

**VALUE PARTNERS CLASSIC FUND**

**2022** ANNUAL  
REPORT

For the year ended 31 December 2022



**Value Partners Hong Kong Limited**

43rd Floor, The Center

99 Queen's Road Central, Hong Kong

Tel: (852) 2880 9263 Fax: (852) 2565 7975

Email: [vpl@vp.com.hk](mailto:vpl@vp.com.hk)

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



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# VALUE PARTNERS CLASSIC FUND

(A Hong Kong 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, Administrator and Custodian

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

### Registrar

HSBC Trustee (Cayman) Limited

#### *Principal address:*

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

#### *Registered address:*

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

### Legal Advisor

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

### Auditor

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
10 Chater Road, Central  
Hong Kong

### Information available from:

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

Investor hotline: (852) 2143 0688

Fax : (852) 2565 7975

Email : [fis@vp.com.hk](mailto:fis@vp.com.hk)

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

**GENERAL INFORMATION (Continued)****Recent awards and achievements**

<b>Fund awards</b>	
<b>2021</b>	<ul style="list-style-type: none"><li>• <b>Golden Bull Overseas China Equity Fund (One Year)</b> <b>2021 The 5th Overseas Fund Golden Bull Fund Awards</b> – <i>China Securities Journal</i></li></ul>
<b>2020</b>	<ul style="list-style-type: none"><li>• <b>Golden Bull Overseas China Equity Fund (1-Year)</b> <b>The Overseas Fund Golden Bull Fund Awards 2020 &amp; 2021</b> – <i>China Securities Journal</i></li></ul>
<b>2017</b>	<ul style="list-style-type: none"><li>• <b>AsiaHedge Awards 2017</b> <b>Best Asia ex-Japan Fund</b> – <i>AsiaHedge</i></li><li>• <b>HFM Asia Performance Awards 2017</b> <b>Fund of the Year 2017</b> <b>Best Greater China fund over US\$500 million</b> – <i>HFM Week</i></li></ul>

## VALUE PARTNERS CLASSIC FUND

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### MANAGER'S REPORT

For the full-year ending 31 December 2022, the Value Partners Classic Fund Class A declined 28.1%, and Class B and Class C USD both declined 28.4%, while the MSCI Golden Dragon Index was down 22.3% during the same period.<sup>1</sup>

2022 was a challenging period for Greater China equities for most of the year, mainly driven by China's zero-Covid policy, and other investor concerns, such as high inflation in the west and ongoing geopolitical tensions. With the risk-off sentiment, the MSCI Golden Dragon Index plummeted by around 40% during the first ten months of the year. However, market concerns were eased as China relaxed its Covid measures and rolled out other supportive policies to bolster its economy.

In November, China started relaxing its zero-Covid policy as it released measures to fine-tune control measures. Investors globally welcomed the move positively, as it offered some early signs of loosening zero-Covid, which is essential for boosting consumption recovery. More recently, the speed of the country's reopening accelerated after the Central Economic Working Conference (CEWC) in December, with China announcing to scrap quarantine requirements for inbound travelers from 8 January 2023. The move, which exceeded expectations, essentially relaxes pandemic control measures held for the last three years. Meanwhile, the CEWC also stressed vigorously boosting market confidence and promoting the overall improvement of economic performance, reaffirming that growth remains a key priority for policymakers in 2023, further boosting market confidence.

With the relaxation of Covid measures, pandemic cases rose sharply, negatively affecting near-term economic activities. With mobility sharply declining in many cities, official PMI readings in December fell to the lowest since the first quarter of 2020, while exports have softened rapidly.<sup>2</sup> However, we view that these exaggerate the downward pressure on the economy in the short term. We believe that the outlook is positive for China longer-term, supported by the strong balance sheets of corporates and households in China, the pent-up consumer demand, and further policy stimulus from the government. More measures to bolster consumption will likely come following the release of the strategic outline for 2022-2035 last month to expand domestic consumption.

**MANAGER'S REPORT (Continued)**

Toward the end of the year, policymakers also released various measures to support the ailing property market. Dubbed the “three arrows”, the policy mix include PBoC and CBIRC’s 16 measures focusing on bond financing and bank lending and CSRC’s five-point measure on equity financing. Although end demand will likely remain subdued in the near term, we believe these policies should help safeguard the financial and liquidity risks facing property developers and improve the health of the overall economy. Besides the property market, we see signs showing supportive policy measures in other sectors. For example, at the end of December, a new batch of online video gaming licenses (“banhao”) was released, including about 40 imported games – which have been suspended since June 2021.<sup>3</sup> More recently, the CBIRC Chairman, Guo Shuqing, also said the rectification of the platform companies’ financial businesses is “basically finished”.

**Portfolio review:**

Due to the renewed sentiment, returns were broad-based and widespread among different individual names towards the end of the year, particularly led by companies in the consumption, financial, and internet sectors.

However, their positive contributions were partly offset by the share price corrections in some other names, particularly in a leading semiconductor foundry. The company was hit by concerns of a harsher global consumer electronic downturn and its geography diversification that may incur higher costs. Despite some likely near-term pressures, especially with a temporary weakness in the company’s capacity utilization rate, we continue to believe this company offers compelling long-term value, given its unique strategic positioning and unrivalled leading position in advanced node manufacturing, which could help to preserve its business competitiveness and profitability over the long term.

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## MANAGER'S REPORT (Continued)

In addition, the strong performance in the last two months was not able to compensate for the losses incurred in the earlier part of the year. Nevertheless, we are confident that 2023 will be a year of recovery for China, and there is still large upside on the back of the low valuations and prospective corporate earnings upgrades.

That said, we expect the road ahead to remain bumpy, especially on swift movements in some macro data points and economic events. In particular, the accelerated reopening and exit of anti-Covid controls have adversely affected near-term mobility and business activities in China and, hence, may lead to softer near-term macro readings. However, these are also expected to be followed by a robust rebound later. Overall, we remain nimble and diligent in our portfolio management, with a view to safeguarding the portfolio's robustness. We continue to invest in high-quality companies – particularly in the consumption, financial, and technology sectors, that will ride through the volatility and thrive over time. We also have strong faith that our long-held practices in diligent, thorough, deep-dive, and bottom-up research will continue to bear fruits over the long term.

### Value Partners Hong Kong Limited

26 April 2023

Sources:

1. MSCI, 31 December 2022
2. China Federation of Logistics & Purchasing, 31 December 2022
3. National Press and Publication Administration, 28 December 2022

*Fund performance mentioned referred to Value Partners Classic Fund "A" Unit. All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in US\$ terms on NAV-to-NAV basis with dividends reinvested) as at 31 December 2022. Performance data is net of all fees.*

*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.*

**MANAGER’S REPORT (Continued)**

**10 largest holdings of securities as at 31 December 2022**

<b>Stock</b>	<b>Industry</b>	<b>Valuation (2023 Estimates)</b>	<b>Remarks</b>
<p>China Merchants Bank (Code: 3968 HK)</p> <p>Market cap: US\$137.1 billion</p>	Banks	<p>Price: HK\$43.65 P/E: 6.8x P/B: 1.1x Yield: 4.8%</p>	<p>Shenzhen-based China Merchants Bank is one of the largest banking groups in China. CMB has a strong brand name and a well-established franchise. They are the largest privately-owned bank, with clear profit-seeking objectives and a strong and incentivized management team. The bank focuses on retail banking, which has higher growth and margins.</p> <p>Among its peers, CMB has the best track record in terms of growth, profitability, and asset quality. The bank has a solid mobile banking franchise, enabling it to lead in the online banking space. It is also a pioneer in the growing wealth management space, which increases client stickiness and generates recurring fee income. Given the bank’s huge retail banking business, it is well-positioned to take advantage of the structural demand growth from retail clients for professionally managed solutions.</p>
<p>Taiwan Semiconductor Manufacturing (Code: 2330 TT)</p> <p>Market cap: US\$378.5 billion</p>	Semiconductors and semiconductor equipment	<p>Price: TWD448.5 P/E: 13.4x P/B: 3.5x Yield: 2.6%</p>	<p>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 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.</p>

## VALUE PARTNERS CLASSIC FUND

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### MANAGER'S REPORT (Continued)

#### 10 largest holdings of securities as at 31 December 2022 (Continued)

Stock	Industry	Valuation (2023 Estimates)	Remarks
Kweichow Moutai (Code: 600519 CH)  Market cap: US\$314.5 billion	Food, beverage and tobacco	Price: CNY1,727.0 P/E: 31.7x P/B: 8.8x Yield: 1.6%	Kweichow Moutai is China's largest liquor manufacturer in terms of market value. With its premium brand positioning and effective channel management, Moutai has successfully expanded its market share in private consumption in the past years after a considerable decline in official consumption. It has a distinguished brand among other players in China and is expected to benefit from the consumption upgrade cycle.
AIA Group (Code: 1299 HK)  Market cap: US\$131.1 billion	Insurance	Price: HK\$86.8 P/E: 17.6x P/B: 2.3x Yield: 1.9%	AIA is the largest independent publicly listed pan-Asian life insurance group – with a presence in 18 markets across the Asia-Pacific region. We expect AIA China to deliver superior new business growth as the company's protection-oriented business in China is more resilient than most of its domestic peers. China's insurance regulator has also eased restrictions on foreign shareholding in joint venture life insurance companies. This will provide further long-term growth potential for AIA in China
Meituan (Code: 3690 HK)  Market cap: US\$138.6 billion	Retailing	Price: HK\$174.7 P/E: N/A P/B: 7.0x Yield: 0.0%	Meituan is China's group buying website offering food delivery and hotel booking services at the same time. Established in Beijing and listed in Hong Kong, Meituan has grown as one of China's biggest e-commerce platforms.  China's addressable consumer services market offers one of the most visible growth prospects within the Internet sector. Meituan's leading position in multiple high-frequency categories and a large user base of over 650 million provide good cross-selling opportunities.

**MANAGER’S REPORT (Continued)**

**10 largest holdings of securities as at 31 December 2022 (Continued)**

<b>Stock</b>	<b>Industry</b>	<b>Valuation (2023 Estimates)</b>	<b>Remarks</b>
<p>Pinduoduo (Code: PDD US)</p> <p>Market cap: US\$103.1 billion</p>	Retailing	<p>Price: USD81.55 P/E: N/A P/B: 7.4x Yield: 0.0%</p>	<p>Pinduoduo operates an e-commerce platform, which offers value-for-money merchandise and interactive shopping options. Resembling a virtual bazaar, the platform sells a suite of product categories from apparel and shoes to fresh produce and electronic appliances.</p>
<p>East Money Information (Code: 300059 CH)</p> <p>Market cap: US\$37.2 billion</p>	Diversified financials	<p>Price: CNY19.4 P/E: 24.5x P/B: 3.7x Yield: 0.4%</p>	<p>East Money is an online securities firm with a one-stop financial ecosystem. It has over 100 million users. It has a distinctive, comprehensive business model that creates a financial ecosystem with strong client traffic and stickiness to monetize. East Money has been gaining market share in brokerage and mutual fund AUM from traditional brokers. The company is also a key beneficiary of China’s wealth management development trend, which is supported by the growing household financial assets and needs to diversify away from property investments.</p>
<p>Tencent Holdings (Code: 700 HK)</p> <p>Market cap: US\$410.0 billion</p>	Media and entertainment	<p>Price: HK\$317.23 P/E: 22.4x P/B: 3.0x Yield: 0.5%</p>	<p>Tencent is a leading provider of online games, premium messaging services, internet value-added services, and advertising and e-commerce services in China. By leveraging its large active user base, it offers good long-term monetization potential. Tencent’s largest online user platform allows it to monetize other services such as payment and performance ads, while its strength in mobile and PC gaming offers long-term growth opportunities.</p>

## VALUE PARTNERS CLASSIC FUND

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### MANAGER'S REPORT (Continued)

#### 10 largest holdings of securities as at 31 December 2022 (Continued)

Stock	Industry	Valuation (2023 Estimates)	Remarks
China Telecom Corp Ltd (Code: 728 HK)  Market cap: US\$52.6 billion	Telecom services	Price: HK\$3.07 P/E: 8.2x P/B: 0.6x Yield: 8.3%	<p>China Telecom (CT) is one of the three nationwide telecom operators in China, and the incumbent fixed line carrier in the southern provinces.</p> <p>The telecom industry revenue continued to show improving dynamics. CT is benefitting from the higher pricing for 5G and better competitive environment.</p> <p>We also believe more value should be ascribed to the IDC (Internet Data Center) and Cloud business of telcos. "Industrial Digitalization" is a good growth driver for the telcos, especially for CT as an incumbent fixed line operator.</p>
Ping An Insurance Group (Code: 2318 HK)  Market cap: US\$123.1 billion	Diversified financials	Price: HK\$51.65 P/E: 6.7x P/B: 0.9x Yield: 5.2%	<p>Ping An Insurance is a financial conglomerate that provides insurance, banking, securities, trust and asset management services in China. Ping An has been delivering strong premium and New Business Value growth, thanks to its superior agency force and multi-product platform.</p>

*Note: The above investments made up 58.5% of Value Partners Classic Fund as at 31 December 2022. The stock prices are based on the closing of 31 December 2022.*

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

**MANAGER'S REPORT (Continued)****Value Partners Classic Fund – NAV as at 31 December 2022**

<b>Classes</b>	<b>NAV per unit</b>
A Units	USD346.90
B Units	USD151.92
C Units USD	USD19.01
C Units HKD <sup>8</sup> (for reference only)	HKD148.24
C Units RMB	RMB13.65
C Units AUD Hedged	AUD14.11
C Units CAD Hedged	CAD14.40
C Units HKD Hedged	HKD12.52
C Units NZD Hedged	NZD14.83
C Units RMB Hedged	RMB13.30
C Units MDis USD	USD7.92
C Units MDis HKD	HKD7.90
C Units MDis RMB	RMB7.99
C Units MDis RMB Hedged	RMB7.61
P Units USD	USD7.7309
P Units classes RMB Hedged	RMB9.8577
P Units classes RMB Unhedged	RMB10.0194
X Units	USD11.11
Z Units	USD10.36

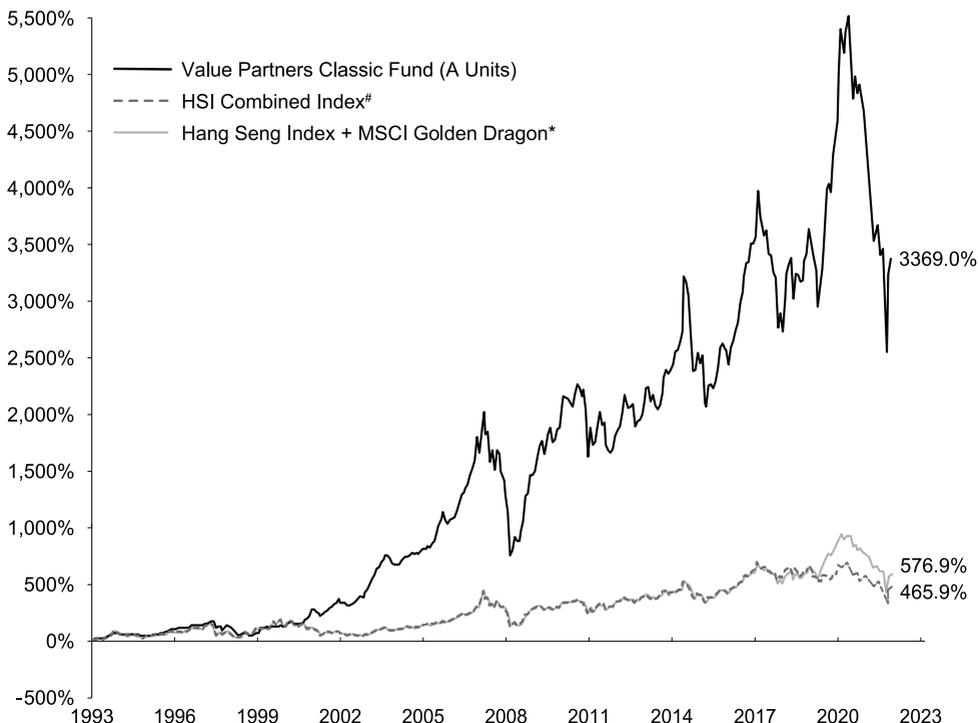
# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## MANAGER'S REPORT (Continued)

### Performance since launch

From 1 April 1993 to 31 December 2022



<sup>β</sup> Investors should note that the base currency of "C" Units is in USD. The HKD is for reference only and should not be used for subscription or redemption purpose. Conversion to the base currency of "C" Units will normally take place at the prevailing rate (as determined by the Fund's Trustee or Custodian) on the corresponding fund dealing day. Investor should be aware of possible risks resulting from fluctuations of exchange rates against USD.

<sup>#</sup> HSI Combined Index refers to Hang Seng Index (Price Return) which was used till 31 Dec 2004, thereafter it is the Hang Seng Index (Total Return). Hang Seng Index (Total Return) takes into account of dividend reinvestment whereas Hang Seng Index (Price Return) does not.

<sup>\*</sup> Hang Seng Index + MSCI Golden Dragon Index refers to Hang Seng Index (Price Return) since fund inception till 31 Dec 2004, thereafter it is the Hang Seng Index (Total Return) up to 30 Sep 2017. Hang Seng Index (Total Return) includes dividend reinvestment whereas Hang Seng Index (Price Return) does not take into account reinvestment of dividends. With effect from 1 Oct 2017, it is the MSCI Golden Dragon Index (Total Net Return), which takes into account of dividend reinvestment after deduction of withholding tax.

**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 (the "Code") and the Trust Deed dated 26 October 1993, as further amended and / or supplemented from time to time ("Trust Deed") and Deed of retirement and appointment of Manager dated 17 August 2015 to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of Value Partners Classic 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 and Deed of retirement and appointment of Manager dated 17 August 2015 and take reasonable steps for the prevention and detection of fraud and other irregularities.

**Trustee's responsibilities**

The Trustee, HSBC Institutional Trust Services (Asia) Limited, is required to:

- ensure that the Fund is managed by the Manager in accordance with the Trust Deed and Deed of retirement and appointment of Manager dated 17 August 2015 and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained so as to enable the financial statements to be prepared;
- 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 CLASSIC FUND

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## 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 Classic Fund in accordance with the provisions of the Trust Deed dated 26 October 1993 as further amended and / or supplemented from time to time ("Trust Deed") and Deed of retirement and appointment of Manager dated 17 August 2015 for the year ended 31 December 2022.

For and on behalf of

**HSBC Institutional Trust Services (Asia) Limited**

Trustee

26 April 2023

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF VALUE PARTNERS CLASSIC FUND**

(A unit trust established in Hong Kong)

**Report on the Audit of the Financial Statement*****Opinion****What we have audited*

The financial statements of Value Partners Classic Fund (the "Fund"), which are set out on pages 19 to 61, comprise:

- the statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

***Our opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial transactions and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

***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"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## **VALUE PARTNERS CLASSIC FUND**

(A Hong Kong Unit Trust)

### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS CLASSIC FUND (Continued)**

(A unit trust established in Hong Kong)

#### **Report on the Audit of the Financial Statement (Continued)**

##### ***Other Information***

The Trustee and the Manager (the "Management") of the Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information 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 the Management for the Financial Statements***

The Management of the Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the 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, the Management of the Fund 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 the Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 26 October 1993 as amended (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").

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF VALUE PARTNERS CLASSIC FUND (Continued)**

(A unit trust established in Hong Kong)

**Report on the Audit of the Financial Statement (Continued)*****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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

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 the Management.
- Conclude on the appropriateness of the 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.

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### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS CLASSIC FUND (Continued)**

(A unit trust established in Hong Kong)

#### **Report on the Audit of the Financial Statement (Continued)**

##### ***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

We communicate with the Management 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.

##### ***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**

Certified Public Accountants

Hong Kong, 26 April 2023

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2022

	<i>Note</i>	<b>2022</b> US\$	<b>2021</b> US\$
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	4(d)	1,040,633,332	1,483,792,311
Amounts receivable on sales of investments		20,722,391	41,985,186
Amounts receivable on issue of units		580,660	33,075,358
Dividends, interest receivables and other receivables		424,565	1,416,010
Margin deposit		28	28
Bank balances	7(h)	<u>29,624,027</u>	<u>17,072,649</u>
<b>Total assets</b>		<u>1,091,985,003</u>	<u>1,577,341,542</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	4(d)	16,374	1,217
Amounts payable on purchase of investments		5,115,599	19,126,026
Amounts payable on redemption of units		1,100,490	3,594,904
Management fees payable		996,425	1,450,505
Distributions payable to unitholders		222,507	239,084
Bank overdrafts	7(h)	46,965,289	30,858,873
Accruals and other payables	4(c), 7(h)	<u>435,929</u>	<u>283,952</u>
<b>Liabilities (excluding net assets attributable to unitholders)</b>		<u>54,852,613</u>	<u>55,554,561</u>
<b>Net assets attributable to unitholders</b>	6	<u><u>1,037,132,390</u></u>	<u><u>1,521,786,981</u></u>

Signed by:

**Value Partners Hong Kong Limited, *Manager***

**HSBC Institutional Trust Services (Asia) Limited, *Trustee***

The notes on pages 25 to 61 are an integral part of these financial statements.

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 US\$	2021 US\$
<b>Income</b>			
Dividends		32,422,645	25,337,610
Interest on bank deposits	7(h)	112,338	10,635
Net realised (losses)/gains on investments		(311,427,423)	158,934,082
Change in unrealised gains/losses on investments		(137,754,019)	(281,247,835)
Net foreign exchange losses		(2,400,081)	(1,286,614)
Other income		<u>6,500</u>	<u>41,277</u>
		<u>(419,040,040)</u>	<u>(98,210,845)</u>
<b>Expenses</b>			
Management fees	7(a)	(12,698,017)	(18,866,724)
Performance fees	7(b)	-	(49,278)
Trustee and fund administration fees	7(c), 7(h)	(1,325,327)	(1,909,151)
Transaction costs	7(h), 9	(4,296,295)	(8,536,562)
Interest expenses	7(h)	(1,075,887)	(1,450,908)
Stock borrowing fees	7(h)	(3,183)	(11,223)
Safe custody and bank charges	7(h)	(238,636)	(354,817)
Legal and professional fees		(57,260)	(72,941)
Auditor's remuneration		(42,221)	(41,233)
Other operating expenses	7(h)	<u>(1,021,652)</u>	<u>(1,281,889)</u>
		<u>(20,758,478)</u>	<u>(32,574,726)</u>
<b>Loss before tax</b>		(439,798,518)	(130,785,571)
Withholding tax on dividends and other investment income	8(c)	<u>(2,793,488)</u>	<u>(1,297,300)</u>
<b>Loss after tax and before distributions</b>		(442,592,006)	(132,082,871)
Distributions to Unitholders	10	<u>(3,076,096)</u>	<u>(2,530,859)</u>
<b>Decrease in net assets attributable to unitholders from operations</b>		<u>(445,668,102)</u>	<u>(134,613,730)</u>

The notes on pages 25 to 61 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
(UNAUDITED)**

FOR THE YEAR ENDED 31 DECEMBER 2022

	<b>2022</b> US\$	<b>2021</b> US\$
<b>Net assets attributable to unitholders as at 1 January</b>	1,521,786,981	1,426,255,312
Issue of units	139,849,325	676,558,603
Redemption of units	(178,835,814)	(446,413,204)
<b>Net (decrease)/increase from unit transactions</b>	(38,986,489)	230,145,399
Loss after tax and before distributions	(442,592,006)	(132,082,871)
Distributions to unitholders	(3,076,096)	(2,530,859)
<b>Decrease in net assets attributable to unitholders from operations</b>	(445,668,102)	(134,613,730)
<b>Net assets attributable to unitholders as at 31 December</b>	1,037,132,390	1,521,786,981

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED) (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Number of units	As at 1 January	Issue of units	Redemption of units	As at 31 December
<b>2022</b>				
A Units	645,235	–	(8,372)	636,863
B Units	1,167,383	15,980	(101,095)	1,082,268
C Units USD	23,365,010	3,001,709	(3,965,015)	22,401,704
C Units RMB	633,290	354	(158,582)	475,062
C Units AUD Hedged	3,116,453	919,359	(1,137,301)	2,898,511
C Units CAD Hedged	910,869	168,874	(180,506)	899,237
C Units HKD Hedged	7,920,383	1,013,036	(1,094,486)	7,838,933
C Units NZD Hedged	804,730	470,599	(417,906)	857,423
C Units RMB Hedged	5,683,867	1,077,785	(1,419,057)	5,342,595
C Units MDIs USD	4,245,615	912,219	(868,436)	4,289,398
C Units MDIs HKD	31,099,083	6,044,462	(4,631,293)	32,512,252
C Units MDIs RMB	282,409	191,396	(81,037)	392,768
C Units MDIs RMB Hedged	12,619,490	11,672,851	(3,236,600)	21,055,741
P Units USD	–	70,375	–	70,375
P Units classes RMB Hedged	32,997,742	2,944,218	(16,864,475)	19,077,485
P Units classes RMB Unhedged	2,157,715	463,654	(661,955)	1,959,414
X Units	50,243	727,514	(737,721)	40,036
Z Units	2,790,438	976,335	(323,855)	3,442,918
	<b>As at 1 January</b>	<b>Issue of units</b>	<b>Redemption of units</b>	<b>As at 31 December</b>
<b>2021</b>				
A Units	645,325	–	(90)	645,235
B Units	1,261,612	11,867	(106,096)	1,167,383
C Units USD	21,785,993	7,676,695	(6,097,678)	23,365,010
C Units RMB	289,318	425,039	(81,067)	633,290
C Units AUD Hedged	1,523,900	3,571,490	(1,978,937)	3,116,453
C Units CAD Hedged	594,543	1,064,882	(748,556)	910,869
C Units HKD Hedged	2,211,308	10,321,728	(4,612,653)	7,920,383
C Units NZD Hedged	290,577	970,809	(456,656)	804,730
C Units RMB Hedged	2,273,180	6,715,836	(3,305,149)	5,683,867
C Units MDIs USD	1,922,714	3,839,970	(1,517,069)	4,245,615
C Units MDIs HKD	14,637,452	33,202,201	(16,740,570)	31,099,083
C Units MDIs RMB	197,128	214,583	(129,302)	282,409
C Units MDIs RMB Hedged	5,613,442	11,826,982	(4,820,934)	12,619,490
P Units classes RMB Hedged	20,030,573	51,260,975	(38,293,806)	32,997,742
P Units classes RMB Unhedged	3,048,944	1,732,634	(2,623,863)	2,157,715
X Units	76,407	47,203	(73,367)	50,243
Z Units	967,348	2,159,704	(336,614)	2,790,438

The notes on pages 25 to 61 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2022

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
<b>Cash flows from operating activities</b>		
Decrease in net assets attributable to unitholders from operations	(445,668,102)	(134,613,730)
Adjustments for:		
Dividends and interest on bank deposits	(32,534,983)	(25,348,245)
Interest expenses	1,075,887	1,450,908
Stock borrowing fees	3,183	11,223
Withholding tax on dividends and other investment income	2,793,488	1,297,300
Distributions to unitholders	<u>3,076,096</u>	<u>2,530,859</u>
	(471,254,431)	(154,671,685)
Decrease in financial assets at fair value through profit or loss	443,158,979	85,418,808
Increase/(decrease) in financial liabilities at fair value through profit or loss	15,157	(49,578)
Decrease/(increase) in amounts receivable on sales of investments	21,262,795	(41,279,146)
Decrease in amounts payable on purchase of investments	(14,010,427)	(13,392,930)
(Increase)/decrease in other receivables	(458)	1,172,475
Increase/(decrease) in bank overdrafts	16,106,416	(11,211,207)
(Decrease)/increase in management fees payable	(454,080)	100,719
Decrease in performance fees payable	-	(75,496,740)
Decrease in accruals and other payables	<u>(95,291)</u>	<u>(52,935)</u>
Cash used in operations	(5,271,340)	(209,462,219)
Dividends and interest on bank deposits received	30,733,398	23,689,455
Interest expenses paid	(828,619)	(1,451,843)
Stock borrowing fees	<u>(3,183)</u>	<u>(11,223)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u>24,630,256</u>	<u>(187,235,830)</u>

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
<b>Cash flows from financing activities</b>		
Distributions paid to unitholders	(3,092,673)	(2,388,880)
Proceeds from issue of units	172,344,023	648,421,772
Payments on redemption of units	<u>(181,330,228)</u>	<u>(450,040,599)</u>
<b>Net cash (outflow)/inflow from financing activities</b>	<u>(12,078,878)</u>	<u>195,992,293</u>
<b>Net increase in cash and cash equivalents</b>	12,551,378	8,756,463
Cash and cash equivalents as at 1 January	<u>17,072,649</u>	<u>8,316,186</u>
<b>Cash and cash equivalents as at 31 December, representing bank balances</b>	<u><u>29,624,027</u></u>	<u><u>17,072,649</u></u>

The notes on pages 25 to 61 are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 GENERAL INFORMATION**

Value Partners Classic Fund (the “Fund”) is an open-ended unit trust established by the Trust Deed as further amended and / or supplemented from time to time (“Trust Deed”) dated 26 October 1993 (as amended) and governed by the laws of Hong Kong.

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 consistent superior returns through an investment discipline that places emphasis on the fundamental value of potential investments. The Fund’s investment activities are managed by Value Partners Hong Kong Limited (the “Manager”). The Fund’s Administrator is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

### **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 (“IFRSs”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs requires the use of accounting estimates. It also requires the exercise of judgement 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.

#### ***Standards and amendments to existing standards effective 1 January 2022***

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Fund.

#### ***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 annual periods beginning after 1 January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Investment entity

The Fund has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (i) The Fund has multiple investments;
- (ii) The Fund obtained funding for the purpose of providing investors with investment management services;
- (iii) The Fund's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income; and
- (iv) The performance of investments made through the investee funds are measured and evaluated on a fair value basis.

The Fund meets all of the typical characteristics of an investment entity and management believes it is an investment entity. The Fund is required to account for unconsolidated structured entities at fair value through profit and loss.

#### (c) Interest in unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Fund considers all of its investments in investee funds to be investments in unconsolidated structured entities. The Fund invests in investee funds whose objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The investee funds are managed by the group companies of the Manager who apply various investment strategies to accomplish the respective investment objectives of the investee funds.

The Fund's investments in unconsolidated structured entities are shown as financial assets at fair value through profit and loss. The change in fair value of each investee fund is included in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Financial assets and liabilities 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. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective.

*– Liabilities*

The Fund short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

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 Investment 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.

All derivatives are carried in assets when amounts are receivable by the Fund and in liabilities when amounts are payable by the Fund.

**(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.

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial assets and liabilities at fair value through profit or loss (Continued)

##### (iii) *Measurement*

Financial assets and liabilities 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 and liabilities 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 and liabilities 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.

The Fund utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

Debt securities are fair valued based on quoted prices inclusive of accrued interest.

Investments in investee funds are stated at fair value based on the net asset value per unit/share of the respective funds as determined by the administrators of the relevant funds or stated at last traded prices if the investee funds are listed or traded on an exchange. When trading of financial assets and liabilities is suspended, the investment is valued at the manager's estimate of its fair value.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(e) Income****(i) Interest income**

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

Interest income on debt securities is recognised in the statement of comprehensive income within “net realised (losses)/gains on investments” and “change in unrealised gains/losses on investments”, which depends on whether the Fund holds that debt security as at year end.

**(ii) Dividends**

Dividends is recognised when the right to receive payment is established.

**(f) Expenses**

Expenses are accounted for on an accrual basis and are charged to the statement of comprehensive income.

**(g) Transaction costs**

Transaction costs are costs incurred to acquire/dispose 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 the statement of comprehensive income as an expense.

**(h) 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.

**(i) Collateral**

The party to whom the collateral is provided does not have the right to sell or re-pledge the collateral and the Fund classifies these pledged investments as financial assets at fair value through profit or loss in the statement of financial position.

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.

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Foreign currency translation

##### (i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (“the functional currency”). The performance of the Fund is measured and reported to the unitholders in United State dollar (“US\$”). The Manager considers US\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in US\$, which is the Fund’s functional and presentation currency.

##### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within “net foreign exchange losses”.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within “net realised (losses)/gains on investments” and “change in unrealised gains/losses on investments”.

#### (k) 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.

#### (l) 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, and exclude overdrafts with the broker as they are restricted for investment purposes. Bank overdrafts are shown in current liabilities in the statement of financial position.

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

Redeemable units are classified as financial liabilities and are issued or redeemed at the holder's option at prices based on the Fund's net asset value per unit as at the close of business on the relevant dealing day. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders with the total number of outstanding units.

The redeemable units will be issued when the signed application for subscription or switching of Units in the relevant Class has been received. The subscription monies should be received no more than three Business Days after the close of the relevant Dealing period. The amounts receivable on issue of units are recognised when the subscription applications are received but not yet settled.

The redemption monies will be paid with the maximum interval between the receipt of a properly documented request for redemption of Units and payment of the redemption proceeds to the Unitholders may not exceed 30 days. The amounts payable on redemption of units are recognised when the redemption requests are received but not yet settled.

**(n) Distributions to unitholders**

Proposed distributions to unitholders are recognised in the statement of comprehensive income when they are appropriately authorised. The Manager expects to be able to pay distributions from the net distributable income generated by the Fund from its investment but in the event that such net distributable income is insufficient to pay distributions as it declares, the Manager may in its discretion determine that such distributions may be paid from capital. The distribution on the units is recognised in the statement of comprehensive income.

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### **Fair value of financial instruments not quoted in an active market**

The Fund holds financial instruments that are not traded or quoted in an active market. The Fund uses its judgement to select the appropriate methods and make assumptions based on market conditions existing at the end of each reporting period to estimate the fair value of such financial instruments. (See Note 4(d) for further details)

Valuation techniques include the market approach using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities such as net asset values as provided by fund administrators, broker quotes and last transacted price. Broker quotes obtained from the pricing sources (such as pricing agencies or bond/debt market makers) may be indicative and not executable or binding. The Fund would exercise judgement and estimates on the quantity and quality of pricing sources uses. Where no market data is available, the Fund may value positions using its own models. Although best estimate is used in estimating fair values, there are inherent limitations in any valuation technique. Estimated fair values may differ from the values that would have been used if a readily available market existed.

As at 31 December 2022, the Fund held two (2021: two) unlisted equity securities of US\$nil (2021: US\$nil), which are classified as level 3 investments. Refer to Note 4(d) for further details.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 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 daily basis by the Manager.

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. Non-monetary investments include equity securities. Monetary investments include currency forwarding.

	<b>Total net foreign currency exposures</b>		<b>Percentage change %</b>	<b>Estimated impact on net assets US\$</b>
	<b>Non- monetary net assets US\$ equivalent</b>	<b>Monetary net assets/ (liabilities) US\$ equivalent</b>		
<b>As at 31 December 2022</b>				
Australian dollar	-	28,568,401	+/-5	+/-1,428,420
Canadian dollar	-	9,872,980	+/-5	+/-493,649
Hong Kong dollar*	585,933,025	(6,119,112)	+/-0	-
Indonesian rupiah	-	757	+/-5	+/-38
New Zealand dollar	-	8,364,682	+/-5	+/-418,234
Renminbi	179,137,881	61,317,651	+/-5	+/-12,022,777
Singapore dollar	3,820,786	380,104	+/-5	+/-210,045
Taiwan dollar	169,028,172	27,777,319	+/-5	+/-9,840,275
	<u>937,919,864</u>	<u>130,162,782</u>		

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

	Total net foreign currency exposures		Percentage change %	Estimated impact on net assets US\$
	Non- monetary net assets US\$ equivalent	Monetary net assets/ (liabilities) US\$ equivalent		
<b>As at 31 December 2021</b>				
Australian dollar	-	45,851,314	+/-5	+/-2,292,566
Canadian dollar	-	14,666,790	+/-5	+/-733,340
Hong Kong dollar*	887,956,621	(5,715,127)	+/-0	-
Indonesian rupiah	-	827	+/-5	+/-41
New Zealand dollar	-	11,688,075	+/-5	+/-584,404
Renminbi	221,504,543	109,987,205	+/-5	+/-16,574,587
Taiwan dollar	290,858,947	19,394,187	+/-5	+/-15,512,657
	<u>1,400,320,111</u>	<u>195,873,271</u>		

\* 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)**

**4 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.

As at 31 December 2022 and 2021, the Fund had no exposure to a single security greater than 10% of net assets.

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

	<b>% of net assets</b>	
	<b>2022</b>	<b>2021</b>
<b>Financial assets at fair value through profit or loss</b>		
<b>Listed equity securities</b>		
China	17.27	14.56
Hong Kong		
– H shares	16.41	8.09
– Red chips	10.02	5.39
– Others	30.07	44.87
Singapore	0.37	–
Taiwan	16.30	19.11
The United States of America	6.55	0.28
	<hr/>	<hr/>
	96.99	92.30
<b>Participation notes</b>	1.50	3.35
<b>Unlisted investment funds</b>	1.78	1.80
<b>Forward exchange contracts</b>	0.07	0.05
	<hr/>	<hr/>
	100.34	97.50
	<hr/> <hr/>	<hr/> <hr/>

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4 FINANCIAL RISK MANAGEMENT (Continued)

##### (a) Market risk (Continued)

##### (ii) Price risk (Continued)

	% of net assets	
	2022	2021
<b>Financial liabilities at fair value through profit or loss</b>		
<b>Forward exchange contracts</b>	(0.00)	(0.00)
	<u>(0.00)</u>	<u>(0.00)</u>

The table below shows the analysis of the net position of equity securities and participation notes by industry.

	2022	2021
	%	%
Financials	24.64	13.28
Utilities	2.98	2.96
Consumer discretionary	24.22	15.67
Information technology	17.06	33.94
Healthcare	3.47	6.58
Real estate	4.12	3.67
Consumer staples	12.30	10.26
Communication services	10.67	5.94
Energy	0.54	-
Industrials	-	7.70
	<u>100.00</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Market risk (Continued)**

**(ii) Price risk (Continued)**

The Fund may sell securities of an issuer short. Short sales made by the Fund involve certain risks and special considerations. Possible losses from short sales differ from losses that could be incurred from a purchase of a security, because losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested.

The table below summarises the sensitivity of the Fund’s portfolio of listed equity securities, equity derivatives and investment funds to equity price movements. The analysis is based on the assumptions that the MSCI Golden Dragon Net Total Return Index increased/decreased with all other variables held constant and that the fair value of the Fund’s portfolio of listed equity securities and notional value of the Fund’s derivatives moved according to their historical correlation with the index. The index used below is for guidance and performance comparison only.

	Percentage change		Estimated impact on net assets	
	2022	2021	2022	2021
	%	%	US\$	US\$
MSCI Golden Dragon Net Total Return Index	+/-30	+/-30	+/-315,869,952	+/-465,999,227

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Market risk (Continued)

##### (iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flow will fluctuate due to changes in market interest rates.

The table below summaries the Fund's financial assets and liabilities at the reporting date which expose it to the risk associated with the effects of fluctuations in the prevailing levels of market interest rates, categorised by remaining maturity dates.

	Less than 1 month	
	2022	2021
	US\$	US\$
Bank balances	29,624,027	17,072,649
Bank overdrafts	<u>(46,965,289)</u>	<u>(30,858,873)</u>
Total interest sensitivity gap	<u>(17,341,262)</u>	<u>(13,786,224)</u>

Any bank balances and overdrafts with brokers are placed/borrowed at short term market interest rates and the Manager considers that the Fund is not subject to significant amount of risk due to the stable and low fluctuation in the prevailing levels of market interest rates.

#### (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 in listed securities 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 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)**

**4 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.

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
<b>Counterparty</b>		
Cash with banks		
Aa3	29,624,027	17,072,649
Investments placed with custodian and other broker		
Aa3	1,040,633,332	1,483,792,311
Amount receivable on sales of investments		
Unrated	20,722,391	41,985,186
Amounts receivable on issue of units		
Unrated	580,660	33,075,358

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 31 December 2022 and 31 December 2021, amounts receivable on sales of investments, amounts receivable on issue of units, dividends, interest receivables and other receivables, margin deposit and bank balances with a credit rating of Aa3 (2021: 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 CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk

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. The table below reflects captions of the statement of financial position items and shows how much of the net assets can be redeemed if the Manager does not exercise the 10% redemption gate.

	Less than 3 month	
	2022	2021
	US\$	US\$
Net assets attributable to unitholders	1,037,132,390	1,521,786,981
Financial liabilities at fair value through profit or loss – derivatives	16,374	1,217
Amounts payable on purchase of investments	5,115,599	19,126,026
Amounts payable on redemption of units	1,100,490	3,594,904
Management fees payable	996,425	1,450,505
Distributions payable to unitholders	222,507	239,084
Bank overdrafts	46,965,289	30,858,873
Accruals and other payables	435,929	283,952
	<u>1,091,985,003</u>	<u>1,577,341,542</u>

As at 31 December 2022, the Fund was subject to one (2021: one) passive hedging arrangement with its derivative counterparty. The arrangement gives the Fund and the counterparties the legally enforceable right to set-off certain financial assets and liabilities.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Liquidity risk (Continued)**

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. An event of default may include failure to pay or deliver, breach of agreement or bankruptcy. 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.

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.

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
<b>Financial assets</b>		
Forward exchange contracts	772,983	728,828
<b>Financial liabilities</b>		
Forward exchange contracts	(16,374)	(1,217)
Net amount	<u>756,609</u>	<u>727,611</u>

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk (Continued)

##### *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;
- 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.

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 31 December 2022 and 2021, 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 inflows for managing liquidity risk.

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

<b>Investor</b>	<b>% of net assets</b>
<b>As at 31 December 2022</b>	
Investor 1	12.14
Investor 2	11.34
<b>As at 31 December 2021</b>	
Investor 1	11.77
Investor 2	11.23

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Fair value estimation**

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

	<b>Level 1</b> <i>US\$</i>	<b>Level 2</b> <i>US\$</i>	<b>Level 3</b> <i>US\$</i>	<b>Total</b> <i>US\$</i>
<b>As at 31 December 2022</b>				
<b>Financial assets held for trading</b>				
Listed equity securities	1,005,886,522	–	–	1,005,886,522
Participation notes	–	15,545,551	–	15,545,551
Unlisted investment funds	–	18,428,276	–	18,428,276
Unlisted equity securities	–	–	–*	–
Forward exchange contracts	–	772,983	–	772,983
	<u>1,005,886,522</u>	<u>34,746,810</u>	<u>–</u>	<u>1,040,633,332</u>
<b>Financial liabilities held for trading</b>				
Forward exchange contracts	–	(16,374)	–	(16,374)
	<u>–</u>	<u>(16,374)</u>	<u>–</u>	<u>(16,374)</u>

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4 FINANCIAL RISK MANAGEMENT (Continued)

##### (d) Fair value estimation (Continued)

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 31 December 2021</b>				
<b>Financial assets held for trading</b>				
Listed equity securities	1,404,578,984	-	-	1,404,578,984
Participation notes	-	51,090,902	-	51,090,902
Unlisted investment funds	-	27,393,597	-	27,393,597
Unlisted equity securities	-	-	-*	-
Forward exchange contracts	-	728,828	-	728,828
	<u>1,404,578,984</u>	<u>79,213,327</u>	<u>-</u>	<u>1,483,792,311</u>
<b>Financial liabilities held for trading</b>				
Forward exchange contracts	<u>-</u>	<u>(1,217)</u>	<u>-</u>	<u>(1,217)</u>

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

Financial instruments that trade 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.

Investments classified within level 3 have significant unobservable inputs, as they are traded infrequently.

\* As at 31 December 2022, the fair value of two unlisted equity securities at level 3 (2021: two unlisted equity securities) was fully marked at zero.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Fair value estimation (Continued)**

The Manager considers that changes in the inputs to the valuation models would not have a significant effect on the net asset value of the Fund. No quantitative analysis has been presented. The table below summarises the key unobservable inputs adopted by the Manager in determining the fair value.

	Fair value <i>US\$</i>	Valuation technique	Unobservable inputs	Range of inputs
<b>As at 31 December 2022</b>				
Unlisted equity securities	–	Last transacted price with discounts applied	Discount rate	100%
<b>As at 31 December 2021</b>				
Unlisted equity securities	–	Last transacted price with discounts applied	Discount rate	100%

There is no transfer between levels for the years ended 31 December 2022 and 2021.

There is no movement in level 3 investments for the years ended 31 December 2022 and 2021.

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

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (e) Financial derivative instruments

The Fund's financial derivative instruments at the reporting date are detailed as follows:

	Notional amount Long/(Short)	Fair value	
		Assets US\$	Liabilities US\$
<b>As at 31 December 2022</b>			
Forward exchange contracts	AUD40,646,397	566,738	-
Forward exchange contracts	CAD12,986,151	94,288	-
Forward exchange contracts	HKD10,000	0	-
Forward exchange contracts	NZD12,733,027	14,267	-
Forward exchange contracts	CNH421,246,318	97,690	-
Forward exchange contracts	HKD98,315,009	-	(14,840)
Forward exchange contracts	(CNH1,229,614)	-	(595)
Forward exchange contracts	(CAD33,974)	-	(150)
Forward exchange contracts	(AUD103,138)	-	(741)
Forward exchange contracts	(NZD8,433)	-	(48)
Participation notes on China equities	RMB107,942,447	15,545,551	-
		<u>16,318,534</u>	<u>(16,374)</u>

	Notional amount Long/(Short)	Fair value	
		Assets US\$	Liabilities US\$
<b>As at 31 December 2021</b>			
Forward exchange contracts	AUD62,316,775	259,260	-
Forward exchange contracts	CAD18,255,368	106,148	-
Forward exchange contracts	HKD136,471,513	2,079	-
Forward exchange contracts	NZD16,668,128	17,909	-
Forward exchange contracts	CNH694,397,616	343,432	-
Forward exchange contracts	(AUD107,631)	-	(374)
Forward exchange contracts	HKD390,827	-	(5)
Forward exchange contracts	(CNH1,965,540)	-	(838)
Participation notes on China equities	RMB325,006,303	51,090,902	-
		<u>51,819,730</u>	<u>(1,217)</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5 INVESTMENTS IN UNCONSOLIDATED STRUCTURED ENTITIES**

Unconsolidated structured entities consist of investments in investee funds which are subject to the terms and conditions of the respective investee funds’ offering documents and are susceptible to market price risk arising from uncertainties about future values of those structured entities. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund’s manager.

The Fund’s holding in investee funds, as a percentage of the respective structured entity’s total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at structured entities level. It is possible that the Fund may, at any point in time, hold a majority of a structured entity’s total shares/units in issue.

The table below summaries the Fund’s holdings in investee funds as at the reporting date.

Investee funds	Fund manager	% Ownership		Place of Incorporation	Dealing Frequency
		2022	2021		
Value Partners Ireland Fund ICAV – Value Partners All China Equity Fund <sup>Δ</sup>	Value Partners Hong Kong Limited <sup>**</sup>	95.99%	86.39%	Ireland	Daily <sup>*</sup>
Value Partners Ireland Fund ICAV - Value Partners China A Shares Consumption Fund <sup>Δ</sup>	Value Partners Hong Kong Limited <sup>**</sup>	6.25%	6.25%	Ireland	Daily <sup>*</sup>
Value Partners Ireland Fund ICAV - Value Partners China A Shares Equity Fund <sup>Δ</sup>	Value Partners Hong Kong Limited <sup>**</sup>	6.24%	6.24%	Ireland	Daily <sup>*</sup>
Value Partners Ireland Fund ICAV - Value Partners China A Shares High Dividend Fund <sup>Δ</sup>	Value Partners Hong Kong Limited <sup>**</sup>	6.25%	6.25%	Ireland	Daily <sup>*</sup>

\* The Manager of the investee funds also has the ability to limit daily redemptions and withhold the requested amount. Under extraordinary circumstances, the Manager of the Investee Funds also has the ability to suspend redemptions.

Δ The investment funds are not authorised in Hong Kong and not available to the public in Hong Kong.

\*\* The investee funds are also managed by the Manager or its related party.

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5 INVESTMENTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

Movements in the fair value of the investee funds' portfolio and corresponding movements in the fair value of the investee funds may expose the Fund to a loss. The Fund's maximum exposure to loss from its interests in structured entities is equal to the total fair value of its investments in structured entities. Once the Fund has disposed of its shares/units in a structured entity, the Fund ceases to be exposed to any risk from that structured entity.

The exposure to investments in investee funds at fair value is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

	<b>Fair value</b> <i>US\$</i>	<b>% of net assets</b>
<b>As at 31 December 2022</b>		
Value Partners Ireland Fund ICAV – Value Partners All China Equity Fund Class X USD Unhedged Acc	17,172,776	1.66
Value Partners Ireland Fund ICAV - Value Partners China A Shares Consumption Fund Class X USD Unhedged Acc	385,500	0.04
Value Partners Ireland Fund ICAV - Value Partners China A Shares Equity Fund Class X USD Unhedged Acc	441,000	0.04
Value Partners Ireland Fund ICAV - Value Partners China A Shares High Dividend Fund Class X USD Unhedged Acc	429,000	0.04
	<u>18,428,276</u>	<u>1.78</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5 INVESTMENTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)**

	Fair value <i>US\$</i>	% of net assets
<b>As at 31 December 2021</b>		
Value Partners Ireland Fund ICAV – Value Partners All China Equity Fund Class X USD Unhedged Acc	25,769,597	1.69
Value Partners Ireland Fund ICAV - Value Partners China A Shares Consumption Fund Class X USD Unhedged Acc	487,000	0.03
Value Partners Ireland Fund ICAV - Value Partners China A Shares Equity Fund Class X USD Unhedged Acc	623,000	0.04
Value Partners Ireland Fund ICAV - Value Partners China A Shares High Dividend Fund Class X USD Unhedged Acc	<u>514,000</u>	<u>0.04</u>
	<u><u>27,393,597</u></u>	<u><u>1.80</u></u>

No purchases or sales in structured entities during the years ended 31 December 2022 and 2021. The Fund intends to continue opportunistic trading in the Investee Funds. As at 31 December 2022 and 2021, there were no capital commitment obligations and no amounts due to structured entities for unsettled purchases.

During the year ended 31 December 2022, total net loss of US\$8,965,321 (2021: total net gain of US\$4,447,912) was recognised on investments in investee funds.

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 6 REDEEMABLE UNITS

Units of the Fund are issued in different classes. All units are subject to daily redemption. The management fees charged to each classes of units are different as disclosed in note 7(a). Applications for A Units and B Units were suspended since 2002 and 2009 respectively unless otherwise agreed by the Manager. New investors who wish to invest in the Fund and existing unitholders who wish to further subscribe for units in the Fund may subscribe for C Units, C Units – Hedged, C Units – MDis, X Units, Z Units and P Units classes.

The Fund may enter into certain currency related transactions in order to hedge the currency exposure of the assets of the Fund attributable to a particular class into the class currency of the relevant class. Any financial instruments used to implement such strategies with respect to one or more classes shall be assets/liabilities of the Fund as a whole but will be attributable to the relevant classes and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant class.

A Units, B Units, C Units, C Units – Hedged, C Units – MDis, X Units, Z Units and P Units classes are redeemable at the option of the unitholders, are subject to different management fee percentages and do not have identical features, and are therefore classified as financial liabilities. The units can be put back to the Fund for cash equal to a proportionate share of the Fund's net asset value. The units are carried at the redemption amount that is payable at the reporting date if the unitholders exercise their right to put the units back to the Fund.

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 disposal of listed securities where necessary.

The Fund offers classes of redeemable units that accumulate income (A Units, B Units, C Units USD, C Units RMB, C Units AUD Hedged, C Units CAD Hedged, C Units HKD Hedged, C Units NZD Hedged, C Units RMB Hedged, P Units USD, P Units classes RMB Hedged, P Units classes RMB unhedged, X Units and Z Units, collectively referred to as "Accumulation Classes") or pay regular dividends out of net income or on occasion make payments out of capital (C Units MDis USD, C Units MDis HKD, C Units MDis RMB, C Units MDis RMB Hedged, collectively referred to as the "Distribution Classes"). The Manager currently does not aim to pay dividends with respect to Accumulation Classes. Therefore, any net income and net realised profits attributable to the units of the Accumulation Classes will be reflected in their respective Net Asset Values.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6 REDEEMABLE UNITS (Continued)**

**Number of units in issue**

Number of units and the net asset value per unit at the reporting date was as follows:

	<b>2022</b>	<b>2021</b>
<b>Number of units</b>		
A Units	636,863	645,235
B Units	1,082,268	1,167,383
C Units USD	22,401,704	23,365,010
C Units RMB	475,062	633,290
C Units AUD Hedged	2,898,511	3,116,453
C Units CAD Hedged	899,237	910,869
C Units HKD Hedged	7,838,933	7,920,383
C Units NZD Hedged	857,423	804,730
C Units RMB Hedged	5,342,595	5,683,867
C Units MDis USD	4,289,398	4,245,615
C Units MDis HKD	32,512,252	31,099,083
C Units MDis RMB	392,768	282,409
C Units MDis RMB Hedged	21,055,741	12,619,490
P Units USD	70,375	–
P Units classes RMB Hedged	19,077,485	32,997,742
P Units classes RMB Unhedged	1,959,414	2,157,715
X Units	40,036	50,243
Z Units	3,442,918	2,790,438
	<b>2022</b>	<b>2021</b>
<b>Net asset value per unit</b>		
A Units	USD346.90	USD482.27
B Units	USD151.92	USD212.27
C Units USD	USD19.01	USD26.55
C Units RMB	RMB13.65	RMB17.43
C Units AUD Hedged	AUD14.11	AUD20.35
C Units CAD Hedged	CAD14.40	CAD20.43
C Units HKD Hedged	HKD12.52	HKD17.62
C Units NZD Hedged	NZD14.83	NZD21.12
C Units RMB Hedged	RMB13.30	RMB18.73
C Units MDis USD	USD7.92	USD11.39
C Units MDis HKD	HKD7.90	HKD11.35
C Units MDis RMB	RMB7.99	RMB10.51
C Units MDis RMB Hedged	RMB7.61	RMB11.20
P Units USD	USD7.7309	–
P Units classes RMB Hedged	RMB9.8577	RMB13.8810
P Units classes RMB Unhedged	RMB10.0194	RMB12.7980
X Units	USD11.11	USD15.38
Z Units	USD10.36	USD14.40

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7 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 period 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 SFC 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 represent 0.75% per annum of that portion of the net asset value of the Fund attributable to A units and Z units and 1.25% per annum of that portion of the net asset value of the Fund attributable to B units, C units, C units – Hedged, C units – MDis and P unit RMB classes. No management fees shall be payable for X units. The management fees are calculated and accrued daily and payable monthly in arrears.

##### (b) Performance fees

The Manager is entitled to receive a 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 the reporting date before accrual of performance fees and including any distribution declared or paid in respect of their relevant performance periods exceeds the higher of (i) the initial issue price of the units and (ii) the highest value for the net asset value per unit as at 31 December for any preceding year in which a performance fees was last calculated and paid (after payment of the performance fees). The performance fees is calculated and accrued daily and payable yearly in arrears.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****7 RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)****(c) Trustee and fund administration fees**

Prior to 30 April 2021, the Trustee is entitled to receive a trustee and fund administration fees which represents a variable fee of (i) 0.15% per annum on the first US\$150 million of the net asset value of the Fund; (ii) 0.13% per annum on the next US\$150 million of the net asset value of the Fund; and (iii) 0.11% per annum thereafter. Under the terms of the Trust Deed, the Trustee is also entitled to a fixed annual fee of US\$3,000. The variable fee was calculated and accrued daily and payable monthly in arrears.

Effective from 30 April 2021, the Trustee is entitled to receive a trustee and fund administration fees which represents a variable fee of (i) 0.15% per annum on the first US\$150 million of the net asset value of the Fund; (ii) 0.13% per annum on the next US\$150 million of the net asset value of the Fund; and (iii) 0.11% per annum thereafter. Under the terms of the Trust Deed, the Trustee is also entitled to a fixed annual fee of US\$4,500. The variable fee was calculated and accrued daily and payable monthly in arrears.

**(d) Registrar fees**

The Trustee is also entitled to 0.03% per annum of the Fund's NAV for the services provided as the Fund's registrar.

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### (e) The Trustee's, the Manager's and their related parties' holding in the Fund and entitled to profit/loss from transactions in units

The Trustee, the Manager and their related parties held units of the Fund and entitled to profit/(loss) from transactions in units as follows:

	As at 1 January	Transactions in units		As at 31 December
		Issue of units	Redemption of units	
<b>Year 2022</b>				
<b>A Units</b>				
Director of the Manager	34,669	-	-	34,669
Spouse of a director of the Manager	6,615	-	-	6,615
<b>B Units</b>				
Director of the Manager	14,749	-	-	14,749
Spouse of a director of the Manager	1,992	-	-	1,992
<b>C Units</b>				
Value Partners Limited*	-	11,221	(11,221)	-
<b>X Units</b>				
Value Partners Limited*	50,243	727,514	(737,722)	40,035

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**(e) The Trustee's, the Manager's and their related parties' holding in the Fund and entitled to profit/loss from transactions in units (Continued)**

	As at 1 January	Transactions in units Issue of units	Redemption of units	As at 31 December
<b>Year 2021</b>				
<b>A Units</b>				
Director of the Manager	34,669	-	-	34,669
Spouse of a director of the Manager	6,615	-	-	6,615
<b>B Units</b>				
Director of the Manager	14,749	-	-	14,749
Spouse of a director of the Manager	1,992	-	-	1,992
<b>C Units MDis HKD</b>				
Value Partners Limited*	8,911	151	(9,062)	-
<b>C Units MDis RMB Hedged</b>				
Value Partners Limited*	8,048	229	(8,277)	-
<b>C Units MDis RMB</b>				
Value Partners Limited*	7,843	143	(7,986)	-
<b>C Units MDis USD</b>				
Value Partners Limited*	1,113	19	(1,132)	-
<b>C Units HKD Hedged</b>				
Director of the Manager	-	1,573,152	(1,573,152)	-
<b>C Units USD</b>				
Value Partners Limited*	1,640	2,306	(3,946)	-
<b>X Units</b>				
Value Partners Limited*	76,407	47,203	(73,367)	50,243

\* Value Partners Limited is the wholly owned subsidiary of the Manager.

Note During the year ended 31 December 2022, the Manager and its related parties' holding in the Fund are entitled to the distribution based on their holding of the units of the relevant Fund, refer to Note 10 for details.

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### (f) Investment in funds managed by the Manager or its related parties

During the years ended 31 December 2022 and 2021, the Fund invested in other funds, which are also managed by the Manager or its related party. Refer to note 5 for further details.

In accordance with the Fund's Explanatory Memorandum, the managers of these funds have waived the management fees payable by the Fund by refunding the relevant fees to the Fund, which is included in the statement of comprehensive income as "other income". For the years ended 31 December 2022 and 2021, no management fees were waived.

##### (g) Cross trade with other funds managed by the Manager and/or its associates

During the years ended 31 December 2022 and 2021, the Fund did not have transacted with other funds which are also managed by the Manager and/or its associates.

##### (h) Other transaction and balances with the Trustee and its related parties

In addition to the trustee and fund administration fees of US\$1,325,327 (2021: US\$1,909,151), as disclosed in note 7(c), the Fund had the following additional transactions with the Trustee and its related parties. All such transactions were entered into in the ordinary course of business and were on normal commercial terms.

	2022	2021
	<i>US\$</i>	<i>US\$</i>
Interest on bank deposits	112,338	10,635
Transaction costs <sup>(Note)</sup>	(69,078)	(290,961)
Interest expenses	(1,075,887)	(1,450,908)
Stock borrowing fees	(3,183)	(11,223)
Safe custody and bank charges	(6,538)	(16,284)
Sub custodian fees expenses	(232,098)	(338,533)
Registrar and transfer agent fees expenses	(280,035)	(413,444)
Annual service fees	<u>(7,017)</u>	<u>(3,495)</u>

Note Included in transaction costs are paid commission to the related parties of the Trustee for the purchases and sales of investments during the years ended 31 December 2022 and 2021 as follows:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**(h) Other transaction and balances with the Trustee and its related parties (Continued)**

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
<b>The Hongkong and Shanghai Banking Corporation Limited</b>		
Total commission paid	55,158	284,746
The total aggregate value of the purchases and sales	48,226,645	317,388,301
Average rate of commission	0.11%	0.09%
% of transactions to the total purchases and sales of the Fund	<u>2.44%</u>	<u>7.29%</u>

In addition to the trustee and fund administration fees payable of US\$101,722 and registrar fees payable of US\$21,437 (2021: US\$147,410 and US\$31,767 respectively), as disclosed in Note 7(c), the Fund had the following additional balances with the Trustee and its related parties.

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
Financial assets at fair value through profit or loss	1,040,633,332	1,483,792,311
Bank balances	29,624,027	17,072,649
Bank overdrafts	(46,965,289)	(30,858,873)
Interest receivable	5,320	4
Financial liabilities at fair value through profit or loss	(16,374)	(1,217)
Transaction costs payable	(1,406)	(1,449)
Interest expenses payable	(244,415)	(2,853)
Safe custody and bank charges payable	(2)	(2)
Annual service fees payable	<u>(974)</u>	<u>(250)</u>

During the years ended 31 December 2022 and 2021, the Fund entered into forward exchange contracts with The Hongkong and Shanghai Banking Corporation Limited, a connected person of the Trustee, with realised loss amounting to US\$10,395,343 (2021: realised gain amounting to US\$1,294,661). As at 31 December 2022, the Fund held the outstanding forward exchange contracts as financial assets US\$772,983 (2021: US\$728,828) and financial liabilities US\$16,374 (2021: US\$1,217) respectively with The Hongkong and Shanghai Banking Corporation Limited.

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 8 TAXATION

#### (a) 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.

#### (b) People's Republic of China ("PRC")

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

The Fund invests in various derivative instruments linked to "A" shares of companies listed in the PRC and in "A" shares through Stock Connect. Prior to 17 November 2014, a 10% tax was withheld by the relevant Qualified Foreign Institutional Investors ("QFIIs") on all PRC sourced dividends and realised capital gains. With effect from 17 November 2014, a 10% tax is only withheld on all PRC sourced dividends only.

#### *Capital gains tax on A-shares in PRC*

According to Caishui [2014] No. 81 and Caishui [2016] No. 127, capital gains derived by overseas investors from the trading of China A Shares via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are temporarily exempt from PRC corporate income tax.

The Fund invests in A-shares traded via Shanghai-Hong Kong Stock Connect/Shenzhen-Hong Kong Stock Connect is subjected to 10% WIT on dividend income derived from the shares. WIT was charged on dividend income received from the shares during the years ended 31 December 2022 and 2021.

#### *Capital gains tax on H-shares in PRC*

The Fund has investments in shares of companies in PRC listed on the Hong Kong Stock Exchange ("H-shares"). Under general taxing provisions of the Corporate Income Tax Law ("CIT Law"), a Fund could be technically subject to 10% withholding income tax ("WIT") on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties. However, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-tax resident enterprises of the PRC from the trading of H-shares. Where capital gains are derived from trading of H-shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8 TAXATION (Continued)**

**(b) People’s Republic of China (“PRC”) (Continued)**

*Capital gains tax on H-shares in PRC (Continued)*

No provision was made for taxation from such gains in the financial statements as the Manager believes that the taxation on capital gains derived from H-shares is not probable under the current enforcement environment.

**(c) Other jurisdictions**

Overseas withholding tax was charged on certain dividend and investment income received during the years ended 31 December 2022 and 2021.

**9 TRANSACTION COSTS**

During the years ended 31 December 2022 and 2021, following transaction costs were incurred by the Fund.

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
Brokerage fees	2,086,302	4,769,086
Other transaction costs	2,196,073	3,761,261
Transaction handling fees	13,920	6,215
	<u>4,296,295</u>	<u>8,536,562</u>

# VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10 DISTRIBUTION TO DISTRIBUTION CLASSES (Continued)

As referred to in note 6, the Manager may determine to make a distribution out of the net income and/or capital attributable to Distribution classes. The table below summarises the dividend distribution made during the reporting period. The distribution is included in the statement of comprehensive income and is made to the Distribution Classes only.

	<b>2022</b>	<b>2021</b>
	<i>US\$</i>	<i>US\$</i>
Total comprehensive loss for the year	<u>(445,668,102)</u>	<u>(134,613,730)</u>
Distributions to Distribution Classes unitholders during the year	<u>3,076,096</u>	<u>2,530,859</u>

The Fund has no undistributed net income at the beginning of the year and at the end of the year.

The table below summarises the dividend distribution made during the reporting period.

Classes	2022	2021	Frequency	Ex-dividend dates*
C Units MDis USD	USD0.0196	USD0.0196	Monthly	Last business day of January to December
C Units MDis HKD	HKD0.0194	HKD0.0194	Monthly	Last business day of January to December
C Units MDis RMB	RMB0.0197	RMB0.0197	Monthly	Last business day of January to December
C Units MDis RMB Hedged	RMB0.0391	RMB0.0275	Monthly	Last business day of January to June
C Units MDis RMB Hedged	RMB0.0391	RMB0.0391	Monthly	Last business day of July
C Units MDis RMB Hedged	RMB0.0187	RMB0.0391	Monthly	Last business day of August to December

\* Last business day of each month in 2022 are 31 January 2022, 28 February 2022, 31 March 2022, 29 April 2022, 31 May 2022, 30 June 2022, 29 July 2022, 31 August 2022, 30 September 2022, 31 October 2022, 30 November 2022 and 30 December 2022.

Last business day of each month in 2021 are 29 January 2021, 26 February 2021, 31 March 2021, 30 April 2021, 31 May 2021, 30 June 2021, 30 July 2021, 31 August 2021, 30 September 2021, 29 October 2021, 30 November 2021 and 31 December 2021.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****11 SOFT DOLLAR 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 Sub-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.

For the year ended 31 December 2022, the Manager obtained research and advisory services; economic and political analysis; portfolio and market analysis, data and quotation services and software incidental to the above goods and services; and investment related publications through soft dollar arrangements on transactions amounting to US\$919,441,643 (2021: US\$1,779,797,740). Commission which amounted to US\$1,267,028 (2021: US\$2,420,807) is paid from the Fund on these transactions.

**12 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustee and the Manager on 26 April 2023.

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 DECEMBER 2022

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>Listed equity securities</b>			
<b>China</b>			
China Merchants Bank Co Ltd A Shares (SHHK)	6,012,849	32,201,505	3.10
East Money Information Co Ltd A Shares (SZHK)	18,913,363	52,737,983	5.08
Inner Mongolia Yili Industrial Group Co Ltd A Shares (SHHK)	227,900	1,015,451	0.10
Kweichow Moutai Co Ltd A Shares (SHHK)	285,337	70,827,752	6.83
Luxshare Precision Industry Co Ltd A Shares (SZHK)	2,045,933	9,336,587	0.90
Luzhou Laojiao Co Ltd A Shares (SZHK)	37,299	1,202,377	0.12
Maxscend Microelectronics Co Ltd A Shares (SZHK)	183,381	3,012,684	0.29
Wuliangye Yibin Co Ltd A Shares (SZHK)	338,977	8,803,541	0.85
		<u>179,137,880</u>	<u>17.27</u>
<b>Hong Kong - H Shares</b>			
BAIC Motor Corp Ltd H Shares	8,164,000	2,167,197	0.21
China Merchants Bank Co Ltd H Shares	10,377,500	58,090,099	5.60
China Telecom Corp Ltd H Shares	95,180,000	37,472,201	3.61
China Vanke Co Ltd H Shares	7,208,200	14,605,251	1.41
Ping An Insurance (Group) Co of China Ltd H Shares	5,510,000	36,496,150	3.52
Poly Property Services Co Ltd H Shares	2,336,600	13,798,730	1.33
WuXi AppTec Co Ltd H Shares	712,400	7,532,510	0.73
		<u>170,162,138</u>	<u>16.41</u>

**INVESTMENT PORTFOLIO (UNAUDITED) (Continued)**

AS AT 31 DECEMBER 2022

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)</b>			
<b>Listed equity securities (Continued)</b>			
<b><i>Hong Kong - Red Chips</i></b>			
Beijing Tong Ren Tang Chinese Medicine Co Ltd	19,002,000	27,926,021	2.69
China Jinmao Holdings Group Ltd	63,720,000	13,728,092	1.32
China Mobile Ltd	2,750,500	18,253,541	1.76
China Resources Beer (Holdings) Co Ltd	1,154,000	8,072,828	0.78
CNOOC Ltd	4,285,000	5,484,114	0.53
SIIC Environment Holdings Ltd	224,154,980	30,470,486	2.94
		103,935,082	10.02
<b><i>Hong Kong - Others</i></b>			
AIA Group Ltd	5,881,600	65,469,697	6.31
ANTA Sports Products Ltd	862,200	11,311,202	1.09
Chervon Holdings Ltd	2,798,900	15,452,034	1.49
China Mengniu Dairy Co Ltd	4,736,000	21,500,080	2.07
Chinasoft International Ltd	10,754,000	9,364,076	0.90
Chow Tai Fook Jewellery Group Ltd	5,615,600	11,464,744	1.11
Li Ning Co Ltd	3,014,500	26,190,857	2.53
Luk Fook Holdings (International) Ltd	9,197,300	27,363,614	2.64
Meituan	2,871,500	64,331,970	6.20
Minsheng Education Group Co Ltd	84,938,000	5,446,245	0.53
Tencent Holdings Ltd	890,100	38,125,047	3.68
Yum China Holdings Inc	280,940	15,816,239	1.52
		311,835,805	30.07
<b><i>Singapore</i></b>			
First Resources Ltd	3,462,200	3,820,786	0.37

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2022

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)</b>			
<b>Listed equity securities (Continued)</b>			
<b>Taiwan</b>			
Arcadyan Technology Corp	3,524,000	10,966,662	1.06
Asia Vital Components Co Ltd	2,233,000	8,132,674	0.78
Chunghwa Telecom Co Ltd	4,110,000	15,102,432	1.46
King Slide Works Co Ltd	312,000	3,895,942	0.38
MediaTek Inc	181,000	3,678,623	0.35
Mega Financial Holding Co Ltd	6,871,600	6,781,772	0.65
President Chain Store Corp	1,167,000	10,322,060	1.00
Taiwan Semiconductor Manufacturing Co Ltd	5,919,000	86,325,166	8.32
Wistron NeWeb Corp	3,750,000	9,560,354	0.92
Wiwynn Corp	195,000	5,053,818	0.49
Zhen Ding Technology Holding Ltd	2,697,000	9,208,669	0.89
		<u>169,028,172</u>	<u>16.30</u>
<b>The United States of America</b>			
H World Group Ltd ADR	134,640	5,711,429	0.55
Pinduoduo Inc ADR	717,884	58,543,440	5.64
TAL Education Group ADR	526,495	3,711,790	0.36
		<u>67,966,659</u>	<u>6.55</u>
<b>Participation notes</b>			
CICC Financial Trading Ltd (Qi An Xin Technology Group Inc A Shares) P-note 9/7/2024	1,641,211	15,545,551	1.50

**VALUE PARTNERS CLASSIC FUND**

(A Hong Kong Unit Trust)

**INVESTMENT PORTFOLIO (UNAUDITED) (Continued)**

AS AT 31 DECEMBER 2022

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)</b>			
<b>Unlisted equity securities</b>			
EganaGoldpfeil Holdings Ltd	6,885,464	-	-
Real Gold Mining Ltd	14,179,500	-	-
		<u>                    </u>	<u>                    </u>
		-	-
<b>Unlisted investment funds</b>			
Value Partners Ireland Fund ICAV – Value Partners All China Equity Fund Class X USD Unhedged Acc*	2,086,607	17,172,776	1.66
Value Partners Ireland Fund ICAV – Value Partners China A Shares Consumption Fund Class X USD Unhedged Acc*	50,000	385,500	0.04
Value Partners Ireland Fund ICAV – Value Partners China A Shares Equity Fund Class X USD Unhedged Acc*	50,000	441,000	0.04
Value Partners Ireland Fund ICAV – Value Partners China A Shares High Dividend Fund Class X USD Unhedged Acc*	50,000	429,000	0.04
		<u>                    </u>	<u>                    </u>
		18,428,276	1.78
<b>Forward exchange contracts</b>		<u>                    </u>	<u>                    </u>
		772,983	0.07
<b>Total financial assets at fair value through profit or loss</b>		<u>                    </u>	<u>                    </u>
		1,040,633,332	100.34

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2022

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
Forward exchange contracts		<u>(16,374)</u>	<u>(0.00)</u>
Total financial liabilities at fair value through profit or loss		<u>(16,374)</u>	<u>(0.00)</u>
Total investments, net		<u>1,040,616,958</u>	<u>100.34</u>
Total investments, at cost		<u>1,150,800,927</u>	

\* *The investment funds are not authorised in Hong Kong and not available to the public in Hong Kong.*

**INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)**

FOR THE YEAR ENDED 31 DECEMBER 2022

	% of net assets	
	2022	2021
<b>Listed equity securities</b>		
China	17.27	14.56
Hong Kong		
– H shares	16.41	8.09
– Red chips	10.02	5.39
– Others	30.07	44.87
Singapore	0.37	–
Taiwan	16.30	19.11
The United States of America	6.55	0.28
	96.99	92.30
<b>Participation notes</b>	1.50	3.35
<b>Unlisted equity securities</b>	–	–
<b>Unlisted investment funds</b>	1.78	1.80
<b>Forward exchange contracts</b>	0.07	0.05
	100.34	97.50
<b>Total investments, net</b>	100.34	97.50

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED)

AS AT 31 DECEMBER 2022

The Fund's financial derivative instruments at the reporting date are detailed below:

#### Financial assets:

#### Participation notes

	<b>Underlying assets</b>	<b>Issuer</b>	<b>Fair value</b> <i>US\$</i>
CICC Financial Trading Ltd (Qi An Xin Technology Group Inc A Shares) P-note 9/7/2024	Qi An Xin Technology Group Inc A Shares	CICC Financial Trading	<u>15,545,551</u>

**DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS  
(UNAUDITED) (Continued)**

AS AT 31 DECEMBER 2022

**Financial assets (Continued):**

**Forward exchange contracts**

Currency sold	Amount sold	Currency bought	Amount bought	Settlement date	Counter party	Fair value US\$
USD	27,103,749	AUD	40,646,397	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	566,738
USD	9,499,438	CAD	12,983,186	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	94,273
USD	2,176	CAD	2,965	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	15
USD	27,149,676	CNH	188,710,152	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	43,693
USD	23,097,964	CNH	160,547,781	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	37,172
USD	10,249,296	CNH	71,240,122	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	16,494
USD	52,407	CNH	364,621	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	136
USD	20,475	CNH	142,623	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	77
USD	8,079	CNH	56,420	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	51
USD	5,617	CNH	39,120	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	20
USD	5,340	CNH	37,186	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	19

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2022

#### Financial assets (Continued):

##### Forward exchange contracts (Continued)

Currency sold	Amount sold	Currency bought	Amount bought	Settlement date	Counter party	Fair value US\$
USD	9,056	CNH	62,941	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	14
USD	6,268	CNH	43,587	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	13
USD	254	CNH	1,765	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	1
USD	1,283	HKD	10,000	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	–
USD	8,062,998	NZD	12,733,027	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	<u>14,267</u>
						<u><u>772,983</u></u>

**DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS  
(UNAUDITED) (Continued)**

AS AT 31 DECEMBER 2022

**Financial liabilities:**

**Forward exchange contracts**

Currency sold	Amount sold	Currency bought	Amount bought	Settlement date	Counter party	Fair value US\$
USD	248	CAD	335	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	-
USD	2,993	CNH	20,766	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(1)
USD	128	HKD	1,000	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	-
USD	12,631,890	HKD	98,314,009	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(14,840)
USD	641	NZD	1,005	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(3)
CNH	204,022	USD	29,380	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(20)
CNH	94,010	USD	13,517	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(30)
CAD	7,708	USD	5,663	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(33)
CNH	130,441	USD	18,755	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(41)
NZD	9,438	USD	5,942	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(45)
CNH	80,711	USD	11,584	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(47)

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### DETAILS IN RESPECT OF FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2022

#### Financial liabilities (Continued):

##### Forward exchange contracts (Continued)

Currency sold	Amount sold	Currency bought	Amount bought	Settlement date	Counter party	Fair value US\$
CNH	181,521	USD	26,088	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(70)
CNH	143,495	USD	20,587	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(91)
CAD	26,601	USD	19,540	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(117)
CNH	241,247	USD	34,641	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(123)
CNH	174,933	USD	25,036	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(172)
AUD	103,138	USD	69,471	31 January 2023	The Hongkong and Shanghai Banking Corporation Limited	(741)
						<u>(16,374)</u>

**INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED)***FOR THE YEAR ENDED 31 DECEMBER 2022*

The lowest, highest and average gross exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the years ended 31 December 2022 and 2021.

	<b>2022</b>	<b>2021</b>
Lowest gross exposure	12.51%	10.30%
Highest gross exposure	50.56%	54.04%
Average gross exposure	21.23%	23.41%

The lowest, highest and average net exposure arising from the use of financial derivative instruments for investment purpose as a proportion to the Fund's total net asset value for the years ended 31 December 2022 and 2021.

	<b>2022</b>	<b>2021</b>
Lowest net exposure	-	-
Highest net exposure	-	-
Average net exposure	-	-

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### PERFORMANCE RECORD (UNAUDITED)

#### Net assets (at last traded price)

	2022	2021	2020
<b>Net assets</b>	US\$1,037,132,390	US\$1,521,786,981	US\$1,426,255,312
<b>Net asset value per unit</b>			
A Units	USD346.90	USD482.27	USD516.47
B Units	USD151.92	USD212.27	USD228.34
C Units USD	USD19.01	USD26.55	USD28.61
C Units RMB	RMB13.65	RMB17.43	RMB19.31
C Units AUD Hedged	AUD14.11	AUD20.35	AUD22.35
C Units CAD Hedged	CAD14.40	CAD20.43	CAD22.25
C Units HKD Hedged	HKD12.52	HKD17.62	HKD19.00
C Units NZD Hedged	NZD14.83	NZD21.12	NZD23.15
C Units RMB Hedged	RMB13.30	RMB18.73	RMB19.94
C Units MDis USD	USD7.92	USD11.39	USD12.58
C Units MDis HKD	HKD7.90	HKD11.35	HKD12.44
C Units MDis RMB	RMB7.99	RMB10.51	RMB11.93
C Units MDis RMB Hedged	RMB7.61	RMB11.20	RMB12.31
P Units USD	USD7.7309	-	-
P Units classes RMB Hedged	RMB9.8577	RMB13.8810	RMB14.7665
P Units classes RMB Unhedged	RMB10.0194	RMB12.7980	RMB14.0769
X Units	USD11.11	USD15.38	USD16.34
Z Units	USD10.36	USD14.40	USD15.40

**PERFORMANCE RECORD (UNAUDITED) (Continued)**

**Performance record for the past 10 years**

	Highest issue price per unit								
	A Units	B Units	C Units	C Units	C Units	C Units	C Units	C Units	C Units
			USD	RMB	AUD	CAD	HKD	NZD	RMB
	USD	USD	USD	RMB	Hedged AUD	Hedged CAD	Hedged HKD	Hedged NZD	Hedged RMB
2022	481.36	211.86	26.50	17.41	20.31	20.39	17.59	21.08	18.70
2021	620.31	274.12	34.35	23.00	26.79	26.73	22.84	27.79	24.00
2020	516.47	228.34	28.61	19.31	22.35	22.25	19.00	23.15	19.94
2019	375.76	166.66	20.93	15.04	16.97	16.61	14.05	17.66	14.50
2018	412.64	184.71	23.16	15.31	19.23	18.76	15.93	19.69	16.04
2017	380.23	170.37	21.34	14.41	17.85	17.14	14.69	18.35	14.80
2016	281.21	126.76	15.99	10.93	13.17	12.83	10.84	13.21	10.49
2015	337.67	153.19	19.45	10.27	15.93	15.80	10.39	15.88	10.03
2014	267.03	121.39	15.31	-	12.42	12.24	-	12.28	-
2013	236.15	107.92	13.57	-	-	-	-	-	-

	Highest issue price per unit								
	C Units	C Units	C Units	C Units	P Units	P Units			
	MDis	MDis	MDis	MDis	classes	classes			
	USD	HKD	RMB	Hedged	USD	Hedged	Unhedged	X Units	Z Units
USD	HKD	RMB	RMB	USD	RMB	RMB	USD	USD	
2022	11.37	11.33	10.50	11.18	10.2483	13.8451	12.7471	15.35	14.37
2021	15.10	14.91	14.15	14.82	-	17.4916	16.4926	20.23	18.50
2020	12.58	12.44	11.93	12.31	-	14.7665	14.0769	16.34	15.40
2019	9.54	9.46	9.77	9.34	-	10.7995	11.1842	11.27	11.38
2018	11.35	11.38	10.83	11.33	-	-	-	-	12.51
2017	10.55	10.54	10.52	10.52	-	-	-	-	11.52
2016	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-

## VALUE PARTNERS CLASSIC FUND

(A Hong Kong Unit Trust)

### PERFORMANCE RECORD (UNAUDITED) (Continued)

#### Performance record for the past 10 years (Continued)

	Lowest redemption price per unit								
	A Units	B Units	C Units						
			USD	RMB	AUD	CAD	HKD	NZD	RMB
			Hedged						
USD	USD	USD	RMB	AUD	CAD	HKD	NZD	RMB	
2022	264.69	116.02	14.51	10.88	10.87	11.03	9.57	11.40	10.25
2021	466.46	205.34	25.69	16.94	19.69	19.77	17.05	20.43	18.10
2020	285.45	126.47	15.88	11.68	12.69	12.52	10.66	13.25	11.00
2019	273.81	122.04	15.31	10.95	12.59	12.25	10.35	13.02	10.64
2018	278.60	124.19	15.58	11.14	12.82	12.48	10.54	13.26	10.81
2017	255.63	115.04	14.51	10.44	11.99	11.62	9.89	12.11	9.68
2016	281.21	126.76	15.99	10.93	13.17	12.83	10.84	13.21	10.49
2015	337.67	153.19	19.45	10.27	15.93	15.80	10.39	15.88	10.03
2014	267.03	121.39	15.31	-	12.42	12.24	-	12.28	-
2013	236.15	107.92	13.57	-	-	-	-	-	-

	Lowest redemption price per unit								
	C Units	C Units	C Units	C Units	P Units	P Units	X Units	Z Units	
	MDis	MDis	MDis	MDis	classes	classes			
	USD	HKD	RMB	RMB	USD	RMB			RMB
USD	HKD	RMB	Hedged	USD	Hedged	Unhedged			
	USD	HKD	RMB	RMB	USD	RMB	RMB	USD	USD
2022	6.09	6.11	6.42	5.90	5.9039	7.5944	7.9867	8.50	7.90
2021	11.04	11.00	10.23	10.86	-	13.4158	12.4374	14.87	13.93
2020	7.16	7.08	7.51	7.00	-	8.1712	8.6702	8.57	8.65
2019	7.21	7.19	7.36	7.13	-	8.9235	9.2481	9.21	8.30
2018	7.37	7.34	7.51	7.29	-	-	-	-	8.45
2017	9.64	9.67	9.59	9.63	-	-	-	-	9.96
2016	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-