

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

2016 ANNUAL
REPORT

For the year ended 31 December 2016

Value Partners Hong Kong Limited

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

This report shall not constitute an offer to sell or a solicitation of an offer to buy 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.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

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VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

GENERAL INFORMATION

Manager

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

Value Partners Hong Kong 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, Registrar's Agent and Administrator's Agent

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

Trustee, Registrar, Administrator, Custodian and Principal Office

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
King & Wood Mallesons[^]
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Deacon[#]
5th Floor, Alexandra House
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Central
Hong Kong

Auditor

PricewaterhouseCoopers[^]
P.O. Box 258
George Town
Grand Cayman, KY1-1104
Cayman Islands

PricewaterhouseCoopers[#]
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Website : www.valuepartners-group.com

[^] Status before 22 April 2016

[#] Status effective 22 April 2016

GENERAL INFORMATION (Continued)

Recent awards and achievements

Corporate Awards	
2016	<ul style="list-style-type: none"> • The 14th China's Financial Annual Champion Awards 2016 Value Partners: Best Asset Management Service Provider of the Year – <i>Hexun.com</i> • The Asset Benchmark Research Awards 2016 – G3 Bonds Top Investment House Value Partners – Ranked 2nd in Hedge Fund category – <i>The Asset Benchmark Survey</i> • The Asset Triple A, Asset Servicing, Investor and Fund Management Awards 2016 Asset Management Company of the Year (Hong Kong) Value Partners – Highly Commended Fund House – <i>The Asset</i> • Asset Management Awards 2016 Fund House of the Year – Hong Kong – <i>AsianInvestor</i> • Asset Management Awards for Excellence 2016 Best Fund Provider – Greater China Equity – <i>Asian Private Banker</i> • Thomson Reuters Lipper Fund Awards 2016 Best Equity Group (Hong Kong) – <i>Thomson Reuters</i> • 2015 Best of the Best Performance Awards Value Partners: 20-Year Award for Greater China – <i>Asia Asset Management</i> • 2015 Best of the Best Regional Awards Value Partners: Longevity Awards – Best Asset Management House over the last 20 Years (Co-Winner) – <i>Asia Asset Management</i> • International Financial Annual Champion Awards 2015 Value Partners: Best Asset Management Service Provider – <i>SEEC and Hexun.com</i>
Value Partners High-Dividend Stocks Fund	
2016	<ul style="list-style-type: none"> • Thomson Reuters Lipper Fund Awards 2016 Best Asia Pacific ex-Japan Equity (10 Years) – <i>Thomson Reuters</i> • Fund Selector Asia Singapore Awards 2016 Asia Pacific Equity – Platinum Winner – <i>Fund Selector Asia</i>

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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MANAGER'S REPORT

2016 was an eventful year for Asian stockmarkets – it began with China's failed circuit breaker system that led to market wild swings, followed by the spillover effects from Britain's vote in June to leave the European Union. In the fourth quarter, South Korea's presidential scandal and Donald Trump's election win created renewed uncertainties in the Asian market.

Rising US interest rates and dollar impacting Asian equities

In the last quarter of 2016, Asia ex-Japan market sentiment was fragile as Trump's victory in the US Presidential Election increased concerns around trade and protectionism. Heightened expectation on US inflation together with the US Federal Reserve's rate hike in mid-December led to a stronger USD which drove capital flows to leave emerging markets during the quarter. Against this backdrop, Value Partners High-Dividend Stocks Fund (the Fund) dropped 5.0% in the quarter while the reference index¹ was down 6.3% in the same period.

In assessing the US interest rate hike cycle impact on Asia ex-Japan equities, we need to understand the context of the cycle. Historically, moderate interest rate hikes in the US are positive for Asian equities and based on data from the last three interest rate hike cycles since 1994, Asia ex-Japan equities generally retreat before the first US interest rate hike but respond positively after the rate is raised in three to 18 months. Asia ex-Japan equity performance under a stronger USD environment depends on the cause of the strength. Asian equities rally when USD strength is driven by improving US growth expectation, and fall when the strength of USD is caused by risk aversion. Furthermore in Trump's policies, the US is likely to adopt a larger fiscal program which may mitigate the USD from strengthening significantly due to a larger fiscal deficit. Therefore an improving growth outlook, and moderately reflationary cycle coupled with some interest rate hikes, should be supportive for the Asia ex-Japan equity.

Portfolio strategy review

On a full-year basis, the Fund slid slightly by 0.2%, compared with the reference index¹ which gained 6.4%. The portfolio was mainly dragged by Hong Kong and China equities performance in the first quarter as widespread sell-off was seen sparked by the failed circuit breaker system which was abandoned within one week of implementation. Later in the year, the recovery in the stockmarkets was masked by concerns over China's slowdown, RMB depreciation and poor global investment sentiment. In ASEAN region, the rich valuations and questionable recovery sustainability in south Asia region did not favour our underweight position, which detracted our relative performance against the benchmark driven by the rebound of commodity prices. Despite the unfavourable headwinds, we remained nimble throughout the year. We de-risked the portfolio by lifting cash weighting to around 10% in the first two months of the year to stay defensive as market volatility edged up. We also increased our holdings in technology hardware makers in Taiwan and South Korea which became the top performance contributors for the portfolio. To make room for the addition, we took profit from our bond holdings as their valuations became rich in the second quarter.

MANAGER'S REPORT (Continued)

In South Korea, the political scandal surrounding President Park Geun-hye posted negative impact on investors' sentiment in the fourth quarter but the impact on our portfolio was limited. We have been adhering to a bottom-up stock-picking approach that focuses on fundamentals of the companies we invest in. For instance, our holdings in a Korean DRAM producer yielded positively on the back of rising DRAM prices in South Korea. Looking forward, DRAM prices are expected to climb further and favour top-line growth of the Korean DRAM producer, driven by tight market supply and robust demand from original equipment manufacturers (OEMs). It is worth to note that these catalysts are unlikely to be affected by the ongoing presidential scandal.

From a stock level perspective, our stock picks in technology hardware and industrial sectors were the top performers in 2016. Within technology, our positions in a leading smartphone lens manufacturer in Taiwan generated alpha to the portfolio as the firm enjoyed solid margin expansion in light of the dual camera and lens upgrade cycle for high-end smartphones.

Meanwhile, our portfolio was dragged by holdings in China's insurance and utilities sectors. Share price of a leading Chinese insurer that we held plummeted in the first quarter as their respective equity investments suffered from the poor performance of China's A-share market. Our utility sector holdings which consist of independent power producers (IPPs) retreated as concerns on China's growth prospect and slower demand caused lower utilization.

Investment case study*A Chinese optical fibre and optical fibre preform manufacturer*

The Chinese optical fibre manufacturer was a key contributor to the portfolio's performance in 2016 as its share price soared 60% during the year. The optical fibre manufacturer, a small-cap industrial play largely ignored by market participants, has been in our portfolio for more than two years. With the increasing demand for speedy internet access across China, key telecom providers, which are clients of this Chinese optical fibre manufacturer, have targeted to roll out large optical fibre networks which cover 90% of village-level networks by 2020. The deployment of 4G network across rural regions also created strong demand for optical fibre. Despite the promising outlook in the sector, not every player in the industry can stand to benefit. The technical challenge in manufacturing optical fibre preform has helped this Chinese optical fibre manufacturer stand out and enjoy economies of scale by supplying 40% of the optical fibre for Chinese domestic use in 2015. They also earned outsized gross margins of over 20%. With a low level of leverage, employee stock ownership plan executed in 2015 and an optimistic business outlook, we remain a key holder of the stock despite strong price appreciation this year.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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MANAGER'S REPORT (Continued)

Outlook

Looking forward, 2017 will likely be another volatile year. In the US, a new president with strong business background will take the helm, and in Europe, more presidential and general elections are coming up. On a positive note, China remains relatively stable both economically and politically. As we navigate the volatility in markets, we remain constructive on Asia ex-Japan equities. We continue to see earnings recovery with the consensus of earnings per share (EPS) growth reaching 12% in 2017 – the strongest number in the last five years. This is supported by global nominal growth and the end of the deflationary pressure which bodes well for pricing and margins. The earnings recovery momentum, together with solid improvement in free cash flow margin which is at a 20-year high in Asia, shall also help Asian companies to return more capital to shareholders in the form of dividends. Meanwhile, valuation in Asia ex-Japan is attractive (price-to-earnings ratio² of 12.5 times; price-to-book² ratio of 1.3 times) relative to historic level.

We maintain our positive stance on North Asian markets such as China, Taiwan, Hong Kong and Korea. Despite the demanding valuations in South Asia, we continue to seek opportunities in quality names, particularly in India. India's recent demonetisation and reforms exhibit positive improvements on its long-term outlook. Under an improving growth and reflationary environment, our portfolio will continue to strike a balance between traditional stable high yield and cyclical high yield sectors. We have been increasing the cyclical component of the portfolio which we expect to better fit the current investment cycle.

Value Partners Hong Kong Limited

25 April 2017

1. Index refers to MSCI AC Asia Pacific (ex-Japan) Total Return Index up to 30 April 2016, thereafter it is the MSCI AC Asia (ex-Japan) Total Return Index.
2. Based on 2017 forward estimates.

Fund performance mentioned is referred to Value Partners High-Dividend Stocks Fund (Class A1). All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in US\$ terms on NAV-to-NAV basis with dividends reinvested) as at 30 December 2016. Performance data is net of all fees.

Individual stock performance is not indicative of fund performance.

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

MANAGER'S REPORT (Continued)

10 biggest holdings of securities as at 30 December 2016

Stock	Industry	Valuation (2017 Estimates)	Remarks
China Construction Bank (Code: 939 HK) Market cap: US\$192.6 billion	Banks	Price: HKD5.97 P/E: 5.6x P/B: 0.8x Yield: 5.3%	China Construction Bank is one of the "big four" commercial banks in China with state-owned background. The bank is well-capitalized with relatively healthy asset quality. It is trading at distressed valuation.
China Overseas Land & Investment (Code: 688 HK) Market cap: US\$29.0 billion	Real estate	Price: HKD20.55 P/E: 5.9x P/B: 0.9x Yield: 4.2%	China Overseas Land & Investment is a large-scale state-owned real estate developer in China. This index constituent stock has one of the best earnings track record, ample land bank, financial as well as human resources. It also has one of the lowest cost of financing, and is one of the Chinese developers with the lowest gearing ratios.
Korea Electric Power (Code: 015760 KS) Market cap: US\$24.1 billion	Utilities	Price: KRW44,050.00 P/E: 3.9x P/B: 0.4x Yield: 4.7%	Korea Electric Power is a state-owned integrated electric utility company engaged in the generation, transmission and distribution of electricity in South Korea. It generates around 90% of the power consumed in Korea. The company is likely to continue deleveraging amid government's efforts to reduce state-owned enterprise's debt. Rising contribution from nuclear power plants will also help to reduce the company's power generation cost and improve its margins.
Largan Precision (Code: 3008 TT) Market cap: US\$15.7 billion	Electronic components	Price: TWD3,790.00 P/E: 16.2x P/B: 5.1x Yield: 2.2%	Largan Precision manufactures and distributes lens for electronic products including mobile phones, laptops, tablets and digital cameras. The company is a clear winner in the dual-camera upgrade cycle, as it has the unique technology and knowhow to deliver designs for large-scale production at a decent margin. The optical zoom feature on the new iPhone 7 Plus clearly displays this trend. Largan is gaining market share in this high-end specification segment as smartphone makers attempt to differentiate. Looking forward, three catalysts are fuelling the growth of Largan: 1) promising market growth due to rapid pick-up in dual cameras; 2) higher average selling price supported by specification migration; 3) share price gain underpinned by Largan's business mix change and notable advantages over competitors.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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MANAGER'S REPORT (Continued)

Stock	Industry	Valuation (2017 Estimates)	Remarks
<p>Longfor Properties (Code: 960 HK)</p> <p>Market cap: US\$7.4 billion</p>	Real estate	<p>Price: HKD9.84 P/E: 5.7x P/B: 0.7x Yield: 5.1%</p>	<p>Longfor Properties is a Chinese developer originated from Chongqing. Longfor stands out from privately owned peers on its sustainable profitability, especially during the challenging cycles in recent years. The company's focus on long-term recurring income contributed to strong results of its investment property portfolio. The management's emphasis on improving profitability rather than growth in scale is also positive to its development. Currently the company's share price is trading at a large discount to NAV.</p>
<p>Midea Group (Code: 000333 CH)</p> <p>Market cap: US\$26.1 billion</p>	Home appliance manufacturer	<p>Price: CNY28.17 P/E: 11.0x P/B: 2.6x Yield: 3.6%</p>	<p>Midea Group is a leading home appliance manufacturer in China with extensive products including air conditioners, washing machines, refrigerators and diversified small home appliances. It also engages in logistics business for better channel efficiency. In 2015, the company launched its smart-home strategy and set up two joint ventures with Yaskawa Electric to build robots in the future.</p>
<p>PetroChina (Code: 857 HK)</p> <p>Market cap: US\$201.2 billion</p>	Energy	<p>Price: HKD5.78 P/E: 20.9x P/B: 0.8x Yield: 2.2%</p>	<p>PetroChina is the largest oil and gas producer and distributor playing a dominant role in the oil and gas industry in China. 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 recovers.</p>
<p>Samsung Electronics (Code: 005935 KS) <i>Preferred shares</i></p> <p>Market cap: US\$24.3 billion</p>	Electronics manufacturer	<p>Price: KRW1,433,000.00 P/E: 9.19x P/B: 1.3x Yield: 1.8%</p>	<p>Samsung Electronics is a global leading producer of semiconductors, display panels, handsets, monitors, and TVs. In addition to its strong margin, the company has a solid balance sheet with over 30% of its equity in net cash while generating solid free cash flow annually. Its continuous investment in research and development to maintain its market leadership position will help it compete amid ongoing changes in the industry.</p>

MANAGER'S REPORT (Continued)

Stock	Industry	Valuation (2017 Estimates)	Remarks
<p>Samsung Fire & Marine Insurance (Code: 000815 KS) <i>Preferred shares</i></p> <p>Market cap: US\$0.5 billion</p>	Insurance	<p>Price: KRW182,000.00 P/E: 7.5x P/B: 0.6x Yield: 4.2%</p>	<p>Samsung Fire & Marine Insurance is a leader in the non-life insurance industry in Korea with a dominant market share backed by strong capital position. The company offers auto, long-term insurance products, as well as other commercial lines products such as fire, marine and casualty insurance. We believe the strong capital position and prudent pricing track record of the company will remain its key competitive advantage. The company's preference shares were trading at a discount of over 30% to its common shares.</p>
<p>SK Hynix (Code: 000660 KS)</p> <p>Market cap: US\$27.5 billion</p>	Semiconductors & semiconductor equipment	<p>Price: KRW44,700.00 P/E: 8.1x P/B: 1.2x Yield: 1.5%</p>	<p>SK Hynix is a Korean global semiconductor company and it ranks the second in terms of global market share in dynamic random access memory products (DRAM). Its products include DRAM, multi-chip products (MCPs) and NAND flash memory semiconductors. The company's major product, DRAM, has begun to see more favorable supply-demand dynamics after a year of oversupply situation, and the company's cost structure will likely to improve on the back of its accelerating technology migration to 21nm. The company's valuation is attractive as cyclical upturn is expected ahead.</p>

Note: The above investments made up 29% of Value Partners High-Dividend Stocks Fund as at 30 December 2016. The stock prices are based on the closing of 30 December 2016.

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

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

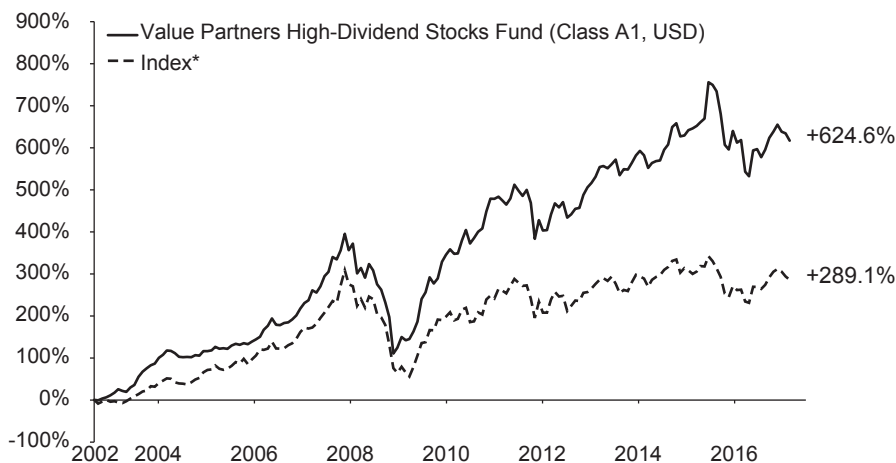
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MANAGER'S REPORT (Continued)

Value Partners High-Dividend Stocks Fund – NAV as at 31 December 2016

	NAV per unit
Class A1 USD	USD71.72
Class A1 HKD ^β (for reference only)	HKD556.1671
Class A Acc RMB Hedged	RMB10.00
Class A Acc RMB Unhedged	RMB12.25
Class A2 MDis USD	USD9.92
Class A2 MDis HKD	HKD9.04
Class A2 MDis AUD Hedged	AUD8.76
Class A2 MDis CAD Hedged	CAD8.83
Class A2 MDis GBP Hedged	GBP8.28
Class A2 MDis NZD Hedged	NZD8.95
Class A2 MDis RMB Hedged	RMB8.53
Class A2 MDis RMB Unhedged	RMB9.16
Class Z USD	USD11.47
Class X Acc USD Unhedged	USD11.09

Since launch return compared to index From 2 September 2002 to 31 December 2016



^β Investors should note that the base currency of the Fund is in USD. The HKD equivalent NAV per unit for the Fund is for reference only and should not be used for subscription or redemption purpose. Conversion to the base currency of the Fund will normally take place at the prevailing rate (as determined by the Fund's trustee or Custodian) on the corresponding fund dealing day.

* Index refers to MSCI AC Asia Pacific (ex-Japan) Total Return Index up to 30 Apr 2016, thereafter it is the MSCI AC Asia (ex-Japan) Total Return Index.

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's responsibilities

The Manager, Value Partners Hong Kong Limited, is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong and the Trust Deed dated 7 August 2002 (as amended) and Deed of retirement and appointment of Manager dated 31 March 2016 to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of Value Partners High-Dividend Stocks Fund (the "Fund") at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

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

The Manager is also required to manage the Fund in accordance with the Trust Deed dated 7 August 2002 (as amended) and Deed of retirement and appointment of Manager dated 31 March 2016 and take reasonable steps for the prevention and detection of fraud and other irregularities.

Trustee's responsibilities

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

- ensure that the Fund is managed by the Manager in accordance with the Trust Deed dated 7 August 2002 (as amended) and Deed of retirement and appointment of Manager dated 31 March 2016 and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained so as to enable the financial statements to be prepared;
- safeguard the property of the Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period on the conduct of the Manager in the management of the Fund.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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TRUSTEE'S REPORT

We hereby confirm that, in our opinion, the Manager, Value Partners Hong Kong Limited, has, in all material respects, managed Value Partners High-Dividend Stocks Fund in accordance with the provisions of the Trust Deed dated 7 August 2002 (as amended) and Deed of retirement and appointment of Manager dated 31 March 2016 for the year ended 31 December 2016.

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited

Trustee

25 April 2017

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

Opinion

What we have audited

The financial statements of Value Partners High-Dividend Stocks Fund (the "Fund") set out on pages 17 to 54, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016, and its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (Continued)

Other Information

The Manager and the Trustee (the "Management") are responsible for the other information. The other information comprises the information included in General information, Manager's report, Statement of responsibilities of the Manager and the Trustee, Trustee's report, Investment portfolio, Investment portfolio movements and Performance record, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Statements

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

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

In addition, the Management of the Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 7 August 2002 (as amended), Deed of retirement and appointment of the Manager dated 31 March 2016 and Deed of retirement and appointment of the Trustee dated 31 March 2016 (the "Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code").

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (Continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (Continued)

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

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong

25 April 2017

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	<i>Note</i>	2016 <i>US\$</i>	2015 <i>US\$</i>
Assets			
Deposit with broker		–	189,475,446
Financial assets at fair value through profit or loss	3(d)	3,475,591,522	3,907,228,623
Amounts receivable on sales of investments		16,993,158	2,057,116
Amounts receivable on issue of units		5,861,847	6,678,712
Dividends, interest receivables and other receivables		2,939,251	1,345,578
Margin deposits		3,773	3,763
Bank balances	6(h)	<u>67,045,879</u>	<u>9,253,310</u>
Total assets		<u>3,568,435,430</u>	<u>4,116,042,548</u>
Liabilities			
Financial liabilities at fair value through profit or loss	3(d)	1,212,849	20,653,523
Amounts payable on purchase of investments		27,786,445	20,395,592
Amounts payable on redemption of units		31,890,876	9,043,985
Management fees and performance fees payable	6(a),6(b)	3,768,174	4,150,083
Distribution payable		12,257,656	12,689,572
Bank overdrafts	6(h)	–	144,435,873
Accruals and other payables	6(h)	<u>631,110</u>	<u>725,964</u>
Liabilities (excluding net assets attributable to unitholders)		<u>77,547,110</u>	<u>212,094,592</u>
Net assets attributable to unitholders	5	<u>3,490,888,320</u>	<u>3,903,947,956</u>

Signed by:

Value Partners Hong Kong Limited, *Manager*

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

The notes on pages 21 to 54 are an integral part of these financial statements.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$	2015 US\$
Income			
Dividends		139,016,205	135,628,802
Interest on bank deposits	6(j)	13,413	46,566
Net realized (losses)/gains on investments		(109,236,130)	111,701,970
Change in unrealised gains/losses on investments		18,960,198	(443,671,597)
Net foreign exchange losses		(2,318,284)	(4,121,067)
Other income	6(f)	2,038,054	316,122
		<u>48,473,456</u>	<u>(200,099,204)</u>
Expenses			
Management fees	6(a)	(44,305,993)	(47,383,972)
Performance fees	6(b)	(37,906)	(23,669)
Transaction costs	6(h)	(10,131,614)	(13,984,380)
Trustee fee	6(c)	(4,882,999)	(5,194,640)
Interest expense	6(h)	(3,243,211)	(788,054)
Safe custody and bank charges	6(h)	(977,523)	(1,334,433)
Stock borrowing fee	6(h)	(40,035)	(243,926)
Legal and professional fees		(665,943)	(231,990)
Auditor's remuneration		(31,000)	(31,001)
Dividends on securities borrowed		(66,515)	(205,639)
Written off of debt interest income		–	(2,334,090)
Other operating expenses		(687,691)	(607,187)
		<u>(65,070,430)</u>	<u>(72,362,981)</u>
Loss before tax		(16,596,974)	(272,462,185)
Withholding tax on dividends and other investment income	7(d)	(9,167,641)	(8,264,397)
Loss after tax and before distributions		(25,764,615)	(280,726,582)
Distributions to unitholders	8	(146,680,846)	(131,307,106)
Decrease in net assets attributable to unitholders from operations after distributions		<u>(172,445,461)</u>	<u>(412,033,688)</u>

The notes on pages 21 to 54 are an integral part of these financial statements.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

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

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 <i>US\$</i>	2015 <i>US\$</i>
Net assets attributable to unitholders as at 1 January	3,903,947,956	2,890,416,478
Issue of units	1,585,250,466	3,942,735,616
Redemption of units	<u>(1,825,864,641)</u>	<u>(2,517,170,450)</u>
Net (decrease)/increase from unit transactions	<u>(240,614,175)</u>	<u>1,425,565,166</u>
Loss after tax and before distributions	(25,764,615)	(280,726,582)
Distributions to unitholders	<u>(146,680,846)</u>	<u>(131,307,106)</u>
Decrease in net assets attributable to unitholders from operations after distributions	<u>(172,445,461)</u>	<u>(412,033,688)</u>
Net assets attributable to unitholders as at 31 December	<u><u>3,490,888,320</u></u>	<u><u>3,903,947,956</u></u>

The notes on pages 21 to 54 are an integral part of these financial statements.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 US\$	2015 US\$
Cash flows from operating activities		
Decrease in net assets attributable to unitholders from operations	(172,445,461)	(412,033,688)
Adjustments for:		
Dividends and interest on bank deposits	(139,029,618)	(135,675,368)
Stock borrowing fee and dividends on securities borrowed	106,550	449,565
Distributions to unitholders	146,680,846	131,307,106
Withholding tax on dividends and other investment income	9,167,641	8,264,397
	<u>(155,520,042)</u>	<u>(407,687,988)</u>
Decrease/(increase) in deposit with broker	189,475,446	(189,186,096)
Decrease/(increase) in financial assets at fair value through profit or loss	431,637,101	(1,044,132,705)
Decrease in financial liabilities at fair value through profit or loss	(19,440,674)	(30,537,532)
(Increase)/decrease in amounts receivable on sales of investments	(14,936,042)	4,764,104
Increase in amounts payable on purchase of investments	7,390,853	7,483,583
(Increase)/decrease in other receivables	(36,019)	9,718
(Decrease)/increase in bank overdrafts	(144,435,873)	135,860,088
(Increase)/decrease in margin deposits	(10)	14,325,627
Decrease in management fee and performance fee payable, accruals and other payables	(476,759)	(27,899,778)
Cash from/(used in) operations	293,657,981	(1,537,000,979)
Dividends and interest on bank deposits received	137,471,964	136,436,741
Stock borrowing fee and dividends on securities borrowed paid	(106,550)	(449,565)
Withholding tax on dividends and other investment income paid	(9,167,645)	(8,264,392)
	<u>421,855,750</u>	<u>(1,409,278,195)</u>
Net cash inflow/(outflow) from operating activities	-----	-----
Cash flows from financing activities		
Proceeds from issue of units	1,586,067,331	3,950,689,544
Payments on redemption of units	(1,803,017,750)	(2,518,935,402)
Distributions paid to unitholders	(147,112,762)	(125,944,989)
	<u>(364,063,181)</u>	<u>1,305,809,153</u>
Net cash (outflow)/inflow from financing activities	-----	-----
Net increase/(decrease) in cash and cash equivalents	57,792,569	(103,469,042)
Cash and cash equivalents as at 1 January	9,253,310	112,722,352
	<u>67,045,879</u>	<u>9,253,310</u>
Cash and cash equivalents as at 31 December, representing bank balances	<u>67,045,879</u>	<u>9,253,310</u>

The notes on pages 21 to 54 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**1 GENERAL INFORMATION**

Value Partners High-Dividend Stocks Fund (the “Fund”) is an open-ended unit trust established by the Trust Deed dated 7 August 2002 (as amended). The Fund is authorised by the Securities and Futures Commission of Hong Kong and is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “Code”).

The Fund’s investment objective is to provide capital appreciation and regular income to unitholders by investing primarily in a portfolio of relatively higher yielding debt and equity securities in the Asian region.

Prior to 22 April 2016

The Fund was registered under the Mutual Funds Law (revised) of the Cayman Islands, governed by the laws of the Cayman Islands and regulated by the Cayman Islands Monetary Authority. Bank of Bermuda (Cayman) Limited was the trustee of the Fund. The Fund’s investment activities were managed by Value Partners Limited and the Fund’s administration was delegated to HSBC Institutional Trust Services (Asia) Limited, an affiliate of the Bank of Bermuda (Cayman) Limited. The principal office of the Fund was P.O. Box 513, HSBC House, 68 West Bay Road, Grand Cayman KY1-1106, Cayman Islands.

With effect from 22 April 2016

Pursuant to a Sixth Supplemental Deed dated 22 April 2016, Bank of Bermuda (Cayman) Limited declared that with effect from and including 22 April 2016 the proper law of the Fund shall be the laws of Hong Kong and the forum of administration of the Fund shall be Hong Kong. With effect from 22 April 2016, the Fund changed domicile from the Cayman Islands to Hong Kong.

Pursuant to a Deed of Retirement and Appointment of the Trustee dated 31 March 2016, HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) was appointed as trustee in place of Bank of Bermuda (Cayman) Limited with effect from 22 April 2016. Pursuant to a Deed of Retirement and Appointment of the Manager dated 31 March 2016, Value Partners Hong Kong Limited (the “Manager”) was appointed as manager in place of Value Partners Limited with effect from 22 April 2016. The Fund ceased to be regulated by the Cayman Islands Monetary Authority in the Cayman Islands with effect from 22 April 2016.

With effect from 22 April 2016, the Fund’s investment activities are managed by Value Partners Hong Kong Limited and the Fund’s administration is delegated to HSBC Institutional Trust Services (Asia) Limited. With effect from 22 April 2016, the principal office of the Fund is 1 Queen’s Road Central, Hong Kong.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

Standards and amendments to existing standards effective 1 January 2016

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2016 that had a material impact on the Fund.

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

IFRS 9 “Financial instruments”, addresses the classification, measurement and recognition financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit and loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. There were no changes to classification and measurement for financial liabilities at fair value through profit and loss, except for the requirement to recognize changes in own credit risk in other comprehensive income. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Fund is yet to assess IFRS 9’s full impact.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investment entity

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

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

The Fund meets all of the typical characteristics of an investment entity and management believes it is an investment entity. As a result, the Fund is exempted from the consolidation requirement in accordance with IFRS 10. The Fund is required to account for the unconsolidated structure entities at fair value through profit and loss.

(c) Interest in unconsolidated structured entities

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

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

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

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) *Classification*

The Fund classifies its investments as financial assets or liabilities at fair value through profit or loss. These financial assets and liabilities are classified as held for trading.

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

The Fund makes short sales in which a borrowed security is sold in anticipate of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short Sales are classified as financial liabilities at fair value through profit or loss.

(ii) *Recognition/derecognition*

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

(iii) *Measurement*

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

Dividend on short sales of equity securities is included in the statement of comprehensive income within dividends on securities borrowed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iv) Fair value estimation

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

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

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

Investments in Investee Funds are stated at fair value based on the net asset value per unit/share of the respective funds as determined by the administrators of the relevant funds or stated at last traded prices if the Investee Funds are listed or traded on an exchange.

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

(e) Income

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

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

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

(f) Expenses

Expenses are accounted for on an accrual basis.

(g) Transaction costs

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

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Distributions payable to unitholders

Proposed distributions to unitholders are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. The distribution on the units is recognised as a finance cost in the statement of comprehensive income.

(i) Offsetting financial instruments

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

(j) Foreign currency translation

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

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "Net realised gains/(losses) on investments" or "Change in unrealised gains/losses on investments".

(k) Taxation

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

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and exclude overdrafts with the broker as they are restricted for investment purposes. Bank overdrafts are shown in current liabilities in the statement of financial position.

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

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

Cash collaterals provided by the Fund are identified in the statement of financial position as margin deposits and are not included as a component of cash and cash equivalents.

(n) Redeemable units

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

Units of the Fund are redeemable at the options of the unitholders and are classified as financial liabilities in the statement of financial position which represents the net assets attributable to unitholders (or "net asset value" or "net assets" or "NAV"). The units are carried at the redemption amount that is payable at the reporting date if the unitholders exercise their right to redeem their units of the Fund.

3 FINANCIAL RISK MANAGEMENT

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

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

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

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

The tables below include both monetary and non-monetary assets and liabilities held in foreign currencies together with the percentage of reasonable possible change in foreign currencies and the estimated impact on net assets. Non-monetary investments include equity securities and derivatives and monetary investments include debt securities.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	Total net foreign currency exposures		Possible Percentage change %	Estimated impact on net assets US\$
	Non-monetary net assets US\$ equivalent	Monetary net assets/ (liabilities) US\$ equivalent		
As at 31 December 2016				
Australian dollar	–	287,706,219	+/-5	+/-14,385,311
Canadian dollar	–	56,526,700	+/-5	+/-2,826,335
Hong Kong dollar*	1,883,638,191	4,673,540	+/-0	–
Indonesian rupiah	101,615,228	1,810,891	+/-5	+/-5,171,306
Japanese yen	–	496,596	+/-5	+/-24,830
Korean won	701,809,062	(6,951,966)	+/-5	+/-34,742,855
Malaysian ringgit	76,109,348	466,097	+/-5	+/-3,828,772
New Zealand dollar	–	58,222,662	+/-5	+/-2,911,133
Pound sterling	–	33,335,682	+/-5	+/-1,666,784
Philippine peso	14,711,146	–	+/-5	+/-735,557
Renminbi	19,210,559	17,901,463	+/-5	+/-1,855,601
Singapore dollar	167,700,175	2,010,390	+/-5	+/-8,485,528
Taiwan dollar	175,975,255	21,425,092	+/-5	+/-9,870,017
Thai baht	69,636,700	2,672,790	+/-5	+/-3,615,475
	<u>3,210,405,664</u>	<u>480,296,156</u>		
As at 31 December 2015				
Australian dollar	231,845	308,056,440	+/-5	+/-15,414,414
Canadian dollar	–	67,288,024	+/-5	+/-3,364,401
Hong Kong dollar*	2,142,990,205	(18,247,815)	+/-0	–
Indonesian rupiah	23,022,663	375	+/-5	+/-1,151,152
Japanese yen	54,516,943	4,553	+/-5	+/-2,726,075
Korean won	625,582,532	(1,012,655)	+/-5	+/-31,228,494
Malaysian ringgit	50,854,013	78,202	+/-5	+/-2,546,611
New Zealand dollar	–	70,079,473	+/-5	+/-3,503,974
Pound sterling	–	6,827,187	+/-5	+/-341,359
Philippine peso	27,914,991	–	+/-5	+/-1,395,750
Renminbi	38,809,820	20,417,846	+/-5	+/-2,961,383
Singapore dollar	255,681,632	999,490	+/-5	+/-12,834,056
Taiwan dollar	136,018,521	5,923,212	+/-5	+/-7,097,087
Thai baht	90,139,242	–	+/-5	+/-4,506,962
	<u>3,445,762,407</u>	<u>460,414,332</u>		

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk

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

As at 31 December 2016 and 2015, the Fund had no exposure to a single security greater than 10% of net assets.

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

	% of net assets	
	2016	2015
Financial assets at fair value through profit or loss		
Listed equity securities		
Australia	–	0.01
China	1.79	0.76
Hong Kong		
– H shares	17.65	21.87
– Red chips	11.19	9.50
– Others	23.88	23.24
Indonesia	2.92	0.59
Japan	–	1.40
Malaysia	2.17	1.30
Philippines	0.42	0.72
Singapore	4.79	6.55
South Korea	20.11	16.54
Taiwan	5.04	3.48
Thailand	2.00	2.31
US	1.20	–
	<hr/>	<hr/>
	93.16	88.27
	<hr/>	<hr/>
Quoted debt securities		
Renminbi	–	0.17
United States dollar	0.03	3.72
	<hr/>	<hr/>
	0.03	3.89
	<hr/>	<hr/>
Currency forwards	0.01	0.05
Participation notes	2.55	4.36
Unlisted investment funds	3.55	3.49

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

	% of net assets	
	2016	2015
Financial assets at fair value through profit or loss (Continued)		
Unquoted debt securities	0.25	0.01
Listed equity warrants	0.01	0.01
	<u>99.56</u>	<u>100.08</u>
Financial liabilities at fair value through profit or loss		
Listed equity securities		
South Korea	–	(0.52)
Currency forwards	(0.03)	(0.01)
	<u>(0.03)</u>	<u>(0.53)</u>

The table below shows the analysis of the net position of equity securities and derivatives on equity securities by industry.

	2016	2015
	%	%
Financials	24.98	23.88
Information technology	15.67	6.93
Industrials	13.63	17.10
Consumer discretionary	13.51	15.06
Real estate	11.51	15.99
Utilities	6.87	5.74
Energy	4.63	3.27
Consumer staples	3.80	5.24
Telecommunication services	2.06	3.05
REITs	1.51	2.48
Materials	0.96	1.26
Others	0.87	–
	<u>100.00</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

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

The table below summarises the sensitivity of the Fund's portfolio of listed equity securities, equity derivatives and investment funds to equity price movements. The analysis is based on the assumptions that the MSCI Asia Pacific (ex-Japan) Index increased/decreased with all other variables held constant and that the fair value of the Fund's portfolio of listed equity securities and notional value of the Fund's derivatives moved according to their historical correlation with the index. The Manager does not manage price risk with reference to any market index. The index used below is for guidance and performance comparison purposes only.

	Percentage change		Estimated impact on net assets	
	2016	2015	2016	2015
	%	%	US\$	US\$
MSCI Asia Pacific (ex-Japan) Index	+/-30	+/-30	+/-1,000,682,326	+/-1,047,731,200

(iii) Interest rate risk

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

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

	2016	2015
	Less than 1 month US\$	Less than 1 month US\$
Bank balances	67,045,879	9,253,310
Overdrafts with brokers	—	(144,435,873)
Total interest sensitivity gap	<u>67,045,879</u>	<u>(135,182,563)</u>

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

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk

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

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

	2016 US\$	2015 US\$
Counterparty		
Cash and margin deposit with banks and brokers		
Aa2	67,045,879	9,253,310
A1	–	2,633
A2	2,643	–
A3	1,130	1,130
Deposit with broker		
Unrated*	–	189,475,446
Investments placed with custodian		
Aa2	3,745,591,522	3,907,228,623
Amounts receivable on issue of units		
Unrated*	5,861,847	6,678,712

* *The credit quality of deposit with broker and amounts receivable on issue of units that are neither past due nor impaired can be assessed by historical information about counterparties default rates. The Manager considers there is no significant risk on such deposits and amounts receivable at the reporting date as there was no default history on such deposit and amounts receivable in the past.*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The table below summarises the credit quality of the Fund's portfolio of debt securities at the reporting date. The credit ratings are issued by Moody's.

	2016 US\$	2015 US\$
Credit rating		
Ba3	–	54,080,892
B1	–	23,364,155
B2	–	25,698,103
Unrated*	<u>9,649,197</u>	<u>49,251,418</u>
	<u>9,649,197</u>	<u>152,394,568</u>

* *In order to monitor the credit quality of the "Unrated" debt securities, the Manager, on the basis of internal research, prepares its own assessment. The Manager reviews the key financial metrics of the issue and structural features of the instruments and concludes these "Unrated" debt securities in general have a relatively low risk of default. The Manager considers there is no significant risk on the unrated debt securities at the reporting date as there was limited history of default on the unrated debt securities in the past. Refer to Note 3(d) for further details on defaulted debt securities. As at 31 December 2016 and 2015, the issuers of limited unrated debt securities were not rated by Moody's.*

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The table below analyses the Fund's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables below reflect captions of the statement of financial position items and shows how much of the net assets can be redeemed if the Manager does not exercise the 10% redemption gate.

	Less than 3 months	
	2016	2015
	US\$	US\$
Net assets attributable to unitholders	3,490,888,320	3,903,947,956
Financial liabilities at fair value through profit or loss – non-derivatives	–	20,301,250
Amounts payable on purchase of investments	27,786,445	20,395,592
Amounts payable on redemption of units	31,890,876	9,043,985
Management fee and performance fee payable	3,768,174	4,150,083
Distribution payable	12,257,656	12,689,572
Bank overdrafts	–	144,435,873
Accruals and other payables	631,110	725,964
	<u>3,567,222,581</u>	<u>4,115,690,275</u>
Financial liabilities at fair value through profit or loss – derivatives	<u>1,212,849</u>	<u>352,273</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Disclosure is required whenever there is a master netting arrangement irrespective of whether any balances have actually been offset in accordance with IAS 32 “Financial Instruments: Presentation”. As at 31 December 2016, the Fund was subject to one (2015: one) passive hedging arrangements with its derivative counterparties. The arrangement gives the Fund and the counterparties the legally enforceable right to set-off certain financial assets and liabilities.

The Fund and its counterparty have elected to settle all the financial assets and liabilities on a gross basis. Although, each party has the option to settle the financial assets and liabilities below on a net basis in the event of default of the other party. Accordingly, all the financial assets and liabilities has been recognised in the statement of financial position on a gross basis.

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

	2016 US\$	2015 US\$
Financial assets		
Equity security pledged as collateral	–	23,571,224
Currency forwards	280,767	1,859,867
Financial liabilities		
Equity security	–	(20,301,250)
Currency forwards	(1,212,849)	(352,273)
Net amount	<u>(932,082)</u>	<u>4,777,568</u>

As at 31 December 2016, the Fund had no security nor cash pledged as collateral (2015: US\$23,571,224).

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Capital management

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

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

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

The markets in which the Fund invests may be relatively illiquid and the liquidity of these markets may fluctuate substantially over time. Investment of the Fund's assets in relatively illiquid securities may restrict the ability of the Fund to dispose of its investments at a price and time that it wishes. The risk of illiquidity also arises in the case of over-the-counter transactions. As at 31 December 2016 and 2015, the Manager considers that the amount of such illiquid investments is relatively insignificant compared to the net assets attributable to unitholders and the majority of the Fund's asset can be realised within 7 days or less to generate cash inflows for managing liquidity risk.

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

Investor	% of net assets
As at 31 December 2016	
Investor 1	18.05
Investor 2	11.51
As at 31 December 2015	
Investor 1	16.10
Investor 2	10.48

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation

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

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
As at 31 December 2016				
Financial assets held for trading				
Listed equity securities	3,251,271,798	–	441,900*	3,251,713,698
Quoted debt securities	–	947,290	–	947,290
Currency forwards	–	280,768	–	280,768
Participant notes	–	89,107,682	–	89,107,682
Listed equity warrants	644,668	–	–	644,668
Unlisted investment funds	–	124,195,509	–	124,195,509
Unquoted debt securities	–	–	8,701,907	8,701,907
	<u>3,251,916,466</u>	<u>214,531,249</u>	<u>9,143,807</u>	<u>3,475,591,522</u>
Financial liabilities held for trading				
Currency forwards	–	(1,212,849)	–	(1,212,849)
	<u>–</u>	<u>(1,212,849)</u>	<u>–</u>	<u>(1,212,849)</u>

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
As at 31 December 2015				
Financial assets held for trading				
Listed equity securities	3,445,538,654	–	552,703*	3,446,091,357
Quoted debt securities	–	136,262,426	15,719,180	151,981,606
Currency forwards	–	1,859,867	–	1,859,867
Participant notes	–	170,114,280	–	170,114,280
Listed equity warrants	241,799	–	–	241,799
Unlisted investment funds	–	136,496,435	30,317	136,526,752
Unquoted debt securities	–	–	412,962	412,962
	<u>3,445,780,453</u>	<u>444,733,008</u>	<u>16,715,162</u>	<u>3,907,228,623</u>
Financial liabilities held for trading				
Listed equity securities	(20,301,250)	–	–	(20,301,250)
Currency forwards	–	(352,273)	–	(352,273)
	<u>(20,301,250)</u>	<u>(352,273)</u>	<u>–</u>	<u>(20,653,523)</u>

* As at 31 December 2016, listed equity securities include one investment (2015: one) whose trading was suspended.

As at 31 December 2016, the fair value of one unlisted investment fund was fully marked to zero. (2015: nil).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

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

	Fair value US\$	Valuation technique	Unobservable inputs
At 31 December 2016			
Equity security	441,900	Discounted last transacted price from over-the-counter market	Discount rate
Unquoted debt securities	8,701,907	Last transacted price from over-the-counter market	—
At 31 December 2015			
Equity security	552,703	Discounted last transacted price from over-the-counter market	Discount rate
Quoted debt securities	15,719,180	Quoted price	—
Unlisted investment fund	30,317	NAV of fund	—
Unquoted debt security	412,962	Last transacted price from over-the-counter market	—

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

The following table presents the transfers between levels for the year ended 31 December 2016, which are related to the default of interest of debt securities in 2016. There was no transfer between levels for the year ended 31 December 2016.

	Level 1 <i>US\$</i>	Level 2 <i>US\$</i>	Level 3 <i>US\$</i>
2015			
Transfers between levels 2 and 3	–	(10,651,104)	10,651,104

The following tables present the movement in level 3 investments for the year. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

	2016 <i>US\$</i>	2015 <i>US\$</i>
Opening balance	16,715,162	2,137,984
Purchase	8,044,771	2,951,111
Sales	(19,872,500)	–
Net gains recognised in profit and loss	4,256,374	974,963
Transfer from level 2 to level 3	–	10,651,104
Closing balance	<u>9,143,807</u>	<u>16,715,162</u>
Changes in unrealised gains/losses for the year included in the statement of comprehensive income for investments held at the end of the year	<u>2,888,125</u>	<u>974,963</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(e) Derivative financial instruments

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

	Notional amount long/(short)	Fair value Assets/ (liabilities) US\$
As at 31 December 2016		
Currency forwards	(AUD47,345)	132
Currency forwards	AUD1,032,804	1,146
Currency forwards	CAD187,950	863
Currency forwards	(CAD37,807)	8
Currency forwards	GBP134,318	436
Currency forwards	(NZD41,036)	20
Currency forwards	NZD84,371,964	278,163
Currency forwards	AUD399,690,223	(604,645)
Currency forwards	CAD76,223,812	(256,335)
Currency forwards	GBP27,219,928	(217,958)
Currency forwards	(GBP199,186)	(658)
Currency forwards	(NZD120,979)	(453)
Currency forwards	RMB124,144,214	(132,799)
Participation notes on China equities	RMB555,179,628	79,916,698
Participation notes on Indian equities	INR625,087,925	9,190,984
Equity warrants on Malaysian equities	MYR636,294	141,840
Equity warrants on Singaporean equities	SGD727,492	502,828
		<u>88,820,270</u>

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(e) Derivative financial instruments (Continued)

	Notional amount long/(short)	Fair value Assets/ (liabilities) US\$
As at 31 December 2015		
Currency forwards	AUD423,520,425	1,567,553
Currency forwards	CAD69,878	101
Currency forwards	(GBP35,311)	33
Currency forwards	NZD104,117,844	292,049
Currency forwards	(NZD49,661)	131
Currency forwards	(AUD73,360)	(300)
Currency forwards	CAD93,802,404	(242,825)
Currency forwards	GBP4,619,278	(39,057)
Currency forwards	(NZD465,498)	(1,826)
Currency forwards	RMB96,706,811	(68,265)
Participation notes on China equities	RMB406,024,119	170,114,280
Equity warrants on Malaysian equities	MYR1,038,163	241,799
		<u>171,863,673</u>

4 INVESTMENTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The table below summaries the Fund's holdings in Investee Funds as at 31 December 2016, the Investee Funds are not authorized in Hong Kong and are not available to the public generally Hong Kong:

Investee Funds	Fund Manager	% of Ownership		Place of Incorporation	Dealing frequency
		2016	2015		
Value Partners Global Contrarian Fund	Value Partners Hong Kong Limited	63.88%	55.17%	Cayman Islands	Bi-weekly*
Value Partners Strategic Equity Fund [#]	Value Partners Private Equity Limited	1.26%	1.29%	Cayman Islands	Suspended [#]
Value Partners Ireland Fund plc – Value Partners Asia Dividend Stocks Fund (formerly known as Value Partners Asia Ex-Japan Equity Fund)	Value Partners Hong Kong Limited	89.22%	100%	Ireland	Daily*
ICBC China Focus Stable Return Fund	ICBC (Asia) Investment Management Company Limited	–	30.30%	Luxembourg	Weekly*
Malabar India Fund Ltd	Malabar Investments, LLC	11.56%	14.10%	Mauritius	Monthly*
Malabar Select Fund	Malabar Investments, LLC	100.00%	–	Mauritius	Monthly*

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

[#] *The redemption of Value Partners Strategic Equity Fund is suspended.*

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

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

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 INVESTMENTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

	Fair value US\$	% of net assets
As at 31 December 2016		
Value Partners Ireland Fund plc – Value Partners Asia Dividend Stocks Fund (formerly known as Value Partners Asia Ex-Japan Equity Fund)	40,448,176	1.16
Malabar India Fund Ltd	32,100,955	0.92
Value Partners Global Contrarian Fund	26,153,067	0.75
Malabar Select Fund CI 1 Sub CI Standard CI	5,258,650	0.15
Malabar Select Fund CI 1 Sub CI Standard CI Ser 17/08/2016	5,271,174	0.15
Malabar Select Fund CI 1 Sub CI Standard CI Ser 30/09/2016	5,032,085	0.14
Malabar Select Fund CI 1 Sub CI Standard CI Ser 30/11/2016	9,931,402	0.28
	<u>124,195,509</u>	<u>3.55</u>

As at 31 December 2015

Value Partners Ireland Fund plc – Value Partners Asia Dividend Stocks Fund (formerly known as Value Partners Asia Ex-Japan Equity Fund)	60,970,000	1.56
Malabar India Fund Ltd	30,640,832	0.78
Value Partners Global Contrarian Fund	25,267,773	0.65
ICBC China Focus Stable Return Fund	19,617,830	0.50
Value Partners Strategic Equity Fund	30,317	0.00
	<u>136,526,752</u>	<u>3.49</u>

Total purchases and total sales in structured entities during the year ended 31 December 2016 were US\$25,209,740 and US\$39,313,025 (2015: US\$119,790,260 and Nil) respectively. As at 31 December 2016 there were no capital commitment obligations and no amounts due to structured entities for unsettled purchases (2015: Nil and Nil respectively).

During the year ended 31 December 2016, total net gain of US\$1,969,232 (2015: loss of US\$19,805,800) was incurred on investments in Investee Funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**5 REDEEMABLE UNITS**

Units of the Fund are issued in 18 classes, Class A1, Class A2 MDis, Class Z, Class A2 MDis HKD, Class A2 MDis AUD Hedged, Class A2 MDis CAD Hedged, Class A2 MDis GBP Hedged, Class A2 MDis NZD Hedged, Class A Acc HKD Hedged, Class A Acc SGD Hedged, Class A2 MDis HKD Hedged, Class A2 MDis SGD Hedged, Class A Acc RMB Hedged, Class A Acc RMB Unhedged, Class A2 MDis RMB Hedged, Class A2 MDis RMB Unhedged, Class X Acc USD Unhedged and Class X MDis USD Unhedged (the "Class X units"). Class Z units are offered primarily for institutional investors. Class X units are offered for professional investors. The Manager intends to create Class P Acc RMB and Class P MDis RMB for subscription to investors in the People's Republic of China only. All units are subject to daily redemption. The management fees charged to each class of units are disclosed in note 6(a).

All classes of units are redeemable at the option of the unitholders and do not have identical features. The units can be put back to the Fund for cash equal to a proportionate share of the Fund's net asset value.

The Manager may, in accordance with the Trust Deed dated 7 August 2002 (as amended), determine to make a distribution out of the income and/or capital (including unrealised capital gains or other unrealised profits during the relevant financial year and undistributed net income and undistributed net realised capital gains or profits brought forward from previous financial years) of the Fund to unitholders. Investors should note that the payment of dividends out of capital represents a return or withdrawal of part of the amount they originally invested or from any capital gains attributable to the original investment. Such distributions may result in an immediate reduction of the net asset value per unit of the Fund.

The Manager may make distribution at its discretion for Class A1 units of the Fund. The Manager reviews the amount for dividend distribution once a year before determining whether dividends will be made. In respect of Class A2 MDis, Class A2 MDis HKD, Class A2 MDis AUD Hedged, Class A2 MDis CAD Hedged, Class A2 MDis GBP Hedged, Class A2 MDis NZD Hedged, Class A2 MDis RMB Hedged, Class A2 MDis RMB Unhedged and Class X MDis USD Unhedged, the Manager currently intends to make monthly dividends distribution to unitholders. In respect of Class A Acc RMB Hedged, Class A Acc RMB Unhedged, Class X Acc USD Unhedged and Class Z, the Manager currently does not intend to make dividends distribution to unitholders. However, the Manager may consider not making distributions for the relevant class in any financial year, in its absolute discretion. Where distributions are made, the amount available for distribution in respect of each financial year will be determined and declared at such date(s) the Manager may, with the prior consent of the Trustee, determine.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 REDEEMABLE UNITS (Continued)

Number of units in issue

All issued units are fully paid and have no par value. Each unit carries one vote.

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

Number of units	As at 1 January	Issue of units	Redemption of units	As at 31 December
2016				
Class A1	19,059,458	2,734,521	(5,476,140)	16,317,839
Class A2 MDis	139,379,641	41,575,186	(58,384,479)	122,570,348
Class Z	1,149,108	17,699,436	(15,631,848)	3,216,696
Class A2 MDis HKD	467,761,942	322,302,844	(280,751,536)	509,313,250
Class A2 MDis AUD Hedged	43,937,843	34,570,804	(32,808,689)	45,699,958
Class A2 MDis CAD Hedged	9,694,821	4,231,680	(5,293,219)	8,633,282
Class A2 MDis GBP Hedged	501,303	5,137,408	(2,364,526)	3,274,185
Class A2 MDis NZD Hedged	10,552,925	7,345,241	(8,506,726)	9,391,440
Class A Acc RMB Hedged	2,166,695	36,800	(83,010)	2,120,485
Class A Acc RMB Unhedged	2,763,548	–	(1,170,000)	1,593,548
Class A2 MDis RMB Hedged	8,282,944	9,352,053	(5,606,086)	12,028,911
Class A2 MDis RMB Unhedged	398,114	1,034,575	(283,746)	1,148,943
Class X Acc USD Unhedged	–	1,375,965	(43,964)	1,332,001
2015				
Class A1	16,911,860	9,113,839	(6,966,241)	19,059,458
Class A2 MDis	90,544,836	144,595,137	(95,760,332)	139,379,641
Class Z	1,163,952	319,332	(334,176)	1,149,108
Class A2 MDis HKD	220,720,377	490,009,789	(242,968,224)	467,761,942
Class A2 MDis AUD Hedged	18,726,784	63,668,607	(38,457,548)	43,937,843
Class A2 MDis CAD Hedged	3,283,159	12,865,064	(6,453,402)	9,694,821
Class A2 MDis GBP Hedged	–	516,254	(14,951)	501,303
Class A2 MDis NZD Hedged	7,512,398	16,783,760	(13,743,233)	10,552,925
Class A Acc RMB Hedged	374,129	1,937,411	(144,845)	2,166,695
Class A Acc RMB Unhedged	5,193,548	–	(2,430,000)	2,763,548
Class A2 MDis RMB Hedged	1,663,104	10,624,868	(4,005,028)	8,282,944
Class A2 MDis RMB Unhedged	203,211	409,668	(214,765)	398,114

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**5 REDEEMABLE UNITS (Continued)**

	2016	2015
Net asset value per unit		
Class A1	USD71.72	USD71.86
Class A2 MDis	USD9.92	USD10.56
Class Z	USD11.47	USD11.44
Class A2 MDis HKD	HKD9.04	HKD9.61
Class A2 MDis AUD Hedged	AUD8.76	AUD9.53
Class A2 MDis CAD Hedged	CAD8.83	CAD9.57
Class A2 MDis GBP Hedged	GBP8.28	GBP9.04
Class A2 MDis NZD Hedged	NZD8.95	NZD9.69
Class A Acc RMB Hedged	RMB10.00	RMB9.81
Class A Acc RMB Unhedged	RMB12.25	RMB11.65
Class A2 MDis RMB Hedged	RMB8.53	RMB9.01
Class A2 MDis RMB Unhedged	RMB9.16	RMB9.28
Class X Acc USD Unhedged	USD11.09	—

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(a) Management fee

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

(b) Performance fee

The Manager is entitled to receive a performance fee which represents 15% of the product of the average number of units in issue during the year and the amount by which the net asset value per unit as at 31 December of each year (the "performance fee valuation day") before accrual of performance fee and any dividend distribution declared or paid in respect of that performance period exceeds the higher of (i) the net asset value per unit of that class on the date of the initial issue of units and (ii) the highest value for the net asset value per unit as at the performance fee valuation day for any preceding year in which a performance fee was last calculated and paid (after payment of the performance fee and dividend distribution). The performance fee is calculated at the reporting date and payable yearly in arrears.

(c) Trustee fee

The Trustee is entitled to receive a trustee fee which represents a variable fee of (i) 0.17% per annum on the first US\$400 million of the net asset value of the Fund; (ii) 0.15% per annum on the next US\$400 million of the net asset value of the Fund; and (iii) 0.13% per annum thereafter, subject to a minimum of US\$4,000 per month. The variable fee is calculated and accrued daily and payable monthly in arrears.

The Trustee is also entitled to a fixed fee of US\$3,000 per annum payable quarterly in arrears.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(d) Manager's and its related parties' holding in the Fund

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

	As at 1 January	Issue of units	Redemption of units	As at 31 December
Year 2016				
Class A1				
Director of the Manager	93,496	–	–	93,496
Spouse of a director of the Manager	16,264	–	–	16,264
Class A2 MDis HKD				
Director of the Manager	615,345	253,029	–	868,374
Value Partners Limited*	8,803	544	–	9,347
Class A2 MDis AUD Hedged				
Value Partners Limited*	1,147	102	–	1,249
Class A2 MDis CAD Hedged				
Value Partners Limited*	1,112	77	–	1,189
Class A2 MDis NZD Hedged				
Value Partners Limited*	1,146	101	–	1,247
Year 2015				
Class A1				
Director of the Manager	67,622	25,874	–	93,496
Spouse of a director of the Manager	16,264	–	–	16,264
Class A2 MDis HKD				
Director of the Manager	–	615,345	–	615,345
Value Partners Limited*	8,359	444	–	8,803
Class A2 MDis AUD Hedged				
Value Partners Limited*	1,067	80	–	1,147
Class A2 MDis CAD Hedged				
Value Partners Limited*	1,051	61	–	1,112
Class A2 MDis NZD Hedged				
Value Partners Limited*	1,067	79	–	1,146

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

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(e) Preliminary charges

The Manager is entitled to receive a preliminary charge on issue of units which represents up to 5% of the issue price. For the year ended 31 December 2016, total preliminary charges on issue of units, amounting to US\$13,365,766 (2015: US\$39,483,868), were received by the Manager. The preliminary charges are not reflected in the financial statements of the Fund.

(f) Investment in funds managed by a related party of the Manager or its related party

During the year and as of 31 December 2016 and 2015, the Fund invested in other funds, which are also managed by the Manager and its related party. Refer to Note 4 for further details.

In accordance with the Funds' Explanatory Memorandum, the managers of these funds have waived the management fees payable by the Fund by refunding the relevant fees to the Fund, which is included in the statement of comprehensive income as "other income". For the year ended 31 December 2016, the waived management fees are amounted to US\$1,944,636 (2015: US\$1,434).

(g) Cross trades with funds managed by the Manager's and related parties

During the year ended 31 December 2016 and 2015, the Fund has transacted with other funds which are also managed by the Manager and/or its associates. The Fund purchased and sold investments amounting to US\$nil and US\$5,292,094 (2015: US\$4,994,075 and US\$9,125,157) from such funds. The transactions were carried out at fair value of the investments on the date of the transactions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

In addition to trustee fee of US\$4,882,999 (2015: US\$ 5,194,640), as disclosed in Note 6(c), the Fund had the following additional transactions with the Trustee and its related parties. All such transactions were entered into in the ordinary course of business and were on normal commercial terms.

	2016	2015
	US\$	US\$
Interest income	13,413	314,687
Transaction costs*	(72,061)	(67,090)
Safe custody and bank charges	(947,146)	(915,896)
Stock borrowing fee	(40,035)	(356,530)
Interest expense	<u>(3,243,211)</u>	<u>(788,054)</u>

* The Fund paid commission to a related party of the Trustee for the purchases and sales of investments. The total aggregate transaction amount and the average commission rate of these transactions for the year ended 31 December 2016 are US\$121,458,688 and 0.16% respectively (2015: US\$223,024,667 and 0.17% respectively). For the year ended 31 December 2016, these transactions represent 1.93% (2015: 5.31%) of the total purchases and sales of investments of the Fund.

In addition to trust fee payable of US\$412,443 (2015: US\$450,111), as disclosed in Note 6(c), the Fund had the following additional balances with the Trustee and its related parties.

	2016	2015
	US\$	US\$
Bank balance	62,608,386	9,253,310
Bank overdraft	-	(144,435,873)
Interest income receivable	1,462	22
Transaction costs payable	(7,677)	(7,814)
Interest expense payable	<u>(3,540)</u>	<u>-</u>

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 TAXATION

(a) Cayman Islands

The Fund has obtained an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with Section 81 of the Trusts Law (2001 Revision) of the Cayman Islands, for a period of 50 years from 27 August 2002, no laws thereafter enacted in the Cayman Islands imposing any tax or duty on income, capital assets, gains or appreciations will apply to the Fund.

(b) Hong Kong

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

(c) People's Republic of China ("PRC")

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

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

(d) Other jurisdictions

Overseas withholding tax was charged on certain dividend and investment income received during the years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 DISTRIBUTION TO UNITHOLDERS

In accordance with the Explanatory Memorandum of the Fund, the Manager may determine to make a distribution out of the income and/or capital. During the year ended 31 December 2016, the Fund declared total distributions to unitholders of US\$146,680,846 (2015: US\$131,307,106).

The table below summarises the dividend distribution made during the reporting period. The distribution is included in the statement of comprehensive income.

Type	2016	2015	Frequency	Ex-dividend dates*
Class A2 MDis	USD0.0499	USD0.0499	Monthly	Last business day of January to December
Class A2 MDis HKD	HKD0.0458	HKD0.0458	Monthly	Last business day of January to December
Class A2 MDis AUD Hedged	AUD0.0639	AUD0.0639	Monthly	Last business day of January to December
Class A2 MDis CAD Hedged	CAD0.0503	CAD0.0503	Monthly	Last business day of January to December
Class A2 MDis GBP Hedged	GBP0.0478	GBP0.0478	Monthly	Last business day of March to December
Class A2 MDis NZD Hedged	NZD0.0641	NZD0.0641	Monthly	Last business day of January to December
Class A2 MDis RMB Hedged	RMB0.0520	RMB0.0478	Monthly	Last business day of January to December
Class A2 MDis RMB Unhedged	RMB0.0520	RMB0.0478	Monthly	Last business day of January to December

* Last business day of each month in 2016 are 29 January 2016, 29 February 2016, 31 March 2016, 29 April 2016, 31 May 2016, 30 June 2016, 29 July 2016, 31 August 2016, 30 September 2016, 31 October 2016, 30 November 2016 and 30 December 2016.

Last business day of each month in 2015 are 30 January 2015, 27 February 2015, 31 March 2015, 30 April 2015, 30 May 2015, 30 June 2015, 31 July 2015, 31 August 2015, 30 September 2015, 30 October 2015, 30 November 2015 and 31 December 2015.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 SOFT COMMISSION ARRANGEMENTS

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

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

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

10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 25 April 2017.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 DECEMBER 2016

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed Equity Securities			
China			
Chongqing Changan Automobile Co Ltd	38,911,038	55,646,693	1.59
Daqin Railway Co Ltd	6,900,101	7,031,697	0.20
		62,678,390	1.79
Hong Kong			
Agricultural Bank of China Ltd	43,658,000	17,903,006	0.51
Anhui Conch Cement Co Ltd	1,906,500	5,187,454	0.15
Belle International Holdings Ltd	53,826,000	30,263,113	0.87
BOC Hong Kong Holdings Ltd	14,599,000	52,242,156	1.50
Cheung Kong Property Holdings Ltd	4,642,720	28,468,069	0.82
China Construction Bank Corp	185,434,000	142,757,422	4.09
China Life Insurance Co Ltd	14,505,000	37,783,667	1.08
China Lilang Ltd	66,417,000	37,427,920	1.07
China Machinery Engineering Corp	25,945,000	16,460,908	0.47
China Overseas Land & Investment Ltd	38,344,000	101,611,822	2.91
China Power International Development Ltd	130,284,000	47,209,826	1.35
China Resources Cement Holdings Ltd	26,516,000	10,292,230	0.30
China Resources Power Holdings Co Ltd	34,556,507	54,900,404	1.57
China State Construction International Holdings Ltd	42,176,000	63,089,688	1.81
China Zhongwang Holdings Ltd	10,514,400	4,474,386	0.13
Chow Sang Sang Holdings International Ltd	11,677,500	21,684,398	0.62
CIFI Holdings Group Co Ltd	130,758,000	35,241,108	1.01
CK Hutchison Holdings Ltd	3,483,220	39,482,512	1.13
Convenience Retail Asia Ltd	25,126,000	11,988,368	0.34
CSI Properties Ltd	759,670,000	26,939,695	0.77
EGL Holdings Co Ltd	30,178,000	6,070,858	0.17
Far East Consortium International Ltd	123,824,235	52,852,878	1.51
Far East Horizon Ltd	71,421,000	61,246,683	1.75
FSE Engineering Holdings Ltd	14,292,000	4,496,948	0.13
Goldpac Group Ltd	11,480,000	3,049,609	0.09
Haitian International Holdings Ltd	7,852,000	15,410,969	0.44
Hopefluent Group Holdings Ltd	27,266,000	7,559,532	0.22
Hui Xian REIT	26,946,703	12,178,863	0.35
Hutchison Telecommunications Hong Kong Holdings Ltd	75,924,000	24,476,769	0.70
Intime Retail Group Co Ltd	29,515,500	26,757,188	0.77
Jiangnan Group Ltd	186,426,000	26,204,023	0.75
Langham Hospitality Investments Ltd	17,259,000	6,966,184	0.20
Lee & Man Chemical Co Ltd	37,820,000	11,851,213	0.34
Longfor Properties Co Ltd	76,382,500	96,922,357	2.78
Modern Beauty Salon Holdings Ltd	11,632,000	554,998	0.02

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2016

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed Equity Securities (Continued)			
Hong Kong (Continued)			
Nameson Holdings Ltd	6,946,000	1,522,715	0.04
Oi Wah Pawnshop Credit Holdings Ltd	142,660,821	9,198,346	0.26
PetroChina Co Ltd	190,686,000	142,128,655	4.07
Pico Far East Holdings Ltd	29,284,000	8,987,571	0.26
Ping An Insurance (Group) Co of China Ltd	10,058,500	50,326,873	1.44
Qingdao Port International Co Ltd	85,490,000	40,679,601	1.17
Real Gold Mining Ltd*	4,283,500	441,900	0.01
Shimao Property Holdings Ltd	30,339,000	39,671,098	1.14
Sinomax Group Ltd	34,423,000	2,796,561	0.08
Sinopec Engineering (Group) Co Ltd	42,067,500	35,098,292	1.01
SITC International Holdings Co Ltd	69,183,000	42,109,142	1.21
Skyworth Digital Holdings Ltd	108,430,270	61,802,751	1.77
SmarTone Telecommunications Holdings Ltd	21,808,000	29,303,437	0.84
Spring REIT	16,600,000	6,892,852	0.20
Springland International Holdings Ltd	42,080,000	6,945,775	0.20
Time Watch Investments Ltd	33,194,000	3,980,866	0.11
TK Group (Holdings) Ltd	69,418,000	18,888,156	0.54
Wasion Group Holdings Ltd	47,282,000	25,425,347	0.73
WH Group Ltd	32,115,000	25,966,324	0.74
Wonderful Sky Financial Group Holdings Ltd	67,638,000	18,229,386	0.52
Xinjiang Goldwind Science & Technology Co Ltd	24,944,400	42,138,528	1.21
Yangtze Optical Fibre & Cable Joint Stock Ltd Co	31,517,000	59,419,261	1.70
Zhejiang Expressway Co Ltd	27,466,000	26,209,705	0.75
		1,840,170,366	52.72
Indonesia			
Bank Mandiri (Persero) Tbk	18,229,800	15,661,685	0.45
Bank Negara Indonesia (Persero) Tbk	44,486,900	18,243,157	0.52
Bank Pan Indonesia (DMT)	89,465,600	4,980,270	0.14
Indosat Tbk (DMT)	31,715,100	15,183,132	0.44
Media Nusantara Citra Tbk	71,612,900	9,328,331	0.27
Nusa Raya Cipta (NRC)	46,505,600	1,139,081	0.03
Panin Financial	675,977,300	8,629,709	0.25
Pelayaran Tempuran Emas Tbk	1,000	130	0.00

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2016

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed Equity Securities (Continued)			
Indonesia (Continued)			
Perusahaan Gas Negara Persero Tbk	141,964,200	28,449,732	0.82
		101,615,227	2.92
Malaysia			
CIMB Group Holdings	16,074,000	16,159,996	0.46
Mah Sing Group	52,768,671	16,821,043	0.48
Tenaga Nasional	9,143,100	28,330,158	0.81
UOA Development	22,962,200	12,028,794	0.34
Vitrox Corp	3,177,100	2,627,517	0.08
		75,967,508	2.17
Philippines			
Metropolitan Bank & Trust Co	10,050,590	14,711,146	0.42
Singapore			
AIMS AMP Capital Industrial REIT	18,005,400	16,302,926	0.47
Asian Pay Television Trust	29,805,000	7,725,238	0.22
CapitaLand Retail China Trust	16,762,582	15,872,779	0.46
Croesus Retail Trust	42,387,727	24,463,473	0.70
DBS Group Holdings Ltd	3,286,399	39,387,724	1.13
Ezion Holdings Ltd	46,734,500	12,436,261	0.36
Frasers Commerical Trust	17,772,467	15,477,819	0.44
Viva Industrial Trust	29,021,100	15,144,409	0.43
Yangzijiang Shipbuilding Holdings Ltd	36,190,800	20,386,717	0.58
		167,197,346	4.79
South Korea			
Amorepacific Corp Pref	76,602	3,508,712	0.10
CJ Cheiljedang Corp Pref	103,094	14,826,394	0.43
Dongbu Insurance Co Ltd	879,220	45,680,793	1.31
Fila Korea Ltd	215,992	12,658,517	0.36
GS Retail Co Ltd	1,537,216	60,827,211	1.74
Hyundai Motor Co	62,874	7,630,974	0.22
KB Financial Group Inc	1,297,393	46,160,593	1.32
Korea Electric Power Corp	1,797,703	65,829,402	1.89
LG Corp	645,117	32,177,018	0.92
LG Corp Pref	299,573	9,724,779	0.28
Macquarie Korea Infrastructure Fund	2,550,957	17,282,907	0.50
Maeil Dairy Industry Co Ltd	276,025	9,212,766	0.26
Samsung Electronics Co Ltd	38,129	57,117,114	1.64

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2016

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed Equity Securities (Continued)			
South Korea (Continued)			
Samsung Electronics Co Ltd Pref	138,113	164,526,859	4.71
Samsung Fire & Marine Insurance Co Ltd	1	223	0.00
Samsung Fire & Marine Insurance Co Ltd Pref	480,583	72,710,285	2.08
Sekonix Co Ltd	526,106	6,625,855	0.19
SK Hynix Inc	2,026,662	75,308,657	2.16
		<u>701,809,059</u>	<u>20.11</u>
Taiwan			
Basso Industry Corp	6,243,000	18,061,218	0.52
CTBC Financial Holding Co Ltd	47,807,000	26,108,281	0.75
Johnson Health Tech Co Ltd	4,694,550	6,747,172	0.19
Kerry TJ Logistics Co Ltd	8,427,000	11,629,203	0.33
Largan Precision Co Ltd	614,000	72,002,847	2.06
Rechi Precision Co Ltd	1,327,000	1,297,478	0.04
Sunny Friend Environmental Technology Co Ltd	2,000	6,993	0.00
Superalloy Industrial Co Ltd	1,546,993	8,520,213	0.24
Win Semiconductors Corp	11,234,997	31,599,407	0.91
Xxentria Technology Materials Corp	1,000	2,444	0.00
		<u>175,975,256</u>	<u>5.04</u>
Thailand			
AP Thailand Pcl (FR)	91,262,500	19,108,564	0.55
Hana Microelectronics Pcl (FR)	15,138,200	16,693,437	0.48
SPCG Pcl (FR)	8,074,600	4,824,021	0.14
Supalai Pcl (FR)	41,566,500	29,010,678	0.83
		<u>69,636,700</u>	<u>2.00</u>
United States			
iShares MSCI India ETF	822,300	22,045,863	0.63
Yum China Holdings Inc	689,930	18,020,972	0.52
ZTO Express Cayman Inc ADR	156,244	1,885,865	0.05
		<u>41,952,700</u>	<u>1.20</u>

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2016

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)			
Quoted Debt Securities			
United States dollar			
Kaisa Group Holdings Ltd (Ser A) (REG) 6.56% 12/31/2019	1,012,343	947,290	0.03
Currency Forwards		280,768	0.01
Listed Equity Warrants			
Ezion Holdings Ltd Wts 04/24/2020	8,764,964	502,828	0.01
Mah Sing Group CWts 02/21/2020	6,697,828	141,840	0.00
		644,668	0.01
Participation Notes			
China			
CICC Financial Trading Ltd (Midea Group Co Ltd A Shrs) P Note 11/25/2017	19,708,187	79,916,698	2.29
India			
Mazquarie Bank (Sterlite Technologies Ltd (NSI)) CWts 02/15/2017	6,494,420	9,190,984	0.26
Unlisted Investment Funds			
Malabar India Fund Ltd	18,374	32,100,955	0.92
Malabar Select Fund CI 1 Sub CI Standard CI	5,000	5,258,650	0.15
Malabar Select Fund CI 1 Sub CI Standard CI Ser 08/17/2016	5,014	5,271,174	0.15
Malabar Select Fund CI 1 Sub CI Standard CI Ser 09/30/2016	4,785	5,032,085	0.14
Malabar Select Fund CI 1 Sub CI Standard CI Ser 11/30/2016	9,453	9,931,402	0.28
Value Partners Global Contrarian Fund	3,688,726	26,153,067	0.75
Value Partners Strategic Equity Fund	189,480	–	–
Value Partners Ireland Fund Plc – Value Partners Asia Dividend Stocks Fund	4,484,277	40,448,176	1.16
		124,195,509	3.55

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 DECEMBER 2016

	Holdings	Fair value US\$	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Unquoted Debt Securities			
<i>United States Dollar</i>			
Kaisa Group Holdings Ltd (Ser D) (REG) 6.56% 06/30/2021 (PIK)	2,429,623	2,245,166	0.06
Kaisa Group Holdings Ltd (Ser B) (REG) 6.56% 06/30/2020 (PIK)	1,822,217	1,698,069	0.05
Kaisa Group Holdings Ltd (Ser C) (REG) 6.56% 12/31/2020 (PIK)	2,227,155	2,059,807	0.06
Kaisa Group Holdings Ltd (Ser E) (REG) 6.56% 12/31/2021 (PIK)	2,632,092	2,430,368	0.07
LDK Solar Co Ltd (BR) Conv 5.535% 12/31/2018 (PIK)	2,427,482	268,497	0.01
		<u>8,701,907</u>	<u>0.25</u>
Total financial assets at fair value through profit or loss		<u>3,475,591,522</u>	<u>99.56</u>
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			
Currency Forwards		<u>(1,212,849)</u>	<u>(0.03)</u>
Total financial liabilities at fair value through profit or loss		<u>(1,212,849)</u>	<u>(0.03)</u>
Total investments, net		<u>3,474,378,673</u>	<u>99.53</u>
Total investments, at cost (inclusive of transaction cost)		<u>3,700,675,481</u>	

* The trading of the equity security has been suspended.

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	% of net assets	
	2016	2015
Listed equity securities		
Australia	–	0.01
China	1.79	0.76
Hong Kong		
– H shares	17.65	21.87
– Red chips	11.19	9.50
– Others	23.88	23.24
Indonesia	2.92	0.59
Japan	–	1.40
Malaysia	2.17	1.30
Philippines	0.42	0.72
Singapore	4.79	6.55
South Korea	20.11	16.02
Taiwan	5.04	3.48
Thailand	2.00	2.31
United States	1.20	–
	<u>93.16</u>	<u>87.75</u>
	-----	-----
Quoted debt securities		
Renminbi	–	0.17
United States dollar	0.03	3.72
	<u>0.03</u>	<u>3.89</u>
	-----	-----
Currency forwards	(0.02)	0.04
Participation notes	2.55	4.36
Unlisted investment funds	3.55	3.49
Unquoted debt securities		
United States dollar	0.25	0.01
Listed equity warrants	0.01	0.01
	<u>0.01</u>	<u>0.01</u>
	-----	-----
Total investments, net	<u>99.53</u>	<u>99.55</u>
	=====	=====

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

PERFORMANCE RECORD (UNAUDITED) (Continued)

Net assets (at last traded price)

	2016	2015	2014
Net assets	US\$3,490,888,320	US\$3,903,947,956	US\$2,890,416,478
Net asset value per unit			
Class A1	USD71.72	USD71.86	USD74.64
Class A2 MDis	USD9.92	USD10.56	USD11.56
Class Z	USD11.47	USD11.44	USD11.76
Class A2 MDis HKD	HKD9.04	HKD9.61	HKD10.56
Class A2 MDis AUD Hedged	AUD8.76	AUD9.53	AUD10.56
Class A2 MDis CAD Hedged	CAD8.83	CAD9.57	CAD10.60
Class A2 MDis GBP Hedged	GBP8.28	GBP9.04	–
Class A2 MDis NZD Hedged	NZD8.95	NZD9.69	NZD10.57
Class A Acc RMB Hedged	RMB10.00	RMB9.81	RMB9.94
Class A Acc RMB Unhedged	RMB12.25	RMB11.65	RMB11.48
Class A2 MDis RMB Hedged	RMB8.53	RMB9.01	RMB9.75
Class A2 MDis RMB Unhedged	RMB9.16	RMB9.28	RMB9.75
Class X Acc USD Unhedged	USD11.09	–	–

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

PERFORMANCE RECORD (UNAUDITED) (Continued)

Performance record for the past 10 years

	Highest issue price per unit						
	Class A1	Class A2	Class Z	Class A2	Class A2	Class A2	Class A2
	MDis	MDis	MDis	MDis	MDis	MDis	MDis
	USD	USD	USD	HKD	AUD	CAD	GBP
2016	76.72	10.82	12.21	9.88	9.63	9.71	9.15
2015	86.86	13.23	13.70	12.10	12.12	12.14	11.55
2014	76.85	12.10	12.14	11.10	11.07	11.09	-
2013	69.50	11.46	10.87	10.34	10.36	10.35	-
2012	63.09	10.72	-	-	-	-	-
2011	61.21	-	-	-	-	-	-
2010	60.41	-	-	-	-	-	-
2009	45.84	-	-	-	-	-	-
2008	45.39	-	-	-	-	-	-
2007	49.50	-	-	-	-	-	-

	Highest issue price per unit					
	Class A2	Class A	Class A	Class A2	Class A2	Class X
	MDis NZD	Acc RMB	Acc RMB	MDis RMB	MDis RMB	Acc USD
	Hedged	Hedged	Unhedged	Hedged	Unhedged	Unhedged
	NZD	RMB	RMB	RMB	RMB	USD
2016	9.75	10.59	12.57	7.69	9.65	12.73
2015	12.17	11.77	13.31	11.34	11.12	-
2014	11.11	9.99	10.09	9.95	10.09	-
2013	10.37	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
2008	-	-	-	-	-	-
2007	-	-	-	-	-	-

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(A Hong Kong unit trust)

PERFORMANCE RECORD (UNAUDITED) (Continued)

Performance record for the past 10 years (Continued)

	Lowest redemption price per unit						
	Class A1	Class A2	Class Z	Class A2	Class A2	Class A2	Class A2
	MDis	MDis	MDis	MDis	MDis	MDis	MDis
	USD	USD	USD	HKD	AUD	CAD	GBP
2016	61.39	8.97	9.78	8.21	8.09	8.12	7.67
2015	67.27	10.12	10.70	9.22	9.21	9.23	8.69
2014	63.83	10.30	9.99	9.43	9.43	9.43	-
2013	60.58	9.99	9.42	9.85	9.84	9.85	-
2012	51.14	9.96	-	-	-	-	-
2011	45.95	-	-	-	-	-	-
2010	43.34	-	-	-	-	-	-
2009	23.23	-	-	-	-	-	-
2008	20.94	-	-	-	-	-	-
2007	31.84	-	-	-	-	-	-

	Lowest redemption price per unit					
	Class A2	Class A	Class A	Class A2	Class A2	Class X
	MDis NZD	Acc RMB	Acc RMB	MDis RMB	MDis RMB	Acc USD
	Hedged	Hedged	Unhedged	Hedged	Unhedged	Unhedged
	NZD	RMB	RMB	RMB	RMB	USD
2016	8.23	8.42	9.90	7.69	7.84	9.39
2015	9.32	9.05	10.77	8.55	8.74	-
2014	9.45	9.28	9.19	9.24	9.19	-
2013	9.77	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
2008	-	-	-	-	-	-
2007	-	-	-	-	-	-