VALUE PARTNERS ASSET ALLOCATION FUND
VALUE PARTNERS HK EQUITY 50 FOCUS FUND
VALUE PARTNERS CHINA HK BOND AND GOLD FUND

SUB-FUNDS OF VALUE PARTNERS CHOICE INVESTMENT FUNDS

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

VALUE PARTNERS CHOICE INVESTMENT FUNDS
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VALUE PARTNERS CHOICE INVESTMENT FUNDS
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GENERAL INFORMATION

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

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

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HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
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Auditor
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22nd Floor, Prince's Building
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Legal Advisor
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18 Chater Road
Central
Hong Kong

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MANAGER'S REPORT

VALUE PARTNERS ASSET ALLOCATION FUND

Financial markets suffered from rising trade tensions between the U.S. and China in most part of the fiscal year ended 30 June 2019, despite the improved sentiment boosted the markets in the first quarter of 2019 largely thanks to the U.S.-China trade truce. The Fund generated a 12.8% return since inception, while it rose 1.3% in the fiscal year ended 30 June 2019. In comparison, the reference benchmark (50% FTSE MPF HK + 25% Markit iBoxx ALBI HK + 25% HK 3M HIBOR) had returns of 11.4% and 2.7%, respectively.

At the beginning of 2019, market expectation on a trade deal was high because both the U.S. and China signaled that the talks went well. The positive market sentiment was further supported by stronger-than-expected first-quarter 2019 macro data announced by both the U.S. and China.

China, in particularly, saw many of its key first-quarter 2019 macro indicators beat forecasts, including a strong pick up in total social financing and its manufacturing Producing Managers' Index (PMI) above the critical 50 level[1] in March 2019. These were early signs that China was willing to provide a high level of accommodative policies to support economic growth.

Trade war escalation

What materially affected the investor sentiment was the sudden escalation of the trade war in May 2019. The U.S. decision to impose additional tariffs on US$200 billion[2] worth of Chinese imports had caught investors off guard and reversed previous optimism for an imminent trade deal. Meanwhile, the U.S. scrutiny on Chinese tech giant Huawei Technologies further sent markets lower.

It was only towards the end of June 2019 that the bilateral meeting between Chinese and U.S. presidents in Osaka brought some relief to the markets. The two presidents agreed to a trade war truce again and to resume trade talks. Nevertheless, as both countries have adopted a more hard-line attitude and appeared less willing to compromise, market volatility will likely persist as the road to a final deal remains bumpy. The trade overhang remains a well-known risk to markets and a major driver of sentiment in the near future.

China: Stimuli to support growth

China's second-quarter 2019 GDP growth slowed down to 6.2%[3] year-on-year, the lowest on record in 27 years. And its closely-watched manufacturing PMI fell below the 50 level again in May 2019 and stayed flat in June[4].

Given this challenging macro environment, policy support in China is expected to continue with further fiscal measures and monetary policies as mentioned by Chinese authorities.

We remain constructive on the Greater China markets despite the market uncertainty as effects of some existing stimulus policies, including Value-Added Tax (VAT) cut effective since April 2019, are expected to gradually emerge to offset macro headwinds. Furthermore, the underlying support from the continuous internationalization process of China's domestic stock and bond markets is expected to attract further foreign fund inflows.

MANAGER'S REPORT (Continued)

VALUE PARTNERS ASSET ALLOCATION FUND (Continued)

Outlook

Amidst the trade war truce and expectation of a new global easing trend, we continue to adhere to our bottom-up stock picking value investing philosophy to select quality companies. We find this rather important at this point of time as the volatility spike driven by geopolitical events could trigger market overreaction and hence create value opportunities for investing in some quality companies that are not closely linked to global trade.

Value Partners Hong Kong Limited
25 October 2019

1. Source: National Bureau of Statistics of China, 31 March 2019
2. Source: Office of U.S. Trade Representative, 10 May 2019
3. Source: National Bureau of Statistics of China, 15 July 2019
4. Source: National Bureau of Statistics of China, 30 June 2019

MANAGER'S REPORT (Continued)

VALUE PARTNERS HK EQUITY 50 FOCUS FUND

Hong Kong/China equities were under pressure for most of the fiscal year ended 30 June 2019, suffering from rising trade tensions between the U.S. and China and slowing economic growth. Nonetheless, the market enjoyed a relief rally in the first quarter of 2019 thanks to optimism over a U.S.-China trade agreement, a pause of interest rate hikes in the U.S., and a series of fiscal stimulus promulgated in China. The positive market sentiment was further supported by stronger-than-expected first-quarter 2019 macro data in both the U.S. and China.

China, in particular, saw many of its key first-quarter 2019 macro indicators beat forecasts, including a strong pick-up in total social financing and manufacturing Producing Managers' Index (PMI) above the critical 50 level[1] in March 2019. These were early signs that China was willing to provide a high level of accommodative policies to support economic growth.

Uncertainty arising from trade war escalation

Investor confidence worsened following the dramatic escalation of trade war tension in early May 2019. The U.S. decision to impose additional tariffs on US$200 billion[2] worth of Chinese imports caught investors off guard and reversed previous optimism for an imminent deal. Meanwhile, U.S. scrutiny on Chinese tech giant Huawei Technologies exacerbated the market moves.

It was only towards the end of June 2019 that bilateral meeting between the Chinese and U.S. presidents in Osaka brought some relief to the market. The two presidents agreed to a truce and resumed trade talks. Nevertheless, as both countries have adopted a more hard-line attitude and appear less willing to compromise, we believe that market volatility will persist as the road to a final deal remains bumpy. The trade overhang remains a well-known risk to markets and a major driver of sentiment in the near future.

China to step up economic stimulus in slowdown fight

China's second-quarter 2019 GDP growth slowed down to 6.2%[3] year-on-year, the lowest on record in 27 years. And its closely-watched manufacturing PMI fell below the 50 level again in May 2019 and stayed flat in June[4]. Given this challenging macro environment, policy support in China is expected to continue with further fiscal measures and monetary policies.

We remain constructive on China equities despite the market uncertainty, as effects of some previous stimulus policies, including Value-Added Tax (VAT) cut since April 2019 for the manufacturing industry, are expected to gradually emerge in the second half of 2019 and offset macro headwinds. In addition, the prolonged low interest rate environment should continue to favour equity yield compression and support asset valuations.

MANAGER'S REPORT (Continued)

VALUE PARTNERS HK EQUITY 50 FOCUS FUND (Continued)

Outlook

Amidst the current trade war truce and expectations of new global easing trends, we continue to adhere to our bottom-up stock picking value investing philosophy. We believe this approach will generate alpha in particular for China equities because the market volatility spike driven by geopolitical events could trigger share price overreaction. Hence, it creates value opportunities for investing in quality companies that are not closely linked to global trade. In Hong Kong, although the growing protests against the controversial extradition bill becoming a big concern for retailers and local asset prices, we believe that the risk of Hong Kong's unrest spilling over into mainland China remains low.

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MANAGER'S REPORT (Continued)

VALUE PARTNERS CHINA HK BOND AND GOLD FUND

Financial markets suffered from rising trade tensions between the U.S. and China in most part of the fiscal year ended 30 June 2019, despite the improved sentiment boosted the markets in the first quarter of 2019 largely thanks to the U.S.-China trade truce. The Fund generated a 2.4% return since inception, while it increased 3.3% in the fiscal year ended 30 June 2019. In comparison, the reference benchmark (50% Markit iBoxx ALBI Hong Kong + 50% HK 3M HIBOR) had returns of 4.5% and 4.2%, respectively.

At the beginning of 2019, market expectation on a trade deal was high because both the U.S. and China signaled that the talks went well. The positive market sentiment was further supported by stronger-than-expected first-quarter 2019 macro data announced by both the U.S. and China.

China, in particularly, saw many of its key first-quarter 2019 macro indicators beat forecasts, including a strong pick up in total social financing and its manufacturing Producing Managers' Index (PMI) above the critical 50 level[1] in March 2019. These were early signs that China was willing to provide a high level of accommodative policies to support economic growth.

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Given this challenging macro environment, policy support in China is expected to continue with further fiscal measures and monetary policies as mentioned by Chinese authorities.

We remain constructive on the Greater China markets despite the market uncertainty as effects of some existing stimulus policies, including Value-Added Tax (VAT) cut effective since April 2019, are expected to gradually emerge to offset macro headwinds. Furthermore, the underlying support from the continuous internationalization process of China's domestic stock and bond markets is expected to attract further foreign fund inflows.

MANAGER'S REPORT (Continued)

VALUE PARTNERS CHINA HK BOND AND GOLD FUND (Continued)

Outlook

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All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in USD terms on NAV-to-NAV basis with dividends reinvested) as at 28 June 2019. Performance data is net of all fees. All indices are for reference only.

Individual stock performance is not indicative of fund performance.

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

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INVESTMENT REPORT (Unaudited)

FOR THE YEAR ENDED 30 JUNE 2019

INVESTMENT OBJECTIVES AND POLICIES

Value Partners Choice Investment Funds (the "Fund") is an umbrella unit established under the laws of Hong Kong and governed by the Trust Deed dated 30 January 2013 with HSBC Institutional Trust Services (Asia) Limited as the trustee (the "Trustee").

The Fund offers three sub-funds with different investment objectives and policies.

The sub-funds of the Fund are Value Partners Asset Allocation Fund, Value Partners HK Equity 50 Focus Fund and Value Partners China HK Bond and Gold Fund. (each individually the "Sub-Fund" or collectively, the "Sub-Funds").

Separate and distinct investment policies are applied in the investments of each Sub-Fund. The respective investment objectives and policies are set out below. There have been no changes to the investment objectives and policies of each Sub-Fund during the year.

Value Partners Asset Allocation Fund

The investment objective of Value Partners Asset Allocation Fund is to achieve investment returns that maximise long-term capital growth potential with medium-high volatility. The Sub-Fund aims to achieve its investment objective through investing in two or more Approved Pooled Investment Funds to obtain exposure to mainly Hong Kong equities and Hong Kong and China debt securities.

Value Partners HK Equity 50 Focus Fund

Value Partners HK Equity 50 Focus Fund seeks to provide long-term capital appreciation. The Sub-Fund aims to achieve its investment objective through investing primarily in around 50 constituents selected from the FTSE MPF Hong Kong Index.

Value Partners China HK Bond and Gold Fund

The investment objective of Value Partners China HK Bond and Gold Fund is to seek long term stable return from a combination of current income and capital appreciation. The Sub-Fund aims to achieve its investment objective by investing primarily in a diversified portfolio of debt securities issued by (i) companies or issuers listed, established in or operating principally in, or which derive or are expected to derive a significant portion of their earnings or revenues from or which have part of their assets, production activities or other business interests based in or related to China and/or Hong Kong, and (ii) governments and government related entities in China or Hong Kong.

Commentary by the Trustee

The Trustee confirmed that based on the information received from the Manager of the Sub-Funds, to the best of the knowledge and belief of the Trustee, the investment objectives and policies for each Sub-Fund of the Fund were complied with during the year.

VALUE PARTNERS CHOICE INVESTMENT FUNDS
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INVESTMENT REPORT (Unaudited) (Continued)

FOR THE YEAR ENDED 30 JUNE 2019

PERFORMANCE RECORD

	Value Partners Asset Allocation Fund		Value Partners HK Equity 50 Focus Fund		Value Partners China HK Bond and Gold Fund	
	2019	2018[1]	2019	2018[2]	2019	2018[2]
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Net (loss)/income excluding capital appreciation/(depreciation)	(38,822)	61,436	8,354,043	2,624,251	(704,780)	(469,347)
Capital appreciation/(depreciation) - Realised and unrealised	8,591,892	18,709,198	(12,882,315)	18,944,677	13,826,735	(2,389,774)
Income derived from investments						
- Dividend income	-	-	10,114,211	4,145,008	-	-
- Interest on bank deposits	94	25	5,216	829	31,658	50,571
Total net investments	706,837,627	584,379,748	257,558,190	140,204,188	423,000,685	428,866,530
Total net asset value	706,975,691	584,655,064	263,269,047	147,095,022	443,568,580	437,284,726
Net asset value per unit:						
- Class B units	11.2783	11.1321	11.2652	11.3895	10.2444	9.9132
Fund expense ratio						
- Class B units	0.33%	0.38%	0.33%	0.33%	0.24%	0.26%
- Class B units (Net) Note	0.28%	0.28%	-	-	-	-
Transaction costs						
- Class B units	-	-	623,071	906,460	12,961	82,743

[1]For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2]For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.
Note: The percentage represented the Fund expense ratio after taking into account the reimbursement made by Investment manager.

INVESTMENT REPORT (Unaudited) (Continued)

FOR THE YEAR ENDED 30 JUNE 2019

PERFORMANCE RECORD (Continued)

	Highest issue price per unit		
	Value Partners Asset Allocation Fund[2] Class B	**Value Partners HK Equity 50 Focus Fund[3] Class B**	**Value Partners China HK Bond and Gold Fund[3] Class B**
	HK$	*HK$*	*HK$*
2019	11.7177	11.9055	10.2546
2018 (Since inception)	11.9959	12.9722	10.0343

	Lowest redemption price per unit		
	Value Partners Asset Allocation Fund[2] Class B	**Value Partners HK Equity 50 Focus Fund[3] Class B**	**Value Partners China HK Bond and Gold Fund[3] Class B**
	HK$	*HK$*	*HK$*
2019	10.7076	9.8952	9.8779
2018 (Since inception)	9.9452	9.9273	9.9097

	Net investment return[1]		
	Value Partners Asset Allocation Fund[2] Class B	**Value Partners HK Equity 50 Focus Fund[3] Class B**	**Value Partners China HK Bond and Gold Fund[3] Class B**
	%	*%*	*%*
2019	1.3133	(1.0914)	3.3410
2018 (Since inception)	11.3221	14.1061	(0.7340)

[1] Net annual investment return represents the percentage change in the unit price during the year/period. For the first financial period (5 July 2017/6 July 2017 (date of commencement of operations) to 30 June 2018), the actual net investment return is shown.
[2] The date of commencement of operations was on 5 July 2017.
[3] The date of commencement of operations was on 6 July 2017.

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INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO
AS AT 30 June 2019

VALUE PARTNERS ASSET ALLOCATION FUND

	Holdings	Fair value *HK$*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Approved Pooled Investment Funds			
Hong Kong			
Value Partners China HK Bond and Gold Fund Class B	43,298,479	443,568,580	62.74
Value Partners HK Equity 50 Focus Fund Class B	23,370,050	263,269,047	37.24
Financial assets at fair value through profit or loss		706,837,627	99.98
Cash and cash equivalents		771	0.00
Other net assets		137,293	0.02
Total net assets		706,975,691	100.00
Total investments, at cost		695,626,333	

Note: Investments are accounted for on a trade date basis.

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO (Continued)
AS AT 30 JUNE 2019

VALUE PARTNERS HK EQUITY 50 FOCUS FUND

	Holdings	Fair value *HK$*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed Equity Securities			
Hong Kong – H Shares			
Agricultural Bank of China Ltd H Shrs	987,000	3,227,490	1.23
AviChina Industry & Technology Co Ltd H Shrs	196,000	836,920	0.32
Bank of China Ltd H Shrs	2,567,000	8,471,100	3.22
Bank of Communications Co Ltd H Shrs	372,000	2,205,960	0.84
China Cinda Asset Management Co Ltd H Shrs	509,000	916,200	0.35
China CITIC Bank Corp Ltd H Shrs	541,000	2,407,450	0.91
China Communications Construction Co Ltd H Shrs	332,000	2,320,680	0.88
China Construction Bank Corp H Shrs	2,081,000	14,005,130	5.32
China Huarong Asset Management Co Ltd H Shrs	168,000	228,480	0.09
China International Capital Corp Ltd H Shrs	298,400	4,702,784	1.79
China Life Insurance Co Ltd H Shrs	250,000	4,810,000	1.83
China Minsheng Banking Corp Ltd H Shrs	307,800	1,665,198	0.63
China Pacific Insurance Group Co Ltd H Shrs	183,600	5,608,980	2.13
China Petroleum & Chemical Corp H Shrs	938,000	4,980,780	1.89
China Railway Group Ltd H Shrs	91,000	540,540	0.20
China Shenhua Energy Co Ltd H Shrs	61,500	1,006,140	0.38
Chongqing Rural Commercial Bank Co Ltd H Shrs	142,000	603,500	0.23
CITIC Securities Co Ltd H Shrs	260,500	4,240,940	1.61
CRRC Corp Ltd H Shrs	75,000	489,750	0.19
Dongfeng Motor Group Co Ltd H Shrs	152,000	972,800	0.37
Everbright Securities Co Ltd H Shrs	137,200	830,060	0.31
Guangzhou Automobile Group Co Ltd H Shrs	174,800	1,457,832	0.55
Haitong Securities Co Ltd H Shrs	108,000	946,080	0.36
Huaneng Renewables Corp Ltd H Shrs	276,000	593,400	0.23
Industrial & Commercial Bank of China Ltd H Shrs	2,018,000	11,502,600	4.37
Ping An Insurance Group Co of China Ltd H Shrs	127,000	11,912,600	4.52
Postal Savings Bank of China Co Ltd H Shrs	275,000	1,276,000	0.48
Shanghai Pharmaceuticals Holding Co Ltd H Shrs	78,900	1,211,904	0.46
Sinopharm Group Co Ltd H Shrs	44,800	1,232,000	0.47
Yanzhou Coal Mining Co Ltd H Shrs	108,000	788,400	0.30
		95,991,698	36.46
Hong Kong – Red Chips			
Beijing Enterprises Holdings Ltd	26,000	1,032,200	0.39
BOC Hong Kong Holdings Ltd	139,500	4,289,625	1.63
China Everbright Ltd	46,000	530,840	0.20
China Mobile Ltd	60,500	4,304,575	1.63
China Overseas Land & Investment Ltd	114,000	3,283,200	1.25

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO (Continued)
AS AT 30 JUNE 2019

VALUE PARTNERS HK EQUITY 50 FOCUS FUND (Continued)

	Holdings	Fair value *HK$*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed Equity Securities (Continued)			
Hong Kong – Red Chips (Continued)			
China Resources Pharmaceutical Group Ltd	131,500	1,158,515	0.44
China Resources Power Holdings Co Ltd	102,000	1,162,800	0.44
CITIC Ltd	335,000	3,772,100	1.43
CNOOC Ltd	294,000	3,927,840	1.49
CSPC Pharmaceutical Group Ltd	384,000	4,838,400	1.84
Guotai Junan International Holdings Ltd	2,058,000	2,778,300	1.06
Shanghai Industrial Holdings Ltd	71,000	1,202,740	0.46
		32,281,135	12.26
Hong Kong – Others			
Agile Group Holdings Ltd	80,000	836,800	0.32
AIA Group Ltd	303,600	25,578,300	9.72
ASM Pacific Technology Ltd	14,700	1,176,000	0.45
CK Hutchison Holdings Ltd	64,000	4,928,000	1.87
CLP Holdings Ltd	61,000	5,258,200	2.00
Galaxy Entertainment Group Ltd	115,000	6,054,750	2.30
Hang Seng Bank Ltd	27,500	5,348,750	2.03
HSBC Holdings PLC	361,200	23,405,760	8.89
Link REIT	79,000	7,584,000	2.88
MTR Corp Ltd	58,000	3,050,800	1.16
New World Development Co Ltd	344,000	4,203,680	1.60
NWS Holdings Ltd	80,000	1,284,800	0.49
PCCW Ltd	246,000	1,109,460	0.42
Power Assets Holdings Ltd	49,500	2,781,900	1.06
Sands China Ltd	97,600	3,645,360	1.38
Techtronic Industries Co Ltd	89,000	5,322,200	2.02
Tencent Holdings Ltd	61,900	21,825,940	8.29
Want Want China Holdings Ltd	305,000	1,936,750	0.73
		125,331,450	47.61

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO (Continued)
AS AT 30 JUNE 2019

VALUE PARTNERS HK EQUITY 50 FOCUS FUND (Continued)

	Holdings	Fair value *HK$*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Listed Equity Securities (Continued)			
Singapore			
Hongkong Land Holdings Ltd	58,500	2,941,643	1.12
Jardine Strategic Holdings Ltd	3,400	1,012,264	0.38
		3,953,907	1.50
Financial assets at fair value through profit or loss		257,558,190	97.83
Cash and cash equivalents		3,296,323	1.25
Other net assets		2,414,534	0.92
Total net assets		263,269,047	100.00
Total investments, at cost (inclusive of transaction cost)		263,034,890	

Note: Investments are accounted for on a trade date basis.

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO (Continued)
AS AT 30 JUNE 2019

VALUE PARTNERS CHINA HK BOND AND GOLD FUND

	Holdings	Fair value *HK$*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed Investment Funds			
Hong Kong			
Value Gold ETF	806,500	27,662,950	6.24
Quoted Debt Securities			
Hong Kong Dollar			
Bank of China Ltd/Hong Kong 2.85% 06/07/2020	4,000,000	4,026,414	0.91
Bank of Communications Co Ltd/Hong Kong 2.95% 5/18/2020	3,000,000	3,027,009	0.68
CK Property Finance MTN Ltd 2.25% 8/25/2022	2,000,000	1,999,068	0.45
CLP Power Hong Kong Financing Ltd 3.88% 8/5/2019	3,000,000	3,024,451	0.68
CLP Power Hong Kong Financing Ltd 3.9% 7/15/2019	1,000,000	1,008,919	0.23
Eastern Creation II Investment Holdings Ltd 2.8% 2/13/2020	2,000,000	2,034,006	0.46
HKCG Finance Ltd 3.4% 2/7/2022	7,000,000	7,243,264	1.63
Hong Kong Government Bond 0.97% 6/20/2022	41,000,000	40,400,406	9.11
Hong Kong Government Bond Programme 1.16% 5/18/2022	40,000,000	39,653,249	8.94
Hong Kong Government Bond Programme 2.46% 8/4/2021	49,000,000	50,431,319	11.37
Hong Kong Government Bond Programme 2.93% 1/13/2020	34,000,000	34,657,066	7.81
Hong Kong Mortgage Corp 4.525% 09/02/2020	15,500,000	16,025,036	3.61
Hong Kong Mortgage Corp 5.4% 05/31/2021	12,000,000	12,860,849	2.90
Hong Kong Mortgage Corp Ltd/The 1.6% 3/4/2020	8,000,000	7,986,951	1.80
Hong Kong Mortgage Corp Ltd/The 1.7% 4/6/2020	9,000,000	9,011,108	2.03
Hong Kong Mortgage Corp Ltd/The 1.83% 2/14/2020	3,000,000	3,018,055	0.68
Hong Kong Mortgage Corp Ltd/The 1.92% 5/10/2022	1,500,000	1,503,030	0.34
Hong Kong Mortgage Corp Ltd/The 1.96% 3/16/2020	32,500,000	32,699,744	7.37
Hong Kong Mortgage Corp Ltd/The 2.18% 10/19/2020	7,000,000	7,052,721	1.59
Hongkong Land Notes Co Ltd/The 3.95% 6/8/2020	5,000,000	5,084,006	1.15
Hongkong Land Notes Co Ltd/The 4.24% 3/19/2020	1,000,000	1,025,719	0.23
Hongkong Land Treasury Services Singapore Pte Ltd/The 4.1875% 10/23/2019	2,500,000	2,540,029	0.57
IFC Development Corporate Treasury Ltd 3.4% 3/26/2020	13,000,000	13,123,207	2.96
IFC Development Corporate Treasury Ltd 3.4% 6/4/2020	4,000,000	4,056,755	0.92
Industrial & Commercial Bank of China Asia Ltd 3% 6/21/2020	3,000,000	3,022,583	0.68
Kowloon-Canton Railway Corp 3.64% 7/24/2019	2,500,000	2,541,806	0.57
Link Finance Cayman 2009 Ltd 4.4% 08/05/2019	6,000,000	6,255,065	1.41

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO (Continued)
AS AT 30 JUNE 2019

VALUE PARTNERS CHINA HK BOND AND GOLD FUND (Continued)

	Holdings	Fair value *HK$*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Quoted Debt Securities (Continued)			
Hong Kong Dollar (Continued)			
MTR Corp CI Ltd 2.56% 5/2/2021	1,000,000	1,017,753	0.23
MTR Corp CI Ltd 4.75% 5/11/2020	10,000,000	10,298,450	2.32
MTR Corp CI Ltd 4.95% 10/21/2019	1,000,000	1,018,773	0.23
Sun Hung Kai Properties Capital Market Ltd 3.23% 1/10/2023	5,000,000	5,170,997	1.17
Sun Hung Kai Properties Capital Market Ltd 3.45% 10/20/2020	3,000,000	3,063,234	0.69
Sun Hung Kai Properties Capital Market Ltd 3.875% 9/17/2019	1,500,000	1,550,838	0.35
Sun Hung Kai Properties Capital Market Ltd 4.05% 2/24/2021	3,000,000	3,114,823	0.70
Swire Pacific MTN Financing Ltd 2.7% 6/30/2027	2,000,000	1,990,058	0.45
Swire Pacific MTN Financing Ltd 3.15% 11/15/2022	2,000,000	2,092,548	0.47
Swire Properties MTN Financing Ltd 1.8% 8/17/2021	1,500,000	1,481,146	0.33
Tencent Holdings Ltd 3.2% 1/10/2020	4,500,000	4,556,784	1.03
Urban Renewal Authority 1.64% 5/11/2020	7,000,000	7,005,716	1.58
Urban Renewal Authority 1.65% 1/17/2020	1,000,000	1,002,125	0.23
		358,675,080	80.86
United States Dollar			
Airport Authority Hong Kong 3.45% 2/21/2029	600,000	5,037,693	1.14
Azure Nova International Finance Ltd 3% 3/21/2020	200,000	1,575,726	0.35
Bank of China Hong Kong Ltd 5.55% 2/11/2020	200,000	1,622,401	0.37
CDBL Funding 2 2.625% 8/1/2020	400,000	3,148,064	0.71
China Cinda Finance 2015 I Ltd 3.125% 4/23/2020	250,000	1,968,160	0.44
China Great Wall International Holdings III Ltd 2.75% 8/31/2020	300,000	2,362,919	0.53
CK Hutchison International 17 II Ltd 2.25% 9/29/2020	200,000	1,566,838	0.35
CNAC HK Finbridge Co Ltd 3% 7/19/2020	200,000	1,585,356	0.36
HPHT Finance 17 Ltd 2.75% 9/11/2022	200,000	1,573,451	0.35
Huarong Finance 2017 Co Ltd 3.375% 1/24/2020	250,000	1,983,936	0.45
ICBCIL Finance Co Ltd 3.2% 11/10/2020	200,000	1,576,459	0.36
Industrial & Commercial Bank of China Asia Ltd 5.125% 11/30/2020	250,000	2,023,128	0.46
Inventive Global Investments Ltd 2.5% 9/19/2020	250,000	1,965,125	0.44
Sinopec Group Overseas Development 2017 Ltd 2.25% 9/13/2020	250,000	1,960,324	0.44

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO (Continued)
AS AT 30 JUNE 2019

VALUE PARTNERS CHINA HK BOND AND GOLD FUND (Continued)

	Holdings	Fair value *HK$*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)			
Quoted Debt Securities (Continued)			
United States Dollar (Continued)			
Standard Chartered Bank Hong Kong Ltd 5.875% 6/24/2020	250,000	2,010,064	0.45
State Grid Overseas Investment 2016 Ltd 2.25% 5/4/2020	300,000	2,346,773	0.53
Vanke Real Estate Hong Kong Co Ltd 3.95% 12/23/2019	300,000	2,356,238	0.53
		36,662,655	8.26
Financial assets at fair value through profit or loss		423,000,685	95.36
Cash and cash equivalents		19,558,058	4.41
Other net assets		1,009,837	0.23
Total net assets		443,568,580	100.00
Total investments, at cost (inclusive of transaction cost)		421,281,808	

Note: Investments are accounted for on a trade date basis.

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO MOVEMENT
FOR THE YEAR ENDED 30 JUNE 2019

VALUE PARTNERS ASSET ALLOCATION FUND

	% of net assets	
	2019	**2018**[1]
Financial assets at fair value through profit or loss		
Approved Pooled Investment Funds		
Hong Kong	99.98	99.95
Total investment, net	99.98	99.95

VALUE PARTNERS HK EQUITY 50 FOCUS FUND

	% of net assets	
	2019	**2018**[2]
Financial assets at fair value through profit or loss		
Listed equity securities		
Hong Kong		
- H shares	36.46	34.53
- Red chips	12.26	12.56
- Others	47.61	46.94
Singapore	1.50	1.29
Total investment, net	97.83	95.32

[1] The date of commencement of operations was on 5 July 2017.
[2] The date of commencement of operations was on 6 July 2017.

INVESTMENT REPORT (Unaudited) (Continued)

INVESTMENT PORTFOLIO MOVEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2019

VALUE PARTNERS CHINA HK BOND AND GOLD FUND

	% of net assets	
	2019	**2018**[1]
Financial assets at fair value through profit or loss		
Listed Investment Funds		
Hong Kong	6.24	8.77
Debt Securities		
Hong Kong Dollar	80.86	79.45
United States Dollar	8.26	9.85
	89.12	89.30
Total investment, net	95.36	98.07

[1] The date of commencement of operations was on 6 July 2017.

VALUE PARTNERS CHOICE INVESTMENT FUNDS
- VALUE PARTNERS ASSET ALLOCATION FUND
- VALUE PARTNERS HK EQUITY 50 FOCUS FUND
- VALUE PARTNERS CHINA HK BOND AND GOLD FUND

TRUSTEE'S REPORT

In relation to the year ended 30 June 2019, we hereby confirm that:

(a) in our opinion, the Manager, Value Partners Hong Kong Limited has, in all material respects, managed Value Partners Choice Investment Funds in accordance with the provisions of the Trust Deed dated 30 January 2013.

(b) during the year, we have not become aware of any failures by HSBC Institutional Trust Services (Asia) Limited (the "Custodian"), the Manager and their delegates to comply with the obligations imposed on them, except to the extent that such failures have been previously reported to the Mandatory Provident Fund Schemes Authority (the "MPFA");

(c) we are not aware of any events of a significant nature relating to the Funds that occurred during the year which have not been reported to the MPFA;

(d) provisions of the constitutive documents, the Code on Unit Trusts and Mutual Funds, the Mandatory Provident Fund Schemes Ordinance, the Mandatory Provident Fund Schemes (General) Regulation, the Code on MPF Investment Funds and other relevant guidelines issued by the MPFA have been complied with in all material respects during the year, except to the extent that any non-compliance has been previously reported to the MPFA; and

(e) there are no material changes (including changes of the Custodian, the Investment Manager and delegates of the Investment Manager) which have not been reported to the MPFA during the year.

We declare that we have, during the year, supervised, and exercised proper control over, all persons appointed or engaged for the purposes of the Funds.

For and on behalf of
HSBC Institutional Trust Services (Asia) Limited

Trustee
25 October 2019

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEE OF VALUE PARTNERS CHOICE INVESTMENT FUNDS
(THE "FUND")

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of Value Partners Asset Allocation Fund, Value Partners HK Equity 50 Focus Fund and Value Partners China HK Bond and Gold Fund (collectively the "Sub-Funds") set out on pages 25 to 56, which comprise:

- the statement of financial position of the Sub-Funds as at 30 June 2019;
- the statement of comprehensive of the Sub-Funds for the year then ended;
- the statement of changes in net assets attributable to unitholders of the Sub-Funds for the year then ended;
- the statement of cash flows of the Sub-Funds 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 give a true and fair view of the financial position of each of the Sub-Funds as at 30 June 2019, and their financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 860.1 (Revised), "The Audit of Retirement Schemes" issued by the HKICPA. 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 Sub-Funds in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

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

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

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

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

Responsibilities of the Management for the Financial Statements

The Management of the Sub-Funds is responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, 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 Sub-Funds is responsible for assessing the Sub-Funds' 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 Sub-Funds or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Funds is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 30 January 2013 (the "Trust Deed"), the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance"), the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation"), the Code on MPF Investment Funds (the "MPF Code"), Guidelines II.5 issued by the Mandatory Provident Fund Schemes Authority (the "MPF Guideline") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Funds have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed, the Ordinance, the General Regulation, the MPF Code, the MPF Guideline and the SFC Code.

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEE OF VALUE PARTNERS CHOICE INVESTMENT FUNDS
(THE "FUND") (CONTINUED)

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

As part of an audit in accordance with HKSAs, 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 Sub-Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Funds' 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 Sub-Funds 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, the Ordinance, the General Regulation, the MPF Code, the MPF Guideline and the SFC Code

(a) In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed, the Ordinance, the General Regulation, the MPF Code, the MPF Guideline and the SFC Code; and

(b) We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 October 2019

VALUE PARTNERS CHOICE INVESTMENT FUNDS
- VALUE PARTNERS ASSET ALLOCATION FUND
- VALUE PARTNERS HK EQUITY 50 FOCUS FUND
- VALUE PARTNERS CHINA HK BOND AND GOLD FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Value Partners Asset Allocation Fund		Value Partners HK Equity 50 Focus Fund		Value Partners China HK Bond and Gold Fund	
		2019	2018	2019	2018	2019	2018
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Assets							
Financial assets at fair value through profit or loss	3(d)	706,837,627	584,379,748	257,558,190	140,204,188	423,000,685	428,866,530
Amounts receivable on sale of investments		24,810	-	-	-	-	-
Amounts receivable on subscription of units		1,150,934	2,784,973	-	2,784,973	1,150,934	-
Dividends and interest receivables	5(e)	15	-	2,547,088	895,544	1,217	8,457
Prepayments and other receivables	5(e)	373,356	469,637	38,952	114,958	40,982	107,126
Cash and cash equivalents		771	58,978	3,296,323	4,757,194	19,558,058	8,449,246
Total Assets		708,387,513	587,693,336	263,440,553	148,756,857	443,751,876	437,431,359
Liabilities							
Amounts payable on purchase of investments	5(e)	1,150,934	2,784,973	-	1,544,249	-	-
Amounts payable on redemption of units		24,810	58,869	24,810	-	-	-
Accruals and other payables	5(e)	236,078	194,430	146,696	117,586	183,296	146,633
Total Liabilities		1,411,822	3,038,272	171,506	1,661,835	183,296	146,633
Net assets attributable to unitholders	4	706,975,691	584,655,064	263,269,047	147,095,022	443,568,580	437,284,726

Signed by:
Value Partners Hong Kong Limited, *Manager*

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

The notes on pages 30 to 56 are an integral part of these financial statements.

VALUE PARTNERS CHOICE INVESTMENT FUNDS
- VALUE PARTNERS ASSET ALLOCATION FUND
- VALUE PARTNERS HK EQUITY 50 FOCUS FUND
- VALUE PARTNERS CHINA HK BOND AND GOLD FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

		Value Partners Asset Allocation Fund		Value Partners HK Equity 50 Focus Fund		Value Partners China HK Bond and Gold Fund	
		2019	2018[1]	2019	2018[2]	2019	2018[2]
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Income							
Dividends	5(e)	-	-	10,114,211	4,145,008	-	-
Interest on bank deposits	5(e)	94	25	5,216	829	31,658	50,571
Net realised (losses)/gains on investments		(3,276,623)	19,368,820	(10,237,919)	20,847,026	(3,643,487)	(227,284)
Change in unrealised gains/losses on investments		11,868,515	(659,622)	(2,644,396)	(1,902,349)	17,470,222	(2,162,490)
Other income	5(e)	329,509	369,579	-	-	36,201	12,056
Net foreign exchange gains/(losses)		115	-	(4,822)	(4,790)	(9,824)	27,069
		8,921,610	19,078,802	(2,767,710)	23,085,724	13,884,770	(2,300,078)
Expenses							
Trustee fees	5(b)	-	-	310,810	225,962	464,808	264,465
Transaction costs	5(e)	-	-	625,832	922,918	14,341	93,067
Safe custody and bank charges		500	-	21,144	22,586	21,917	8,424
Legal and professional fees		109,177	27,309	133,501	49,060	101,520	26,525
Auditor's remuneration		189,760	178,674	90,914	89,336	99,353	89,336
Preliminary expenses		56,214	95,384	56,192	75,308	56,192	75,309
Other operating expenses		12,889	6,801	30,657	14,794	4,684	1,917
		368,540	308,168	1,269,050	1,399,964	762,815	559,043
Profit/(loss) before tax		8,553,070	18,770,634	(4,036,760)	21,685,760	13,121,955	(2,859,121)
Withholding tax on dividends	6(b)	-	-	(491,512)	(116,832)	-	-
Increase/(decrease) in net assets attributable to unitholders from operations		8,553,070	18,770,634	(4,528,272)	21,568,928	13,121,955	(2,859,121)

The notes on pages 30 to 56 are an integral part of these financial statements.

[1] For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

VALUE PARTNERS CHOICE INVESTMENT FUNDS
- VALUE PARTNERS ASSET ALLOCATION FUND
- VALUE PARTNERS HK EQUITY 50 FOCUS FUND
- VALUE PARTNERS CHINA HK BOND AND GOLD FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2019

	Value Partners Asset Allocation Fund		Value Partners HK Equity 50 Focus Fund		Value Partners China HK Bond and Gold Fund	
	2019	2018[1]	2019	2018[2]	2019	2018[2]
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Net assets attributable to unitholders as at beginning of the year/period	584,655,064	-	147,095,022	-	437,284,726	-
Issuance of units	177,907,894	570,741,429	297,465,348	339,207,391	181,664,578	441,781,617
Redemption of units	(64,140,337)	(4,856,999)	(176,763,051)	(213,681,297)	(188,502,679)	(1,637,770)
Net increase/(decrease) from unit transactions	113,767,557	565,884,430	120,702,297	125,526,094	(6,838,101)	440,143,847
Increase/(decrease) in net assets attributable to unitholders from operations	8,553,070	18,770,634	(4,528,272)	21,568,928	13,121,955	(2,859,121)
Net assets attributable to unitholders as at end of the year/period	706,975,691	584,655,064	263,269,047	147,095,022	443,568,580	437,284,726

The notes on pages 30 to 56 are an integral part of these financial statements.

[1] For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

VALUE PARTNERS CHOICE INVESTMENT FUNDS
- VALUE PARTNERS ASSET ALLOCATION FUND
- VALUE PARTNERS HK EQUITY 50 FOCUS FUND
- VALUE PARTNERS CHINA HK BOND AND GOLD FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Value Partners Asset Allocation Fund		Value Partners HK Equity 50 Focus Fund		Value Partners China HK Bond and Gold Fund	
	2019	2018[1]	2019	2018[2]	2019	2018[2]
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cash flows from operating activities						
Increase/(decrease) in net assets attributable to unitholders from operations	8,553,070	18,770,634	(4,528,272)	21,568,928	13,121,955	(2,859,121)
Adjustments for:						
Dividends	-	-	(10,114,211)	(4,145,008)	-	-
interest on bank deposits	(94)	(25)	(5,216)	(829)	(31,658)	(50,571)
Withholding tax on dividends	-	-	491,512	116,832	-	-
	8,552,976	18,770,609	(14,156,187)	17,539,923	13,090,297	(2,909,692)
(Increase)/decrease in financial assets at fair value through profit or loss	(122,457,879)	(584,379,748)	(117,354,002)	(140,204,188)	5,865,845	(428,866,530)
Increase in amounts receivable on sale of investments	(24,810)	-	-	-	-	-
Decrease/(increase) in prepayments and other receivables	96,281	(469,637)	76,006	(114,958)	66,144	(107,126)
(Decrease)/increase in amounts payable on purchase of investments	(1,634,039)	2,784,973	(1,544,249)	1,544,249	-	-
Increase in accruals and other payables	41,648	194,430	29,110	117,586	36,663	146,633
Cash (used in)/generated from operations	(115,425,823)	(563,099,373)	(132,949,322)	(121,117,388)	19,058,949	(431,736,715)
Dividends received	-	-	8,462,778	3,249,588	-	-
Interest received	79	25	5,105	705	38,898	42,114
Tax paid	-	-	(491,512)	(116,832)	-	-
Net cash (outflow)/inflow from operating activities	(115,425,744)	(563,099,348)	(124,972,951)	(117,983,927)	19,097,847	(431,694,601)

The notes on pages 30 to 56 are an integral part of these financial statements.

[1] For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

VALUE PARTNERS CHOICE INVESTMENT FUNDS
- VALUE PARTNERS ASSET ALLOCATION FUND
- VALUE PARTNERS HK EQUITY 50 FOCUS FUND
- VALUE PARTNERS CHINA HK BOND AND GOLD FUND

STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019

	Value Partners Asset Allocation Fund		Value Partners HK Equity 50 Focus Fund		Value Partners China HK Bond and Gold Fund	
	2019	**2018[1]**	**2019**	**2018[2]**	**2019**	**2018[2]**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cash flows from financing activities						
Proceeds from issue of units	179,541,933	567,956,456	300,250,321	336,422,418	180,513,644	441,781,617
Payments on redemption of units	(64,174,396)	(4,798,130)	(176,738,241)	(213,681,297)	(188,502,679)	(1,637,770)
Net cash inflow/(outflow) from financing activities	115,367,537	563,158,326	123,512,080	122,741,121	(7,989,035)	440,143,847
Net (decrease)/increase in cash and cash equivalents	(58,207)	58,978	(1,460,871)	4,757,194	11,108,812	8,449,246
Cash and cash equivalents as at the beginning of the reporting year/period	58,978	-	4,757,194	-	8,449,246	-
Cash and cash equivalents as at 30 June, representing bank balances	771	58,978	3,296,323	4,757,194	19,558,058	8,449,246

The notes on pages 30 to 56 are an integral part of these financial statements.

[1] For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Value Partners Asset Allocation Fund, Value Partners HK Equity 50 Focus Fund and Value Partners China HK Bond and Gold Fund (each individually the "Sub-Fund" or collectively, the "Sub-Funds") are the sub-funds of Value Partners Choice Investment Funds (the "Fund"), which is an umbrella unit trust established under the laws of Hong Kong and governed by the Trust Deed dated 30 January 2013 between HSBC Institutional Trust Services (Asia) Limited as trustee ("Trustee") and Value Partners Hong Kong Limited as manager ("Manager"). These financial statements are prepared for the Sub-Funds only.

The Sub-Funds are 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 Sub-Funds are approved by the Mandatory Provident Fund Schemes Authority in Hong Kong.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of accounting estimates. It also requires the exercise of judgement in the process of applying the Sub-Funds' 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 July 2018

HKFRS 9 'Financial Instruments' became effective for reporting periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in HKAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. HKFRS 9 also introduces a new expected credit loss (ECL) impairment model.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards effective 1 July 2018 (Continued)

HKFRS 9 has been applied retrospectively by the Sub-Funds and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(c). The Sub-Funds' investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for reporting periods beginning on 1 July 2018 that have a material effect on the financial statements of the Sub-Funds.

Standards that are not yet effective and have not been early adopted by the Sub-Funds

A number of new standards, amendments to standards and interpretations are effective for reporting periods beginning on or after 1 July 2019, 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 Sub-Funds.

(b) Investment entity

The Sub-Funds have been deemed to meet the definition of an investment entity per HKFRS 10 as the following conditions exist:

(i) The Sub-Funds have multiple investments;

(ii) The Sub-Funds obtained funding for the purpose of providing investors with investment management services;

(iii) The Sub-Funds' 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 Sub-Funds meet all of the typical characteristics of an investment entity and management believes they are investment entities. The Sub-Funds are required to account for investee funds at fair value through profit and loss.

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

(i) Classification

The Sub-Funds classify their investments based on both the Sub-Funds' business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Funds are primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Sub-Funds' debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Funds' business model's objective.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Recognition/derecognition

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

(iii) Measurement

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

(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 stated at 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/shares of the respective sub-funds as determined by the administrators of the relevant sub-funds or stated at last traded prices if the investee sub-funds are listed or traded on an exchange. When trading of financial assets and liabilities is suspended, the investment is valued at the manager's estimate of its fair value.

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

(d) Income

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

Interest income is recognised in the statement of comprehensive income on a time-proportionate basis using the effective interest method. Interest income earned from debt securities is grouped under net realised gain on investments or unrealised gain on investments.

Interest income on debt securities is recognised in the statement of comprehensive income within "net realised (losses)/gains on investment" and "change in unrealised gains/losses on investments" which depends on whether the Sub-Funds hold that debt security as at year end.

(e) Expenses

Expenses are accounted for on an accrual basis.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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.

(g) 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 Sub-Funds. The distribution on the units is recognised as a finance cost in the statement of comprehensive income.

(h) Foreign currency translation

The financial statements are presented in Hong Kong dollar, which is the Sub-Funds' functional and presentation currency.

The Sub-Funds have adopted Hong Kong dollar as the functional currency of the Sub-Funds since the subscriptions and redemptions of the Sub-Funds are mainly transacted in Hong Kong dollars. In addition, performance measurement and reporting to the unitholders as well as settlement of fees and expenses are carried out in Hong Kong 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 (losses)/gains on investments" or "Change in unrealised gains/losses on investments".

(i) Taxation

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

(j) Cash and cash equivalents

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

(k) Redeemable units

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

3 FINANCIAL RISK MANAGEMENT

The Sub-Funds' activities expose them 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 Sub-Funds to manage these risks are discussed below:

(a) Market risk

(i) Foreign exchange risk

The Sub-Funds may hold assets denominated in currencies other than the Hong Kong dollar, the functional currency, it may therefore be exposed to foreign exchange risk. The Sub-Funds' overall currency positions are monitored on a daily basis by the Manager.

The table below includes both monetary and non-monetary assets and liabilities of Value Partners Assets Allocation Fund, Value Partners HK Equity 50 Focus Fund and Value Partners China HK Bond and Gold Fund that held in foreign currencies together with the percentage of reasonable possible change in foreign currencies and the estimated impact on net assets.

Value Partners Asset Allocation Fund

	Total net foreign currency exposures			
	Non-monetary net assets *HK$ equivalent*	**Monetary net assets/ (liabilities)** *HK$ equivalent*	**Percentage change** *%*	**Estimated impact on net assets** *HK$*
As at 30 June 2019				
United States dollar*	-	(37,235)	+/-0	-
	-	(37,235)		

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

As at 30 June 2018, Value Partners Asset Allocation Fund did not hold any monetary and non-monetary assets and liabilities in foreign currencies.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Value Partners HK Equity 50 Focus Fund

	Total net foreign currency exposures			
	Non-monetary net assets *HK$ equivalent*	Monetary net assets/ (liabilities) *HK$ equivalent*	Percentage change *%*	Estimated impact on net assets *HK$*
As at 30 June 2019				
Renminbi	-	959,803	+/-5	+/-47,990
United States dollar*	3,953,907	468,554	+/-0	-
	3,953,907	1,428,357		
As at 30 June 2018				
Renminbi	-	111,900	+/-5	+/-5,595
United States dollar*	1,896,542	131,279	+/-0	-
	1,896,542	243,179		

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Value Partners China HK Bond and Gold Fund

	Total net foreign currency exposures			
	Non-monetary net assets *HK$ equivalent*	Monetary net assets/ (liabilities) *HK$ equivalent*	Percentage change *%*	Estimated impact on net assets *HK$*
As at 30 June 2019				
United States dollar*	-	36,625,298	+/-0	-
	-	36,625,298		
As at 30 June 2018				
United States dollar*	-	43,051,300	+/-0	-
	-	43,051,300		

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

(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 Sub-Funds' overall market positions are monitored on a daily basis by the Manager.

As at 30 June 2019 and 2018, Value Partners Asset Allocation Fund only invests in Value Partners HK Equity 50 Focus Fund and Value Partners China HK Bond and Gold Fund. Therefore, it is only subjected to price risk of the two sub-funds.

As at 30 June 2019, Value Partners HK Equity 50 Focus Fund had no exposure to single security that is greater than 10% of net assets. As at 30 June 2019, Value Partners China HK Bond and Gold Fund had one security that is greater than 10% of net assets as below.

	Fair value *HK$*	% of net assets
As at 30 June 2019		
Hong Kong Government Bond Programme 2.46% 8/4/2021	50,431,319	11.37

As at 30 June 2018, Value Partners HK Equity 50 Focus Fund and Value Partners China HK Bond and Gold Fund had no exposure to single security that is greater than 10% of net assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The Sub-Funds' overall market exposures at the reporting date were as follows:

Value Partners Asset Allocation Fund

	% of net assets	
	2019	2018
Financial assets at fair value through profit or loss		
Approved Pooled Investment Funds		
Hong Kong	99.98	99.95
	99.98	99.95

Value Partners HK Equity 50 Focus Fund

	% of net assets	
	2019	2018
Financial assets at fair value through profit or loss		
Listed equity securities		
Hong Kong		
- H shares	36.46	34.53
- Red chips	12.26	12.56
- Others	47.61	46.94
Singapore	1.50	1.29
	97.83	95.32

Value Partners China HK Bond and Gold Fund

	% of net assets	
	2019	2018
Financial assets at fair value through profit or loss		
Quoted debt securities		
Cayman Islands	1.06	1.05
China	5.63	11.70
Hong Kong	82.43	76.55
	89.12	89.30
Listed Investment Funds		
Hong Kong	6.24	8.77
	95.36	98.07

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The table below shows the analysis of the net position of equity securities of Value Partners HK Equity 50 Focus Fund by industry.

Value Partners HK Equity 50 Focus Fund

	2019	2018
	%	%
Financials	54.94	51.93
Telecommunication Services	10.58	1.31
Industrials	9.61	6.02
Consumer Discretionary	4.71	6.75
Real Estate	4.37	4.86
Utilities	4.20	4.38
Energy	4.16	4.62
Health Care	3.28	5.22
REIT	2.94	2.25
Consumer Staples	0.75	0.76
Information Technology	0.46	11.63
Materials	-	0.27
	100.00	100.00

The table below summarises the sensitivity of the Value Partners HK Equity 50 Focus Fund's portfolio of listed equity securities to equity price movements. The analysis is based on the assumptions that the FTSE MPF Hong Kong Index increased/decreased with all other variables held constant and that the fair value of the portfolio of listed equity securities of the Sub-Funds' 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.

Value Partners HK Equity 50 Focus Fund

	Percentage change		Estimated impact on net assets	
	2019	2018	2019	2018
	%	%	*HK$*	*HK$*
FTSE MPF Hong Kong Index	+/-30	+/-30	+/-76,674,066	+/-42,074,911

As Value Partners China HK Bond and Gold Fund predominantly invests in debt securities and related financial instruments, the market risk sensitivity analysis is covered under interest rate risk in note 3(a)(iii).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk

Value Partners Asset Allocation Fund and Value Partners HK Equity 50 Focus Fund

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

Cash at banks is subject to interest rate risk as the return is derived from the current inter-bank lending rates. Debt securities are also subject to interest rate risk; however, the interest rate risk is not actively managed as it is not considered significant. As a result, no sensitivity analysis was deemed necessary.

Value Partners China HK Bond and Gold Fund

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The sub-fund holds fixed interest securities that expose it to fair value interest rate risk. The deposits with brokers, overdrafts with bank and cash and cash equivalents expose the sub-fund to cash flow interest rate risk.

The table below summarises the sub-funds' exposure to interest rate risk, categorised by the earlier of contractual reprising and maturity dates.

	Interest bearing				
	Less than 1 year *HK$*	*1 to 5 years* *HK$*	*Over 5 years* *HK$*	*Non-interest bearing* *HK$*	*Total* *HK$*
As at 30 June 2019					
Assets					
Financial assets at fair value through profit or loss	177,438,877	210,871,107	7,027,751	27,662,950	423,000,685
Cash and cash equivalents	19,558,058	-	-	-	19,558,058
	196,996,935	210,871,107	7,027,751	27,662,950	442,558,743
Interest sensitivity gap	196,996,935	210,871,107	7,027,751		

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

Value Partners China HK Bond and Gold Fund (Continued)

	Interest bearing				
	Less than 1 year *HK$*	*1 to 5 years* *HK$*	*Over 5 years* *HK$*	*Non-interest bearing* *HK$*	*Total* *HK$*
As at 30 June 2018					
Assets					
Financial assets at fair value through profit or loss	153,919,778	234,719,474	1,856,478	38,370,800	428,866,530
Cash and cash equivalents	8,449,246	-	-	-	8,449,246
	162,369,024	234,719,474	1,856,478	38,370,800	437,315,776
Interest sensitivity gap	162,369,024	234,719,474	1,856,478		

Financial assets and liabilities not disclosed in the above table are non-interest bearing.

Fair *value interest rate risk*

The table below summarises the sensitivity of the Sub-Fund's net assets to interest rate movements.

The analysis is based on the assumptions that the interest rate increased/decreased by the stated percentage with all other variables held constant.

	Percentage change		**Estimated impact on net assets**	
	2019 %	2018 %	2019 *HK$*	2018 *HK$*
Interest rate	+/-0.5	+/-0.5	-476,502/+482,644	-331,446/+335,559

Cash flow interest rate risk

As at 30 June 2019 and 2018, if the interest rates on interest bearing net assets had been 50 basis points higher/lower with all other variables held constant, the net assets would have been approximately HK$97,790 lower/higher (2018: HK$42,246 lower/higher).

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk

The Sub-Funds limit their exposure to credit risk by transacting the majority of their 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.

	Value Partners Asset Allocation Fund *HK$*	Value Partners HK Equity 50 Focus Fund *HK$*	Value Partners China HK Bond and Gold Fund *HK$*
As at 30 June 2019			
Counterparty			
Bank balances			
Aa2	771	3,296,323	19,558,058
Investments placed with custodian			
Aa2	706,837,627	257,558,190	423,000,685
Amounts receivable on subscription of units			
Unrated*	1,150,934	-	1,150,934
As at 30 June 2018			
Counterparty			
Bank balances			
Aa3	58,978	4,757,194	1,627,113
A1	-	-	6,822,133
Investments placed with custodian			
Aa3	584,379,748	140,204,188	428,866,530
Amounts receivable on subscription of units			
Unrated*	2,784,973	2,784,973	-

* The credit quality of amounts receivable on subscription 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 amounts receivable on subscription of units at the reporting date as there was no default history on such deposit and amounts receivable on subscription of units in the past.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2019 and 30 June 2018, all other receivables, Investments placed with custodian, cash and short-term deposits are held with counterparties with a credit rating of Aa2 or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Sub-Funds.

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

No financial assets were overdue or impaired as at 30 June 2019.

Value Partners China HK Bond and Gold Fund

The table below summarises the credit quality of the sub-funds' portfolio of debt securities held in long position as at the reporting date. The credit ratings are issued by Moody's.

	2019	2018
Credit rating	*HK$*	*HK$*
A1	29,334,199	54,126,020
A2	28,288,348	34,359,607
A3	3,612,459	15,992,212
Aa2	75,130,638	103,976,811
Baa1	9,898,530	7,751,773
Baa2	4,379,366	4,394,266
Unrated*	244,694,195	169,895,041
	395,337,735	390,495,730

* 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit and counterparty risk (Continued)

The table below summarises the unrated debt securities as stated in the table above by their issuers' credit rating as at the reporting date.

Credit rating (Moody's/S&P)	2019 *HK$*	2018 *HK$*
Aa1/AA+	13,045,534	-
Aa2/AA	195,045,678	103,928,629
A1/A+	12,720,330	28,560,526
A2/A	20,204,749	25,632,963
A3/A-	2,092,548	6,187,216
Baa2/BBB	1,585,356	-
Unrated	-	5,585,707
	244,694,195	169,895,041

(c) Liquidity risk

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

	Value Partners Asset Allocation Fund Less than 3 months *HK$*	Value Partners HK Equity 50 Focus Fund Less than 3 months *HK$*	Value Partners China HK Bond and Gold Fund Less than 3 months *HK$*
As at 30 June 2019			
Amounts payable on purchase of investments	1,150,934	-	-
Amounts payable on redemption of units	24,810	24,810	-
Accruals and other payables	236,078	146,696	183,296
	1,411,822	171,506	183,296

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Value Partners Asset Allocation Fund Less than 3 months *HK$*	Value Partners HK Equity 50 Focus Fund Less than 3 months *HK$*	Value Partners China HK Bond and Gold Fund Less than 3 months *HK$*
As at 30 June 2018			
Amounts payable on purchase of investments	2,784,973	1,544,249	-
Amounts payable on redemption of units	58,869	-	-
Accruals and other payables	194,430	117,586	146,633
	3,038,272	1,661,835	146,633

Capital management

The capital of the Sub-Funds are represented by the net assets attributable to unitholders which is subject to daily subscriptions and redemptions of redeemable units. The Sub-Funds' 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 in consultation with the Trustee 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 Sub-Funds invest may be relatively illiquid and the liquidity of these markets may fluctuate substantially over time. Investment of the Sub-Funds' assets in relatively illiquid securities may restrict the ability of the Sub-Funds to dispose of its investments at a price and time that it wishes. The risk of illiquidity also arises in the case of over-the-counter transactions. As at 30 June 2019 and 2018, 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 Sub-Funds' asset can be realised within 7 days or less to generate cash inflows for managing liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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

As at 30 June 2019	**% of net assets**
Value Partners Asset Allocation Fund	
Investor 1	93.78
Value Partners HK Equity 50 Focus Fund	
Investor 1	100.00
Value Partners China HK Bond and Gold Fund	
Investor 1	100.00

As at 30 June 2018	**% of net assets**
Value Partners Asset Allocation Fund	
Investor 1	85.14
Value Partners HK Equity 50 Focus Fund	
Investor 1	100.00
Value Partners China HK Bond and Gold Fund	
Investor 1	100.00

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 Sub-Funds' financial assets and liabilities (by class) measured at fair value as at the reporting date.

Value Partners Asset Allocation Fund

	Level 1	Level 2	Level 3	Total
	HK$	*HK$*	*HK$*	*HK$*
As at 30 June 2019				
Assets				
Approved Pooled Investment Fund	-	706,837,627	-	706,837,627
	-	706,837,627	-	706,837,627
As at 30 June 2018				
Assets				
Approved Pooled Investment Fund	-	584,379,748	-	584,379,748
	-	584,379,748	-	584,379,748

Value Partners HK Equity 50 Focus Fund

	Level 1	Level 2	Level 3	Total
	HK$	*HK$*	*HK$*	*HK$*
As at 30 June 2019				
Assets				
Listed equity securities	257,558,190	-	-	257,558,190
	257,558,190	-	-	257,558,190
As at 30 June 2018				
Assets				
Listed equity securities	140,204,188	-	-	140,204,188
	140,204,188	-	-	140,204,188

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

Value Partners China HK Bond and Gold Fund

	Level 1 *HK$*	Level 2 *HK$*	Level 3 *HK$*	Total *HK$*
As at 30 June 2019				
Assets				
Listed investment funds	27,662,950	-	-	27,662,950
Quoted debt securities	-	389,270,359	6,067,376	395,337,735
	27,662,950	389,270,359	6,067,376	423,000,685
As at 30 June 2018				
Assets				
Listed investment funds	38,370,800	-	-	38,370,800
Quoted debt securities	-	352,244,471	38,251,259	390,495,730
	38,370,800	352,244,471	38,251,259	428,866,530

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

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

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

As at 30 June 2019 and 2018, Value Partners China HK Bond and Gold Fund invested in level 3 debt securities amounting to HK$6,067,376 (2018: HK$38,251,259). These level 3 debt securities consist of single quoted debt securities. 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 Sub-Fund. No quantitative analysis has been presented.

The table below summarises the key unobservable inputs adopted by the Manager in determining the fair value of level 3 investments held by Value Partners China HK Bond and Gold Fund.

	Fair value *HK$*	Valuation technique	Unobservable inputs
As at 30 June 2019			
Single quoted debt securities	6,067,376	Quoted price	-
As at 30 June 2018			
Single quoted debt securities	38,251,259	Quoted price	-

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

Value Partners China HK Bond and Gold Fund (Continued)

The following table presents the transfers between levels for the year ended 30 June 2019. There were no transfers between levels for the period ended 30 June 2018.

	Level 1 *HK$*	Level 2 *HK$*	Level 3 *HK$*
As at 30 June 2019			
Transfer from level 3 to 2	-	16,257,691	(16,257,691)
Transfer from level 2 to 3	-	(5,077,230)	5,077,230

The following table presents the movement in level 3 investments for the year/period.

	Year ended 30 June 2019 *HK$*	Period from 6 July 2017 (date of commencement of operations) to 30 June 2018 *HK$*
Opening balance	38,251,259	-
Purchase	-	38,001,460
Sales	(20,000,000)	-
Transfer from level 2 to level 3	5,077,230	-
Transfer from level 3 to level 2	(16,257,691)	-
(Losses)/gains recognised in profit and loss	(1,003,422)	249,799
Closing balance	6,067,376	38,251,259
Changes in unrealised gains/losses for the year/period included in the statement of comprehensive income for investments held at the end of the year/period	(36,808)	249,799

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

4 REDEEMABLE UNITS

Units of the Sub-Funds can be issued in different classes. All units are subject to daily redemption. The management fees charged to each classes of units are different as disclosed in note 5 (a).

The units can be put back to the Sub-Fund for cash equal to a proportionate share of the Sub-Funds' net asset value. The units are carried at the redemption amount that is payable at the reporting date if the unitholders exercise their right to put the units back to the Sub-Funds.

4 REDEEMABLE UNITS (Continued)

Class A Units are available generally for subscription by retirement schemes and certain institutional investors. Class B Units are available for subscription by retirement schemes and certain institutional investors agreed by the Manager.

For the year ended 30 June 2019 and period ended 30 June 2018, the Sub-Funds only issued Class B units, which are the most subordinate class of units and are classified as equity.

The Sub-Funds' capital are represented by these units. The Sub-Funds' capital are shown as net assets attributable to unitholders in the statement of financial position. The Sub-Funds endeavour to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of listed securities where necessary.

Number of units in issue

The movement of number of units in issue during the year ended 30 June 2019 and period ended 30 June 2018 was as follows:

	Value Partners Asset Allocation Fund[1] Class B	Value Partners HK Equity 50 Focus Fund[2] Class B	Value Partners China HK Bond and Gold Fund[2] Class B
As at 1 July 2018	52,519,968	12,914,933	44,111,337
Subscription of units	15,939,826	26,751,150	17,904,133
Redemption of units	(5,775,242)	(16,296,033)	(18,716,991)
As at 30 June 2019	62,684,552	23,370,050	43,298,479
As at the beginning of the period	-	-	-
Subscription of units	52,948,055	30,783,418	44,275,564
Redemption of units	(428,087)	(17,868,485)	(164,227)
As at 30 June 2018	52,519,968	12,914,933	44,111,337

	Value Partners Asset Allocation Fund[1]	Value Partners HK Equity 50 Focus Fund[2]	Value Partners China HK Bond and Gold Fund[2]
Net asset value per unit as at 30 June 2019			
Class B	HK$11.2783	HK$11.2652	HK$10.2444
Net asset value per unit as at 30 June 2018			
Class B	HK$11.1321	HK$11.3895	HK$9.9132

[1] For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

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

The following is a summary of significant related party transactions/transactions entered into during the year/period between the Sub-Funds and the Trustee, Manager and their connected persons. Connected persons of the Trustee and 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 calculated and accrued at each valuation day and payable monthly in arrears as a percentage of the net asset value of each class of units in the Sub-Funds as at each valuation day at the rates as specified below:

	Class A	**Class B***
Value Partners Asset Allocation Fund	1.25% per annum	Nil
Value Partners HK Equity 50 Focus Fund	0.8% per annum	Nil
Value Partners China HK Bond and Gold Fund	1% per annum	Nil

* The Manager receives fees directly from a related party of investor 1 of Class B unit of Value Partners Asset Allocation Fund.

(b) Trustee fee

The Trustee is entitled to receive a fee calculated and accrued at each valuation day and payable monthly in arrears out of the assets of the Sub-Funds. The fee payable to the Trustee is subject to the rates as specified below:

	Class A	**Class B**
Value Partners Asset Allocation Fund	Nil	Nil
Value Partners HK Equity 50 Focus Fund	0.125% per annum	0.125% per annum
Value Partners China HK Bond and Gold Fund	0.125% per annum	0.125% per annum

The trustee fee is subject to minimum monthly fee as below:

	HK$
Value Partners Asset Allocation Fund	8,000
Value Partners HK Equity 50 Focus Fund	20,000*
Value Partners China HK Bond and Gold Fund	20,000*

* Reduced to HK$10,000 per month for the period from 6 July 2018 to 5 July 2019.

For the year ended 30 June 2019 and period ended 30 June 2018, Sub-Funds incurred Trustee fee as below:

	2019 *HK$*	**2018** *HK$*
Value Partners Asset Allocation Fund[1]	Nil	Nil
Value Partners HK Equity 50 Focus Fund[2]	310,810	225,962
Value Partners China HK Bond and Gold Fund[2]	464,808	264,465

[1] For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

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

(b) Trustee fee (Continued)

As at 30 June 2019 and 2018, outstanding Trustee fee payable of Sub-Funds as follow:

	2019 *HK$*	2018 *HK$*
Value Partners Asset Allocation Fund	Nil	Nil
Value Partners HK Equity 50 Focus Fund	24,489	13,952
Value Partners China HK Bond and Gold Fund	41,778	43,501

(c) Manager's and its related parties' holding in the Sub-Funds

The Manager and its related parties held units of the Sub-Funds as follows:

Value Partners Asset Allocation Fund

	As at 1 July 2018	Issue of units	Redemption of units	As at 30 June 2019
Year ended 30 June 2019				
Class B				
Value Partners High-Dividend Stocks Fund*	3,900,000	-	-	3,900,000
Value Partners Greater China High Yield Income Fund*	3,900,000	-	(3,900,000)	-

	At the beginning of the period	Issue of units	Redemption of units	As at 30 June 2018
Period from 5 July 2017 (Date of commencement of operations) to 30 June 2018				
Class B				
Value Partners High-Dividend Stocks Fund*	-	3,900,000	-	3,900,000
Value Partners Greater China High Yield Income Fund*	-	3,900,000	-	3,900,000

* Value Partners High-Dividend Stocks Fund and Value Partners Greater China High Yield Income Fund are managed by the Manager.

Value Partner HK Equity 50 Focus Fund and Value Partner China HK Bond and Gold Fund are 100% of holding by Value Partners Asset Allocation Fund during the year ended 30 June 2019 and period ended 30 June 2018.

(d) Preliminary charges

The Manager is entitled to receive a preliminary charge on issue of units which represents up to 5% of the issue price. For the year ended 30 June 2019 and period ended 30 June 2018, no preliminary charge on issue of redeemable participating shares was charged by the Manager.

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

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

The Manager reimbursed Value Partners Asset Allocation Fund amounted to HK$329,509 (period ended 30 June 2018: HK$369,579) during the year ended 30 June 2019. This reimbursement is presented as other income in the statement of comprehensive income.

In addition to the trustee fee as disclosed in note 5(b), the Sub-Funds 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.

	Value Partners Asset Allocation Fund 2019 *HK$*	Value Partners HK Equity 50 Focus Fund 2019 *HK$*	Value Partners China HK Bond and Gold Fund 2019 *HK$*
Interest on bank deposits	94	5,216	6,381
Dividends	-	1,869,825	-
Management fee Rebate	-	-	33,376
Transaction costs*	-	62,502	1,880

	Value Partners Asset Allocation Fund[1] 2018 *HK$*	Value Partners HK Equity 50 Focus Fund[2] 2018 *HK$*	Value Partners China HK Bond and Gold Fund[2] 2018 *HK$*
Interest on bank deposits	25	803	652
Dividends	-	1,047,072	-
Transaction costs*	-	32,088	10,324

[1] For the period from 5 July 2017 (date of commencement of operations) to 30 June 2018.
[2] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

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

(e) Other transactions and balances with the Trustee, the Manager and its related parties (Continued)

* The Sub-Funds paid commission to a related parties of the Trustee for the purchases and sales of investments during the year ended 30 June 2019 and period ended 30 June 2018 are as follow:

	Value Partners HK Equity 50 Focus Fund		Value Partners China HK Bond and Gold Fund	
	2019	2018[1]	2019	2018[1]
	HK$	*HK$*	*HK$*	*HK$*
Total commission paid of the sub-funds	100,552	151,337	11,863	42,542
Total commission paid to the related parities of the Trustee	42,149	21,871	-	-
The total aggregate value of the purchases and sales through the related parties of the Trustee	211,001,153	107,197,244	70,737,247	104,169,905
% of such transactions through the related parties of the Trustee to the total purchases and sales of the sub-funds	39.83%	15.07%	14.46%	20.44%
Average commission rate effected through the related parties of the Trustee	0.02%	0.02%	-	-

In addition to the Trustee fee payables as disclosed in note 5(b), the Sub-Funds had the following additional balances with the Trustee and its related parties.

	Value Partners Asset Allocation Fund	Value Partners HK Equity 50 Focus Fund	Value Partners China HK Bond and Gold Fund
	HK$	*HK$*	*HK$*
As at 30 June 2019			
Dividend receivable	-	486,604	-
Bank balance	771	3,296,323	19,558,058
Management fee rebate receivable	-	-	2,031
Transaction costs payable	-	-	125
Interest receivable on bank deposits	15	235	1217

[1] For the period from 6 July 2017 (date of commencement of operations) to 30 June 2018.

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

(e) Other transactions and balances with the Trustee, the Manager and its related parties (Continued)

	Value Partners Asset Allocation Fund *HK$*	Value Partners HK Equity 50 Focus Fund *HK$*	Value Partners China HK Bond and Gold Fund *HK$*
As at 30 June 2018			
Dividend receivable	-	112,064	-
Bank balance	58,978	4,757,194	1,627,113
Management fee rebate receivable	-	-	12,056
Transaction costs payable	-	753	251
Interest receivable on bank deposits	-	124	31

In addition to the above transactions and balances with the Trustee and its related parties, Value Partners HK Equity 50 Focus Fund had an investment of HK$5,348,750 (2018: HK$2,805,660) in Hang Seng Bank Ltd, which is a fellow subsidiary of the Trustee and HK$23,405,760 (HK$13,454,080) in HSBC Holdings Plc, which is the ultimate holding company of the Trustee respectively as at 30 June 2019 and 30 June 2018.

6 TAXATION

(a) Hong Kong

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

(b) Other jurisdictions

Overseas withholding tax was charged on certain dividend and investment income received during the year ended 30 June 2019 and period ended 30 June 2018.

7 DISTRIBUTION TO UNITHOLDERS

The Manager does not intend to make distributions in respect of any of the Sub-Funds. Income and net capital gains realised on the sale of investments, if any, earned by the Sub-Funds will be reinvested in that the Sub-Funds and reflected in the value of units of that Sub-Funds.

8 SOFT COMMISSION ARRANGEMENTS

The Manager may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Sub-fund (as may be permitted under applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out (the "brokers"). Soft dollars may be received from them provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of the customary full-service brokerage rates.

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

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

9 SECURITY LENDING ARRANGEMENTS

During the year ended 30 June 2019 and period ended 30 June 2018, the Sub-Funds did not enter into any security lending arrangements.

10 NEGOTIABILITY OF ASSETS

As at 30 June 2019 and 2018, there were no statutory or contractual requirements restricting the negotiability of the assets of the Sub-Funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 COMMITMENTS

The Sub-Funds had no capital commitments as at 30 June 2019 and 2018.

12 CONTINGENT LIABILITIES

The Sub-Funds had no contingent liabilities as at 30 June 2019 and 2018.

13 BANK LOANS AND OTHER BORROWINGS

The Sub-Funds had no bank loans and other borrowings as at 30 June 2019 and 2018.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 25 October 2019.