

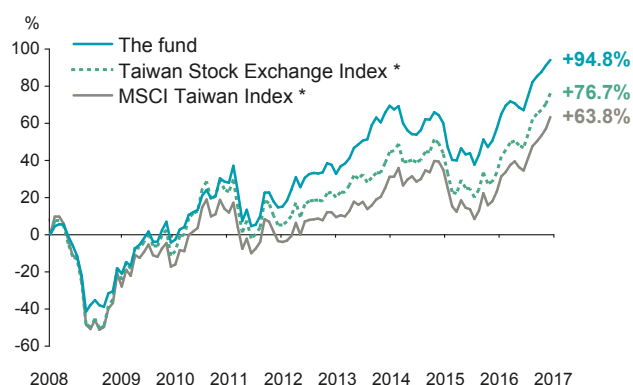
30 June 2017

- Value Partners Taiwan Fund (The "Fund") invests primarily in companies established in Taiwan or which derive a majority of their revenue from business related to Taiwan.
- The Fund may invest in Taiwan and therefore is subject to emerging market risks. Generally, investments in emerging markets are more volatile than investments in developed markets due to additional risks relating to political, social, economic and regulatory uncertainty which may adversely affect volatility and market liquidity.
- The Fund is also subject to concentration risk due to its concentration in Taiwan-related companies. Adverse development in such region may affect the value of the underlying securities in which the Fund invests. 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 long term capital growth through primarily investing in equity and equity linked securities of companies that are listed on (a) the Taiwan Stock Exchange; or (b) the GRE Tai Securities Market; or (c) any stock exchange but which have their main operations or majority of assets in or derive the majority of their income from Taiwan. This includes companies incorporated and/or quoted outside Taiwan.

Performance since launch ¹



Performance update ¹

	The fund	Taiwan Stock Exchange Index *	MSCI Taiwan Index *
One month	+1.6%	+3.3%	+4.1%
Year-to-date	+16.3%	+20.1%	+21.6%
One year	+23.7%	+32.3%	+32.9%
Three years	+14.7%	+22.0%	+24.8%
Since launch	+94.8%	+76.7%	+63.8%
Annualized return [^]	+7.4%	+6.3%	+5.4%
Annualized volatility [^]	18.7%	24.2%	24.3%

The fund – Monthly performance from 1 Jan 2009 to 30 Jun 2017 ¹

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2009	-4.4%	-1.3%	+12.0%	+1.6%	+17.9%	-3.4%	+7.9%	-2.2%	+11.4%	+2.1%	+3.8%	+3.7%	+58.0%
2010	-5.4%	-0.1%	+6.5%	+4.6%	-10.6%	+1.7%	+5.7%	+1.3%	+6.3%	+1.4%	+1.1%	+6.9%	+19.2%
2011	+2.5%	-3.5%	+0.9%	+8.0%	-1.4%	-0.5%	+7.2%	-10.3%	-12.9%	+5.7%	-7.8%	+0.8%	-13.0%
2012	+4.5%	+11.5%	+0.1%	-4.0%	-2.7%	+0.3%	+2.9%	+5.1%	+5.4%	-4.1%	+4.1%	+1.5%	+26.1%
2013	+0.5%	-0.2%	+0.5%	+3.7%	-0.6%	-3.6%	+3.1%	+1.1%	+2.1%	+4.0%	+1.3%	+1.4%	+13.7%
2014	+0.5%	+5.1%	+2.6%	-1.6%	+3.3%	+2.2%	-1.2%	+1.1%	-5.5%	-2.4%	-1.3%	-0.2%	+2.1%
2015	+1.6%	+3.8%	-0.1%	+2.5%	-1.0%	-2.6%	-8.2%	-4.7%	-0.2%	+4.7%	-2.2%	+0.4%	-6.5%
2016	-4.3%	+3.8%	+5.9%	-2.7%	+2.3%	+4.4%	+5.0%	+2.8%	+1.4%	-0.6%	-1.3%	-0.9%	+16.2%
2017 (YTD)	+4.6%	+4.3%	+1.7%	+1.3%	+1.9%	+1.6%							+16.3%

* The indices are for reference only.

[^] Annualized return and volatility are calculated from inception on 3 Mar 2008. 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.

Top 5 securities holdings

Name	Industry ²	%
Taiwan Semiconductor Manufacturing Co Ltd	Semiconductors & semiconductor equipment	9.8
Hon Hai Precision Industry Co Ltd	Technology, hardware & equipment	5.6
Cathay Financial Holding Co Ltd	Insurance	5.4
Largan Precision Co Ltd	Technology, hardware & equipment	4.9
Pegatron Corp	Technology, hardware & equipment	4.6

These stocks constitute 30% of the fund.

Portfolio characteristics

As at 30 Jun 2017	2017 ⁴
Price/earnings ratio	14.5 times
Price/book ratio	2.1 times
Dividend yield	4.3%

Geographical exposure by listing ⁴

Taiwan	93%
Cash ⁵	4%
United States	2%
Others ⁶	1%

Sector exposure ^{2, 4}

Information technology	64%
Industrials	9%
Telecom services	7%
Insurance	5%
Cash ⁵	4%
Consumer staples	4%
Materials	4%
Banks	2%
Others ⁶	1%

Fund facts

Manager:	Value Partners Hong Kong Limited
Base currency:	USD
Trustee:	Bank of Bermuda (Cayman) Limited
Custodian:	HSBC Institutional Trust Services (Asia) Limited
Launch date:	3 Mar 2008
Bloomberg and ISIN codes:	VTAIWAN KY / KYG9318Y1061

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

Fee structure

Minimum subscription	US\$10,000
Minimum subsequent subscription	US\$5,000
Subscription fee	Up to 5%
Management fee	1.25% p.a.
Performance fee ⁷	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

1. Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, data as of 30 Jun 2017, in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees. 2. Classification is based on Global Industry Classification Standard (GICS). 3. 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. 4. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 5. Cash refers to net cash on hand excluding cash for collaterals and margins. 6. Others include 0.7% cash for collaterals and margins. 7. 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).

The Fund is not registered under the United States Securities Act of 1933, as amended ("the Securities Act") or the securities laws of any of the states of the United States. The units of the Fund ("Units") may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "US Person" except pursuant to an exemption with the consent of the Trustee and/or the Manager of the Fund in a transaction which does not result in a violation of applicable United States federal or state securities laws.

The Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom, as well as in accordance with the requirements set forth in the Explanatory Memorandum and Supplemental Disclosure Statement for US Persons ("Memorandum"). Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

The Units are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in the Fund does not constitute a complete investment program and who fully understand and are able to bear the loss of their investment in the Fund. The Fund's investment program, by its nature, may be considered to involve a substantial degree of risk. Prospective investors should not subscribe for Units unless satisfied that he or she and his or her investment representative have asked for and received all information which would enable him or her or both of them to evaluate the merits and risks of the proposed investment. The Units are not, and are not expected to be, liquid, except as described in the Memorandum.

Offering materials for the offering of the Units have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful.

This material does not constitute an offer or solicitation in any state or other jurisdiction in which an offer or solicitation is not authorized. No representations or warranties of any kind are intended or should be inferred with respect to the economic return or the tax consequences from an investment in the Fund. No assurance can be given that existing laws will not be changed or interpreted adversely. Prospective investors are not to construe this material as legal or tax advice. Each investor should consult his or her own counsel and accountant for advice concerning the various legal, tax and economic considerations relating to his or her investment.

Value Partners Taiwan Fund Commentary / Second Quarter 2017

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Performance review

During the second quarter of 2017, Value Partners Taiwan Fund (“the Fund”) gained 4.8% in USD, against the Taiwan Stock Exchange Index (“TWSE”) and the MSCI Taiwan Index (“MSCI Taiwan”) returns of 6.7% and 8.8%, respectively. On a year-to-date basis, the Fund was up 16.3%, against the aforementioned indices which were up 20.1% and 21.6%, respectively.

Since inception in March 2008, the Fund returned 94.8% on a net return basis, which is equivalent to a compounded annualized return of 7.4%, both in USD. Over the same period, TWSE and MSCI Taiwan were up 76.7% and 63.8%, with compounded annualized returns of 6.3% and 5.4%, respectively.

Solid macro data support Taiwan’s positive sentiment

Taiwan’s macro data continued to be solid: The June Manufacturing Purchasing Managers’ Index (PMI) has been in expansionary territory for 16 months in a row and during the quarter, the Taiwan government raised its gross domestic product (GDP) growth forecast for this year to 2.05%¹ from 1.92%. Taiwan’s second-quarter export growth continued to be robust, registering a year-on-year growth rate of 10.2%.

All these positive factors continue to draw foreign institutional investors’ flow into Taiwan.

Fiscal and monetary policies remain accommodative

The central bank of Taiwan left interest rates unchanged for four consecutive quarters. The accommodative stance is expected to provide a favourable backdrop for the economy’s recovery.

Meanwhile, the Taiwan’s legislature has passed a special infrastructure budget bill and approved a TWD 420 billion budget for the next four years, which involves investments in railways, water resources, urban/rural development and digital infrastructure. The budget bill also allows room for the government to expand an additional TWD 420 billion special budget for another four years. As the government is determined to rollout the plan by end of 2017, Taiwan’s economy will stand to benefit starting 2018.

Portfolio update and outlook

While the Fund delivered solid performances during the quarter, we are hurt by the strong performance of TSMC when compared against TWSE and MSCI Taiwan: TSMC accounts for 18% and 29% of TWSE and MSCI Taiwan while the Fund can only invest up to 9.9% in any one stock, as required by the mandate. Nevertheless, we will continue to stick to our value and bottom-up investing disciplines as our investment strategies are proven to outperform the indices over the longer term, as demonstrated by our long-term track record.

As we are approaching a solid product cycle for smartphones in the next few months, the Taiwan stock market should continue to perform accordingly. Furthermore, the portfolio is positioned to benefit from the establishment of data centre infrastructure and growing demand of IOT- (Internet Of Things) related devices. Continuously, we have trimmed some positions that have reached our target valuation after a good run and switched into new opportunities that we still find value. Aside from the IT sector, we have also added some positions in the consumer and telecommunications sectors. These sectors are expected to pick up following the sustained strength in export growth.

Value Partners Investment Team
26 July 2017

1. Source: National Statistics, R.O.C

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 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 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.

Investors should note 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 Hong Kong Limited.

Value Partners Taiwan Fund: 5 biggest holdings of securities as at 30 June 2017

Stock	Industry	Valuation (2017 Estimates)	Remarks
Cathay Financial Holding (Code: 2882 TT) Market cap: US\$20.7 billion	Insurance	Price: TWD50.10 P/E: 13.4x P/B: 1.2x Yield: 3.5%	Cathay Financial is the largest financial holding company in Taiwan. Its businesses include life insurance, property insurance, banking, securities and asset management. We expect the company to enjoy better investment returns from their overseas bond investments, benefiting from the US rate hike cycle. We think this should drive the stock valuation back to historical average or above from the below-historical average level currently.
Hon Hai Precision Industry (Code: 2317 TT) Market cap: US\$66.7 billion	Electronics manufacturer	Price: TWD117.00 P/E: 12.6x P/B: 1.7x Yield: 3.9%	Hon Hai Precision Industry is a leading electronics manufacturing service provider with nearly one million employees globally. The company designs and manufactures smartphones, PCs, printers, TVs, game consoles and networking products for many global giants, such as Apple, Dell, Hewlett-Packard, Sony, Nokia and Cisco Systems. Hon Hai has aggressively moved its manufacturing sites from China's coastal areas to lower-cost inland sites in previous years and further enhanced its cost competitiveness over its peers. We expect the company to enjoy stable earnings growth on the back of its operation efficiency enhancement and new business opportunities.
Pegatron Corp (Code: 4938 TT) Market cap: US\$8.1 billion	Electronics manufacturer	Price: TWD95.30 P/E: 11.0x P/B: 1.6x Yield: 5.5%	Pegatron Corp engages in the design and manufacturing of computer, networking, consumer electronics, communications and car electronics products. While maintaining a leading edge in design capability against peers, Pegatron has delivered strong earnings growth in past years through manufacturing efficiency improvements. We expect the company to enjoy strong earnings cycle in the coming two years mainly driven by the coming new iPhone product cycle and the increased complexity for iPhone manufacturing.

Stock	Industry	Valuation (2017 Estimates)	Remarks
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 designs and manufactures lens for electronic products and automobile. The company holds leading position and enjoys more than 50% market share in high specification smartphone lens market. As camera function becomes incrementally important for smartphone models to differentiate in the market, we expect the spec of smartphone camera lenses to continue upgrading and the manufacturing difficulties of these high spec lenses to increase significantly. We expect Largan to maintain its leading position in the industry, leveraging its strong optical-design knowhow and manufacturing expertise. We expect the company to deliver strong earnings growth in the coming years, driven by both average-selling-price (ASP) upgrade on spec enhancement and volume increase from increasing adoption of multiple cameras in a smartphone.
Taiwan Semiconductor Manufacturing (Code: 2330 TT) Market cap: US\$178.0 billion	Semiconductors and semiconductor equipment	Price: TWD208.50 P/E: 15.5x P/B: 3.5x Yield: 3.5%	Taiwan Semiconductor Manufacturing is a world-class independent semiconductor foundry. It provides integrated circuit (“IC”) design houses with integrated services for process design, wafer manufacturing and testing. As a global leader with more than 50% share of the outsourcing market, the company has consistently outperformed competitors in terms of technology and profitability. We think the company is well-positioned to continue to benefit from the growing IC manufacturing outsourcing market and the rising demand for the internet of things trend, AI chips and new application areas.

Note: The above investments made up 30.3% of Value Partners Taiwan Fund as at 30 June 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.