

February 28, 2018

- The Asia Pacific Fund Inc. (the "Fund") is a diversified, closed-end management investment company which primarily invest in equity securities of companies in various Asia Pacific countries, excluding Japan.
- Investing in foreign and emerging market securities involve risks related to adverse political and economic developments unique to a country or a region and currency exchange fluctuations.
- The Fund may also invest in products that involve additional risks such as participatory notes which may involve liquidity, tax and counterparty risk and derivative transactions which could expose the Fund to the effects of leverage and magnify potential losses.

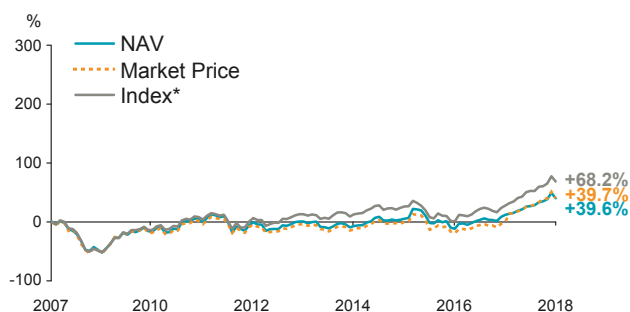
Investment objective

The Fund aims to achieve long-term capital appreciation through investment primarily in equity securities in the Asia Pacific countries (excluding Japan). There is no guarantee the Fund's objective will be achieved.

Fund structure

The Fund is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company.

Ten years performance ¹



Total return performance as of Feb 28, 2018 ¹

| | NAV | Market Price | Index * |
|--------------------|--------|--------------|---------|
| One month | -6.1% | -7.4% | -5.0% |
| Year-to-date | +1.2% | +0.3% | +2.2% |
| One year | +25.3% | +40.2% | +32.3% |
| Three years (p.a.) | +10.0% | +12.1% | +10.2% |
| Five years (p.a.) | +6.9% | +7.8% | +8.4% |
| Ten years (p.a.) | +3.4% | +3.4% | +5.3% |

Total return performance as of Dec 29, 2017 ¹

| | NAV | Market Price | Index * |
|--------------------|--------|--------------|---------|
| Year-to-date | +36.9% | +54.3% | +42.1% |
| One year | +36.9% | +54.3% | +42.1% |
| Three years (p.a.) | +10.6% | +12.7% | +11.0% |
| Five years (p.a.) | +6.8% | +8.3% | +8.3% |
| Ten years (p.a.) | +2.1% | +2.0% | +4.3% |

Calendar year performance ¹

| Year | NAV | Market Price | Index * |
|------------|--------|--------------|---------|
| 2011 | -19.9% | -21.3% | -17.1% |
| 2012 | +17.6% | +15.1% | +22.7% |
| 2013 | -3.9% | -2.9% | +3.3% |
| 2014 | +7.2% | +7.3% | +5.1% |
| 2015 | -1.2% | -5.9% | -8.9% |
| 2016 | +0.0% | -1.4% | +5.8% |
| 2017 | +36.9% | +54.3% | +42.1% |
| 2018 (YTD) | +1.2% | +0.3% | +2.2% |

Past performance does not guarantee future results and current performance may be lower or higher than the past performance data quoted. The investment return and principal value will fluctuate, and share, when sold, may be worth more or less than the original cost. Index returns do not include the effect of any sales charges, fund operating expenses or taxes. An investment cannot be made directly in an index.

Fund manager commentary

Performance Summary

The MSCI Asia ex Japan Index dropped 5.0% in February as higher-than-expected inflation lifted expectations of rising interest rates. The Greater China equity market also softened during the month, with the MSCI China Index recording a negative monthly return for the first time in 13 months after having rallied strongly in January. Despite the large market swings in February, we expect volatility to normalize in 2018 amid a series of major macro events, such as the earlier-than-usual Third Plenary Session and the "Two Sessions" in early March. While these major political events may spur reform and growth expectations in China, they may also weigh on near-term sentiment.

In South Korea, inflation accelerated in February. The consumer price index rose by a faster-than-expected pace of 1.4% year on year (January: 1%), which is a step closer to the central bank's annual target rate of 2%. Meanwhile, South Korea's exports moved up 4%¹ in February from a year earlier, which was the lowest rate in more than a year. The slowdown was mainly due to the Lunar New Year holiday leading to fewer working days in February. Policy-wise, the Bank of Korea kept its benchmark interest rate unchanged at its February meeting, which was in line with market expectations.

Strategy & Outlook

During the broad-based market correction in February, regions and sectors that performed strongly in January retreated the most. The portfolio was weighed down by our exposure to Chinese banks as the sector dropped 9.6% in February after rising 22.7% in January. We maintain the positions as we see an attractive return profile for the sector and re-rating opportunities on the back of stable asset growth, net interest margin (NIM) enhancement and improving non-performing loan (NPL) ratios. Our exposure to China's real estate sector was also among the key detractors after having rallied strongly in January. While the real estate sector was affected by continued regulatory tightening and the potential implementation of a property tax, which is expected to be completed in the first half of 2018, we remain positive on select quality names that can benefit from sector consolidation and gain market share. The portfolio's key contributor was our underweight position in the technology sector. We started to trim our exposure to the technology sector in the fourth quarter of 2017 (portfolio weight dropped from 22% to 11.6%).

We expect volatility to linger in the near term given major political events in China and US macro data due to be announced in March, which should provide more guidance on the trajectory of US rate hikes in 2018. However, we remain constructive on Asia ex-Japan equities in 2018 as fundamentals in the region remain solid. The average 2018 EPS growth estimate for the MSCI Asia ex-Japan index continued to be revised upwards; it increased from 12.6% at the beginning of January to 14.4% most recently. With that said, we view the pickup in volatility as offering market entry opportunities in the region.

1. Source: Ministry of Trade, Industry and Energy

Top 10 securities holdings

| Name | Industry ² | % |
|---|--|-----|
| China Construction Bank Corp | Banks | 4.8 |
| Longfor Properties Co Ltd | Real estate | 4.8 |
| Taiwan Semiconductor Manufacturing Co Ltd | Semiconductors & semiconductor equipment | 3.2 |
| Ping An Insurance Group Co of China Ltd | Insurance | 3.0 |
| China Resources Power Holdings Co Ltd | Utilities | 2.5 |
| Far East Consortium International Ltd | Real estate | 2.4 |
| Far East Horizon Ltd | Diversified financials | 2.3 |
| SITC International Holdings Co Ltd | Transportation | 2.3 |
| Qingdao Port International Co Ltd | Transportation | 2.1 |
| CK Asset Holdings Ltd | Real estate | 2.0 |

These stocks constitute 29% of the Fund.

Geographical exposure by listing ³

| | |
|-------------------|-----|
| Hong Kong | 31% |
| H Shares | 19% |
| South Korea | 13% |
| Taiwan | 10% |
| Red Chips | 9% |
| Indonesia | 7% |
| Others | 5% |
| China A Shares | 4% |
| Cash ⁴ | 2% |

Sector exposure ^{2, 3}

| | |
|------------------------|-----|
| Industrials | 17% |
| Real estate | 17% |
| Consumer discretionary | 16% |
| Information technology | 13% |
| Banks | 10% |
| Insurance | 6% |
| Other financials | 4% |
| Utilities | 4% |
| Consumer staples | 3% |
| Telecom services | 3% |
| Cash ⁴ | 2% |
| Energy | 2% |
| Materials | 2% |
| Others | 1% |

Holdings and sectors are subject to change. The securities listed is not a recommendation to buy or sell any security listed.

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Portfolio characteristics

| As at Feb 28, 2018 | 2018 ⁵ |
|----------------------|-------------------|
| Price/earnings ratio | 9.2 times |
| Price/book ratio | 1.2 times |

Fund facts

| | |
|-------------------|--|
| Manager: | Value Partners Hong Kong Limited |
| Fund type: | Closed-end Investment Company (non-UCITS) |
| Base currency: | US dollars |
| Fund launch date: | May 1987 (managed by Value Partners Hong Kong Limited since Oct 1, 2013) |
| Listing: | New York Stock Exchange |
| Management fee: | 1% on the first US\$100 million and 0.7% thereafter |
| Year end: | Mar 31 |
| ISIN: | US0449011065 |
| Bloomberg code: | APB: UN |
| Lipper ID: | 2500 |
| Benchmark index: | MSCI AC Asia (ex-Japan) Index* (since Apr 1, 2010) |

* In view of the growing importance of the Indian economy and stock market in Asia and as part of the Fund's investment portfolio, the Fund has adopted as its reference index as of Apr 1, 2010, the MSCI All Countries Asia ex Japan Index, which includes India. Prior to this the Fund was shown against MSCI AC FE Free Ex-Japan Index Total Gross Return.

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: Chung Man Wing; Kenny Tjan, CFA; Michelle Yu, CFA; Yu Xiao Bo
Senior Fund Managers: Kelly Chung, CFA; Doris Ho; Glenda Hsia; Philip Li, CFA; Luo Jing, CFA; Kai Mak; Yu Chen Jun

Recent corporate awards



Manager of the Year - Greater China Equity (Outstanding Award)
Dato' Seri Cheah Cheng Hye and Mr. Louis So (Value Partners' Co-CIOs) ⁶
 ~ Benchmark Fund of the Year Awards 2017, Hong Kong

Management Firm of the Year ⁷
 ~ AsiaHedge Awards 2017

Best Fund Provider - Greater China Equity ⁸
 ~ Asset Management Awards for Excellence 2017

1. Source: Bank of New York Mellon and Reuters. Total return at NAV is based on changes in the NAV of Fund shares and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the dividend reinvestment program. All return data at NAV includes fees charged to the Fund and may reflect fee waivers and/or expense reimbursements. Without such, returns would be lower. Total Return at Market Price is based on changes in the market price at which the Fund's shares traded on the NYSE during the period and assumes reinvestment of dividends and distributions, if any, at market prices pursuant to the dividend reinvestment program. Because the Fund's shares trade in the stock market based on investor demand, the Fund may trade at a price higher or lower than its NAV. Therefore, returns are calculated based on both market price and NAV. All returns 1-year or less are cumulative. Returns are shown in USD. 2. Classification is based on Global Industry Classification Standard (GICS). 3. Exposure refers to net exposure (long exposure minus short exposure). Due to rounding, percentages shown may not add up to 100%. 4. Cash refers to net cash on hand excluding cash for collaterals and margins. 5. 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. 6. The award recognized individuals who have led his/her team to outstanding performances over the consistency of three-year and five-year performances against the benchmark and their peers up to 30 Sep 2017. 7. The award was based on performance for the full 12-month period, from Sep 2016 to the end of Aug 2017. 8. Based on performance and achievements for 2016.

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