

VALUE PARTNERS TAIWAN FUND

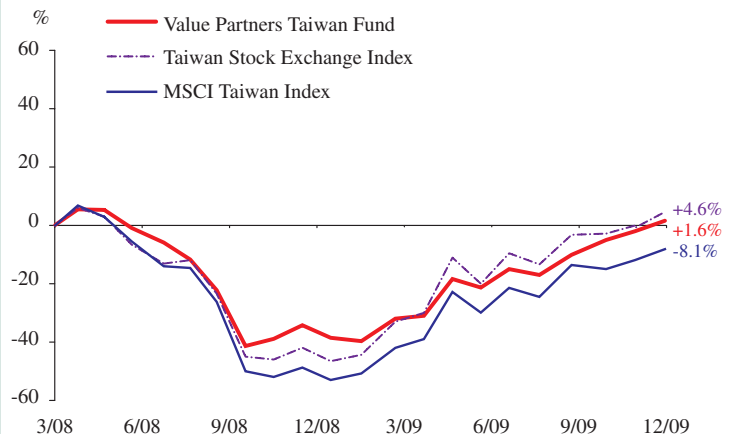
DECEMBER 2009

2 PAGES

- 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.
- You should not invest unless the intermediary who sells it to you has advised you that the product is suitable for you and explained how it is consistent with your investment objectives.

Fund size: US\$41.94 million
NAV per unit: US\$10.16

Performance since launch[#]



Fund facts

Investment objective

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.

Manager: Value Partners Hong Kong Limited
(CE Ref: AFJ002)

Base Currency: US\$
 Legal domicile: Cayman Islands
 Trustee: Bank of Bermuda (Cayman) Limited
 Custodian: HSBC Institutional Trust Services (Asia) Limited

Legal advisers: Russin & Vecchi
 Maples and Calder

Auditor: PricewaterhouseCoopers

Launch date: 3 March 2008

Bloomberg code: VTAIWAN KY

ISIN code: KYG9318Y1061

Total assets under management by Value Partners Group:
 US\$5.3 billion (as at 30 November 2009)

Performance update[#]

	Value Partners Taiwan Fund	Taiwan Stock Exchange Index	MSCI Taiwan Index
One month	+3.7%	+4.6%	+4.4%
Year-to-date	+58.0%	+81.6%	+76.4%
One year	+58.0%	+81.6%	+76.4%
Since launch	+1.6%	+4.6%	-8.1%
Annualized return	+0.9%	+2.5%	-4.5%
Annualized volatility	30.3%	37.4%	42.2%

Annual return since launch[#]

2008 (Since launch)	-35.7%
2009 (Year-to-date)	+58.0%

Monthly performance since launch[#]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2008			+4.5%	+1.0%	-0.2%	-5.9%	-5.0%	-6.2%	-11.9%	-25.3%	+6.2%	+4.2%	-35.7%
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%

Unless specified, all information contained on this report is quoted as at 30 December 2009.

[#]Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees.

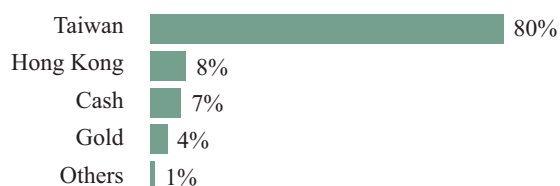
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Top 5 security holdings

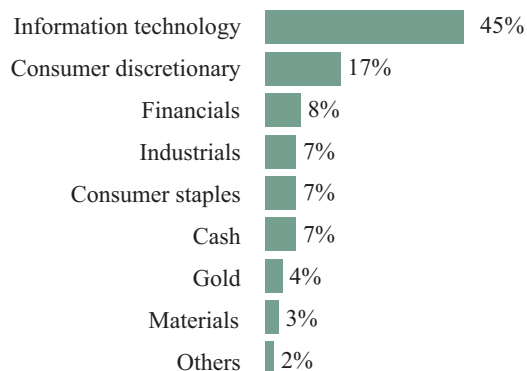
Name	Industry [^]	%
Hon Hai Precision Industry	Technology, hardware & equip	7.7
Compal Electronics	Technology, hardware & equip	5.4
E-LIFE MALL	Retailing	5.4
Uni-President Enterprises	Food, beverage & tobacco	4.9
Gigabyte Technology	Technology, hardware & equip	4.6

These stocks constitute 28% of the fund.

Geographical exposure by listing



Sector exposure[^]



Portfolio characteristics

As at 30 December 2009	2010 [^]
Price/earnings ratio	15.2 times
Price/book ratio	2.3 times
Dividend yield	3.7%

[^]The above profile is based on market consensus forecast as derived from I/B/E/S and Bloomberg. Note that the manager's internal estimates may differ significantly from I/B/E/S and Bloomberg estimates.

[^]Classification is based on Global Industry Classification Standard (GICS).

Fee structure

Minimum subscription	US\$10,000
Subscription fee	Up to 5%
Management fee	1.25% p.a.
Performance fee**	15% of profit (High-on-high principle)
Redemption fee	Nil
Dealing day	Every Wednesday

**Performance fee will only be charged if the NAV at the end of the financial year 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).

NAV per unit is published daily in the South China Morning Post, Hong Kong Economic Journal and Hong Kong Economic Times.

A selection of awards & ratings

Corporate awards

Best Overall Fund Management Firm - Asia

Value Partners was recognized as one of the top three fund management companies

~ Thomson Reuters Extel Asia Pacific Survey 2009

Leading Buyside Individual - Asia

Mr. Eric Chow, Value Partners fund manager, was ranked No. 1 out of 25 individuals named

~ Thomson Reuters Extel Asia Pacific Survey 2009

2nd Largest Hedge Fund Manager in Asia in 2009

~ Alpha Magazine, Jul/Aug 2009 edition

Mr. Cheah Cheng Hye, Chairman and CIO of Value Partners, was recognized as one of The 25 Most Influential people in Asset Management in Asia

~ AsianInvestor, May 2009

2nd Largest Hedge Fund Manager in Asia in 2007 & 2008

~ Alpha Magazine, Jul/Aug 2007 & Jul/Aug 2008 editions

2007 Achievement Awards -

Capital Markets Person of the Year:

Mr. Cheah Cheng Hye, Value Partners

~ FinanceAsia

Value Partners Investment Team

Chairman & Chief Investment Officer: Cheah Cheng Hye

Deputy Chief Investment Officers:

Renee Hung Yeuk Yan, BSc; Louis So Chun Ki, MCom.

Senior Fund Managers:

Chau Yee Man, CFA & CPA; Fawaz Habel; Norman Ho Man Kei, CFA

Value Partners Taiwan Fund Commentary / Fourth Quarter 2009 (Including Year-end 2009 Summary)

- **The fund primarily invests in companies listed on the Taiwan Stock Exchange or Taiwan-related companies with strong business links to Taiwan's economy.**
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Performance review and outlook

During the fourth quarter of 2009, Value Partners Taiwan Fund gained 9.8%, against the 8.0% and 6.4% gains made by the Taiwan Stock Exchange (TWSE) and the MSCI Taiwan Index, respectively, over the same period. The Fund's performance was equally positive during 2009. It gained 58.0% in the 12 months ending 30 December 2009 while the TWSE and MSCI Taiwan Index added 81.7% and 76.4%, respectively, in the same time-frame. Since its launch in March 2008 till 30 December 2009, the Fund gained 1.6% compared to returns of 4.6% and -8.1% by the TWSE and MSCI Taiwan Index, respectively for the same period.

2009 ended with a marked reversal in market sentiment when compared to the beginning of the year. Owing to the intensive stimulus programs introduced by governments around the world since the fourth quarter of 2008, global economic data has shown various degrees of improvements towards the end of 2009. The portfolio and the broad market indices have largely benefited from such rebounds.

An improved cross-Straits relationship has also contributed tremendously in boosting domestic confidence in Taiwan. In April 2009, an announcement made regarding China Mobile's intention to invest a 12% stake in Far Eastone Telecom, one of Taiwan's three largest telecom operators (subject to regulatory approval), has further excited the Taiwanese stock market. Furthermore, various positive news signalling closer business ties between cross-Straits companies continued to be prevalent throughout 2009.

Turning to 2010 and beyond, we expect that cross-Straits relationships will continue to play an important role in the Taiwanese stock market. Following the signing of the formal MOU on the opening of cross-Straits financial services by the regulatory authorities in November 2009 (the MOU took effect on 16 January 2010), investors have begun to look forward to a greater positive impact from the likely conclusion of the Economic Cooperation Framework Agreement (ECFA) in 2010 on the opening of direct investment or M&A in selective industries (similar to Hong Kong's CEPA).

Another important theme to Taiwan is the gaining of market share by Taiwanese manufacturers (both OBM and ODM/OEM players) due to their value proposition offered to consumers. In the past, consumers preferred electronic products made by Japanese or Korean players but due to the financial crisis, we have seen consumers in developed countries being more selective in spending; yet at the same time, these Taiwanese manufacturers have consistently demonstrated to consumers that they can deliver both quality and value. (The strength of the Japanese Yen has further enhanced the situation.) China's up and coming huge domestic consumption market is another significant opportunity for these Taiwanese manufacturers because most of these Taiwanese companies have been doing business in China since the 1990s and they are very familiar with the country.

As a result, the portfolio has been positioned to take advantage of these two major themes. (Descriptions of the top 5 holdings for the portfolio as at 30 December 2009 are available at the end of this report.) Consequently, much resource and effort has been put into original, bottom up research. This underpins Value Partners' declared objective which is to be a "Temple of Value Investing" in the Asia region.

Value Partners Investment Team
Value Partners Hong Kong Limited
15 January 2010

Notes: All performance figures 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 December 2009. Performance data is net of all fees. Individual stock performance is not indicative of fund performance.

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Value Partners Taiwan Fund: 5 biggest holdings of securities as at 30 December 2009

Stock	Industry	Valuation (2010 Est.)	Remarks
Compal Electronics (Taiwan) (Code: 2324 TT) Market cap: US\$5.6bn	Technology, Hardware & Equipment	Price: TWD44.35 P/E: 8.2x P/B: 1.6x Yield: 7.2%	Compal Electronics, listed in Taiwan, is one of the world's largest notebook manufacturers, with a market share of more than 20%. The company designs and manufactures notebooks for Acer, Dell, HPQ, Toshiba and Lenovo. Global notebook shipments have grown by approximately 28% CAGR in the past five years and we expect growth to remain strong in the coming years. The stock is at a relatively low valuation compared with its peers.
E-LIFE MALL (Taiwan) (Code: 6281 TT) Market cap: US\$0.2bn	Retailing	Price: TWD43.20 P/E: 14.0x P/B: 2.2x Yield: 6.4%	E-Life Mall operates more than 290 retail outlets throughout Taiwan, primarily selling consumer electronics and white goods products. It commands a market share of approximately 15% and is the market leader in Taiwan (in terms of number of outlets). Financially, the company has been enjoying a healthy cash position with zero debt. Its business generates positive cash flow and requires limited working capital. Compared to its Taiwanese peers, we are impressed by E-life's track record and outstanding profitability.
Giga-byte Technology (Code: 2376 TT) Market cap: US\$0.6bn	Technology, Hardware & Equipment	Price: TWD31.35 P/E: 8.4x P/B: 0.9x Yield: 6.5%	Giga-byte is one of the global leaders in the motherboard and graphic accelerator markets, with more than 30% market share in the non-branded desktop PC sector. Its strong R&D capacity and channel management have made it a winner during the past decade's market consolidation, and therefore has succeeded in restoring healthy returns since 2007. The company was early to enter the Chinese domestic market; China accounted for one-third of the firm's total sales in 2009 and this market has become the company's key growth driver. Giga-byte's notebook PC and handset businesses are currently relatively small, however they are steadily growing. We think Giga-byte is a forgotten name among investors; its improving profitability and growth potential in China are under-appreciated.
Hon Hai Precision Industry (Taiwan) (Code: 2317 TT) Market cap: US\$40.6bn	Technology, Hardware & Equipment	Price: TWD151.50 P/E: 15.5x P/B: 2.6x Yield: 1.3%	Hon Hai is the largest electronics manufacturing service provider (in terms of revenue) with more than 563,000 employees globally. The company designs and manufactures PCs, printers, TVs, game consoles, handsets and MP3 units for global giants such as Dell, HPQ, Sony, Nokia and Apple. Hon Hai has aggressively moved its manufacturing sites from China's coastal areas to lower-cost inland sites in the past two years. Through successful vertical integration, this manufacturer offers its customers one-stop shopping and it also enjoys better profitability than its peers.
Uni-President Enterprise (Code: 1216 TT) Market cap: US\$4.8bn	Food, Beverage & Tobacco	Price: TWD39.45 P/E: 14.6x P/B: 2.5x Yield: 3.0%	Over the past 40 years Uni-President has become the dominant food and beverage manufacturer and distributor in Taiwan, commanding more than 45% share of the instant noodle, ready-to-drink tea, and convenient store markets. Since the 1990s it has expanded in other Asian markets and is now one of the top soft drink and instant noodle brands in China. 2009 was an important year for the company because its management strengthened its China business by completing sales channel reforms and consolidation of product lines. Also most of its unsuccessful non-core investments were divested. We see huge potential in the group and expect it to become one of the biggest food conglomerates in the fast-growing Greater China market.

Note: The above investments make up 28% of Value Partners Taiwan Fund as at 30 December 2009. The stock prices are based on the closing of 31 December 2009.

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