Value Partners China Greenchip Fund Limited

NAV per share : Class A - HKD62.62 | Class A2 QDis - HKD11.29
Fund size : USD409.2 million (HKD3,193.9 million)

★★★
Morningstar Rating™1
As at 30-06-2017

CIES Eligible*

Value Partners
Investing through discipline

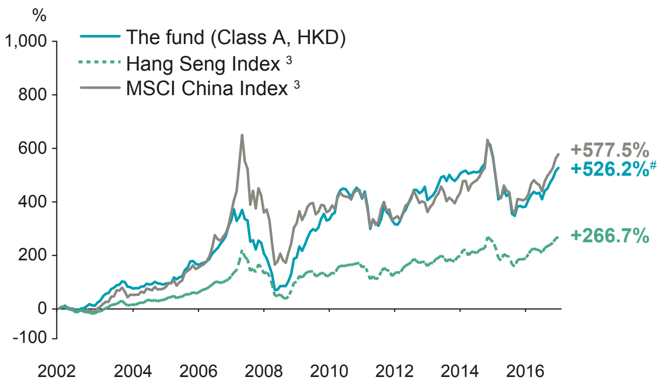
30 June 2017

- Value Partners China Greenchip Fund Limited (The "Fund") invests primarily in companies established in Greater China or which derive a majority of their revenue from business related to Greater China.
- Please pay particular attention to the risk of investment in China and other markets in the Asian region and in companies with medium or small capitalization. The value of the Fund can be extremely volatile and could go down substantially within a short period of time. It is possible that the entire value of your investment could be lost.
- The Fund may also invest in derivatives which can involve material risks, e.g. counterparty default risk, insolvency or liquidity risk, and may expose the Fund to significant losses.
- You should not make investment decision on the basis of this material alone. Please read the explanatory memorandum for details and risk factors.

Investment objective

The fund aims to achieve medium-term capital growth by means of investing in companies established in Greater China or which derive a majority of their revenue from business related to Greater China, whether in the form of direct investment in, or trade with, Greater China. This includes companies incorporated and/or listed outside Greater China.

Performance since launch [2]



Performance update [2]

	Class A HKD	Class A2 QDis HKD	MSCI China Index [3]	Hang Seng Index [3]
One month	+2.0%	+1.6%	+2.5%	+1.4%
Year-to-date	+23.1%	+22.3%	+25.7%	+19.5%
One year	+30.0%	+29.2%	+33.0%	+27.8%
Three years	+3.5%	+2.7%	+27.1%	+23.9%
Five years	+50.8%	N/A	+54.5%	+58.5%
Since launch	+526.2%#	+18.3%	+577.5%	+266.7%
Annualized return ^	+12.8%#	+4.4%	+13.4%	+8.9%
Annualized volatility ^	21.7%#	17.5%	24.9%	19.9%

Dividend information – Class A2 QDis [4]

Ex-dividend date	Ex-dividend date NAV (HKD)	Dividend per unit [5] (HKD)	Annualized yield [6]
30-6-2017	11.29	0.0469	1.7%
31-3-2017	10.36	0.0469	1.8%
30-12-2016	9.27	–	–
30-9-2016	9.77	–	–
30-6-2016	8.78	–	–
31-3-2016	8.77	–	–
31-12-2015	9.65	–	–
30-9-2015	9.40	0.0488	2.1%
30-6-2015	12.26	0.0856	2.8%
31-3-2015	11.85	0.0565	1.9%
31-12-2014	11.30	0.0565	2.0%

NAVs & codes

Classes [7]	NAV	ISIN	Bloomberg
Class A HKD	62.62	KYG9317M1033	VPCHIGC KY
Class A USD	10.34	KYG9317M1603	VPCHAUS KY
Class A AUD Hedged	10.62	KYG9317M1371	VPCHAAH KY
Class A CAD Hedged	10.34	KYG9317M1454	VPCHACH KY
Class A NZD Hedged	10.87	KYG9317M1520	VPCHANH KY
Class A2 QDis HKD	11.29	KYG9317M1116	VPCA2QD KY

The fund – Class A HKD: Monthly performance from 1 Jan 2009 to 30 Jun 2017 [2]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2009	+0.2%	-0.2%	+10.2%	+13.1%	+25.0%	+1.9%	+14.0%	-4.8%	+6.9%	+7.9%	+6.2%	+2.5%	+116.7%
2010	-1.3%	+3.0%	+8.1%	+4.2%	-5.4%	+0.9%	+4.2%	+1.7%	+13.4%	+4.2%	+1.3%	-0.5%	+37.8%
2011	-2.6%	-2.9%	+4.0%	+2.7%	-2.5%	-5.0%	+5.1%	-10.5%	-17.2%	+8.8%	-3.4%	-2.1%	-25.0%
2012	+6.0%	+10.5%	-3.9%	-2.4%	-4.6%	-3.2%	-0.5%	+3.7%	+6.3%	+3.1%	+4.9%	+3.7%	+24.8%
2013	+6.4%	+0.0%	-2.2%	+1.2%	+3.3%	-8.9%	+1.8%	+1.7%	+3.0%	+4.8%	+4.5%	+0.7%	+16.5%
2014	-3.0%	+4.0%	-2.6%	-1.2%	+1.9%	+2.9%	+1.1%	+0.6%	-1.8%	+0.6%	+0.6%	-0.4%	+2.4%
2015	+0.4%	+2.9%	+2.0%	+12.6%	-1.4%	-6.2%	-11.7%	-13.9%	+1.5%	+5.0%	-3.8%	+1.7%	-13.0%
2016	-14.3%	-1.7%	+7.8%	+0.4%	-0.9%	+0.6%	+5.1%	+3.8%	+2.2%	-1.2%	+0.6%	-4.5%	-4.0%
2017 (YTD)	+6.2%	+1.7%	+4.0%	+2.8%	+4.5%	+2.0%							+23.1%

* *Value Partners China Greenchip Fund Limited is one of the eligible collective investment schemes for the purpose of the Hong Kong Capital Investment Entrant Scheme (CIES). The CIES was suspended by the Hong Kong Government with effect from 15 Jan 2015 until further notice.*

^ *Annualized return and volatility are calculated from inception on 8 Apr 2002. Volatility is a measure of the theoretical risk in terms of standard deviation; in general, the lower the number, the less risky the investment, and vice versa.*

\# *Investors should note that figures for Non-Redeemable Class N shares shown above may differ from those of classes currently available for subscription (namely Class A and Class A2 QDis), due to differences in launch date of these classes. For Class A, the since launch return, annualized return and annualized volatility are +77.1%, +5.7% and 24.0% respectively.*

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Top 10 securities holdings *(as at 31 May 2017)*

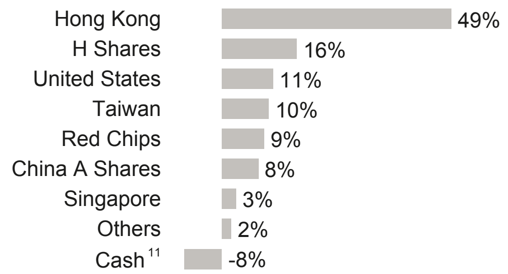
Name	Industry [8]	%
Alibaba Group Holding Ltd	Software & services	6.0
Tencent Holdings Ltd	Software & services	5.4
VTech Holdings Ltd	Technology, hardware & equipment	5.2
PetroChina Co Ltd	Energy	3.7
LARGAN Precision Co Ltd	Technology, hardware & equipment	3.4
SIIC Environment Holdings Ltd	Utilities	3.2
Fairwood Holdings Ltd	Consumer services	3.0
Techtronic Industries Co Ltd	Consumer durables & apparel	2.9
China Mengniu Dairy Co Ltd	Food, beverage & tobacco	2.6
Ping An Insurance (Group) Co of China Ltd	Insurance	2.6

These stocks constitute 38% of the fund.

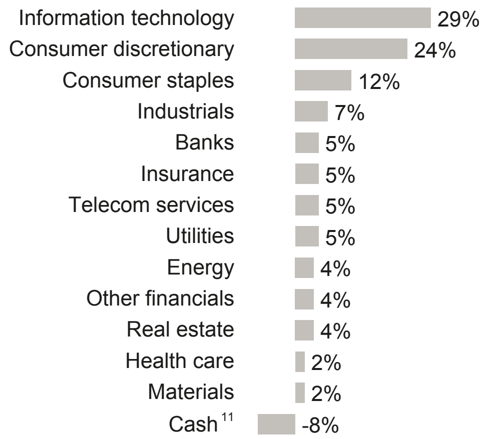
Portfolio characteristics

As at 30 Jun 2017	2017 [9]
Price/earnings ratio	15.1 times
Price/book ratio	1.8 times
Dividend yield	3.2%

Geographical exposure by listing [10]



Sector exposure [8, 10]



Fund facts

Manager:	Value Partners Limited
Base currency:	HKD
Administrator:	Bank of Bermuda (Cayman) Limited
Custodian:	HSBC Institutional Trust Services (Asia) Limited
Launch date:	Class N - 8 Apr 2002 (Closed) Class A - 27 Mar 2007 Class A2 QDis - 22 Jul 2013 Class A AUD / CAD / NZD / USD - 26 May 2014
Dividend policy [4]:	Class A2 QDis - aim at quarterly distribution, subject to Manager's discretion Other Classes - N/A

Unit price is published daily in the South China Morning Post and the Hong Kong Economic Times.

Fee structure *(Class A and Class A2 QDis)*

Minimum subscription	HKD80,000 or equivalent [12]
Minimum subsequent subscription	HKD40,000 or equivalent [12]
Subscription fee	Up to 5%
Management fee	1.5% p.a.
Performance fee [13]	15% of profit (High-on-high principle)
Redemption fee	Nil
Dealing day	Daily

Senior investment staff

Chairman & Co-Chief Investment Officer: Cheah Cheng Hye
Deputy Chairman & Co-Chief Investment Officer: Louis So
Deputy Chief Investment Officer: Renee Hung
Senior Investment Director: Norman Ho, CFA
Investment Directors: Gordon Ip, CFA; Kenny Tjan, CFA; Michelle Yu, CFA; Yu Xiao Bo
Senior Fund Managers: Kelly Chung, CFA; Doris Ho; Glenda Hsia; Philip Li, CFA; Kai Mak

Recent fund award

LIPPER FUND AWARDS 2014 HONG KONG

Lipper Fund Awards 2014 (Hong Kong)
Best Greater China Equity Fund (5 Years) [14]
~ Lipper

1. © 2017 Morningstar, Inc. All Rights Reserved. 2. Unless otherwise specified, fund performance shown in this document refers to the returns on Non-Redeemable Class N shares, which was launched on 8 Apr 2002. Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, data as of 30 Jun 2017, in HKD, NAV to NAV, with dividends reinvested. Non-Redeemable Class N shares of the fund are closed for subscription from 26 Mar 2007; existing and new investors may subscribe for/redeem Class A or A2 QDis shares. 3. Index refers to Hang Seng Price Return Index up to 31 Dec 2004, thereafter it is the Hang Seng Total Return Index. Hang Seng Total Return Index includes dividend reinvestment whereas Hang Seng Price Return Index does not take into account reinvestment of dividends. The indices are for reference only. 4. The Manager currently intends to make quarterly dividend distribution in respect of the A2 QDis Class; actual dividend payout will be subject to the Manager's discretion. 5. The receiving bank may charge a fee for incoming payments. Such fees will reduce the actual amount of dividends received by the investor. 6. Annualized yield of Class A2 QDis is calculated as follows: (dividend amount/NAV as of ex-dividend date) x 4. Investors should note that yield figures are estimated and for reference only and do not represent the performance of the fund, and that there is no guarantee as to the actual frequency and/or amount of dividend payments. 7. The fund may invest in financial derivative instruments ("FDI") for hedging purposes. In adverse situations, the fund's use of FDI may become ineffective in hedging and the fund may suffer significant losses. Each hedged share class will hedge the fund's base currency back to its currency of denomination on a best efforts basis. However, the volatility of the hedged classes measured in the fund's base currency may be higher than that of the equivalent class denominated in the fund's base currency. Risks associated with FDI include counterparty risk, credit risk and liquidity risk. Such exposure may lead to a high risk of capital loss. The AUD/CAD/NZD Hedged Classes are not recommended for investors whose base currency of investment is not in the aforesaid currencies. 8. Classification is based on Global Industry Classification Standard (GICS). 9. The profile is based on market consensus forecast as derived from S&P Capital IQ and Bloomberg. Harmonic mean methodology is applied to calculate the forecast P/E ratio and P/B ratio. Note that the manager's internal estimates may differ significantly from S&P Capital IQ and Bloomberg estimates. 10. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 11. Cash refers to net cash on hand excluding cash for collaterals and margins. 12. Investors should note that the base currency of the fund is in HKD. Conversion to the base currency of the fund will normally take place at the prevailing rate (as determined by the fund's Trustee or Custodian) on the corresponding fund dealing day. Investors should be aware of possible risks resulting from fluctuations of exchange rates against USD/AUD/CAD/NZD. 13. Performance fee will only be charged if the NAV at the end of the financial year or upon realization of units exceeds the "high watermark", which is the all-time year-end high of the fund's NAV. If in any one year, the fund suffers a loss, no performance fee can be charged in subsequent years until the loss is recovered fully (the high-on-high principle). 14. Based on data as of year-end 2013.

For Singapore investors: The Fund is registered as a restricted foreign scheme in Singapore and will only be distributed to (i) institutional investors and (ii) accredited investors and certain other persons in Singapore in accordance with section 304 and 305 of the Securities and Futures Act. Value Partners Asset Management Singapore Pte Ltd, Singapore Company Registration No. 200808225G

For Swiss Qualified Investors: The sales prospectus, the Articles of Association, the Key Investor Information Document as well as the annual and semi-annual reports of the Fund are available free of charge from the Representative. Both the place of performance and the place of jurisdiction for units/shares in the Fund offered or distributed in or from Switzerland shall be the seat of the Swiss representative.

Swiss Representative and Paying Agent: BNP PARIBAS SECURITIES SERVICES, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich.

Value Partners
Investing through discipline

Value Partners China Greenchip Fund Limited
Commentary / Second Quarter 2017

- **Value Partners China Greenchip Fund Limited (The "Fund") invests primarily in companies established in Greater China or which derive a majority of their revenue from business related to Greater China.**
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Hong Kong and China (H shares) markets extended their solid performance in the second quarter underpinned by strong corporate earnings results and robust macro data. During the period, the Fund returned 9.6%. For reference, the Hang Seng Index rose 8.5% while the MSCI China Index gained 11.1% (in HKD) over the same period.

China buoyed by signs of stabilising growth

A series of encouraging macro data signalled further stabilization in China's economy. The official manufacturing Purchasing Managers' Index stayed in expansionary territory in June for the 11th consecutive month while export surprised on the upside on the back of global trade recovery, rising 8.7% in May in USD terms. Meanwhile, China's retail sales grew 10.7% from a year earlier in May, reflecting the continuous progress in China's shift towards a consumption-driven economy.

Robust fundamentals in the first half of 2017 highlighted the strength in China's economy, providing a window of opportunity for the policy makers to tackle deep-seated structural issues. In fact, such structural issues, including climbing debt levels and shadow banking, were cited as major reasons in Moody's downgrade of China and Hong Kong's sovereign credit ratings in late May. In light of the government's policy bias tilts towards tightening to rein in leverage and financial risks, we expect a modest moderation in growth later this year. However, we believe that a sharp deceleration in growth is unlikely given a managed pace of tightening and the government's policy priority to maintain growth at 6.5% this year.

Earnings and southbound flow as catalysts

The Hong Kong and China markets turned in a strong rally year-to-date on the back of recovering corporate earnings results. The recovery trend in earnings is evident – as compared to an earning contraction of 13% in the fourth quarter of 2016, earnings growth of MSCI China Index companies picked up to 7% year-on-year during the first quarter of 2017[1]. Meanwhile, with recovering profitability and margin expansion, consensus earnings-per-share (EPS) growth of the MSCI China Index[2] is estimated to reach 15% for the whole year of 2017, providing impetus for market performance during the year.

From the perspective of capital flow, southbound investment's share in the daily turnover of Hong Kong's stockmarket has been increasing steadily since the fourth quarter last year. Now southbound turnover has exceeded 10% of the average daily turnover in Hong Kong. With increasing demand for overseas asset allocation from China's insurance companies, social security funds and mutual funds, southbound capitals are expected to play a larger role in Hong Kong's stockmarket going forward. Over the long haul, this will not only benefit H-share investors as China continues to open up its capital market, but the heightened liquidity will also reinforce Hong Kong's position as an Asian financial centre.

Outlook

Looking forward to the second half of the year, we remain constructive in Chinese equities despite the strong market performance in the first half and the possibility that economic data may soften after rounds of solid growth data since the start of the year. With that said, bottom-up stock selection is crucial to identify value companies with sustainable earnings. Among various sectors, we favour companies that will benefit from the consumption upgrade momentum in China, such as consumer discretionary and technology leaders. In light of the global growth recovery, we also favour quality exporters which exhibit solid market shares and margin expansion. Although the 12-month forward price-to-earnings (P/E) ratio of the MSCI China Index has normalized to 13.2 times (above 10-year average of 12.1 times), it is still trading at an attractive level relative to most emerging and developed markets.

In a recent stockmarket event in Hong Kong, around 20 small-cap stocks crashed with some dropping over 90% in a single day. Thanks to in-depth fundamental analysis, our small-cap oriented portfolio was not impacted by this incident. As always, we believe a bottom-up approach to stock selection and our strict adherence to value-investing principles will be the key to spot quality companies. We will continue to reinvest our profits back into our infrastructure and uncover value opportunities for our investors.

Value Partners Investment Team
14 July 2017

1. *Source: Bloomberg, CICC Research, Factset, MSCI. Data as of May 2017.*
2. *Source: Bloomberg, Deutsche Bank Research. Data as of May 2017.*

Fund performance mentioned is referred to Value Partners China Greenchip Fund Limited (Class A shares). All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in HK$ terms on NAV-to-NAV basis with dividends reinvested) as at 30 June 2017. Performance data is net of all fees.

Individual stock performance is not indicative of fund performance.

The views expressed are the views of Value Partners 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.

Investors should note that investment involves risk. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors in particular those associated with investment in emerging markets. This commentary has not been reviewed by the Securities and Futures Commission. Issuer: Value Partners Limited.

Value Partners
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Value Partners China Greenchip Fund Limited: 5 biggest holdings of securities as at 31 May 2017

Stock	**Industry**	**Valuation (2017 Estimates)**	**Remarks**
Alibaba Group (Code: BABA US) Market cap: US$360.9 billion	Internet	Price: USD140.90 P/E: 34.0x P/B: 7.2x Yield: 0%	Alibaba, founded by Jack Ma in 1999 in China, is one of the world's largest e-commerce companies. Alibaba's online marketplace "Taobao" contributes the vast majority of the company's revenue. Itis likely to continue delivering solid growth due to its monopoly position and the current trend of marketing budgets shifting from offline to online. Meanwhile, the company's cloud computing company ("AliCloud") and fintech business ("Ant Financial") underpin future growth potential. For example, Ant Financial, 33% owned by Alibaba, is a crucial component of Alibaba's fintech business. Going forward, the re-rating of Alibaba's stock is possible with 1) improved disclosure on solid operational matrix; 2) solid quarterly earnings, which could ease concerns about macro slowdown; 3) spin-offs of high value assets (e.g. AliCloud and Ant Financial) to unlock hidden value.
Largan Precision (Code: 3008 TT) Market cap: US$21.4 billion	Electronic components	Price: TWD4,850.00 P/E: 20.9x P/B: 6.6x Yield: 1.6%	Largan Precision manufactures and distributes lens for electronic products including mobile phones, laptops, tablets and digital cameras. The company is a clear winner in the dual-camera upgrade cycle, as it has the unique technology and knowhow to deliver designs for large-scale production at a decent margin. The optical zoom feature on the new iPhone 7 Plus clearly displays this trend. Largan is gaining market share in this high-end specification segment as smartphone makers attempt to differentiate. Looking forward, three catalysts are fuelling the growth of Largan: 1) promising market growth due to rapid pick-up in dual cameras; 2) higher average selling price supported by specification migration; 3) share price gain underpinned by Largan's business mix change and notable advantages over competitors.
PetroChina (Code: 857 HK) Market cap: US$197.0 billion	Energy	Price: HKD4.78 P/E: 21.0x P/B: 0.6x Yield: 2.0%	PetroChina is the largest oil and gas producer and distributor playing a dominant role in the oil and gas industry in China. It engages in a wide range of activities related to oil and natural gas, including exploration, development, production and marketing. As China is expected to achieve moderate and stable economic growth, oil and gas demand in China is likely to continue its current upward trajectory. With the oil price hovering at a relatively low level, the company will also benefit as oil recovers.

Stock	**Industry**	**Valuation (2017 Estimates)**	**Remarks**
Tencent Holdings (Code: 700 HK) Market cap: US$339.0 billion	Internet	Price: HKD279.2 P/E: 37.6x P/B: 9.7x Yield: 0.3%	Tencent is a leading provider of online games, premium messaging services, internet value added services, and advertising and ecommerce services in China. As at end of the first quarter 2017, the number of Tencent's Weixin and WeChat monthly active user reached 938 million, representing a year-on-year growth of 23%. Leveraging its large active user base, it offers good long-term monetization potential.
VTech Holdings (Code: 303 HK) Market cap: US$4.0 billion	Technology, hardware and equipment	Price: HKD123.70 P/E: 16.0x P/B: 6.3x Yield: 6.3%	Headquartered in Hong Kong, VTech designs and manufactures consumer electronic products. The company is the global leader in electronic learning products from infancy through toddler and preschool and the world's largest manufacturer of cordless phones. It also provides highly sought-after contract manufacturing services. The company's acquisition of Leapfrog and Snom will support sales growth of the electronic learning products (ELPs) and telecommunication (TEL) segments amid a still-tough industry environment.

Note: The above investments made up 23.7% of Value Partners China Greenchip Fund Limited as at 31 May 2017. The stock prices are based on the closing of 30 June 2017.

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