



# VALUE PARTNERS TAIWAN FUND

# 2023 ANNUAL REPORT

For the year ended  
30 June 2023



**Value Partners Hong Kong Limited**

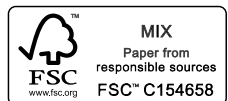
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# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## GENERAL INFORMATION

### Manager

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

### Directors of the Manager

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

### Trustee, Registrar and Administrator

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  
Grand Cayman  
KY1-1104  
Cayman Islands

### Custodian and Registrar's Agent

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

### Legal Advisers

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

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

*With respect to Hong Kong law*  
Deacons  
5th Floor, Alexandra House  
18 Chater Road, Central  
Hong Kong

### Auditor

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

### 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>Corporate awards</b>	
<b>2023</b>	<ul style="list-style-type: none"> <li>• <b>The Lifetime Achievement Award</b> <b>Winner: Dato' Seri Cheah Cheng Hye</b> <i>- Asia Asset Management</i></li> <li>• <b>ESG Leading Enterprise Awards of the Year 2022/2023</b> <b>Outstanding performance in Environmental, Social, and Governance ("ESG") initiatives</b> <i>- Master-Insight</i></li> <li>• <b>Best Exchange Traded Fund (ETF) Issuer 2022</b> <b>Winner: Value Partners Malaysia</b> <i>- Bursa Malaysia Award</i></li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>• <b>Asian Private Banker Asset Management Awards for Excellence 2022</b> <b>Best Fund Provider - Multi-Asset Solution</b> <i>- Asian Private Banker</i></li> <li>• <b>2022 China Rankings Top 25 Foreign Firms in China</b> <b>Value Partners is ranked in the 16th</b> <i>- Z-Ben Advisor</i></li> <li>• <b>AsianInvestor Asset Management Awards 2022</b> <b>Asset Class Awards: Asia ex-Japan equity</b> <i>- Asianinvestor</i></li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>• <b>Asian Private Banker Asset Management Awards for Excellence 2021</b> <b>Best Fund Provider - High Yield Bond</b> <i>- Asian Private Banker</i></li> <li>• <b>Listed Company Awards of Excellence 2021</b> <b>Value Partners Group Limited: Outstanding Listed Company</b> <i>- Hong Kong Economic Journal</i></li> </ul>

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## MANAGER'S REPORT

For the one-year period ending 30 June 2023, the Value Partners Taiwan Fund recorded returns of 23.3%, while the MSCI Taiwan Index and the Taiwan Stock Exchange ("TWSE") were up 12.5%<sup>1</sup> and 14.0%<sup>2</sup>, respectively.

Despite the slump in global demand and other ongoing concerns, such as geopolitical tensions, the period was positive for Taiwan equities, especially during the first half of 2023, with the broader market being boosted by the tech sector as artificial intelligence ("AI") grabbed investors' interest. Our Fund outperformed the market mainly due to our stock picks related to or exposed to servers or AI, which gained more than the market.

The softening global demand continued to weigh on Taiwan's economy. In particular, Taiwan's exports were down for the 10<sup>th</sup> straight month towards the end of the period, contracting 23.4% YoY in June<sup>3</sup>. Within the technology sector, exports for electronic components were down 21.3%, while the exports for information, communication, and audio-video products decreased by 6.2%. Meanwhile, exports for non-tech areas were down across the board, with minerals (-55.3%) and automotive-related products (-33.6%) leading the downtrend.

The administration remains cautious of Taiwan's export outlook. It expects exports to continue to see downward due to various uncertainties arising from interest rate hikes globally, softening demand, and ongoing geopolitical risks.

### Sources:

1. MSCI, 30 June 2023
2. TWSE, 30 June 2023
3. Ministry of Finance (Taiwan), 7 July 2023

*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 30 June 2023. Performance data is net of all fees. All indices performance are for reference only.*

**MANAGER’S REPORT (Continued)**

**Value Partners Taiwan Fund: 5 largest holdings of securities as at 30 June 2023**

<b>Stock</b>	<b>Industry</b>	<b>Valuation (2024 Estimates)</b>	<b>Remarks</b>
Taiwan Semiconductor Manufacturing (Code: 2330 TT)  Market cap: US\$479.5 billion	Semiconductors and semiconductor equipment	Price: TWD576.0 P/E: 18.4x P/B: 4.2x Yield: 2.1%	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.
Unimicron Technology Corp (Code: 3037 TT)  Market cap: US\$8.6 billion	Technology, Hardware and Equipment	Price: TWD176.0 P/E: 21.6x P/B: 3.1x Yield: 2.1%	Unimicron Technology is one of the major suppliers of semiconductor substrates including Ajinomoto build-up films (ABFs) and BT substrates, it also produces printed circuit boards (PCBs). The company is well-positioned to benefit from the growing adoption of advanced packaging, which massively increases the usage and complexity of substrates.

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### MANAGER'S REPORT (Continued)

#### Value Partners Taiwan Fund: 5 largest holdings of securities as at 30 June 2023 (Continued)

Stock	Industry	Valuation (2024 Estimates)	Remarks
Sporton International (Code: 6146 TT)  Market cap: US\$0.8 billion	Commercial Services and Supplies	Price: TWD241.9 P/E: 14.7x P/B: 3.6x Yield: N/A	Sporton International specializes in providing product testing, inspection and certification ("TIC") services in electromagnetic ("EM") compatibility and safety of electronics devices. Its certification is well-recognized in over 150 countries. The company benefits from the increasing number of new product launches, as each new model requires new certifications. Increase in complexity and upgrades in technology are also important drivers for the demand of Sporton's services. Its operations are primarily in Taiwan and China.
Lite-On Technology Corp (Code: 2301 TT)  Market cap: US\$7.9 billion	Technology, Hardware and Equipment	Price: TWD103.5 P/E: 22.7x P/B: 4.1x Yield: 3.2%	Lite-On Technology is a major player in optoelectronic components, covering areas in fields including communications, consumer electronics, automotive electronics, LED lighting, and cloud computing. The company is expected to expand further, given its ongoing efforts to develop high growth businesses in various fields, including cloud computing, auto electronics, and networking.
Hon Hai Precision Industry (Code: 2317 TT)  Market cap: US\$50.3 billion	Technology, Hardware and Equipment	Price: TWD113.0 P/E: 12.5x P/B: 1.0x Yield: 4.5%	Hon Hai Precision Industry is a leading electronics manufacturing service provider with nearly one million employees globally. The company designs and manufactures smartphones, PCs, printers, TVs, game consoles and networking products for many global giants, such as Apple, Dell, Hewlett-Packard, Sony, Nokia and Cisco Systems.

Note: The above investments made up 29.2% of the Value Partners Taiwan Fund as at 30 June 2023. The stock prices are based on the closing of 30 June 2023.

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



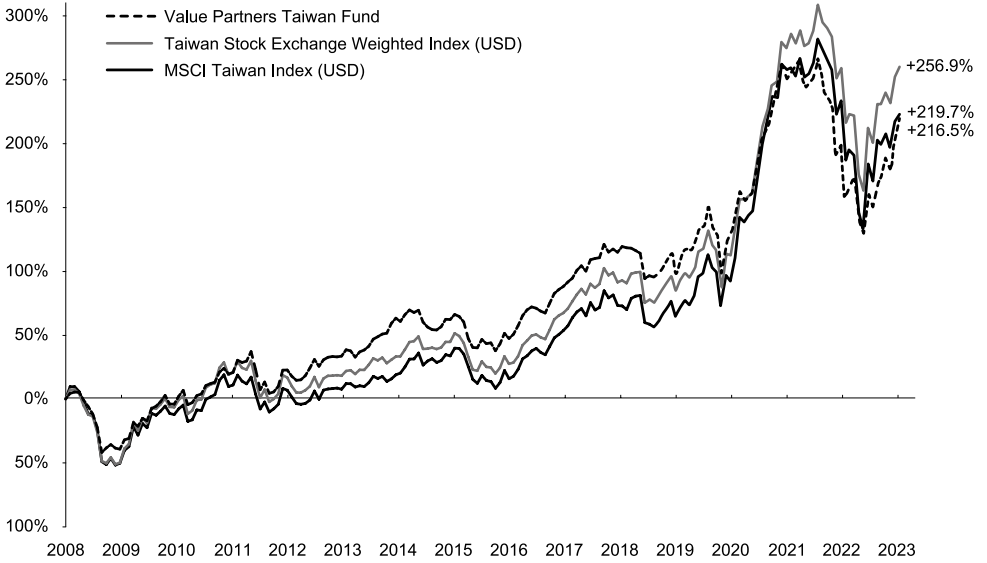
**MANAGER'S REPORT (Continued)**

**Value Partners Taiwan Fund**

**NAV per unit = US\$31.65(as at 30 June 2023)**

**Performance since launch**

**From 3 March 2008 to 30 June 2023**



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

### Manager's responsibilities

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

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

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

### Trustee's responsibilities

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

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

**TRUSTEE'S REPORT**

We hereby confirm that, in our opinion, the Manager, Value Partners Hong Kong Limited, has, in all material respects, managed Value Partners Taiwan Fund in accordance with the provisions of the Trust Deed dated 30 January 2008 (as amended) for the year ended 30 June 2023.

For and on behalf of  
**HSBC Trustee (Cayman) Limited**

Trustee  
20 October 2023

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## INDEPENDENT AUDITOR'S REPORT TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF VALUE PARTNERS TAIWAN FUND FOR THE UNITHOLDERS (AS A BODY)

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Value Partners Taiwan Fund (the Fund) as at 30 June 2023, and of its financial transactions and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 30 June 2023;
- 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.

#### Basis for Opinion

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

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

#### Independence

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

**INDEPENDENT AUDITOR'S REPORT  
TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE  
OF VALUE PARTNERS TAIWAN FUND FOR THE UNITHOLDERS (AS A BODY)  
(Continued)****Other information**

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

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

**Responsibilities of Management for the financial statements**

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

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

In addition, Management is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the trust deed dated 30 January 2008 (as amended) (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).

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### **INDEPENDENT AUDITOR'S REPORT TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF VALUE PARTNERS TAIWAN FUND FOR THE UNITHOLDERS (AS A BODY) (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. 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 Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITOR'S REPORT  
TO HSBC TRUSTEE (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE  
OF VALUE PARTNERS TAIWAN FUND FOR THE UNITHOLDERS (AS A BODY)  
(Continued)**

**Other matter**

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

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

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

20 October 2023

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note(s)	2023 US\$	2022 US\$
<b>Asset</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	3(a), 3(d)	45,900,606	57,906,404
Amounts receivable on sales of investments	5(e)	3,506,085	121,776
Amounts receivable on issue of units		1,256	111
Dividends and interest receivables		208,619	920,789
Margin deposit		3,319	3,205
Prepayments and other receivables	5(e)	-	275
Bank balances	5(e)	3,791,228	8,201,332
<b>Total assets</b>		<u>53,411,113</u>	<u>67,153,892</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on purchases of investments		959,637	758,718
Amounts payable on redemption of units		20,136	-
Management fees payable	5(a)	52,971	73,359
Accruals and other payables	5(e)	58,209	59,105
<b>Total liabilities</b>		<u>1,090,953</u>	<u>891,182</u>
<b>Net assets attributable to unitholders</b>	4	<u>52,320,160</u>	<u>66,262,710</u>

Signed by:

Value Partners Hong Kong Limited, *Manager*

HSBC Trustee (Cayman) Limited, *Trustee*

The notes on pages 18 to 36 are an integral part of these financial statements.



**VALUE PARTNERS TAIWAN FUND**

(A Cayman Islands Unit Trust)

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2023

	Note(s)	2023 US\$	2022 US\$
<b>Income</b>			
Dividends		1,807,177	4,105,814
Interest on bank deposits	5(e)	5,655	170
Net realised (losses)/gains on investments		(6,405,636)	8,151,253
Change in unrealised gains/(losses) on investments		19,005,580	(33,808,185)
Net foreign exchange losses		(373,453)	(411,623)
<b>Total net income/(loss)</b>		<u>14,039,323</u>	<u>(21,962,571)</u>
<b>Expenses</b>			
Management fees	5(a)	767,362	1,187,214
Trustee and fund administration fees	5(c),5(e)	85,875	131,219
Transaction costs	5(e),7	476,352	678,920
Interest expense		5,972	-
Safe custody and bank charges	5(e)	39,488	73,593
Legal and professional fees		27,913	49,564
Auditor's remuneration		42,320	42,300
Other operating expenses	5(e)	50,034	70,151
<b>Total operating expenses</b>		<u>1,495,316</u>	<u>2,232,961</u>
<b>Profit/(loss) before tax</b>		12,544,007	(24,195,532)
Withholding tax on dividend income	6(c)	(373,084)	(841,688)
<b>Profit/(loss) for the year</b>		<u>12,170,923</u>	<u>(25,037,220)</u>

The notes on pages 18 to 36 are an integral part of these financial statements.

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 30 JUNE 2023

	<i>Note</i>	<b>2023</b> <i>US\$</i>	<b>2022</b> <i>US\$</i>
<b>Net assets attributable to unitholders as at beginning of the year</b>		66,262,710	107,338,975
Issue of units		1,001,046	1,862,774
Redemption of units		<u>(27,114,519)</u>	<u>(17,901,819)</u>
<b>Net decrease from capital transactions</b>		<u>(26,113,473)</u>	<u>(16,039,045)</u>
<b>Profit/(loss) for the year</b>		<u>12,170,923</u>	<u>(25,037,220)</u>
<b>Net assets attributable to unitholders as at end of the year</b>	4	<u>52,320,160</u>	<u>66,262,710</u>

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

<b>Number of units</b>	<i>Note</i>	<b>As at 1 July 2022</b>	<b>Issue of units</b>	<b>Redemption of units</b>	<b>As at 30 June 2023</b>
- Class A	4	2,580,917	34,319	(962,177)	1,653,059

<b>Number of units</b>	<i>Note</i>	<b>As at 1 July 2021</b>	<b>Issue of units</b>	<b>Redemption of units</b>	<b>As at 30 June 2022</b>
- Class A	4	3,044,679	53,428	(517,190)	2,580,917

The notes on pages 18 to 36 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2023

	<b>2023</b>	<b>2022</b>
	<i>US\$</i>	<i>US\$</i>
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year	12,170,923	(25,037,220)
Adjustments for:		
Dividends	(1,807,177)	(4,105,814)
Interest on bank deposits	(5,655)	(170)
Withholding tax on dividend income	<u>373,084</u>	<u>841,688</u>
	10,731,175	(28,301,516)
Decrease in financial assets at fair value through profit or loss	12,005,798	51,038,004
Increase in margin deposit	(114)	(6)
(Increase)/decrease in amounts receivable on sales of investments	(3,384,309)	119,295
Decrease/(increase) in prepayments and other receivables	275	(275)
Increase/(decrease) in amounts payable on purchases of investments	200,919	(1,444,415)
Decrease in management fees payable and accruals and other payables	<u>(21,284)</u>	<u>(5,879,523)</u>
Cash generated from operations	19,532,460	15,531,564
Dividends received	2,146,312	2,439,239
Interest on bank deposits received	<u>5,606</u>	<u>150</u>
<b>Net cash inflow from operating activities</b>	<u>21,684,378</u>	<u>17,970,953</u>

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 30 JUNE 2023

	<b>2023</b> US\$	<b>2022</b> US\$
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	999,901	1,870,324
Payments on redemption of units	<u>(27,094,383)</u>	<u>(18,016,493)</u>
<b>Net cash outflow from financing activities</b>	<u>(26,094,482)</u>	<u>(16,146,169)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(4,410,104)	1,824,784
Cash and cash equivalents as at beginning of the year	<u>8,201,332</u>	<u>6,376,548</u>
<b>Cash and cash equivalents as at end of the year, representing bank balances</b>	<u><u>3,791,228</u></u>	<u><u>8,201,332</u></u>

The notes on pages 18 to 36 are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General information**

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

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

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

### **2 Significant accounting policies**

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

#### **(a) Basis of preparation**

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the Trustee and the Manager to exercise their judgment in the process of applying the Fund’s accounting policies.

All references to net asset value (“NAV”) throughout these financial statements refer to net assets attributable to holders of redeemable units unless otherwise stated.

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

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

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 Significant accounting policies (Continued)

#### (a) Basis of preparation (Continued)

##### *Standards 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 July 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.

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

##### (i) *Classification*

###### *Assets*

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

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

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

##### (ii) *Recognition/derecognition*

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

##### (iii) *Measurement*

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****2 Significant accounting policies (Continued)****(b) Financial assets at fair value through profit or loss (Continued)****(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 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 take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Fund utilises the last traded market price for financial assets 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.

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

**(v) Transfer between levels of fair value hierarchy**

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

**(c) Income**

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

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

**(d) Expenses**

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

**(e) 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 statement of comprehensive income as an expense.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 Significant accounting policies (Continued)

#### (f) Offsetting financial instruments

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

#### (g) Collateral

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

#### (h) Foreign currency translation

##### (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 subscriptions and redemptions of the Fund are mainly transacted in United States dollar ("US\$"). In addition, the performance of the Fund is measured and reported to the unitholders in 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 bank balances are presented in the statement of comprehensive income within "net foreign exchange gains/(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 gains/(losses) on investments" and "change in unrealised gains/(losses) on investments".



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****2 Significant accounting policies (Continued)****(i) Taxation**

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

**(j) Cash and cash equivalents**

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

**(k) Redeemable units**

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

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

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 one calendar month. The amounts payable on redemption of units are recognised when the redemption request are received but not yet settled.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 Financial risk management

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

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

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

	Total net foreign currency exposures		Percentage change %	Estimated impact on net assets US\$
	Non- monetary net assets US\$ equivalent	Monetary net assets/ (liabilities) US\$ equivalent		
<b>As at 30 June 2023</b>				
Taiwan dollar	<u>45,900,606</u>	<u>5,457,613</u>	+/-5	+/-2,567,911
<b>As at 30 June 2022</b>				
Hong Kong Dollar*	322,013	(322,728)	+/-0	-
Taiwan Dollar	<u>57,584,391</u>	<u>8,041,955</u>	+/-5	+/-3,281,317

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**3 Financial risk management (Continued)**
**(a) Market risk (Continued)**
**(ii) Price risk**

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

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

	<b>% of net assets</b>	
	<b>2023</b>	<b>2022</b>
<b>Listed equity securities</b>		
Taiwan	87.72	86.90
Hong Kong	-	0.49
<b>Rights</b>		
Taiwan	0.01	-
	<u>87.73</u>	<u>87.39</u>

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

	<b>2023</b>	<b>2022</b>
	<b>%</b>	<b>%</b>
Information technology	61.64	63.96
Consumer discretionary	11.29	12.13
Industrials	10.40	5.74
Financials	9.29	12.50
Materials	3.38	-
Health care	2.64	-
Consumer staples	1.36	-
Communication services	-	5.67
	<u>100.00</u>	<u>100.00</u>

As at 30 June 2023 and 2022, the Fund did not have any exposure to a single security greater than 10% of net assets.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 Financial risk management (Continued)

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

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

The table below summarises the sensitivity of the Fund's portfolio of listed equity securities to equity price movements. The analysis is based on the assumptions that the Taiwan Stock Exchange TAIEX Total Return Index ("TWSE TAIEX 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 moved according to their historical correlation with the index. The Fund is not directly correlated with any market indices. The index should be used for guidance and performance comparison purposes only. The Manager does not manage price risk with reference to any market index.

	Percentage change		Estimated impact	
	2023	2022	2023	2022
	%	%	US\$	US\$
TWSE TAIEX Total Return Index	+/-14	+/-18	+/- 4,843,191	+/-10,190,619

##### (iii) Interest rate risk

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

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

#### (b) Credit and counterparty risk

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

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

**3 Financial risk management (Continued)**

**(b) Credit and counterparty risk (Continued)**

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

<b>Counterparty</b>	<b>2023</b> <i>US\$</i>	<b>2022</b> <i>US\$</i>
Bank balances		
Aa3	3,791,228	8,201,332
Margin deposit		
Aa3	3,319	3,205
Amounts receivable on sales of investments		
Aa3	3,506,085	121,776
Investments placed with the custodian		
Aa3	45,900,606	57,906,404
Amounts receivable on issue of units		
Unrated	1,256	111

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2023 and 2022, amounts receivable on sales of investments, amounts receivable on issue of units, dividends and interest receivable, margin deposit, other receivables and bank balances are held with counterparties with a credit rating of Aa3 (2022: Aa3) or higher and are due to be settled within 1 week. Management considers 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.

**(c) Liquidity risk**

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

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 Financial risk management (Continued)

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

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 3 months or less. The following table illustrates the expected liquidity of assets held:

	Less than 3 months	
	2023	2022
	US\$	US\$
Total assets	53,411,113	67,153,892

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

	Less than 3 months	
	2023	2022
	US\$	US\$
Amounts payable on purchases of investments	959,637	758,718
Amounts payable on redemption of units	20,136	–
Management fees payable	52,971	73,359
Accruals and other payables	58,209	59,105
	<u>1,090,953</u>	<u>891,182</u>

As at 30 June 2023, the Fund was subject to one (2022: one) master netting agreement with a derivative counterparty. The arrangement gives the Fund and the counterparty the legally enforceable right to set-off certain financial assets and liabilities.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**3 Financial risk management (Continued)**
**(c) Liquidity risk (Continued)**

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

	A	B	C=A-B	D		E
	Gross amounts of recognised financial assets/(liabilities)	Gross amounts of recognised financial assets/(liabilities) set-off in the statement of financial position	Net amounts of financial assets/(liabilities) presented in the statement of financial position	Related amounts not set-off in the statement of financial position		Net amount
				D(i)	D(ii)	
				Financial Instruments	Cash collateral	
<b>2023</b>						
Margin deposit	3,319	–	3,319	–	–	3,319
<b>2022</b>						
Margin deposit	3,205	–	3,205	–	–	3,205

These financial assets and financial liabilities are recognised on the statement of financial position on a gross basis. As at 30 June 2023, total cash collateral pledged was US\$3,319 (2022: US\$3,205).

**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:

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

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 Financial risk management (Continued)

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

The markets in which the Fund invests may be relatively illiquid and the liquidity of these markets may fluctuate substantially over time. Investment of the Fund's assets in relatively illiquid securities may restrict the ability of the Fund to dispose of its investments at a price and time that it wishes. The risk of illiquidity also arises in the case of over-the-counter transactions. As at 30 June 2023 and 2022, the Manager considers that the amount of such illiquid investments is relatively insignificant compared to the net assets attributable to unitholders and the majority of the Fund's asset can be realised within 7 days or less to generate cash flows for managing liquidity risks.

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

Investor	% of net assets
<b>As at 30 June 2023</b>	
Investor 1	54.44
<b>As at 30 June 2022</b>	
Investor 1	35.85
Investor 2	34.87

#### (d) Fair value estimation

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

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 30 June 2023</b>				
Listed equity securities	45,894,365	-	-	45,894,365
Rights	-	6,241	-	6,241
	<u>45,894,365</u>	<u>6,241</u>	<u>-</u>	<u>45,900,606</u>
<b>As at 30 June 2022</b>				
Listed equity securities	<u>57,906,404</u>	<u>-</u>	<u>-</u>	<u>57,906,404</u>

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



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

**3 Financial risk management (Continued)**

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

Financial instruments that are traded in markets that are not considered to be active and are valued based on quoted market prices or broker quotes, or financial instruments for which there is no active market and are valued based on valuation models supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they are traded infrequently. As at 30 June 2023 and 2022, the Fund did not hold any level 3 investments.

There was no transfer between levels for the years ended 30 June 2023 and 2022.

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

**4 Redeemable units**

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

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

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

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

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

	<b>2023</b>	<b>2022</b>
	<i>Number of units</i>	<i>Number of units</i>
<b>Class A</b>	<u>1,653,059</u>	<u>2,580,917</u>
<b>Net asset value per unit</b>	<u>US\$31.65</u>	<u>US\$25.67</u>

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5 Related party transactions/transactions with the Trustee, the Manager and their connected persons

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

##### (a) Management fees

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

##### (b) Performance fees

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

##### (c) Trustee and fund administration fees

The Trustee is entitled to receive trustee fees which represent a variable fee of (i) 0.135% per annum on the first US\$150 million of net asset value of the Fund; (ii) 0.13% per annum on the next US\$650 million of net asset value of the Fund; and (iii) 0.125% per annum of net asset value of the Fund thereafter, subject to a minimum of US\$4,500 per month. The variable fee is calculated and accrued daily and payable monthly in arrears.

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

**5 Related party transactions/transactions with the Trustee, the Manager and their connected persons (Continued)**

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

The Manager and its related parties/connected persons held units of the Fund and entitled to profit/(loss) from transactions in units as follows:

	<b>As at 1 July</b>	<b>Subscription of units</b>	<b>Redemption of units</b>	<b>As at 30 June</b>
<b>Year 2023</b>				
Dato' Seri Cheah Cheng Hye*	158,645	–	–	158,645
Hung Yeuk Yan Renee**	34	–	–	34
<b>Year 2022</b>				
Dato' Seri Cheah Cheng Hye*	158,645	–	–	158,645
Hung Yeuk Yan Renee**	34	–	–	34

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

\*\* *Hung Yeuk Yan Renee is a director of Value Partners Group Limited, which is the ultimate holding company of the Manager.*

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

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5 Related party transactions/transactions with the Trustee, the Manager and their connected persons (Continued)

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

In addition to the trustee and fund administration fees of US\$85,875 (2022: US\$131,219), as disclosed in Note 5(c), the Fund had the following additional transactions with the Trustee and its related parties which also serve as a distributor of the Fund and nominees for the Fund's investors. All such transactions were entered into in the ordinary course of business and were on normal commercial terms.

	2023 US\$	2022 US\$
Interest on bank deposits	5,467	14
Registration fee	-	1,504
Safe custody and bank charges	39,321	73,272
Transaction costs*	15,048	19,164

\* *The Fund paid commission to the related parties of the Trustee for the purchases and sales of investments during the years ended 30 June 2023 and 2022 were as follows:*

	2023 US\$	2022 US\$
<b>The Hongkong and Shanghai Banking Corporation Limited</b>		
Total commission paid to the related parties of the Trustee	7,001	5,980
The total aggregate value of the purchases and sales through the related parties of the Trustee	5,831,758	4,986,945
% of such transactions through the related parties of the Trustee to the total purchases and sales of the Fund	3.68%	2.14%
Average rate of commission effected through the related parties of the Trustee	0.12%	0.12%

In addition to the trustee and fund administration fees payable of US\$5,721 (2022: US\$7,923), as disclosed in Note 5(c), the Fund had the following additional balances with the Trustee and its related parties.

	2023 US\$	2022 US\$
Amounts receivable on sales of investments	3,506,085	121,776
Interest receivable	70	5
Prepayments and other receivables	-	275
Accruals and other payables	(1,401)	-

As at 30 June 2023, the Fund had financial assets at fair value through profit or loss of US\$45,900,606 (2022: US\$57,906,404) and bank balances of US\$3,791,228 (2022: US\$8,201,332) held by the Trustee and its related parties.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****6 Taxation****(a) Cayman Islands**

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

**(b) Hong Kong**

No provision for Hong Kong profits tax has been made for the Fund as it was authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

**(c) Other jurisdictions**

Overseas withholding tax was charged on certain dividends income and investment income received during the years ended 30 June 2023 and 2022.

**7 Transaction costs**

During the years ended 30 June 2023 and 2022, following transaction costs were incurred by the Fund.

	<b>2023</b>	<b>2022</b>
	<i>US\$</i>	<i>US\$</i>
Brokerage fee	187,024	287,246
Other transaction costs	274,280	372,510
Transaction handling fee	15,048	19,164
	<u>476,352</u>	<u>678,920</u>

**8 Distribution**

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

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9 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 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 years ended 30 June 2023 and 2022, the Manager and its connected persons did not enter into any soft dollar arrangements in connection with directing transactions of the Fund through a broker or dealer.

### 10 Approval of financial statements

The financial statements were approved by the Trustee and the Manager on 20 October 2023.

**INVESTMENT PORTFOLIO (UNAUDITED)**

AS AT 30 June 2023

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>Listed equity securities</b>			
<b>Taiwan</b>			
Ampire Co Ltd	561,000	704,222	1.35
Asia Vital Components Co Ltd	148,299	1,290,260	2.47
Avalue Technology Inc	95,000	327,870	0.63
Bafang Yunji International Co Ltd	117,000	670,493	1.28
Cathay Financial Holding Co Ltd	705,000	976,652	1.87
Chicony Power Technology Co Ltd	441,000	1,285,566	2.46
Chroma ATE Inc	62,000	498,620	0.95
Delta Electronics Inc	36,000	398,164	0.76
Elite Material Co Ltd	205,000	1,602,591	3.06
Far Eastern New Century Corp	60,000	64,434	0.12
Fulgent Sun International Holding Co Ltd	331,000	1,466,483	2.80
Gigabyte Technology Co Ltd	124,000	969,372	1.85
Grape King Bio Ltd	116,000	625,658	1.20
Hon Hai Precision Industry Co Ltd	676,000	2,452,421	4.69
Ibase Technology Inc	31,000	88,776	0.17
Integrated Service Technology Inc	557,000	1,738,166	3.32
Jentech Precision Industrial Co Ltd	41,697	863,444	1.65
Kwong Lung Enterprise Co Ltd	478,000	856,312	1.64
Lite-On Technology Corp	756,000	2,512,071	4.80
Lotes Co Ltd	28,000	773,083	1.48
Materials Analysis Technology Inc	65,000	484,140	0.92
MediaTek Inc	14,000	309,233	0.59
Mega Financial Holding Co Ltd	1,382,700	1,695,747	3.24
momo.com Inc	31,800	702,401	1.34
MSSCORPS Co Ltd	170,000	933,286	1.78
Sigurd Microelectronics Corp	474,000	841,537	1.61
Simplo Technology Co Ltd	26,000	274,207	0.52
Sporton International Inc	329,250	2,684,908	5.13

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 30 June 2023

	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>Taiwan (Continued)</i></b>			
Taishin Financial Holding Co Ltd	2,627,000	1,594,013	3.05
Taiwan Hon Chuan Enterprise Co., Ltd.	458,000	1,551,271	2.97
Taiwan Secom Co Ltd	201,000	738,876	1.41
Taiwan Semiconductor Manufacturing Co Ltd	247,000	4,567,613	8.73
Tong Yang Industry Co Ltd	877,000	1,483,816	2.84
Topco Scientific Co Ltd	207,000	1,212,839	2.32
Unimicron Technology Corp	542,000	3,062,540	5.85
Universal Vision Biotechnology Co Ltd	89,000	1,211,506	2.32
Wistron NeWeb Corp	665,000	2,034,625	3.89
Yageo Corp	22,000	347,149	0.66
		<u>45,894,365</u>	<u>87.72</u>
<b>Rights</b>			
<b><i>Taiwan</i></b>			
Topco Scientific Co Ltd Rts 07/21/2023	5,981	<u>6,241</u>	<u>0.01</u>
<b>Total investments, net</b>		<u>45,900,606</u>	<u>87.73</u>
<b>Total investments, at cost</b>		<u>39,148,627</u>	



## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2023

	% of net assets	
	2023	2022
<b>Listed equity securities</b>		
Hong Kong	-	0.49
Taiwan	87.72	86.90
<b>Rights</b>		
Taiwan	0.01	-
<b>Total investments</b>	<u>87.73</u>	<u>87.39</u>

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

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

AS AT 30 JUNE 2023

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

#### Financial assets:

#### Rights

	Holdings	Underlying assets	Issuer	Fair value US\$
Topco Scientific Co Ltd Rts 07/21/2023	5,981	Topco Scientific Co Ltd	Topco Scientific Co Ltd	<u>6,241</u>

**INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE INSTRUMENTS (UNAUDITED)***FOR THE YEAR ENDED 30 JUNE 2023*

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 30 June 2023 and 2022.

	<b>2023</b>	<b>2022</b>
Lowest gross exposure	0.07%	–
Highest gross exposure	0.37%	–
Average gross exposure	0.15%	–

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 30 June 2023 and 2022.

	<b>2023</b>	<b>2022</b>
Lowest net exposure	0.07%	–
Highest net exposure	0.37%	–
Average net exposure	0.15%	–

## VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

### PERFORMANCE RECORD (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2023

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

	<b>2023</b> <i>US\$</i>	<b>2022</b> <i>US\$</i>	<b>2021</b> <i>US\$</i>
Net assets	52,320,160	66,262,710	107,338,975
Net asset value per unit	31.65	25.67	35.25

#### Performance record for the past 10 years

	<b>Highest issue price per unit</b> <i>US\$</i>	<b>Lowest redemption price per unit</b> <i>US\$</i>
2023	32.23	22.04
2022	36.56	25.67
2021	36.12	25.13
2020	25.01	17.15
2019	22.01	18.90
2018	22.60	19.36
2017	19.78	15.65
2016	16.10	12.97
2015	17.21	14.92
2014	16.99	13.16