of financial statements

The assets and liabilities in statement of financial position are presented in order of liquidity.

3 FINANCIAL RISK MANAGEMENT

The Fund’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit and counterparty risk and liquidity risk.

The risks and respective risk management policies employed by the Fund to manage these risks are discussed below:

(a) Market risk**(i) Foreign exchange risk**

The Fund may hold assets denominated in currencies other than the United States dollar, the functional currency, it may therefore be exposed to foreign exchange risk. The Fund’s overall currency positions are monitored on a regular basis by the Manager.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below includes both monetary and non-monetary assets and liabilities held in foreign currencies together with the percentage of reasonable possible change in foreign exchange rates and the estimated impact on net assets.

	Total net foreign currency exposures			
	Non- monetary net assets US\$ equivalent	Monetary net assets US\$ equivalent	Percentage change %	Estimated impact on net assets US\$
As at 30 June 2020				
Hong Kong dollar*	—	27,509	+/-0	—
Taiwan dollar	<u>74,136,202</u>	<u>2,896,510</u>	+/-5	+/-3,851,636
As at 30 June 2019				
Hong Kong dollar*	591,651	164,714	+/-0	—
Taiwan dollar	<u>63,155,264</u>	<u>1,237,061</u>	+/-5	+/-3,219,616

* The Hong Kong dollar is currently linked to the United States dollar, the functional currency, within a narrow range, and is therefore not exposed to significant foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Manager manages price risk primarily through diversification of the portfolio and through a careful selection of securities and other financial instruments within specified limits as stated in the Explanatory Memorandum. The Fund's overall market positions are monitored on a daily basis by the Manager.

The Fund's overall market exposures at the reporting date were as follows:

	% of net assets	
	2020	2019
Listed equity securities		
Taiwan	90.90	94.08
Hong Kong	—	0.88
United States of America	1.46	0.60
	<u>92.36</u>	<u>95.56</u>

The table below shows the analysis of equity securities by industry.

	2020	2019
	%	%
Information technology	70.12	65.69
Industrials	10.88	6.70
Communication services	6.88	0.63
Financials	5.48	9.02
Consumer staples	5.21	3.86
Materials	1.43	2.08
Consumer discretionary	—	8.98
Real estates	—	2.14
Energy	—	0.90
	<u>100.00</u>	<u>100.00</u>

As at 30 June 2020 and 2019, the Fund did not have any exposure to a single security greater than 10% of net assets.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The table below summarises the sensitivity of the Fund's portfolio of listed equity securities to equity price movements. The analysis is based on the assumptions that the Taiwan Stock Exchange Index increased/decreased with all other variables held constant and that the fair value of the Fund's portfolio of listed equity securities moved according to their historical correlation with the index. The Fund is not directly correlated with any market indices. The index should be used for guidance and performance comparison purposes only. The Manager does not manage price risk with reference to any market index.

	Percentage change		Estimated impact on net assets	
	2020 %	2019 %	2020 US\$	2019 US\$
Taiwan Stock Exchange Index	+/-30	+/-30	+/-23,336,676	+/-18,708,952

(iii) Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Bank balances and margin deposits are subject to interest rate risk as the return is derived from the current inter-bank lending rates; however, the interest rate risk is not actively managed as it is not considered significant. As a result, no sensitivity analysis was deemed necessary.

(b) Credit and counterparty risk

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges that the Manager considers to be well established. All transactions are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. In a purchase, payment is only made when the securities have been received by the broker. If either party fails to meet its obligation, the trade will fail.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The table below shows the exposures to major counterparties at the reporting date. The credit ratings are issued by Moody's.

Counterparty	2020 US\$	2019 US\$
Bank balances		
Aa3	10,709,729	—
Aa2	—	8,950,426
Margin deposit		
Aa3	3,196	—
A1	—	1,859
Amounts receivable on sales of investments		
Aa3	859,169	—
Aa2	—	80,182
Investments placed with the custodian		
Aa3	75,328,677	—
Aa2	—	64,148,558
Amounts receivable on issue of units		
Unrated*	54,376	2,800

* The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2020 and 30 June 2019, all other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of Aa3 or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets, excluding equity securities, as shown in the statement of financial position.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Fund is exposed to daily redemption of units. The Manager may limit the total number of units redeemed on any dealing day to 10% of the total number of units in issue in accordance with the Trust Deed dated 30 January 2008 (as amended).

The table below analyses the Fund's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 3 months	
	2020	2019
	<i>US\$</i>	<i>US\$</i>
Amounts payable on purchases of investments	745,266	6,212,175
Amounts payable on redemption of units	3,000,609	2,000
Management fee payable	83,599	62,205
Performance fee payable	1,584,343	—
Accruals and other payables	61,063	59,058
	<u>5,474,880</u>	<u>6,335,438</u>

Disclosure is required whenever there is a master netting arrangement irrespective of whether any balances have actually been offset in accordance with IAS 32 "Financial Instruments: Presentation".

As at 30 June 2020, the Fund was subject to one (2019: one) master netting agreements with a derivative counterparty. The arrangement gives the Fund and the counterparty the legally enforceable right to set-off certain financial assets and liabilities.

The Fund and its counterparty have elected to settle all transactions on a gross basis; however, each party has the option to settle all open obligations on a net basis in the event of default of the other party. Per the terms of the master netting agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied after notice of such failure is given to the party or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following table presents the Fund's financial assets and liabilities eligible to offsetting had the Fund elected to enforce the master netting agreement and similar agreements at the reporting date. The amount to be offset is limited to the absolute value of financial assets or financial liabilities within the same counterparty.

	2020 US\$	2019 US\$
Financial assets		
Margin deposit	3,196	1,859
Financial liabilities	—	—
Net amount	<u>3,196</u>	<u>1,859</u>

These financial assets and financial liabilities are recognized on the statement of financial position on a gross basis. As at 30 June 2020, total cash collateral pledged was US\$3,196 (2019: US\$1,859).

Capital management

The capital of the Fund is represented by the net assets attributable to unitholders which is subject to daily subscriptions and redemptions of redeemable units. The Fund's objective for capital management is to provide returns and long-term capital growth for unitholders.

In order to maintain the capital structure, the Manager performs the following:

- Monitor subscriptions and redemptions activities relative to liquid assets;
- To protect the interest of unitholders and in exceptional circumstances, the Manager may limit the total number of units redeemed on any redemption day to 10% in aggregate of the total number of units in issue; and
- Monitor fund investment guidelines and restrictions, in accordance with the Explanatory Memorandum.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Capital management (Continued)

The markets in which the Fund invests may be relatively illiquid and the liquidity of these markets may fluctuate substantially over time. Investment of the Fund's assets in relatively illiquid securities may restrict the ability of the Fund to dispose of its investments at a price and time that it wishes. The risk of illiquidity also arises in the case of over-the-counter transactions. As at 30 June 2020 and 2019, the Manager considers that the amount of such illiquid investments is relatively insignificant compared to the net assets attributable to unitholders and the majority of the Fund's asset can be realised within 7 days or less to generate cash flows for managing liquidity risks.

Below presents a list of investors who held more than 10% of the net assets of the Fund:

Investor	% of net assets
As at 30 June 2020	
Investor 1	28.00
Investor 2	27.31
As at 30 June 2019	
Investor 1	32.69
Investor 2	28.22

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at the reporting date.

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
As at 30 June 2020				
Listed equity securities	<u>75,328,677</u>	<u>–</u>	<u>–</u>	<u>75,328,677</u>
As at 30 June 2019				
Listed equity securities	<u>64,148,558</u>	<u>–</u>	<u>–</u>	<u>64,148,558</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equity securities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that are traded in markets that are not considered to be active and are valued based on quoted market prices or broker quotes, or financial instruments for which there is no active market and are valued based on valuation models supported by observable inputs are classified within level 2. As at 30 June 2020 and 2019, the Fund did not hold any level 2 investments.

Investments classified within level 3 have significant unobservable inputs, as they are traded infrequently. As at 30 June 2020 and 2019, the Fund did not hold any level 3 investments.

There was no transfer between levels for the years ended 30 June 2020 and 2019.

Other assets and liabilities are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 REDEEMABLE UNITS

The Fund's units, which are redeemable at the unitholders' option, are the most subordinate units in issue, and are classified as equity.

Units are issued and redeemed at the unitholders' option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets by the total number of outstanding units.

All issued units are fully paid and have no par value. Each unit carries 1 vote. Units are entitled to dividends and payment of a proportionate share based on the Fund's net asset value per unit on the redemption day.

The Fund's capital is represented by these units. The Fund's capital is shown as net assets attributable to unitholders in the statement of financial position. The Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by the holding of liquid assets.

The movement of number of units in issue during the year was as follows:

	Number of units	
	2020	2019
As at 1 July	3,189,099	3,029,769
Issue of units	414,038	630,965
Redemption of units	(308,218)	(471,635)
As at 30 June	<u>3,294,919</u>	<u>3,189,099</u>
Net asset value per unit	<u>US\$24.75</u>	<u>US\$21.05</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS

The following is a summary of significant related party transactions/transactions entered into during the year between the Fund and the Trustee, the Manager and their connected persons. Connected Persons of the Trustee and the Manager are those as defined in the Code. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) Management fees

The Manager is entitled to receive management fees which represents 1.25% per annum of the net asset value of the Fund. The management fees are calculated and accrued daily and payable monthly in arrears.

(b) Performance fees

The Manager is entitled to receive performance fees which represents 15% of the product of the average number of units in issue during the year and the amount by which the net asset value per unit as at 30 June of each year (the "Performance Fee Valuation Day") (prior to the deduction of any provision for performance fees and any distribution declared or paid in respect of that performance period) exceeds the higher of (i) the initial offer price of US\$10.00 and (ii) the net asset value per unit as at the Performance Fee Valuation Day of the preceding performance period in respect of which performance fees were last paid to the Manager (after deduction of all fees, including any performance fees, and taking into account the subscription and redemption instructions received in respect of the Fund as of the Performance Fee Valuation Day and any distribution declared or paid in respect of that preceding performance period). The performance fees are calculated and accrued daily and payable yearly in arrears.

(c) Trustee fees

The Trustee is entitled to receive trustee fees which represent a variable fee of (i) 0.17% per annum on the first US\$400 million of net asset value of the Fund; (ii) 0.15% per annum on the next US\$400 million of net asset value of the Fund; and (iii) 0.13% per annum of net asset value of the Fund thereafter, subject to a minimum of US\$5,000 per month. The variable fee is calculated and accrued daily and payable monthly in arrears. The Trustee is also entitled to a fixed fee of US\$3,000 per annum payable monthly in arrears.

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)

(d) Holding in the Fund by the Manager and its related parties/connected persons

The Manager and its related parties/connected persons held units of the Fund as follows:

	As at 1 July	Subscription of units	Redemption of units	As at 30 June
Year 2020				
Dato' Seri Cheah Cheng Hye*	158,645.00	–	–	158,645.00
Year 2019				
Dato' Seri Cheah Cheng Hye*	460,507.01	–	(301,862.01)	158,645.00

* Dato' Seri Cheah Cheng Hye is a director of the Manager.

The Fund allows the Manager and its related parties/connected persons to subscribe for, and redeem, units of the Fund. All such transactions are entered into the ordinary course of business and on normal commercial terms. In addition, certain fees and charges may be waived by the Manager.

(e) Preliminary charges

The Manager is entitled to receive a preliminary charge on issue of units which represents up to 5% of the issue price. For the year ended 30 June 2020, total preliminary charges on issue of units, amounting to US\$643 was received by the Manager (2019: US\$ Nil). The preliminary charges are not reflected in the financial statements of the Fund.

(f) Other transactions and balances with the Trustee and its related parties

In addition to the trustee fees of US\$125,792 (2019: US\$105,922), as disclosed in Note 5(c), the Fund had the following additional transactions with the Trustee and its related parties which also serve as a distributor of the Fund and nominees for the Fund's investors. All such transactions were entered into in the ordinary course of business and were on normal commercial terms.

	2020 US\$	2019 US\$
Interest on bank deposits	2,212	3,565
Safe custody and bank charges	47,310	39,721
Transaction costs*	46,898	62,775

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)

(f) Other transactions and balances with the Trustee and its related parties (Continued)

* *The Fund paid commission to a related party of the Trustee for the purchase and sale of investments. The total aggregate value and the average commission rate of these transactions for the year ended 30 June 2020 are US\$11,498,973 and 0.41% respectively (2019: US\$20,452,806 and 0.31% respectively). For the year ended 30 June 2020, these transaction represent 5.06% (2019: 10.32%) of the total purchases and sales of investments of the fund.*

In addition to the trustee fee payable of US\$12,110 (2019: US\$9,195), as disclosed in Note 5(c), the Fund had the following additional balances with the Trustee and its related parties.

	2020	2019
	US\$	US\$
Bank balances	10,709,729	8,950,426
Amounts receivable on sales of investments	859,169	80,182
Interest receivable	—	728
Transaction costs payable	1,453	3,639

6 TAXATION

(a) Cayman Islands

The Fund has obtained an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with Section 81 of the Trusts Law (2001 Revision) of the Cayman Islands, for a period of 50 years from 20 October 2008, no laws thereafter enacted in the Cayman Islands imposing any tax or duty on income, capital assets, gains or appreciations will apply to the Fund.

(b) Hong Kong

No provision for Hong Kong profits tax has been made as the dividend and interest income and realised gains on sales of investments of the Fund are excluded from the charge to profits tax under Section 14, 26 or 26A of the Hong Kong Inland Revenue Ordinance.

(c) Other jurisdictions

Overseas withholding tax was charged on certain dividend income received during the year.

7 DISTRIBUTION

No distribution statement is prepared as no distribution has been made.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 SOFT COMMISSION ARRANGEMENTS

The Manager and/or any company associated with it and its delegates may enter into soft dollars/ commission sharing arrangements with brokers through which brokerage transactions are entered on behalf of clients under management. The Manager may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Fund (as may be permitted under applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out (the "brokers"). Soft dollars may be received from them provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of the customary full-service brokerage rates.

Such soft dollar benefits may include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services and software incidental to the above goods and services; clearing and custodian services and investment related publications. For the avoidance of doubt, soft dollar benefits do not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The Manager will consider many judgemental factors deemed relevant in determining whether a broker will provide best execution. In general, investment orders will be allocated to brokers based on the range and overall quality of services offered by the broker. The core factors in determining the quality of services are the execution performance and capability of the broker. Other factors, such as the quality and quantity of research and investment ideas offered, access to potential investee companies and commission rate charges, would also be taken into consideration. Soft dollar benefits received from brokers should not be a determinant factor on allocating orders among brokers. The Manager has implemented policies and procedures to ensure that transactions executed with brokers pursuant to a soft dollar commission sharing arrangement are conducted in the best execution standard. Soft dollars benefits received by the Manager are used to facilitate in the Manager's investment management process, such benefits assist the Manager in fulfilling its overall duty to clients and may be used in servicing any or all of the Manager's client accounts over which the Manager exercises investment discretion. The Manager does not usually attempt to allocate/ attribute the soft dollar benefits to individual client account, as goods and services obtained may be beneficial to all clients in general, including those client accounts that do not generate credit to acquire the soft dollar benefits.

9 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 23 October 2020.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30 JUNE 2020

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed equity securities			
Taiwan			
Ardentec Corp	1,171,000	1,266,506	1.55
Asia Vital Components Co Ltd	850,000	1,206,976	1.48
AURAS Technology Co Ltd	190,000	1,108,258	1.36
Cathay Financial Holding Co Ltd	1,084,000	1,542,936	1.89
Chicony Electronics Co Ltd	862,000	2,497,871	3.06
Chicony Power Technology Co Ltd	355,000	813,788	1.00
Chipbond Technology Corp	1,205,000	2,635,246	3.23
Chunghwa Telecom Co Ltd	664,000	2,642,269	3.24
CTBC Financial Holding Co Ltd	3,733,880	2,584,330	3.17
Delta Electronics Inc	683,000	3,890,977	4.77
Elan Microelectronics Corp	188,000	770,492	0.94
Elite Material Co Ltd	103,000	558,754	0.69
Formosa Plastics Corp	362,000	1,078,539	1.32
Genius Electronic Optical Co Ltd	180,000	4,285,423	5.25
Holtek Semiconductor Inc	718,000	1,628,821	2.00
Hon Hai Precision Industry Co Ltd	1,326,000	3,892,041	4.77
ITEQ Corp	547,000	2,744,116	3.36
King Slide Works Co Ltd	61,000	696,058	0.85
Largan Precision Co Ltd	13,000	1,806,170	2.21
Longwell Co	1,752,000	3,438,215	4.22
MediaTek Inc	189,000	3,721,890	4.56
Merry Electronics Co Ltd	296,000	1,404,394	1.72
Nova Technology Corp	111,000	543,636	0.67
President Chain Store Corp	158,000	1,593,327	1.95
Primax Electronics Ltd	80,000	130,331	0.16
Realtek Semiconductor Corp	245,000	2,491,497	3.06
Sporton International Inc	113,000	922,386	1.13
Syncmold Enterprise Corp	467,000	1,284,957	1.58
Taiwan Mobile Co Ltd	676,000	2,540,575	3.12
Taiwan Secom Co Ltd	835,000	2,476,430	3.04
Taiwan Semiconductor Manufacturing Co Ltd	722,000	7,686,076	9.42
Taiwan Surface Mounting Technology Corp	267,000	1,180,532	1.45

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30 JUNE 2020

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed equity securities (Continued)			
<i>Taiwan (Continued)</i>			
Taiwan Union Technology Corp	240,000	1,171,349	1.44
Topco Scientific Co Ltd	205,000	759,982	0.93
Uni-President Enterprises Corp	961,000	2,330,430	2.86
Wistron NeWeb Corp	580,838	1,272,225	1.56
Zhen Ding Technology Holding Ltd	352,000	1,538,399	1.89
		<u>74,136,202</u>	<u>90.90</u>
<i>United States of America</i>			
Silicon Motion Technology Corp ADR	24,451	<u>1,192,475</u>	<u>1.46</u>
Total investments, net		<u><u>75,328,677</u></u>	<u><u>92.36</u></u>
Total investments, at cost (inclusive of transaction cost)		<u><u>66,895,451</u></u>	

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)*FOR THE YEAR ENDED 30 JUNE 2020*

	% of net assets	
	2020	2019
Listed equity securities		
Taiwan	90.90	94.08
Hong Kong	—	0.88
United States of America	1.46	0.60
	<hr/>	<hr/>
Total investments	92.36	95.56
	<hr/> <hr/>	<hr/> <hr/>

VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

PERFORMANCE RECORD (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2020

Net assets (at last traded prices)

	2020	2019	2018
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Net assets	81,555,920	67,129,821	66,247,482
Net asset value per unit	24.75	21.05	21.87

Performance record for the past 10 years

	Highest issue price per unit	Lowest redemption price per unit
	<i>US\$</i>	<i>US\$</i>
2020	25.01	17.15
2019	22.01	18.90
2018	22.60	19.36
2017	19.78	15.65
2016	16.10	12.97
2015	17.21	14.92
2014	16.99	13.16
2013	14.02	11.36
2012	13.73	10.25
2011	13.46	9.89