

**CHINA CONVERGENCE FUND**

A Sub-fund of Value Partners Intelligent Funds

**2017** ANNUAL  
REPORT

For the year ended 31 December 2017



**Value Partners Limited**

9th Floor, Nexxus Building

41 Connaught Road Central, Hong Kong

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

Email: [vp1@vp.com.hk](mailto:vp1@vp.com.hk)

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

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

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

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

## CONTENTS

	<i>Page(s)</i>
General information	2-3
Manager's report	4-8
Statement of responsibilities of the Manager and the Trustee	9
Trustee's report to the unitholders	10
Independent auditors' report to the unitholders	11-14
Audited financial statements	
– Statement of financial position	15-16
– Statement of comprehensive income	17
– Statement of changes in net assets attributable to unitholders	18
– Statement of cash flows	19
– Notes to the financial statements	20-57
Investment portfolio (unaudited)	58-62
Statement of movements in portfolio holdings (unaudited)	63-64
Performance record (unaudited)	65-66

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### GENERAL INFORMATION

#### Manager

Value Partners Limited  
9th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong

#### Directors of the Manager

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

#### Trustee, Registrar, Administrator and Principal Office

Bank of Bermuda (Cayman) Limited  
P.O. Box 513  
HSBC House  
68 West Bay Road  
Grand Cayman KY1-1106  
Cayman Islands

#### Custodian and Registrar's Agent

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

#### Legal Advisors

*With respect to Cayman Islands law:*  
Maples and Calder  
53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

*With respect to Hong Kong law:*

Deacons  
5/F, Alexandra House  
18 Chater Road  
Central, Hong Kong

#### Auditors

KPMG  
P.O. Box 493  
Century Yard  
Cricket Square  
Grand Cayman KY1-1106  
Cayman Islands

#### Information available from:

Value Partners Limited  
9th Floor, Nexxus Building  
41 Connaught 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

#### Corporate Awards

- 2017
- **Benchmark Fund of the Year Awards 2017, Hong Kong  
Manager of the Year – Greater China Equity (Outstanding Award)**  
Dato' Seri Cheah Cheng Hye and Mr. Louis So (Value Partners' Co-CIOs)  
– *Benchmark*
  - **Benchmark Fund of the Year Awards 2017, Hong Kong  
Manager of the Year – High Yield Fixed Income**  
Mr. Gordon Ip (Value Partners' CIO, Fixed Income)  
– *Benchmark*
  - **Benchmark Fund of the Year Awards 2017, Hong Kong  
House Award (ETF) – Commodity ETF (Outstanding Achiever)**  
for Sensible Asset Management  
– *Benchmark*
  - **The 15th China's Financial Annual Champion Awards 2017**  
Value Partners: Best Fund House of the Year  
– *Hexun.com*
  - **AsiaHedge Awards 2017**  
Management Firm of the Year: Value Partners  
– *AsiaHedge*
  - **Listed Company Award of Excellence 2017**  
Value Partners Group Limited – Best Listed Company (Main Board category)  
– *Hong Kong Economic Journal & PR Asia*
  - **The Asset Benchmark Research Awards 2017 – Asian G3 Bonds  
Top Investment House**  
Value Partners – Ranked Number 1 in Hedge Fund category  
– *The Asset Benchmark Survey*
  - **The Asset Triple A, Asset Servicing, Investor  
and Fund Management Awards 2017**  
Fund Manager of the Year – Long-only Fixed Income (Highly Commended)  
Mr. Gordon Ip, Value Partners Greater China High Yield Income Fund  
– *The Asset*
  - **Asset Management Awards for Excellence 2017**  
Best Fund Provider – Greater China Equity  
– *Asian Private Banker*

## **CHINA CONVERGENCE FUND**

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### **MANAGER'S REPORT**

The Hong Kong and China stockmarkets had a tremendous year in 2017 on the back of robust earnings growth and accommodative policies. During the fourth quarter, China Convergence Fund returned 9.9% while for the whole year of 2017, the Fund gained 41.3%. For reference, the MSCI China Index was up 7.6% and 54.1% respectively over the corresponding periods.

#### **China ushers in a new economic cycle**

In China, deleveraging and risk control will remain a key policy focus in 2018, as evidenced by the tightening of local government financing after the 19th Party Congress. Although there are concerns that the continued moderation of growth – a consequence of policy tightening – may weigh on market performance, we believe the tightening measures are necessary for China to achieve healthier and higher quality growth in the longer run. We also believe these worries are unfounded because China is entering a new economic cycle where index performance decouples from gross domestic product (GDP) growth.

Traditionally, China's GDP growth is highly correlated with its stockmarket: between 2009 and 2012, the 5-year correlation between GDP growth and the performance of the MSCI China Index stayed consistently above 0.8<sup>1</sup>. The correlation has since dropped significantly as the influence of sector- and company-specific micro factors, such as industry consolidation, supply side reform and increasing research and development (R&D) spending, gradually outweighed that of GDP growth trends. As such, an investment approach that puts emphasis on corporate fundamentals is ever more important to realize investment opportunities in China's new cycle.

#### **Industry consolidation bodes well for profitability**

Corporate consolidation is gathering pace across various industries in China and is helping large companies to increase market share and strengthen pricing power. The government calls for supply-side reforms, which include reducing the number of state-owned enterprises (SOE), cutting excess capacity and closing down "zombie" firms. Such initiatives are bearing fruit: the market share of industry leaders have increased noticeably over the past five years. For instance, the combined market share of the top five air-conditioning manufacturers in China has expanded by more than 12% between 2012 and 2017<sup>2</sup> to over 80%. This is leading to stronger pricing power in consolidated enterprises and continues to translate to improved corporate profitability.

#### **R&D spending enhances productivity**

China's growth is increasingly driven by "new economy" sectors, and technology and innovation are playing an increasingly important role in the performance of its stockmarket. Meanwhile, China's R&D expenditure is increasing at a faster pace than that of other countries<sup>3</sup>. With a deep talent pool and policy supports, China is poised for more technological breakthroughs in areas such as high-speed rail, automation, eCommerce and artificial intelligence, etc. These were evidenced by the strong surge in international patent applications from China, as well as China having the largest eCommerce platform in the world.

## **MANAGER'S REPORT (Continued)**

### **Outlook**

We remain positive on China equities in 2018 as global growth continues to remain solid and as more sectors benefit from earnings recovery. From a sector perspective, we favor the beneficiaries of China's consumption upgrade cycle, technology leaders and financials. Consumption upgrade is a long-term investment theme in China given the nation's rising middle class and urbanization. The beneficiaries of this trend are broad and include home appliance companies, white liquor manufacturers and technology hardware makers etc. On the other hand, we expect earnings growth for China's leading technology companies to continue at a robust pace driven by their capability to expand and create monetization opportunities. Last but not least, we continue to like the financial sector, in particular banks and insurers, for its positive earnings outlook and attractive valuations. We believe China's sustainable economic growth will continue to improve asset quality for banks and help them expand net interest margin. At the same time, insurers are expected to see stronger new-business-value growth and better returns in a favorable investment climate.

### **Corporate update**

As testament to our investment capabilities, we were awarded 27 new performance awards in 2017 and extended our list of accolades to 170 since our founding in 1993. In equities investing, Value Partners was crowned "Management Firm of the Year" in the *AsiaHedge Awards 2017*<sup>4</sup>. At *Benchmark's Fund of the Year Awards 2017*, our Co-Chief Investment Officers Dato' Seri Cheah Cheng Hye and Mr. Louis So were named "Manager of the Year – Greater China equity category (Outstanding Award)"<sup>5</sup>. These achievements demonstrate our dedication and commitment to delivering outstanding results. As always, we will reinvest resources into our infrastructure to uncover value opportunities for our investors.

### **Value Partners Limited**

25 April 2018

1. *Source: Bloomberg.*
2. *Source: Company data, Morgan Stanley Research as of November 2017.*
3. *Source: European Commission. Chinese companies increased their R&D investment by 18.8% in 2016, compared with 7% in the EU and 7.2% in the US.*
4. *The award was based on performance for the full 12-month period, from September 2016 to the end of August 2017.*
5. *The award recognized individuals who have led his/her team to outstanding performances over the consistency of three-year and five-year performances against the benchmark and their peers up to 30 September 2017.*

*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 29 December 2017. Performance data is net of all fees.*

*The views expressed are the views of Value Partners 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.*

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### MANAGER'S REPORT (Continued)

#### 5 biggest holdings of securities as at 29 December 2017

Stock	Industry	Valuation (2018 Estimates)	Remarks
Alibaba Group (Code: BABA US)  Market cap: US\$441.6 billion	Internet	Price: USD172.43 P/E: 27.3x P/B: 6.5x Yield: 0%	Alibaba, founded by Jack Ma in 1999 in China, is one of the world's largest e-commerce companies. Alibaba's online marketplace – "Taobao" and "Tmall"- contribute the vast majority of the company's revenue and is likely to continue delivering solid growth in view of its dominant position, advanced technology and the trend of merchants shifting marketing budgets online from offline. Meanwhile, the company's cloud computing company ("AliCloud") and fintech business ("Ant Financial") are underpinning future growth potential. We are positive about the long term performance of its stock price because: 1) we believe Alibaba would deliver continued high growth of core commerce, as it continues to improve targeting technology and logistic network; 2) Cloud is likely to be another long-term growth driver as an increasing number of enterprises start to embrace cloud services to cut cost and leverage the company's big data technology; 3) We expect it to spin-off high value assets (e.g. Ant Financial, 33% owned by Alibaba) to unlock hidden values.
China Construction Bank (Code: 939 HK)  Market cap: US\$232.9 billion	Bank	Price: HKD7.20 P/E: 5.8x P/B: 0.8x Yield: 5.1%	China Construction Bank ("CCB") ranks second in China in terms of assets and deposits. Conservatively managed, CCB has controlled risk weighted asset growth and built up loan loss provision buffers over the past two years. It is one of the best capitalized banks in the country.
China Resources Double Crane Pharmaceutical (Code: 600062 CH)  Market cap: US\$3.3 billion	Pharmaceutical	Price: CNY24.75 P/E: 20.4x P/B: 2.6x Yield: 1.6%	China Resources Double Crane is a Chinese pharmaceuticals company that develops, manufactures and distributes medical products. The company was merged into the China Resources Group in 2010 and became the main manufacturer of chemical medicines under the group. It focuses on sectors such as infusion, cardiovascular and cerebrovascular, endocrine, and pediatric medicines and has a portfolio of well-known products. The company distributes its products mainly in domestic market.

## MANAGER'S REPORT (Continued)

### 5 biggest holdings of securities as at 29 December 2017 (Continued)

Stock	Industry	Valuation (2018 Estimates)	Remarks
PetroChina (Code: 857 HK)  Market cap: US\$216.0 billion	Energy	Price: HKD5.45 P/E: 17.3x P/B: 0.7x Yield: 2.7%	PetroChina is China's largest oil and gas producer and distributor which plays a dominant role in the country's oil and gas industry. It engages in a wide range of activities related to oil and natural gas, including exploration, development, production and marketing. As China is expected to achieve moderate and stable economic growth, oil and gas demand in China is likely to continue its current upward trajectory. With the oil price hovering at a relatively low level, the company will also benefit as oil price recovers.
Tencent Holdings (Code: 700 HK)  Market cap: US\$493.7 billion	Internet	Price: HKD406.00 P/E: 39.6x P/B: 10.6x Yield: 0.3%	Tencent is a leading provider of online games, premium messaging services, internet value added services, and advertising and eCommerce services in China. As at end of the first quarter 2017, the number of Tencent's Weixin and WeChat monthly active user reached 938 million, representing a year-on-year growth of 23%. Leveraging its large active user base, it offers good long-term monetization potential.

*Note: The above investments made up 28.5% of China Convergence Fund as at 29 December 2017. The stock prices are based on the closing of 29 December 2017.*

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

## CHINA CONVERGENCE FUND

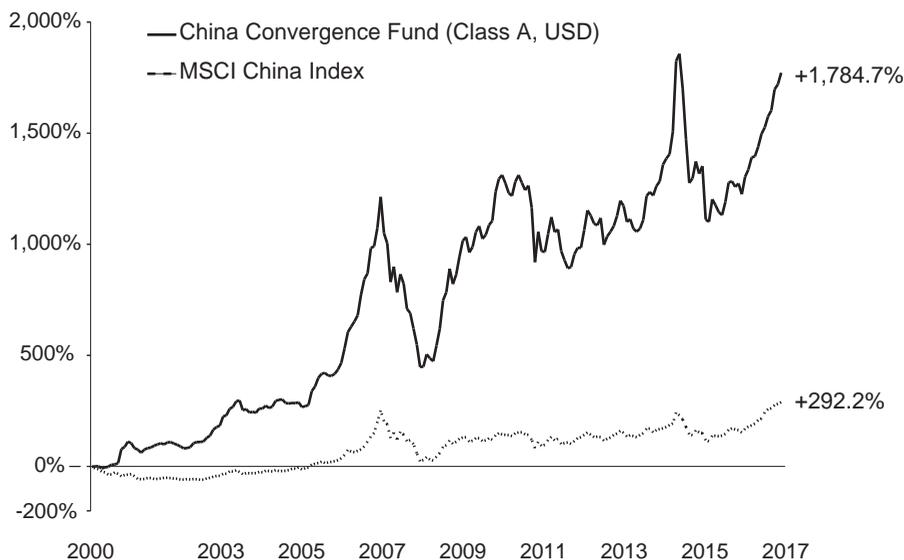
A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### MANAGER'S REPORT (Continued)

#### China Convergence Fund – NAV as at 31 December 2017

Classes	NAV per unit
Class A USD	USD188.47
Class A AUD Hedged	AUD12.47
Class A CAD Hedged	CAD13.27
Class A NZD Hedged	NZD14.00
Class Z	USD15.68

#### Since launch return compared to Index From 14 July 2000 to 31 December 2017



## **STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

### **Manager's responsibilities**

The Manager of the China Convergence Fund (the "Sub-fund") is required by the Hong Kong Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission and the Trust Deed to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-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 Sub-fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

### **Trustee's responsibilities**

The Trustee of the Sub-fund is required to:

- ensure that the Sub-fund is managed by the Manager in accordance with the Trust Deed 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 Sub-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 Sub-fund.

## **CHINA CONVERGENCE FUND**

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### **TRUSTEE'S REPORT TO THE UNITHOLDERS OF VALUE PARTNERS INTELLIGENT FUNDS – CHINA CONVERGENCE FUND**

We hereby confirm that, in our opinion, the Manager has in all material respects, managed the China Convergence Fund (the "Sub-fund") in accordance with the provisions of the Trust Deed dated 21 June 2000 and supplemental Trust Deeds dated 22 October 2001, 3 November 2003, 10 November 2003 and 10 December 2004 and the Deed of Substitution dated 31 May 2005 and supplemental Trust Deed to the Deed of Substitution dated 30 March 2007, 24 June 2011 and 25 June 2013 of the Sub-fund for the year ended 31 December 2017.

For and on behalf of  
**Bank of Bermuda (Cayman) Limited**

Trustee,  
25 April 2018

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF VALUE PARTNERS INTELLIGENT FUNDS – CHINA CONVERGENCE FUND**

*(A Cayman Islands Unit Trust)*

### **Report on the Audit of Financial Statements**

#### **Opinion**

We have audited the financial statements of China Convergence Fund (the “Sub-fund”), a sub-fund of Value Partners Intelligent Funds (the “Trust”), set out on pages 15 to 57, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of the Sub-fund as at 31 December 2017, and of its financial transactions and 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 Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the financial statements* section of our report. We are independent of the Sub-fund in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Information other than the financial statements and auditors’ report thereon**

The Manager and the Trustee of the Sub-fund are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditors’ 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.

## **CHINA CONVERGENCE FUND**

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### **INDEPENDENT AUDITORS' REPORT (Continued) TO THE UNITHOLDERS OF VALUE PARTNERS INTELLIGENT FUNDS – CHINA CONVERGENCE FUND**

*(A Cayman Islands Unit Trust)*

#### **Responsibilities of the Manager and the Trustee of the Sub-fund for the financial statements**

The Manager and the Trustee of the Sub-fund are 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 Manager and the Trustee of the Sub-fund determine is necessary to enable the preparation of financial statements that are free from material statement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Sub-fund are responsible for assessing the Sub-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 Manager and the Trustee of the Sub-fund either intend to liquidate the Sub-fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed, as amended, and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

#### **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 auditors' report that includes our opinion. This report is made 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 HKSAs 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 Sub-fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed, as amended, and the relevant disclosure provisions of Appendix E of the SFC Code.

**INDEPENDENT AUDITORS' REPORT (Continued)  
TO THE UNITHOLDERS OF VALUE PARTNERS INTELLIGENT FUNDS –  
CHINA CONVERGENCE FUND**

*(A Cayman Islands Unit Trust)*

**Auditor's responsibilities for the audit of the financial statements (Continued)**

As part of an audit in accordance with HKSAAs, we exercise professional judgement 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 Sub-fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Sub-fund.
- Conclude on the appropriateness of the Manager's and the Trustee'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 Sub-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 auditors' 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 auditors' report. However, future events or conditions may cause the Sub-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 the Manager and the Trustee of the Sub-fund 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.

## **CHINA CONVERGENCE FUND**

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### **INDEPENDENT AUDITORS' REPORT (Continued) TO THE UNITHOLDERS OF VALUE PARTNERS INTELLIGENT FUNDS – CHINA CONVERGENCE FUND**

*(A Cayman Islands Unit Trust)*

#### **Report on matters under the relevant provisions of the Trust Deed, as amended, and the relevant disclosure provisions of 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 provisions of the Trust Deed, as amended, and the relevant disclosure provisions of Appendix E of the SFC Code.

**KPMG**

Cayman Islands

25 April 2018

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	<i>Note</i>	<b>2017</b> <i>US\$</i>	<b>2016</b> <i>US\$</i>
<b>Assets</b>			
Financial assets at fair value through profit or loss	6, 10(f), 12	309,631,927	344,740,354
Interest, dividends and other receivables		1,293	118,081
Amounts due from unitholders		97,531	73,875
Amounts due from brokers	5	6,370,380	197,645
Cash held with bank	4, 10(d)	40,094,915	597,983
<b>Total assets</b>		356,196,046	345,727,938
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	6, 12	25,285,714	27,701,818
Bank overdraft	4, 10(d)	–	27,188,315
Amounts due to unitholders		652,720	528,610
Amounts due to brokers	5	12,559,663	2,050
Management fees payable	10(a)	308,242	305,143
Performance fees payable	10(b)	14,212,196	200
Trustee fees payable	10(c)	37,015	36,952
Tax provision	9	122,040	122,040
Accrued expenses and other payables		148,873	120,678
<b>Total liabilities</b>		53,326,463	56,005,806
<b>Net assets attributable to unitholders</b>		302,869,583	289,722,132

The notes on pages 20 to 57 form part of these financial statements.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2017

	Note	2017	2016
<b>Represented by:</b>			
– Net assets attributable to unitholders		<u>US\$302,869,583</u>	<u>US\$289,722,132</u>
<b>Total number of units in issue:</b>			
– Class A	11(a)	1,600,411	2,120,855
– Class A AUD Hedged	11(b)	56,577	21,928
– Class A CAD Hedged	11(c)	23,134	1,810
– Class A NZD Hedged	11(d)	12,356	1,506
– Class Z	11(e)	<u>20,488</u>	<u>555,731</u>
<b>Net asset value per unit:</b>			
– Class A		USD 188.47	USD 133.43
– Class A AUD Hedged		AUD 12.47	AUD 8.80
– Class A CAD Hedged		CAD 13.27	CAD 10.17
– Class A NZD Hedged		NZD 14.00	NZD 10.26
– Class Z		<u>USD 15.68</u>	<u>USD 11.85</u>

Approved and authorised for issue by the Manager and the Trustee on 25 April 2018.

Signed by:

**Value Partners Limited, Manager**

**Bank of Bermuda (Cayman) Limited, Trustee**

The notes on pages 20 to 57 form part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>Note</i>	<b>2017</b> <i>US\$</i>	<b>2016</b> <i>US\$</i>
Interest income	10(d)	153,625	95,530
Dividend income		5,235,930	8,146,849
Net gains/(losses) from financial assets and liabilities at fair value through profit or loss	7	122,425,899	(36,869,522)
Net foreign exchange gains/(losses)		5,212	(159,173)
Other income	10(d), 10(f)	<u>200,017</u>	<u>519,987</u>
<b>Net investment income/(loss)</b>		<u>128,020,683</u>	<u>(28,266,329)</u>
Performance fees	10(b)	(14,219,184)	(200)
Management fees	10(a)	(3,795,550)	(4,513,969)
Transaction fees	10(d)	(3,816,793)	(2,381,323)
Trustee fees	8, 10(c)	(458,034)	(598,689)
Professional fees		(79,348)	(24,229)
Stock loan fee expenses	10(d)	(92,372)	(197,195)
Interest expenses	10(d)	(437,472)	(569,836)
Bank charges	10(d)	(27,412)	(61,367)
Dividend expenses		(351,663)	(1,269,128)
Auditors' remuneration		(43,415)	(38,702)
Annual fees		(4,627)	(3,498)
Other operating expenses		<u>(145,501)</u>	<u>(205,492)</u>
<b>Operating expenses</b>		<u>(23,471,371)</u>	<u>(9,863,628)</u>
<b>Profit/(loss) before taxation</b>		104,549,312	(38,129,957)
Taxation	9	<u>(494,213)</u>	<u>(380,939)</u>
<b>Profit/(loss) and total comprehensive income for the year</b>		<u>104,055,099</u>	<u>(38,510,896)</u>

The notes on pages 20 to 57 form part of these financial statements.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US\$	2016 US\$
<b>Balance as at 1 January</b>		<u>289,722,132</u>	<u>519,593,169</u>
Profit/(loss) and total comprehensive income for the year		<u>104,055,099</u>	<u>(38,510,896)</u>
Issue of redeemable units			
– Class A	11(a)	36,555,645	51,435,673
– Class A AUD Hedged	11(b)	4,166,528	769,520
– Class A CAD Hedged	11(c)	3,096,760	49,639
– Class A NZD Hedged	11(d)	1,893,569	128,253
– Class Z	11(e)	<u>–</u>	<u>6,889,960</u>
		<u>45,712,502</u>	<u>59,273,045</u>
Redemption of redeemable units			
– Class A	11(a)	(120,121,249)	(202,085,044)
– Class A AUD Hedged	11(b)	(3,899,967)	(1,024,739)
– Class A CAD Hedged	11(c)	(2,957,252)	(35,871)
– Class A NZD Hedged	11(d)	(1,859,083)	(122,404)
– Class Z	11(e)	<u>(7,782,599)</u>	<u>(47,365,128)</u>
		<u>(136,620,150)</u>	<u>(250,633,186)</u>
Net decrease from unit transactions		<u>(90,907,648)</u>	<u>(191,360,141)</u>
<b>Balance as at 31 December</b>		<u><u>302,869,583</u></u>	<u><u>289,722,132</u></u>

The notes on pages 20 to 57 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>2017</b>	<b>2016</b>
<i>Note</i>	<i>US\$</i>	<i>US\$</i>
<b>Operating activities</b>		
Interest received	153,246	95,286
Interest paid	–	(569,836)
Dividends received (net of withholding tax)	4,792,429	7,765,940
Dividends paid	(351,663)	(1,269,128)
Other income received	244,139	475,875
Proceeds from sale of investments	1,103,869,065	675,859,180
Purchase of investments	(942,343,632)	(530,641,952)
Tax refunded	–	122,040
Operating expenses paid	<u>(8,871,143)</u>	<u>(8,774,095)</u>
<b>Cash flows generated from operating activities</b>	<u>157,492,441</u>	<u>143,063,310</u>
<b>Financing activities</b>		
Proceeds from issue of redeemable units	45,688,846	60,241,792
Payments on redemption of redeemable units	<u>(136,496,040)</u>	<u>(250,809,665)</u>
<b>Cash flows used in financing activities</b>	<u>(90,807,194)</u>	<u>(190,567,873)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	66,685,247	(47,504,563)
<b>Cash and cash equivalents as at 1 January</b>	<u>(26,590,332)</u>	<u>20,914,231</u>
<b>Cash and cash equivalents as at 31 December</b>	<u>4</u> <u>40,094,915</u>	<u>(26,590,332)</u>

The notes on pages 20 to 57 form part of these financial statements.

# CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

## NOTES TO THE FINANCIAL STATEMENTS

### 1 GENERAL

Value Partners Intelligent Funds (the “Trust”) is an open-ended umbrella unit trust established under the laws of the Cayman Islands pursuant to a Trust Deed dated 21 June 2000 (as amended) (the “Trust Deed”). The Trust was registered under the Mutual Funds Law of the Cayman Islands on 30 June 2000.

The Trust issues redeemable units in various sub-funds and as at 31 December 2017, the China Convergence Fund, JA-VP China New Century Fund, Chinese Mainland Focus Fund and JA-VP Chugokutairiku Focus Fund have been launched. The China Convergence Fund, JA-VP China New Century Fund and Chinese Mainland Focus Fund commenced operations on 17 July 2000, 7 March 2002 and 27 November 2003 respectively. The JA-VP Chugokutairiku Focus Fund commenced operations on 2 September 2004 and was terminated on 31 October 2012. The JA-VP China New Century Fund is not authorised in Hong Kong and not available to the general public in Hong Kong.

These financial statements have been prepared for the Value Partners Intelligent Funds – China Convergence Fund (the “Sub-fund”). The financial statements of JA-VP China New Century Fund and Chinese Mainland Focus Fund have been prepared individually and consequently are not included in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 GENERAL (Continued)

As at 31 December 2017 and 2016, the combined net assets of the Trust are as follows:

Name of sub-funds	Combined net assets	
	2017 US\$	2016 US\$
China Convergence Fund	302,869,583	289,722,132
Chinese Mainland Focus Fund	170,094,273	114,374,767
JA-VP China New Century Fund	8,577,913	6,626,011
Value Partners Intelligent Funds	481,541,769	410,722,910

The investment activities of the Sub-fund are managed by Value Partners Limited (the “Manager”) and the administration of the Sub-fund is handled by Bank of Bermuda (Cayman) Limited (the “Administrator”) which has delegated its role to HSBC Institutional Trust Services (Asia) Limited.

The Sub-fund is authorised by the Hong Kong Securities and Futures Commission (the “SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance. The Sub-fund is also recognised by the Monetary Authority of Singapore as a restricted scheme under paragraph 3 of the Sixth Schedule of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”), the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Hong Kong Code on Unit Trusts and Mutual Funds (the “SFC Code”) issued by the SFC. A summary of the significant accounting policies adopted by the Sub-fund is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Sub-fund. Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Sub-fund for the current and prior accounting periods reflected in these financial statements.

## **CHINA CONVERGENCE FUND**

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

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

## **2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(b) Basis of preparation**

The measurement currency of the financial statements is United States dollars (“USD”) and not Cayman Islands dollars reflecting the fact that most of the transactions are denominated in USD as well as Hong Kong dollars (“HKD”) which is pegged to the USD. Units of the Sub-fund are issued in USD, Australian dollars (“AUD”), Canadian dollars (“CAD”) and New Zealand dollars (“NZD”).

The financial statements are presented in USD.

The financial statements are prepared on a fair value basis for financial instruments at fair value through profit or loss and derivative financial instruments. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of financial position, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of financial position that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement relate to the determination of fair value of suspended equities with significant unobservable inputs and are disclosed in Note 12.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **(c) Foreign currency translation**

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the foreign currency closing exchange rate ruling at the date of the statement of financial position. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to USD at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to trading investments are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in statement of comprehensive income.

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

### **2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Changes in accounting policies**

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Sub-fund. None of these developments have had a material effect on how the Sub-fund's results and financial position for the current or prior periods have been prepared or presented.

The Sub-fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 16).

#### **(e) Subsidiaries**

"Subsidiaries" are investees controlled by the Sub-fund. The Sub-fund "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Sub-fund is an investment entity and measures investments in its subsidiaries at fair value through profit or loss.

#### **(f) Financial assets and financial liabilities**

##### **(i) Classification**

The Sub-fund designates all its investments in equity securities, investment funds, debt securities, foreign currency forward contracts and participation notes as financial assets and financial liabilities at fair value through profit or loss category. The category of financial assets and financial liabilities at fair value through profit or loss comprises financial instruments held for trading and financial instruments designated at fair value through profit or loss upon initial recognition.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

Financial assets that are classified as loans and receivables include balances due from unitholders and brokers and accounts receivables.

Financial liabilities that are not held for trading include balances due to unitholders and brokers and accounts payables.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial assets and financial liabilities (Continued)

#### (ii) Recognition

The Sub-fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of International Accounting Standard 39 (“IAS 39”).

#### (iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial instruments held for trading are expensed immediately.

Subsequent to initial recognition, all trading instruments are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities are measured at amortised cost using the effective interest rate. Financial liabilities arising from the redeemable units issued by the Sub-fund are carried at the redemption amount representing the unitholders’ right to a residual interest in the Sub-fund’s assets.

#### (iv) Fair value measurement principles

“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 in the principal or, in its absence, the most advantageous market to which the Sub-fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Sub-fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Sub-fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

### **2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(f) Financial assets and financial liabilities (Continued)**

##### **(iv) Fair value measurement principles (Continued)**

The Sub-fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Net gains and losses on investments are included in the statement of comprehensive income. Net realised gains and losses from financial instruments at fair value through profit or loss are calculated using the average cost method.

##### **(v) Derecognition**

The Sub-fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Sub-fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

##### **(vi) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Sub-fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

##### **(g) Impairment**

Financial assets that are stated at cost or amortised cost are reviewed at the date of each statement of financial position to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

## **CHINA CONVERGENCE FUND**

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

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

## **2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(h) Cash and cash equivalents**

Cash comprises current deposits with banks and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank overdrafts that are repayable on demand form an integral part of the Sub-fund's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **(i) Securities sold short and associated securities borrowing**

Securities sold short are those positions where the Sub-fund has sold a security that it does not own in anticipation of a decline in the market value of the security and are classified as financial liabilities at fair value through profit or loss held for trading. To enter a short sale, the Sub-fund may need to borrow the security for delivery to the buyer. On each day, obligations to deliver securities borrowed by the Sub-fund to fulfil its short sale contracts are marked to market and an unrealised gain or loss is recorded in net losses from financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. While the transaction is open the Sub-fund will also incur an expense for any dividends or interest that will be paid to the lender of the securities.

### **(j) Interest income**

Interest income is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

### **(k) Dividend income and expense**

Dividend income relating to exchange-traded equity securities and dividend expense relating to securities sold short are recognised in the statement of comprehensive income on the ex-dividend date.

In some cases, the Sub-fund may choose to receive dividends in the form of additional shares rather than cash. In such cases the Sub-fund recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

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

### **2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(l) Expenses**

All expenses, including management fees, performance fees, trustee fees and custodian fees, are recognised in the statement of comprehensive income on an accrual basis.

#### **(m) Foreign exchange gains and losses**

Foreign exchange gains and losses on financial instruments held for trading are recognised together with other changes in the fair value. Included in the statement of comprehensive income line item, net foreign exchange losses are foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as held for trading.

#### **(n) Taxation**

Under the current system of taxation in the Cayman Islands, the Sub-fund is exempt from paying taxes on income, profits or capital gains. The Trust has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from tax in the Cayman Islands.

Capital gains, dividend and interest income received by the Sub-fund may be subject to withholding tax imposed in the country of origin. Capital gains and investment income are recorded gross of such taxes and the withholding tax is recognised in the statement of comprehensive income as incurred. Movement in deferred tax liabilities arising from taxable temporary differences on unrealised gains on investments and their tax bases are recognised in the statement of comprehensive income. Refer to Note 9 for more details.

#### **(o) Redeemable units**

The Sub-fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the Sub-fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Sub-fund's net assets in the event of Sub-fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Redeemable units (Continued)

- apart from the contractual obligation for the Sub-fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-fund over the life of the instrument.

As at 31 December 2017, the Sub-fund has five (2016: five) classes of redeemable units in issue, namely Class A, Class Z, Class A AUD Hedged, Class A CAD Hedged and Class A NZD Hedged. Class Z was created for institutional clients only. Class A AUD Hedged, Class A CAD Hedged and Class A NZD Hedged were collectively referred to as “Class A Hedged”. All are the most subordinate classes of financial instruments issued by the Sub-fund. They rank *pari passu* in all material respects and have the same terms and conditions other than different management fees rates. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders’ share in the Sub-fund’s net assets at each redemption date, and also in the event of the Sub-fund’s liquidation. The redeemable units of the Sub-fund are classified as financial liabilities as at 31 December 2017 and 31 December 2016 and are measured at the present value of the redemption amounts.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

#### *Repurchase of redeemable units*

When redeemable units recognised as equity are redeemed, the amount paid on the redemption of the units is presented as a deduction from total equity.

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

### **2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(p) Related parties**

- (1) A person, or a close member of that person's family, is related to the Sub-fund if that person:
- (i) has control or joint control over the Sub-fund;
  - (ii) has significant influence over the Sub-fund; or
  - (iii) is a member of the key management personnel of the Sub-fund.
- (2) An entity is related to the Sub-fund if any of the following conditions applies:
- (i) The entity and the Sub-fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is controlled or jointly controlled by a person identified in (1);
  - (vi) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (vii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-fund or to the Sub-fund's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 FINANCIAL RISK MANAGEMENT

The investment objective of the Sub-fund is to provide unitholders with long-term capital appreciation by investing primarily in A, B and H Shares. A Shares and B Shares are shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange in the People's Republic of China ("PRC"). A Shares are traded in Renminbi and B Shares are traded in USD and HKD. H Shares are shares listed on the Hong Kong Stock Exchange and are denominated in HKD.

The Sub-fund invests in listed and unlisted equity securities, debt security, foreign currency forward contracts, investment funds, and participation notes and therefore is exposed to market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments held.

The Sub-fund's overall financial risk management program focuses on the analysis, evaluation and management of financial risks and seeks to minimise potential adverse effects on the Sub-fund's financial performance.

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

##### (a) Market risk

##### (i) Foreign exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-fund's overall currency positions are monitored on a daily basis by the Manager.

As at 31 December 2017, had USD weakened by 0.5% (2016: 0.5%) in relation to respective currencies, with all other variables held constant, the net asset value would have increased by the amounts shown below. The analysis was performed on the same basis for net foreign currency exposures as at 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

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

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

	<b>Net foreign currency exposures</b> <i>US\$</i>	<b>Change in net asset value if the USD weakened by 0.5%</b> <i>US\$</i>
<b>As at 31 December 2017</b>		
Australian dollar	739,197	3,696
Canadian dollar	249,294	1,246
Chinese renminbi	67,029,167	335,146
New Taiwan dollar	19,772,138	98,861
New Zealand dollar	1,756,501	8,783
Singapore dollar	5,516	28
	<b>89,551,813</b>	<b>447,760</b>
<b>As at 31 December 2016</b>		
Australian dollar	136,847	684
Canadian dollar	24,146	121
Chinese renminbi	52,108,422	260,542
New Zealand dollar	20,910	105
Singapore dollar	1,197,162	5,986
	<b>53,487,487</b>	<b>267,438</b>

As the HKD is pegged to the USD, the Sub-fund does not expect any significant movements in HKD/USD exchange rate. A 0.5% (2016: 0.5%) appreciation of the USD against the above currencies would have resulted in an equal but opposite effect on the financial statements on the basis that all other variables remain constant.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 FINANCIAL RISK MANAGEMENT (Continued)

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

##### (ii) Price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-fund trades in financial instruments, taking positions in traded and over-the-counter instruments, including derivatives, to take advantage of market movements.

All securities investments present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits stated in the Explanatory Memorandum. The Sub-fund's overall market positions are monitored periodically by the Manager.

As at 31 December 2017 and 2016, the Sub-fund's overall market exposures and estimated market sensitivity were as follows:

	Fair value US\$	Relevant benchmark index for the Sub-fund	Reasonably possible change of the relevant benchmark index	Estimated change in net asset value US\$
<b>As at 31 December 2017</b>				
Financial assets at fair value through profit or loss	309,631,927	MSCI China Index	+/-30%	+/-82,801,086
Financial liabilities at fair value through profit or loss	(25,285,714)	MSCI China Index	+/-30%	-/+6,458,114
<b>As at 31 December 2016</b>				
Financial assets at fair value through profit or loss	344,740,354	MSCI China Index	+/-30%	+/-92,535,979
Financial liabilities at fair value through profit or loss	(27,701,818)	MSCI China Index	+/-30%	-/+9,639,125

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

### **3 FINANCIAL RISK MANAGEMENT (Continued)**

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

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

The Sub-fund is subject to certain inherent risks arising from selling securities short. The ultimate cost to the Sub-fund to acquire these securities may exceed the liability reflected in these financial statements. There were no significant concentrations of risk as at 31 December 2017 or 31 December 2016. No exposure to any individual investments exceeded 10% of the net assets attributable to unitholders either at 31 December 2017 or at 31 December 2016.

##### **(iii) Interest rate risk**

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

The Sub-fund's interest rate risk arises from bank balances of US\$40,094,915 (2016: US\$597,983) and bank overdraft of US\$Nil (2016: US\$27,188,315). As at 31 December 2017, the maturity dates of the majority of interest-bearing assets are within 3 months. The bank balances and bank overdraft expose the Sub-fund to cash flow interest rate risk.

The debt security is also subject to interest rate risk. The interest rate risk is not considered significant and no sensitivity was deemed necessary.

#### **(b) Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-fund. Financial assets which potentially subject the Sub-fund to concentrations of credit risk consist principally of financial assets held with custodians, bank balances and receivables.

The Sub-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 with high credit ratings and 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. Accordingly, there is no significant concentration of credit risk.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 FINANCIAL RISK MANAGEMENT (Continued)

##### (b) Credit risk (Continued)

The table below shows the major counterparties at the date of the statement of financial position. The credit ratings are issued by Moody's:

Counterparty	Credit rating	2017 US\$	2016 US\$
Bank A	A1	40,086,692	597,225
Bank B	Baa1	8,223	758
Custodian A	A1	309,631,927	341,755,272
Custodian B	Baa1	—	2,985,082
		<u>349,726,842</u>	<u>345,338,337</u>

The Sub-fund may invest in debt instruments which are unrated or rated with low credit ratings. These securities are subject to greater risk of loss of principal and interest than securities with higher credit ratings. The Sub-fund may also invest in emerging markets where the clearing, settlement and registration systems available to effect trades are less developed than those in more mature markets. These can result in delays and other difficulties in settling trades and registering transfers of securities.

As at 31 December, the Sub-fund invested in a debt security with the following credit quality:

Credit rating	2017 US\$	2016 US\$
Not rated	<u>1,813,886</u>	<u>1,805,357</u>

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

### **3 FINANCIAL RISK MANAGEMENT (Continued)**

#### **(c) Liquidity risk**

Liquidity risk is the risk that the Sub-fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Sub-fund.

The markets in which the Sub-fund invests may be relatively illiquid and the liquidity of these markets generally has fluctuated substantially over time. Investment of the Sub-fund's assets in relatively illiquid securities may restrict the ability of the Sub-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. There is no regulated market for such transactions, and the prices will be established solely by dealers in those transactions. The Manager monitors the liquidity of the Sub-fund by conducting liquidity testing on the investment portfolio on a monthly and ad-hoc basis.

The Sub-fund holds investments in an unlisted open-ended investment fund, which may be subject to redemption restrictions such as side pockets or redemption gates. As a result, the Sub-fund may not be able to liquidate some of its investments in these instruments in due time to meet its liquidity requirements.

The Sub-fund is exposed to daily cash redemption of units. The Manager considered that there is no significant liquidity risk on redemption of units as, according to the provisions of the Trust Deed dated 21 June 2000 (as amended) of the Sub-fund, the Manager may limit the total number of units redeemed on any dealing day to 10% of the total number of units in issue. The contractual maturity of all other liabilities is less than one month.

#### **(d) Specific instrument**

##### ***Forward contracts***

Forward contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 FINANCIAL RISK MANAGEMENT (Continued)

##### (d) Specific instrument (Continued)

###### *Forward contracts (Continued)*

Forward contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movement in foreign currency exchange rates, indices and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a forward contract and may result in substantial losses to the sub-funds. Forward contracts are generally subject to liquidity risk.

The Sub-fund had the following foreign currency forward contracts outstanding at 31 December 2017 and 31 December 2016.

Buy	Sell	Settlement date	Fair value	Fair value
			assets	liabilities
			US\$	US\$
<b>As at 31 December 2017</b>				
AUD692,944	USD530,796	31 January 2018	10,284	–
CAD6,522	USD9,250	31 January 2018	–	(55)
CAD301,799	USD235,440	31 January 2018	5,514	–
NZD11,318	USD7,941	31 January 2018	107	–
NZD806,071	USD1,152,711	31 January 2018	–	(13,485)
NZD1,322,546	USD924,697	31 January 2018	<u>15,608</u>	<u>–</u>
<b>As at 31 December 2016</b>				
AUD189,364	USD136,781	25 January 2017	–	(211)
CAD18,127	USD13,501	25 January 2017	–	(60)
NZD15,255	USD10,536	25 January 2017	<u>56</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 CASH AND CASH EQUIVALENTS

	<b>2017</b>	<b>2016</b>
	<i>US\$</i>	<i>US\$</i>
Cash held with bank	40,094,915	597,983
Bank overdraft	—	(27,188,315)
	<u>40,094,915</u>	<u>(26,590,332)</u>

No cash held (2016: US\$Nil) is restricted as disclosed in Note 10(d).

### 5 AMOUNTS DUE FROM/TO BROKERS

	<b>2017</b>	<b>2016</b>
	<i>US\$</i>	<i>US\$</i>
Amount receivable on sales of investments	6,370,380	197,645
Amount payable on purchase of investments	12,559,663	2,050

### 6 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2017</b>	<b>2016</b>
	<i>US\$</i>	<i>US\$</i>
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities	307,786,528	293,610,043
Debt security	1,813,886	1,805,357
Foreign currency forward contracts	31,513	56
Investment funds	—	28,705,732
Participation notes	—	20,619,166
	<u>309,631,927</u>	<u>344,740,354</u>
<b>Financial liabilities at fair value through profit or loss</b>		
Listed equity securities sold short	(25,272,174)	(27,701,547)
Foreign currency forward contracts	(13,540)	(271)
	<u>(25,285,714)</u>	<u>(27,701,818)</u>

Listed equity securities of US\$28,543,215 (2016: US\$32,308,679) are restricted as disclosed in Note 10(d).

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7 NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 US\$	2016 US\$
<b>Net gains/(losses) from financial assets and financial liabilities at fair value through profit or loss</b>		
Net realised gains/(losses)	91,548,945	(51,956,943)
Change in unrealised gains or losses	<u>30,876,954</u>	<u>15,087,421</u>
	<u><u>122,425,899</u></u>	<u><u>(36,869,522)</u></u>

#### 8 TRUSTEE FEES

Bank of Bermuda (Cayman) Limited, the Trustee of the Sub-fund, is entitled to trustee fees which are determined based on the bi-weekly net asset value of the Sub-fund as below:

Net asset value	Trustee fee per annum shown as % of net asset value
First US\$400 million	0.15%
Thereafter	0.12%

The trustee fees are subject to a monthly minimum of US\$3,000 (2016: US\$3,000).

Under the terms of the Trust Deed (as amended), the Trustee is also entitled to a fixed annual fee of US\$3,000 (2016: US\$3,000).

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

### **9 TAXATION**

- (a) There are no taxes on income or gains in the Cayman Islands as the Trust has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital gains taxes. Accordingly, no provision for income taxes is included in these financial statements.
- (b) No provision for Hong Kong Profits Tax has been made in the financial statements as the Trust is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.
- (c) 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 Sub-fund invests in derivative instruments linked to “A” shares, issued by one or more Qualified Foreign Institutional Investors (“QFIIs”) or their affiliates as well as “A” shares of companies listed in the PRC, via the Manager’s QFII quota. Prior to 17 November 2014, a 10% tax was withheld by the QFIIs or custodian on all PRC sourced dividends and realised capital gains.

#### ***Notice issued on 14 November 2014***

On 14 November 2014, the Ministry of Finance of the PRC (the “MoF”), the State Administration of Taxation of the PRC (“SAT”) and the China Securities Regulatory Commission (the “CSRC”) jointly issued the “Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (the “Notice”).

According to the Notice, amongst other things:

- (i) QFIIs and RQFIIs, which do not have an establishment or place of business in the PRC or have an establishment or place in the PRC but the income so derived in the PRC is not effectively connected with such establishment, will be temporarily exempt from corporate income tax on gains derived from the transfer of PRC equity investment assets (including China “A” shares) effective from 17 November 2014;
- (ii) PRC corporate income tax will be imposed on gains by QFIIs and RQFIIs from transfer of equity investment assets (including China “A” shares) realised prior to 17 November 2014 in accordance with laws.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 TAXATION (Continued)

##### (c) (Continued)

As a result of the issue of the Notice, the Manager has decided on the following changes to the tax provisioning policy of the Sub-fund:

- (i) The Sub-fund has ceased to provide PRC withholding income tax for realised gains on derivative instruments linked to “A” shares and “A” shares on or after 17 November 2014;
- (ii) No PRC withholding income tax provision is made for unrealized gains for China A-shares. The tax provision made in relation to unrealised gains on the Sub-fund’s investments in derivatives on China equities and “A” shares has been released on 17 November 2014.

In June 2015, the Third Branch of Shanghai Municipal Office of the State Administration of Taxation issued a notice and a tax filing deadline of 30 September 2015 for all QFII/RQFII to declare and report the tax-related matters in relation to capital gains realised from the disposal of PRC equity investments prior to 17 November 2014. The Manager engaged a tax advisor to file the tax return and required documents by 30 September 2015 and the Sub-Fund has settled the PRC taxes on the gross realised gains derived from the disposal of “A” Shares prior to 17 November 2014.

The Sub-fund directly invests in “B” shares of companies listed in the PRC for subscription by foreign investors and may be subject to PRC withholding tax of 10% on dividend income. A 10% withholding tax may also be payable on the capital gains derived from the sale of “B” shares. Under current PRC tax laws, gains derived from the transfer of shares of PRC companies by non-residents should be subject to a withholding tax of 10%, unless exempt under relevant tax treaties. The SAT has remained silent on the collection of withholding tax for capital gains and until further clarification is issued by the SAT, the Manager considers that there is significant uncertainty in respect of whether the Sub-fund has any liability and the extent of such liability with respect to tax on capital gains derived from the sale of PRC “B” shares. In making this assessment, the Manager has considered (i) the current position of the SAT, (ii) the absence of a withholding mechanism of the relevant tax and (iii) current market practice. Accordingly, as at 31 December 2017 and 2016, the Sub-fund had not made any provision for the tax on capital gains on “B” shares based on the above judgments made by the Manager.

The Manager will continually reassess the withholding income tax provisioning approach on an on-going basis taking into account any recent development in the market.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9 TAXATION (Continued)

#### (c) (Continued)

Taxation in statement of comprehensive income represents:

	<b>2017</b>	<b>2016</b>
	<i>US\$</i>	<i>US\$</i>
Dividend withholding tax	<u>494,213</u>	<u>380,939</u>

Provision for taxation in the statement of financial position represents:

	<b>2017</b>	<b>2016</b>
	<i>US\$</i>	<i>US\$</i>
PRC withholding tax provision relating to prior years	122,040	122,040
PRC withholding tax provision for the year	494,213	380,939
Tax paid	<u>(494,213)</u>	<u>(380,939)</u>
PRC withholding tax provision as at year end	<u>122,040</u>	<u>122,040</u>

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Sub-fund entered into the following significant related party transactions with the Trustee, the Manager and their Connected Persons for the year. Connected Persons are those as defined in the SFC Code issued by the SFC. All transactions during the year between the Sub-fund and the Trustee, the Manager and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Sub-fund did not have any other transactions with Connected Persons except for those disclosed below and elsewhere in these financial statements. The relevant receivables and payables are unsecured, interest-free and repayable on demand.

##### (a) Management fees

Under the Investment Management Agreement, the Manager receives a management fee monthly in arrears at an annual rate of 1.25%, 1.25% and 0.75% of the total net asset value for Class A units, Class A Hedged units and Class Z units respectively on each valuation day as defined in the Explanatory Memorandum. Management fees of US\$3,795,550 (2016: US\$4,513,969) were charged to statement of comprehensive income during the year. Included in liabilities as at 31 December 2017 are management fees payable of US\$308,242 (2016: US\$305,143).

##### (b) Performance fees

Under the Investment Management Agreement, the Manager is also entitled to a performance fee, calculated at a high-on-high basis, if the net asset value per unit as at the last valuation day of a financial year (prior to the accrual of any performance fee for that financial year) exceeds the higher of:

- (i) the net asset value per unit as at the close of business on the last valuation day in the last financial year in respect of which a performance fee was paid to the Manager in respect of the Sub-fund, after payment of such performance fee; and
- (ii) the initial offer price at which the units were first offered.

The rate of performance fees payable is 15% and is calculated by multiplying this fee rate by the product of the excess of the net asset value per unit (calculated as stated above) and the average of the number of units in issue immediately after each valuation day in the relevant financial year.

During the year ended 31 December 2017, the Manager has waived part of the performance fees of US\$446,922 (2016: US\$Nil) charged to Class Z and US\$3,328 (2016: US\$Nil) charged to Class A NZD Hedged of the Sub-fund. Performance fees of US\$14,219,184 (2016: US\$200) were charged to statement of comprehensive income during the year. Performance fees payable of US\$14,212,196 (2016: US\$200) are included in liabilities as at 31 December 2017.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### (c) Trustee fees

The Trustee, a licensed trust company incorporated in the Cayman Islands, has certain duties and responsibilities as specified in the Explanatory Memorandum. The Trustee is entitled to receive a trustee fee calculated on the basis described in Note 8. Trustee fees of US\$458,034 (2016: US\$598,689) were charged to statement of comprehensive income during the year. Included in liabilities as at 31 December 2017 are trustee fees payable of US\$37,015 (2016: US\$36,952).

#### (d) Transactions/balances with the group companies of the Trustee

During the year, the Custodian of the Sub-fund, HSBC Institutional Trust Services (Asia) Limited, which is a group company of the Trustee of the Sub-fund, charged transaction fees of US\$12,516 (2016: US\$6,440) for handling each purchase or sale of investments.

During the year, the Sub-fund utilised the services of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), which is a group company of the Trustee of the Sub-fund, in its purchase and sale of investments. Details of such transactions executed and fees paid are set out below:

	Value of transactions executed through HSBC <i>US\$</i>	% of total value of transactions of the Sub-fund	Commission and other fees paid to HSBC <i>US\$</i>	Average commission rate
<b>Year 2017</b>	117,661,374	6.07%	290,249	0.25%
<b>Year 2016</b>	122,242,317	10.22%	322,311	0.26%

The Sub-fund maintains bank accounts which are held as collateral for transactions involving borrowed securities with HSBC. No cash deposits (2016: US\$Nil) were held as collateral as at 31 December 2017.

Listed equity securities of US\$28,543,215 (2016: US\$32,308,679) were pledged as collateral as at 31 December 2017. HSBC, which is the party to whom the collateral is provided, does not have the right to sell or re-pledge the collateral. The Sub-fund classifies these pledged investments as financial assets at fair value through profit or loss in the statement of financial position.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### (d) Transactions/balances with the group companies of the Trustee (Continued)

Other information relating to the transactions/balances with HSBC is set out below:

	2017 US\$	2016 US\$
<b>Bank accounts</b>		
Bank balance	40,086,692	597,225
Bank overdraft	–	(27,188,315)
Interest income	19,488	4,520
Interest expenses	(437,472)	(569,836)
Bank charges	(27,412)	(61,257)
<b>Borrowed securities</b>		
Stock loan fee expenses	(92,372)	(197,195)
Other income – Rebate on stock loan fee	–	871

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### (e) Manager's and its related parties' holding in the Sub-fund

As at 31 December 2017, 31,574 Class A units, 1,117 Class A AUD Hedged units, 1,413 Class A CAD Hedged units and 1,506 Class A NZD Hedged units (2016: 63,266 Class A units, 1,413 Class A CAD Hedged units and 1,506 Class A NZD Hedged units) of the Sub-fund were held by the Manager. Units held by the related parties of the Manager are listed out below:

	<b>Number of Class A units</b>	
	<b>2017</b>	<b>2016</b>
Director of the Manager	3,448	–
Spouse of a director of the Manager	5,626	5,074

#### (f) Investment in a fund managed by the Manager

As at 31 December 2017, the Sub-fund did not hold any units (2016: 238,420 units) of Value Partners China A Share Opportunity Fund ("the Subsidiary"), a fund managed by the Manager, with a fair value of US\$Nil (2016: US\$28,705,732). No cash distribution (2016: US\$Nil) was received from the Subsidiary during the year.

Rebate on management fee of US\$191,638 (2016: US\$242,262) received from the Subsidiary is included in other income on the statement of comprehensive income.

#### (g) Cross-trades with other funds managed by the Manager

In 2016, the Sub-fund transacted with a segregated account managed by the Manager. The Sub-fund purchased 32 securities amounting to US\$20,487,148. The transactions were carried out at the fair value of investments on the date of transaction. The decision was in the best interest of the Sub-fund and fell within the investment objectives and policies of the Sub-fund. The transactions were executed on arm's length terms.

In 2017, the Sub-fund did not enter into transactions with any funds/accounts.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11 REDEEMABLE UNITS IN ISSUE

##### (a) Class A

	Number of units	
	2017	2016
As at 1 January	2,120,855	3,214,763
Issue of redeemable units	224,039	409,802
Redemption of redeemable units	<u>(744,483)</u>	<u>(1,503,710)</u>
As at 31 December	<u>1,600,411</u>	<u>2,120,855</u>

##### (b) Class A AUD Hedged

	Number of units	
	2017	2016
As at 1 January	21,928	60,826
Issue of redeemable units	498,948	117,351
Redemption of redeemable units	<u>(464,299)</u>	<u>(156,249)</u>
As at 31 December	<u>56,577</u>	<u>21,928</u>

##### (c) Class A CAD Hedged

	Number of units	
	2017	2016
As at 1 January	1,810	–
Issue of redeemable units	357,035	6,311
Redemption of redeemable units	<u>(335,711)</u>	<u>(4,501)</u>
As at 31 December	<u>23,134</u>	<u>1,810</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 11 REDEEMABLE UNITS IN ISSUE (Continued)

#### (d) Class A NZD Hedged

	Number of units	
	2017	2016
<b>As at 1 January</b>	1,506	–
Issue of redeemable units	214,800	18,806
Redemption of redeemable units	(203,950)	(17,300)
	<u>12,356</u>	<u>1,506</u>

#### (e) Class Z

	Number of units	
	2017	2016
<b>As at 1 January</b>	555,731	3,873,100
Issue of redeemable units	–	555,731
Redemption of redeemable units	(535,243)	(3,873,100)
	<u>20,488</u>	<u>555,731</u>

The rights attaching to each unit are as follows:

The holders of the units have the right to receive notice of, attend and vote at meetings of the Sub-fund. The holder of each such unit has the right to one vote for each such unit registered in his/her name. The holders are entitled to receive all dividends declared and paid by the Sub-fund. Upon winding up, the holders are entitled to a return of capital based on the net asset value per unit of the Sub-fund.

In respect of Class A and Class A Hedged units, any distributable profits of the Sub-fund may be accumulated or distributed by the Manager, in its absolute discretion. Where distributions are made, unless unitholders indicate otherwise to the Manager, any such distributions will automatically be reinvested in further units in the Sub-fund to be issued to such unitholders in proportion to the number of units held by them on the distribution date as defined in the Trust Deed (as amended).

In respect of Class Z Units, the Manager currently does not intend to pay dividends to unitholders. Therefore, any net income and net realised profits attributable to the Class Z units will be reinvested and reflected in their respective net asset values.

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

The Trust and the Sub-fund do not have any externally imposed capital requirements.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12 FAIR VALUE INFORMATION

The Sub-fund's investments are carried at fair value on the statement of financial position. The carrying amounts of other financial assets and liabilities approximate fair value due to the immediate or short-term nature of these financial instruments. The Sub-fund's accounting policy on fair value measurements is discussed in Note 2(f)(iv).

The Sub-fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12 FAIR VALUE INFORMATION (Continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 <i>US\$</i>	Level 2 <i>US\$</i>	Level 3 <i>US\$</i>	Total <i>US\$</i>
<b>As at 31 December 2017</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	307,630,612	–	155,916	307,786,528
Debt security	–	1,813,886	–	1,813,886
Foreign currency forward contracts	–	31,513	–	31,513
	<u>307,630,612</u>	<u>1,845,399</u>	<u>155,916</u>	<u>309,631,927</u>
<b>Financial liabilities at fair value through profit or loss</b>				
Listed equity securities sold short	(25,272,174)	–	–	(25,272,174)
Foreign currency contracts	–	(13,540)	–	(13,540)
	<u>(25,272,174)</u>	<u>(13,540)</u>	<u>–</u>	<u>(25,285,714)</u>

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12 FAIR VALUE INFORMATION (Continued)

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 31 December 2016</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	290,855,909	2,439,899	314,235	293,610,043
Debt security	–	1,805,357	–	1,805,357
Foreign currency forward contracts	–	56	–	56
Investment funds	–	28,705,732	–	28,705,732
Participation notes	–	20,619,166	–	20,619,166
	<u>290,855,909</u>	<u>53,570,210</u>	<u>314,235</u>	<u>344,740,354</u>
<b>Financial liabilities at fair value through profit or loss</b>				
Listed equity securities sold short	(27,701,547)	–	–	(27,701,547)
Foreign currency contracts	–	(271)	–	(271)
	<u>(27,701,547)</u>	<u>(271)</u>	<u>–</u>	<u>(27,701,818)</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12 FAIR VALUE INFORMATION (Continued)

The following table presents the changes in the Level 3 fair value category for the years ended 31 December 2017 and 2016. The Sub-fund classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. The investment classified as level 3 was valued based on market comparables of similar listed companies, with adjustments to condition and utility of the asset. The changes in the unobservable inputs to the valuation models do not have a significant effect on the net asset value of the Sub-fund.

	As at 1 January US\$	Purchases, issuances and settlements (net) US\$	Transfer out of Level 3 US\$	Net (losses)/ gains included in the statement of comprehensive income US\$	As at 31 December US\$	Net unrealised gains/(losses)* US\$
<b>Year 2017</b>						
Listed equity securities	314,235	-	-	(158,319)	155,916	(158,319)
<b>Year 2016</b>						
Listed equity securities	10,742,130	(3,125,693)	(7,763,498)	461,296	314,235	(78,792)
Listed equity securities sold short	(11,819,203)	9,387,091	-	2,432,112	-	-

\* Represents the amount of total net unrealised gains/(losses) recognised in the statement of comprehensive income for assets held at the end of the year.

During the year ended 31 December 2017, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3.

During the year ended 31 December 2016, listed equity securities amounting to US\$7,763,498 have been transferred from Level 3 to Level 1 because quoted prices for these investments became available in an active market.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13 INVESTMENT IN THE SUBSIDIARY

During the year ended 31 December 2016 and up to 18 September 2017, the Sub-fund invested in and controlled Value Partners China A Share Opportunity Fund (“the Subsidiary”) through a holding of 84% of its issued units. The Subsidiary is domiciled in the Cayman Islands and has no subsidiaries. The Sub-fund disposed all of its investments in the Subsidiary throughout the period 1 January 2018 to 18 September 2018 by batches.

During the year except for the investment in the Subsidiary, the Sub-fund did not provide additional financial or other support to the Subsidiary and have no commitments or intention to do so. No financial or other support was provided without a contractual obligation to do so during the reporting period. At 31 December 2016, there were no contractual arrangements that could require the Sub-fund or the Subsidiary to provide financial support, including events or circumstances that could expose the Sub-fund to loss.

At 31 December 2016, there were no significant restrictions on the ability of the Subsidiary to transfer funds to the Sub-fund in the form of redemption of the units held by the Sub-fund.

These separate financial statements of the Sub-fund are its only financial statements.

#### 14 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

Included in financial assets at fair value through profit or loss on the Sub-fund’s statement of financial position are certain investments in investment fund (see Note 6). This investment fund represents investment in the Subsidiary, which is an open-ended fund established by a related company. This scheme provides the Sub-fund with a variety of investment opportunities through managed investment strategies.

The table below describes the types of structured entity that the Sub-fund does not consolidate but in which it holds an interest.

Type of structured entities	Nature and purpose	Interest held by the Sub-fund
Investment funds	To manage assets on behalf of the investors and earn fees. These vehicle is financed through the issue of units to investors.	Investments in units issued by the investment funds

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 14 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

The Sub-fund did not hold interest in unconsolidated structured entity as at the year ended 31 December 2017. The table below sets out interests held by the Sub-fund in unconsolidated structured entity during 31 December 2016. The maximum exposure to loss is the carrying amount of the financial assets held by the Sub-fund.

	Number of invested funds by the Sub-fund	Total net assets of the structured entity US\$	Carrying amount included in financial assets at fair value through profit or loss US\$	Carrying amount as a % of total net assets attributable to unitholders
<b>As at 31 December 2016</b>				
Unlisted open-ended investment fund	1	33,936,780	28,705,732	9.91%

During the year ended 31 December 2016, the Sub-fund did not provide financial support nor have any outstanding capital commitments to this investment fund and has no intention of providing financial or other support.

### 15 SOFT COMMISSION ARRANGEMENTS

The Manager and/or any company associated with it and its delegates may enter into soft dollars/ commission sharing arrangements with brokers through which brokerage transactions are entered on behalf of clients under management. The Manager may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the 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") provided that the quality of transaction execution is consistent with best execution standards. 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.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 15 SOFT COMMISSION ARRANGEMENTS (Continued)

The Manager considers many judgemental factors deemed relevant in determining whether a broker provides best execution. In general, investment orders are 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.

#### 16 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Sub-fund.

	<b>Effective for accounting periods beginning on or after</b>
IFRS 9, <i>Financial instruments</i>	1 January 2018
IFRIC 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRIC, 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

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

### **16 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)**

The Sub-fund is in the process of making an assessment of what the impact of these amendments, new standard and interpretations is expected to be in the period of initial application. So far the Sub-fund has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Sub-fund, and further impacts may be identified before the standard is initially applied in the Sub-fund's financial statements for the year ended 31 December 2018. The Sub-fund may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial statements.

#### **IFRS 9, Financial instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments and a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

#### ***Classification of financial assets and financial liabilities***

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The standard includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

##### IFRS 9, Financial instruments (Continued)

###### *Classification of financial assets and financial liabilities (Continued)*

Based on the Sub-fund's assessment, this standard is not expected to have a material impact on the classification of financial assets of the Sub-fund. This is because:

- financial instruments currently classified as FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and
- financial instruments currently measured at amortised cost are: amounts due from unitholders and brokers, amounts due to unitholders and brokers, management fees payable, performance fees payable, trustee fees payable and accrued expenses and other payables. These instruments meet the solely payments of principal and interest (SPPI) criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

###### *Impairment of financial assets*

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Based on the Sub-fund's assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Sub-fund. This is because:

- the majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and
- the financial assets at amortised cost are short-term (i.e. no longer than 12 months) and of high credit quality. Accordingly, the ECLs on such assets are expected to be small.

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

### **16 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)**

#### **IFRS 9, Financial instruments (Continued)**

##### ***Hedge accounting***

The Sub-fund do not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Sub-fund.

##### ***Disclosures***

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Sub-fund have completed an analysis to identify data gaps against current processes and is designing the system and controls changes that they believe will be necessary to capture the required data.

##### ***Transition***

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Sub-fund will take advantage of the exemption allowing them not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be adjusted to net assets attributable to unitholders as at 1 January 2018.
- The following assessments have to be made by the Sub-fund on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

# CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

## INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 DECEMBER 2017

	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 Resources Double Crane Pharmaceutical Co Ltd A Shrs (SHHK)	3,873,076	14,721,549	4.86
Chongqing Changan Automobile Co Ltd B Shrs	3,591,667	3,952,720	1.31
Huangshan Tourism Development Co Ltd B Shrs	2,885,166	3,932,481	1.30
Huayu Automotive Systems Co Ltd A Shrs (SHHK)	1,920,894	8,758,624	2.89
Inner Mongolia Yili Industrial Group Co Ltd A Shrs (SHHK)	2,693,659	13,316,371	4.40
Midea Group Co Ltd A Shrs (SZHK)	1,261,932	10,742,445	3.55
Wuliangye Yibin Co Ltd A Shrs (SZHK)	905,714	11,110,956	3.67
<b>Total China</b>		<u>66,535,146</u>	<u>21.98</u>
<b>Hong Kong – H Shares</b>			
China CITIC Bank Corp Ltd H Shrs	13,308,000	8,344,695	2.76
China Construction Bank Corp H Shrs	17,350,000	15,985,770	5.28
China International Capital Corp Ltd	6,629,600	13,794,611	4.55
China Merchants Bank Co Ltd H Shrs	1,155,000	4,596,677	1.52
China Shenhua Energy Co Ltd H Shrs	2,143,500	5,554,566	1.83
CRRC Corp Ltd H Shrs	4,624,000	4,946,815	1.63
Huaneng Renewables Corp Ltd H Shrs	38,596,000	13,088,496	4.32
Huatai Securities Co Ltd H Shrs	3,795,400	7,557,336	2.50
Industrial & Commercial Bank of China Ltd H Shrs	16,823,000	13,541,154	4.47
Livzon Pharmaceutical Group Inc H Shrs	696,820	5,501,832	1.82
New China Life Insurance Co Ltd H Shrs	1,490,000	10,181,907	3.36
PetroChina Co Ltd H Shrs	20,708,000	14,442,296	4.77
Sinopharm Group Co H Shrs	443,200	1,916,982	0.63
		<u>119,453,137</u>	<u>39.44</u>

## INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2017

	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>			
Brilliance China Automotive Holdings Ltd	1,464,000	3,915,515	1.29
China Taiping Insurance Holdings Co Ltd	1,182,800	4,434,866	1.46
Shenzhen International Holdings Ltd	4,329,989	<u>8,245,012</u>	<u>2.72</u>
		<u>16,595,393</u>	<u>5.47</u>
<b><i>Hong Kong – Others</i></b>			
Beijing Tong Ren Tang Chinese Medicine Co Ltd	6,772,000	9,203,289	3.04
China Yuhua Education Corp Ltd	12,366,000	6,203,216	2.05
CSPC Pharmaceutical Group Ltd	2,996,000	6,049,931	2.00
Haier Electronics Group Co Ltd	1,634,000	4,474,735	1.48
KWG Property Holding Ltd	5,655,500	6,607,594	2.18
Real Gold Mining Ltd	3,046,000	155,916	0.05
Shenzhou International Group Holdings Ltd	1,243,000	11,834,384	3.91
Tencent Holdings Ltd	410,900	<u>21,348,323</u>	<u>7.05</u>
		<u>65,877,388</u>	<u>21.76</u>
<b>Total Hong Kong</b>		<u>201,925,918</u>	<u>66.67</u>

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2017

	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>			
Largan Precision Co Ltd	51,000	6,908,613	2.28
Taiwan Semiconductor Manufacturing Co Ltd	582,000	<u>4,500,910</u>	<u>1.49</u>
		<u>11,409,523</u>	<u>3.77</u>
<b>United States</b>			
Alibaba Group Holding Ltd ADR	114,979	19,825,829	6.55
Baidu Inc ADR	18,778	<u>4,397,995</u>	<u>1.45</u>
		<u>24,223,824</u>	<u>8.00</u>
<b>Singapore</b>			
Tianjin Zhong Xin Pharmaceutical Group Corp Ltd	4,035,100	<u>3,692,117</u>	<u>1.22</u>
<b>Total listed equity securities</b>		<u>307,786,528</u>	<u>101.64</u>
<b>Unlisted Equity Securities</b>			
Peace Mark Holdings Ltd	1,912,000	—	—
<b>Debt Securities</b>			
Petro-King Oilfd Service Conv 5% 03/30/2018	14,000,000	1,813,886	0.60

## INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2017

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)</b>			
<b>Derivative Assets</b>			
Foreign currency forward contracts		31,513	0.00
<b>Total financial assets at fair value through profit or loss</b>		309,631,927	102.24
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>Listed Equity Securities Sold Short</b>			
<b><i>Hong Kong – H Shares</i></b>			
ZTE Corp H Shrs	(811,400)	(3,047,507)	(1.01)
<b><i>Hong Kong – Others</i></b>			
3SBIO Inc	(2,318,500)	(4,551,285)	(1.50)
Bank of East Asia Ltd	(1,848,177)	(8,005,783)	(2.64)
BYD Electronic International Co Ltd	(1,523,500)	(3,318,208)	(1.10)
Sihuan Pharmaceutical Holdings Group Ltd	(13,225,000)	(4,755,581)	(1.57)
Sunac China Holdings Ltd	(385,000)	(1,593,810)	(0.53)
		(22,224,667)	(7.34)
<b>Total listed equity securities sold short</b>		(25,272,174)	(8.35)

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2017

	Holdings	Fair value US\$	% of net assets
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)</b>			
<b>Derivative Liabilities</b>			
Foreign currency forward contracts		<u>(13,540)</u>	<u>0.00</u>
<b>Total financial liabilities at fair value through profit or loss</b>		<u>(25,285,714)</u>	<u>(8.35)</u>
<b>Total investments</b>		284,346,213	93.89
Cash and cash equivalents		40,094,915	13.24
Other net liabilities		<u>(21,571,545)</u>	<u>(7.13)</u>
<b>Total net assets</b>		<u>302,869,583</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>251,778,170</u>	

## STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>% of net assets</b>	
	<b>2017</b>	<b>2016</b>
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>Listed equity securities</b>		
China	21.98	25.62
Hong Kong	66.67	75.31
Taiwan	3.77	–
Singapore	8.00	0.35
United States	1.22	0.06
	101.64	101.34
<b>Unlisted equity securities</b>		
Hong Kong	–	–
<b>Debt securities</b>		
	0.60	0.62
<b>Investment funds</b>		
	–	9.91
<b>Participation notes</b>		
	–	7.12
<b>Derivative assets</b>		
Foreign currency forward contracts	0.00	0.00
<b>Total financial assets at fair value through profit or loss</b>	102.24	118.99

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

	% of net assets	
	2017	2016
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>Listed equity securities sold short</b>		
Hong Kong	(8.35)	(9.56)
<b>Derivative liabilities</b>		
Forward currency forward contracts	—	—
<b>Total financial liabilities at fair value through profit or loss</b>	<u>(8.35)</u>	<u>(9.56)</u>
<b>Total investments</b>	93.89	109.43
Cash and cash equivalents	13.24	(9.18)
Other net liabilities	<u>(7.13)</u>	<u>(0.25)</u>
<b>Total net assets</b>	<u>100.00</u>	<u>100.00</u>

**PERFORMANCE RECORD (UNAUDITED)**

FOR THE YEAR ENDED 31 DECEMBER 2017

**Net asset values (at last traded prices)**

	Net asset value per unit					Net asset value US\$
	Class A	Class A AUD	Class A CAD	Class A NZD	Class Z	
	USD	Hedged AUD	Hedged CAD	Hedged NZD	US\$	
As at						
– 31 December 2017	188.47	12.47	13.27	14.00	15.68	302,869,583
– 31 December 2016	133.43	8.80	10.17	10.26	11.85	289,722,132
– 31 December 2015	146.20	9.40	–	–	12.70	519,593,169

## CHINA CONVERGENCE FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

### PERFORMANCE RECORD (UNAUDITED) (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

#### Highest issue and lowest redemption prices (at last traded prices)

	Highest issue price per unit				
	Class A USD	Class A AUD Hedged AUD	Class A CAD Hedged CAD	Class A NZD Hedged NZD	Class Z US\$
Financial year ended					
– 31 December 2017	192.32	12.81	13.49	14.40	16.00
– 31 December 2016	144.08	9.62	10.85	10.86	12.55
– 31 December 2015	213.00	10.00	–	–	18.39
– 31 December 2014	146.89	–	–	–	12.79
– 31 December 2013	131.55	–	–	–	11.26
– 31 December 2012	123.34	–	–	–	–
– 31 December 2011	143.50	–	–	–	–
– 31 December 2010	143.94	–	–	–	–
– 31 December 2009	114.29	–	–	–	–
– 31 December 2008	104.64	–	–	–	–

	Lowest redemption price per unit				
	Class A USD	Class A AUD Hedged AUD	Class A CAD Hedged CAD	Class A NZD Hedged NZD	Class Z US\$
Financial year ended					
– 31 December 2017	133.31	8.80	10.07	10.25	11.84
– 31 December 2016	116.01	7.58	8.87	8.95	10.08
– 31 December 2015	130.25	9.04	–	–	11.32
– 31 December 2014	113.28	–	–	–	9.73
– 31 December 2013	105.43	–	–	–	9.91
– 31 December 2012	98.64	–	–	–	–
– 31 December 2011	97.34	–	–	–	–
– 31 December 2010	107.04	–	–	–	–
– 31 December 2009	57.62	–	–	–	–
– 31 December 2008	55.10	–	–	–	–