

Issuer: Value Partners Limited

April 2024

- This statement provides you with key information about the China Convergence Fund (the “Sub-Fund”).
- This statement is a part of the offering document.
- You should not invest in this product based on this statement alone.

### Quick facts

|                            |   |
|----------------------------|---|
| <b>Manager:</b>            | Value Partners Limited                                |
| <b>QFII Holder:</b>        | Value Partners Hong Kong Limited                      |
| <b>Trustee:</b>            | HSBC Trustee (Cayman) Limited                         |
| <b>Custodian:</b>          | HSBC Institutional Trust Services (Asia) Limited      |
| <b>QFII Custodian:</b>     | The Hongkong and Shanghai Banking Corporation Limited |
| <b>PRC QFII Custodian:</b> | HSBC Bank (China) Company Limited                     |

**Ongoing charges over a year<sup>#</sup>:**

|                    | Exclusive of performance fees | Inclusive of performance fees |
|--------------------|-------------------------------|-------------------------------|
| Class A            | 1.54% <sup>β</sup>            | 1.54% <sup>β^A</sup>          |
| Class A AUD Hedged | 1.54% <sup>β</sup>            | 1.54% <sup>β^A</sup>          |
| Class A CAD Hedged | 1.54% <sup>β</sup>            | 1.54% <sup>β^A</sup>          |
| Class A NZD Hedged | 1.55% <sup>β</sup>            | 1.55% <sup>β^A</sup>          |
| Class A RMB Hedged | 1.54% <sup>β</sup>            | 1.54% <sup>β^A</sup>          |

|                           |   |
|---------------------------|---|
| <b>Dealing frequency:</b> | Daily (Hong Kong and PRC business days)   |
| <b>Base currency:</b>     | US dollars (US\$)   |
| <b>Dividend policy:</b>   | <p>Class A and Class A Hedged*: At the Manager’s discretion (if any, calculated once a year)</p> <p>Dividends may be paid out of capital of the relevant class and may result in an immediate reduction of the net asset value (“NAV”) per unit of the Sub-Fund.</p> <p>Where distributions are made, unless unitholders indicate otherwise to the Manager, any such distributions will automatically be reinvested in further units in the Sub-Fund to be issued to such unitholders in proportion to the number of units held by them on the distribution date which will fall on the valuation day which coincides with the last business day of the fourth quarter in each calendar year.</p> |

|                            |  |
|----------------------------|--|
| <b>Minimum investment:</b> | <p>Class A: US\$10,000 initial, US\$5,000 subsequent</p> <p>Class A Hedged: US\$10,000 (or its equivalent in the relevant class currency) initial, and US\$5,000 (or its equivalent in the relevant class currency) subsequent</p> |
|----------------------------|--|

**Financial year-end of this Sub-Fund:** 31 December

- # *The ongoing charges figure is expressed as a percentage of the sum of expenses over the average NAV of the class of units for the corresponding period as described below. This figure may vary from year to year. The performance fees to be paid as at year end, where applicable, may vary subject to market conditions. Information is updated as at 27 March 2024.*
- ^ *No performance fee is payable for the year ended 31 December 2023.*
- β *This figure is based on the expenses for the year ended 31 December 2023.*
- \* *Class A Hedged includes Class A AUD Hedged, Class A CAD Hedged, Class A NZD Hedged and Class A RMB Hedged.*

## What is this product?

The Sub-Fund is a sub-fund of Value Partners Intelligent Funds, which is a unit trust constituted under the laws of the Cayman Islands.

## Objectives and Investment Strategy

### Objectives

The Sub-Fund aims to provide unitholders with long-term capital appreciation by investing primarily (i.e. not less than 70% of the Sub-Fund's NAV) in equity securities of China-related companies that are listed on a stock exchange in mainland China (excluding Hong Kong, Macau and Taiwan) ("**PRC**" or "**China**"), the Hong Kong Stock Exchange or on major/ recognized stock exchanges in other jurisdictions (including but not limited to A, B and H Shares and American Depositary Receipts ("**ADRs**")).

For the purpose of the Sub-Fund, China-related companies are considered by the Manager to be companies which are based in or have their principal operation in China or have the majority of their assets situated in, or the majority of their revenue, income or profits derived from China.

### Strategy

The investment in A Shares whether directly through the QFII Holder's Qualified Foreign Institutional Investor ("**QFII**") quota and the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connects**"), or indirectly through China A Shares Access Products ("**CAAPs**"), is subject to a maximum exposure of 100% of the Sub-Fund's latest available NAV and between 0% and 35% of the Sub-Fund's latest available NAV will be invested in B Shares.

The Sub-Fund may invest up to 100% of its latest available NAV in the Small and Medium Enterprise ("**SME**") board of the Shenzhen Stock Exchange ("**SZSE**"), the ChiNext market of the SZSE and/or the Science and Technology Innovation Board ("**STAR board**") of the Shanghai Stock Exchange ("**SSE**"). The Manager may also invest (to a lesser extent, i.e. less than 30% of the Sub-Fund's NAV) in fixed income securities of China-related companies, including up to 10% in bonds issued in China. The Sub-Fund may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate. When investing the assets of the Sub-Fund, the Manager does not intend to have an investment focus in terms of sector or industry. Debt and equity securities that the Sub-Fund may invest in include but are not limited to listed debt securities, bonds, sovereign debts, listed equities, ADRs, real estate investment trusts ("**REITs**"), and Exchange Traded Funds ("**ETFs**").

For indirect investment in A Shares, the Sub-Fund may do so through CAAPs, being listed or unlisted derivative instruments issued by a third party ("**CAAP Issuer**"), which represents an obligation of the CAAP Issuer to pay to the Sub-Fund an economic return equivalent to holding the underlying A Shares. The Sub-Fund's gross exposure to each CAAP Issuer is limited to 10% of its latest available NAV, and the Sub-Fund's aggregate exposure to CAAPs is limited to 10% of its latest available NAV.

The Sub-Fund may invest up to 30% of its NAV in securities of non-China-related companies.

The Sub-Fund may also hold cash and other cash-based and fixed income instruments. Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may be invested temporarily up to 100% in liquid assets, such as cash, deposits, certificates of deposit, commercial paper and treasury bills for cash flow management. To the extent permitted by the SFC's Code on Unit Trusts and Mutual Funds and the provisions set out in Schedule 1 of the Explanatory Memorandum, the Sub-Fund may also, on an ancillary basis (i.e. less than 30% of its NAV), invest in other fixed income instruments, units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those offered by the Manager, its Investment Delegate (as defined in the Explanatory Memorandum) or any of their Connected Persons (as defined in the Explanatory Memorandum)).

The Sub-Fund may also utilise FDIs including but not limited to futures, options, swaps (including but not limited to credit and credit-default, equity, interest rate and inflation swaps), forward foreign currency contracts, participation notes, credit linked notes and any other financial derivative instruments, for hedging and/or investment purposes, subject to the limit that the Sub-Fund's net derivative exposure does not exceed 50% of its net asset value. For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps.

The Sub-Fund may invest less than 30% of its latest available NAV in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) and/or mortgage backed securities for hedging or non-hedging purposes. The Sub-Fund does not intend to engage in sale and repurchase transactions and reverse repurchase transactions. However, the Sub-Fund may enter into securities lending transactions provided that the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Sub-Fund does not exceed 10% of its latest available NAV. The Sub-Fund will not invest more than 10% of its NAV in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

Assets of the Sub-Fund acquired through the QFII Holder's QFII Quota and denominated in RMB are valued with reference to the CNY rate, whereas all other assets denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the "CNH" rate) may be different from the exchange rate within the PRC (the "CNY" rate). Please refer to the offering document for details.

## Use of derivatives / Investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of its NAV.

## What are the key risks?

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

### 1. Investment risk

- The Sub-Fund is an investment fund. The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore you may lose a substantial proportion or all of your investment in the Sub-Fund. There is no guarantee of the repayment of principal.

### 2. Currency exchange risk

- The Sub-Fund is denominated in US dollars. Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The NAV of the Sub-Fund and its performance may be affected unfavourably by movements in the exchange rates between the currencies in which the assets are held and US dollars, and any changes in exchange control regulations which may cause difficulties in the repatriation of funds.

### 3. Concentration risk

- The concentration of the Sub-Fund's investments in China-related companies may result in greater volatility in the value of the Sub-Fund than more diverse portfolios which comprise broad-based global investments.
- The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the China market.

**4. Risk of investing in China**

- China is an emerging market. Investing in China-related companies involves certain increased risks and special conditions not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange risk/ controls, liquidity, settlement, custody, legal and regulatory risk, and the likelihood of higher degree of volatility.

**5. Equity market risk**

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

**6. Risk associated with high volatility of the equity market in China**

- High market volatility and potential settlement difficulties in the China markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

**7. Risk associated with the legal system and regulatory/exchanges requirements/policies of the equity market in China**

- Securities exchanges in the China markets typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

**8. RMB currency conversion risks**

- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example US dollar) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.
- Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

**9. Risks relating to A Shares and B Shares markets**

- The A Shares and B Shares markets may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention).
- Market volatility and potential lack of liquidity (for example, low liquidity in respect of B Shares due to low trading volume) may result in prices of securities traded on such markets to fluctuate significantly resulting in substantial changes in the NAV of the Sub-Fund.

**10. Risks of investing in ADRs**

- Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

**11. Counterparty risk of CAAPs**

- The Sub-Fund will invest in CAAPs and will be exposed to the counterparty risk of the issuers of these CAAPs. If a CAAP issuer were to become insolvent, the Sub-Fund would lose its investment up to the full value of that CAAP.

**12. QFII Risk**

- The current QFII policy and rules are subject to change and any such change which may have potential retrospective effect, and could adversely impact the Sub-Fund's direct investments in A Shares and indirect investments in A Shares through CAAPs.

- The Sub-Fund's ability to make the relevant investments through the QFII Holder or to fully implement or pursue its investment objective and strategy are subject to the applicable laws, rules and regulations (including the then prevailing exchange controls and other prevailing requirements of the PRC including rules on investment restrictions, lock-up period and repatriation and remittance of principal and profits) in the PRC. The capacity of the Sub-Fund to make investments, and thus the value of the Sub-Fund, may be affected.
- The Sub-Fund may suffer substantial losses if there is insufficient QFII quota allocated for the Sub-Fund to make investments, the approval of the QFII is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including QFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

### **13. Risks associated with Stock Connects**

- The current regulations and rules on Stock Connects are subject to change which may have potential retrospective effect. The Stock Connects are subject to quota limitations which may restrict the Sub-Fund's ability to invest in A Shares through the Stock Connects on a timely basis and as a result, the Sub-Fund's ability to access the A Shares markets (and hence to pursue its investment strategy) will be adversely affected. Where a suspension in the trading through the Stock Connects is effected, the Sub-Fund's ability to access the PRC markets will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

### **14. Risks associated with the SME board of the SZSE, ChiNext market of the SZSE and/or the STAR board of the SSE**

- The Sub-Fund may have exposure to stocks listed on SME board of the SZSE, ChiNext market of the SZSE and the STAR board of the SSE. Investments in the SME board, ChiNext market and/or the STAR board may result in significant losses for the Sub-Fund and its investors, and will be subject to additional risks, including higher fluctuation on stock prices and liquidity risk, over-valuation risk, differences in regulations, delisting risk and concentration risk.

### **15. PRC tax risk**

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realized by a foreign investor on its investment in the PRC (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.
- Having consulted professional and independent tax adviser, the Manager will not make provisions for any withholding income tax payable by the Sub-Fund on PRC sourced capital gains from B Shares, H Shares and RMB denominated debt securities issued or listed offshore by PRC issuers. The implication of this is that if the Sub-Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the NAV of the Sub-Fund.
- Having consulted professional and independent tax adviser, currently no provision for gross realised or unrealised capital gains derived from trading of A Shares through QFII, CAAPs (where the CAAPs issuers are QFII) and the Stock Connects is made by the Manager on behalf of the Sub-Fund.
- If no tax provision is made, unitholders may be disadvantaged. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub-Fund's NAV. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

### **16. Risks relating to currency hedging and the currency hedged classes ("Currency Hedged Classes")**

- The Manager may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of the Sub-Fund attributable to a particular class into the class currency of the relevant class. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of that Currency Hedged Class. Investors should also be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the class currency, if the Currency Hedged Class' denominating currency falls against the base currency of the Sub-Fund.

- The precise hedging strategy applied to a particular Currency Hedged Class may vary. In addition, there is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis.
- If the counterparties of the instruments used for hedging purposes default, investors of the Currency Hedged Classes may be exposed to the currency exchange risk on an unhedged basis and may therefore suffer further losses.

**17. Performance fee risk**

- The performance fee payable to the Manager may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.
- There is no adjustment of equalisation credit or equalisation losses on an individual unitholder basis for the calculation of the performance fee. A unitholder redeeming units may still incur performance fee in respect of the units, even though a loss in investment capital has been suffered by the redeeming unitholder.
- In addition, performance fee may be paid on unrealized gains which may never be realised by the Sub-Fund.

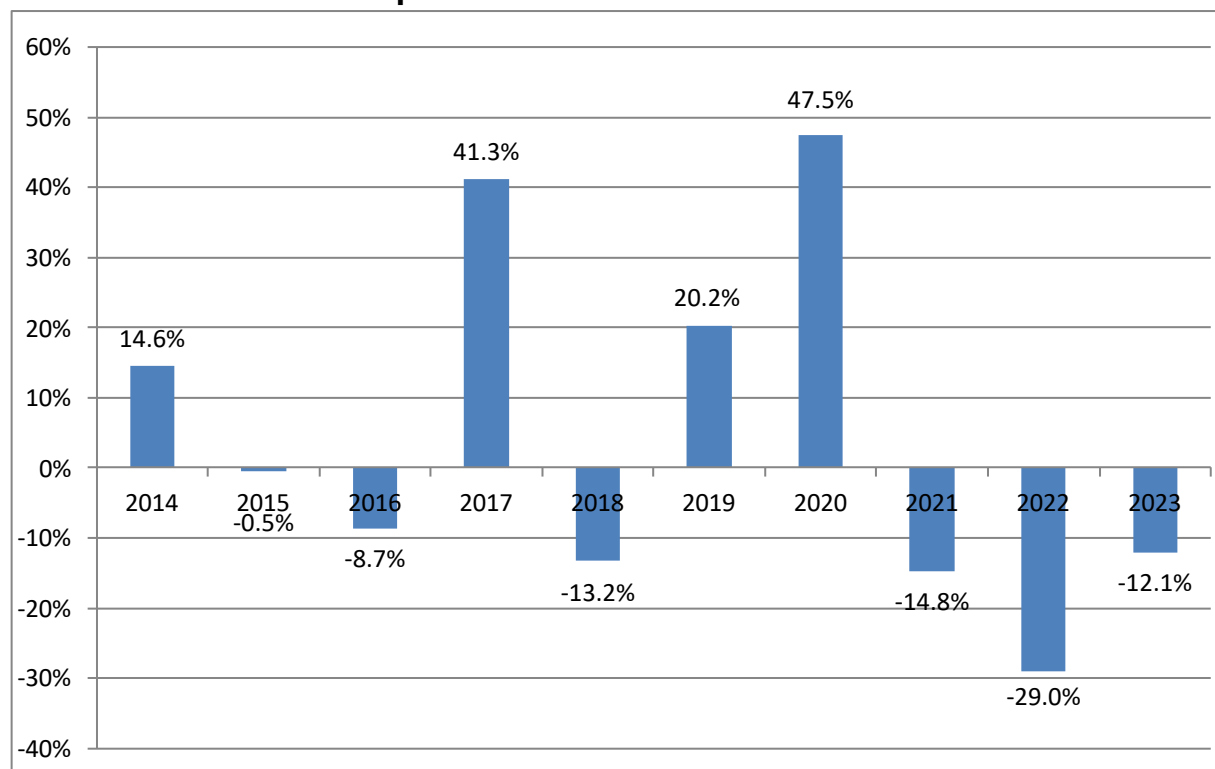
**18. Risks associated with investments in financial derivative instruments**

- Risks associated with derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/ component of a derivative instrument and adverse changes in the value or level of the underlying asset, rate or index can result in a loss significantly greater than the amount invested in the derivative instrument itself. Exposure to derivative instruments may lead to a high risk of significant loss by the Fund.

**19. Distributions payable out of capital risk**

- Payment of dividends out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital of the Sub-Fund may result in an immediate reduction of the NAV per unit of the relevant class.
- The distribution amount and NAV of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged class and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged classes.

## How has the Sub-Fund performed?



### Note:

- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- The figures show by how much Class A increased or decreased in value during the calendar year being shown. Performance data has been calculated in US\$ including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Sub-Fund launch date: 14 July 2000
- Class A launch date: 14 July 2000
- Class A has the longest history and is broadly indicative of the Sub-Fund's performance characteristics.

## Is there any guarantee?

This Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

## What are the fees and charges?

### Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Sub-Fund.

| Fee                                      | What you pay                         |
|--|--------------------------------------|
| <b>Subscription fee (Initial Charge)</b> | Up to 5% of the subscription monies. |
| <b>Switching fee</b>                     | Nil*                                 |
| <b>Redemption fee</b>                    | Nil                                  |

\* Certain distributors may impose a charge for each switching of units acquired through them for units in another class of the Sub-Fund or other sub-funds, which will be deducted at the time of the switching and paid to the relevant distributor.

## Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

|   | <b>Annual rate</b>   |
|---|--|
| <b>Management fee (as a % of each class' NAV)</b>   | Class A and Class A Hedged: 1.25%*   |
| <b>Trustee fees (including fees of the Custodian and Registrar's Agent) (as a% of the Sub-Fund's NAV)</b> | First US\$150 million of the Sub-Fund's NAV.....0.135%*<br>Next US\$650 million of the Sub-Fund's NAV.....0.13%<br>Thereafter.....0.125%<br><br>The trustee fees are subject to a monthly minimum of US\$4,500.  |
| <b>Performance fee</b>  | 15% of the appreciation in the NAV per unit in the relevant class (prior to the deduction of any performance fee and any distribution declared or paid in respect of the relevant performance period(s) since the last performance fee is crystallised and paid) during a performance period above the high water mark per unit. <ul style="list-style-type: none"> <li>• The high water mark is initially set at the initial offer price of that class.</li> <li>• Each performance period corresponds to the financial year of the Sub-Fund.</li> <li>• Where a performance fee is payable to the Manager for a performance period, the NAV per unit of that class (after deduction of all fees and any distribution declared or paid) on the last valuation day of that performance period will be set as the high water mark for the next performance period.</li> <li>• Performance fee accrues on each valuation day if the NAV per unit exceeds the high water mark. On each valuation day, the performance fee accrual made (if any) on the previous valuation day will be reversed and a new performance fee accrual will be calculated. If the NAV per unit is lower than or equal to the high water mark, any performance fee accrual will be reversed and no performance fee will be accrued.</li> <li>• For details and illustrative examples of the performance fee calculation, please refer to the section headed "Performance Fee" in the Sub-Fund's Appendix to the Explanatory Memorandum.</li> </ul> |
| <b>Other fees</b>   | You may have to pay other fees when dealing in the units of the Sub-Fund.  |

\* Please note that some fees may be increased up to a specified permitted maximum on giving unitholders at least one month's prior notice. Please refer to the section of the Explanatory Memorandum entitled "Fees and Expenses" and the sections headed "Management Fee" and "Trustee Fees" in the Sub-Fund's Appendix to the Explanatory Memorandum for further details of the fees and charges payable and the permitted maximum of such fees, as well as other ongoing expenses that may be borne by the Sub-Fund.



## Additional Information

- You generally buy and redeem units at the Sub-Fund's next-determined NAV after the Registrar's Agent receives your request, directly or via a distributor, in good order at or before 5:00 p.m. (Hong Kong time), being the Sub-Fund's dealing cut-off time on each dealing day of the Sub-Fund. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).
- The NAV of the Sub-Fund is calculated and the prices are available online at [www.valuepartners-group.com](http://www.valuepartners-group.com). This website has not been reviewed or authorized by the SFC. Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from the website of the Manager at [www.valuepartners-group.com](http://www.valuepartners-group.com). This website has not been reviewed or authorized by the SFC.
- Investors may obtain information on the distributor(s) appointed in respect of the Sub-Fund by making a telephone enquiry with the Manager on (852) 2143 0688.
- The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months will be available from the Manager on request and on the website of the Manager at [www.valuepartners-group.com](http://www.valuepartners-group.com). This website has not been reviewed or authorized by the SFC.

## Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

VALUE PARTNERS INTELLIGENT FUNDS  
**EXPLANATORY MEMORANDUM**



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# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

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## IMPORTANT INFORMATION FOR INVESTORS

**Important: If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.**

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omissions of which would make any statement misleading.

**Value Partners Intelligent Funds** (the “Trust”) is an open-ended umbrella unit trust constituted under the laws of the Cayman Islands by a trust deed dated 21 June 2000, as amended from time to time (collectively the “Trust Deed”) entered into between the Trustee and the Manager. The Trust has been registered as a regulated mutual fund under Section 4(1)(b) of the Mutual Funds Law (2019 Revision) of the Cayman Islands and is regulated by the Cayman Islands Monetary Authority whose current address is at SIX, Cricket Square, PO Box 10052, Grand Cayman KY1-1001, Cayman Islands.

The Trust is authorised by the SFC, whose current address is at 35th Floor, Cheung Kong Center, 2 Queen’s Road Central under Section 104 of the Hong Kong Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Trust nor does it guarantee the commercial merits of the Trust or its performance. It does not mean the Trust is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. In giving such authorisation the SFC does not take responsibility for the financial soundness of the Trust or for the correctness of any statements made or opinions expressed in this regard. Information on whether or not individual Sub-Funds of the Trust have been authorised by the SFC for public distribution in Hong Kong will be set out in the relevant Appendix to this Explanatory Memorandum relating to that Sub-Fund. Sub-Funds which have not been authorised by the SFC under Section 104 of the Hong Kong Securities and Futures Ordinance may not be offered to investors in Hong Kong other than to persons whose ordinary business it is to buy or sell securities whether as principal or agent or in circumstances which do not constitute an offer to the public.

This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

Persons interested in acquiring Units in the Trust should inform themselves as to:

- (i) the legal requirements within the jurisdictions of their nationality, residence, ordinary residence or domicile for such acquisition;
- (ii) any foreign exchange restrictions or exchange control requirements which they might encounter on the acquisition or sale of Units; and
- (iii) any taxation consequences which might be relevant to the acquisition, holding or disposal of Units.

Distribution of this Explanatory Memorandum is not authorized unless it is accompanied by a copy of the latest published annual report of the Trust and, if later, a copy of its most recent interim report, each of which will be deemed to form part of this Explanatory Memorandum.

The Units of the Trust are offered on the basis of the information and representations contained in this Explanatory Memorandum and any accompanying financial information. Any further information given or representations made by any dealer, salesman or other person must not be relied upon as being authorized by the Trustee or the Manager. No person has been authorized to give any information or to make any representation other than those contained in this Explanatory Memorandum and in the documents mentioned herein. Neither the delivery of this Explanatory Memorandum nor the issue of Units will under any circumstances create any implication that there has been no change in the affairs of the Trust since the date of this Explanatory Memorandum.

## *Cayman Islands*

This Explanatory Memorandum does not constitute, and will not be construed as, an offer or invitation to members of the public in the Cayman Islands to subscribe for Units in the Trust. No offer or invitation to subscribe for Units may be made to the public in the Cayman Islands.

## *People's Republic of China*

For those sub-funds (“**Sub-Funds**”) of the Trust which are permitted to invest in A Shares, no subscription money is or will be transmitted directly from any onshore account in the mainland of China (excluding Taiwan, Macau and Hong Kong).

## United States of America

The Trust is not registered as an investment company with the U.S. Securities and Exchange Commission. Units in the Trust have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or any other U.S. federal or state law, and Units in the Trust are not offered or sold to, and may not be transferred to or acquired by, U.S. persons (including, without limitation, U.S. residents, as well as business entities organised under U.S. law), except pursuant to an exemption available under the Securities Act.

**The attention of U.S. Persons is drawn to the paragraph headed “Restrictions on Unitholders” and the compulsory redemption powers of the Manager referred to therein.**

The Manager is exempt from registration with the United States Commodity Futures Trading Commission (“**CFTC**”), and is not registered with the U.S. CFTC as a commodity pool operator (“**CPO**”), in respect of the Trust or any Sub-Fund pursuant to an exemption under U.S. CFTC rule 4.13(a)(3) and the Manager is not registered with the CFTC as a commodity trading adviser (“**CTA**”) pursuant to rule 4.14(a)(8) for pools (a) whose interests are exempt from registration under the Securities Act and are offered and sold without marketing to the public in the United States, (b) whose participants are limited to certain qualified eligible persons including Qualified Purchasers and Accredited Investors and (c) satisfy the other criteria in CFTC Rule 4.14(a)(8). To maintain the exemptions provided by CFTC Rule 4.13(a)(3), the Manager will not (x) commit more than 5% of a Sub-Fund’s liquidation value, taking into account unrealised profits or loss on such positions to establish commodity interest positions or (y) permit the net notional value of a Sub-Fund’s commodity interests positions to exceed 100% of a Sub-Fund’s liquidation value, taking into account unrealised profits or loss on such positions. Therefore, unlike a commodity pool operated by a registered CPO, there is no obligation imposed by the CFTC on the Manager to deliver a disclosure document (as defined in the CFTC Rules) or a certified annual report to investors. The CFTC does not pass upon the merits of participating in a pool or upon the adequacy or accuracy of an offering memorandum. Consequently, the CFTC has not reviewed or approved this offering or this Explanatory Memorandum.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

## *Singapore:*

Certain Sub-Funds (“**Restricted Sub-Funds**”) have been entered onto the list of restricted schemes maintained by the Monetary Authority of Singapore (the “**MAS**”) pursuant to section 305 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). The list of Restricted Sub-Funds may be accessed at the MAS website at <https://eservices.mas.gov.sg/cisnet/home/CISNetHome.action>. Investors should note that other Sub-Funds referred to in this Explanatory Memorandum other than the Restricted Sub-Funds are not available to persons in Singapore via section 305 of the SFA and references to such other Sub-Funds are not and should not be construed as an offer of Units of such other Sub-Funds to persons in Singapore.

The offer or invitation of the Units of Restricted Sub-Funds, which is the subject of this Explanatory Memorandum, are not authorised or recognised by the MAS and Units of Restricted Sub-Funds are not allowed to be offered to the retail public. Neither this Explanatory Memorandum and any other document nor material issued in connection with the offer or sale is a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectus would not apply. You should consider carefully whether the investment is suitable for you in light of your own personal circumstances.

This Explanatory Memorandum has not been registered as a prospectus with the MAS. Accordingly, this Explanatory Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units of the Restricted Sub-Funds may not be circulated or distributed, nor may such Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A(1)(c) of the SFA) (each an “**Institutional Investor**”), (ii) to a relevant person as defined in Section 305 of the SFA or any person pursuant to an offer referred to in Section 305(2) of the SFA (each a “**Relevant Investor**”), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Subject to all other restrictions on transferability imposed by the Trust and/or Restricted Sub-Funds, recipients of this Explanatory Memorandum represent and warrant that where the Units are initially acquired pursuant to an offer made in reliance on an exemption under:

- (a) Section 304 of the SFA by an Institutional Investor, subsequent sales of the Units may only be made to another Institutional Investor; and
- (b) Section 305 of the SFA by a Relevant Investor, subsequent sales of the Units may only be made to an Institutional Investor or another Relevant Investor,



In addition, it should be noted that where the Units of the Restricted Sub-Funds are initially subscribed or purchased in Singapore under Section 305 of the SFA by:

- (i) a corporation referred to in Section 305A(2) of the SFA (a “**Relevant Corporation**”), the securities of the Relevant Corporation shall not be transferred within 6 months after the Relevant Corporation has acquired any Units unless the transfer is in accordance with the conditions of Section 305A(2) of the SFA; or
- (ii) a trust referred to in Section 305A(3) of the SFA (a “**Relevant Trust**”), the rights and interest (howsoever described) of the beneficiaries thereof in the Relevant Trust shall not be transferred within 6 months after any Units have been acquired for the Relevant Trust unless the transfer is in accordance with the conditions of Section 305A(3) of the SFA.

Investors are required to ensure that any of their own transfer arrangements in relation to any Units of the Restricted Sub-Funds comply with the above restrictions and should seek legal advice to ensure compliance with the same.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, the Trust and the Restricted Sub-Funds have determined, and hereby notify all relevant persons (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 (“**CMP Regulations 2018**”)), that the interests are capital markets products other than prescribed capital markets products (as defined in Section 309B of the SFA).

This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Investors in Singapore should note that if they wish to obtain information on the past performance and a copy of the annual report of the Trust they should contact the relevant distributors to obtain such information.

Prospective applicants for the Units should inform themselves as to (a) the possible tax consequences; (b) the legal requirements; and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

**It should be appreciated that the value of the Units and the income, if any, from them may fall as well as rise and that, accordingly, the amount redeemed by an investor on the redemption of Units may be less than the original investment made. It should also be appreciated that changes in the rates of exchange between currencies may cause the value of Units to diminish or increase in terms of the currencies of the jurisdictions in which the Unitholder may be located.**

## **Enquiries or complaints**

Investors may contact the Manager for any queries or complaints in relation to the Trust or any Sub-Fund. To contact the Manager, investors may either write to the Manager's address at 43rd Floor, The Center, 99 Queen's Road Central, Hong Kong, or contact the Fund Investor Services team of the Manager by telephone at (852) 2143 0688. The Manager will respond to the enquiry or complaint as soon as practicable.

**January 2020**

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

## I. DIRECTORY

### Manager

#### **Value Partners Limited**

*Registered Address:*

Commerce House, Wickhams Cay 1

P.O. Box 3140

Road Town, Tortola

British Virgin Islands

VG 1110

*Business Address:*

43rd Floor

The Center

99 Queen's Road Central

Hong Kong

Telephone: (852) 2880 9263

Fax: (852) 2565 7975

Email: [vp1@vp.com.hk](mailto:vp1@vp.com.hk)

Website: [www.valuepartners-group.com](http://www.valuepartners-group.com)

Fund Investor Services hotline: (852) 2143 0688

Fund Investor Services email: [fis@vp.com.hk](mailto:fis@vp.com.hk)

### Trustee, Registrar and Administrator

#### **HSBC Trustee (Cayman) Limited**

*Principle address:*

Strathvale House

90 North Church Street

George Town

Grand Cayman

Cayman Islands

*Registered address:*

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

### Custodian and Registrar's Agent

#### **HSBC Institutional Trust Services (Asia) Limited**

1 Queen's Road Central

Hong Kong

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

## QFII CUSTODIAN<sup>^</sup>

### **The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road Central  
Central  
Hong Kong

## QFII HOLDER<sup>^</sup>

### **Value Partners Hong Kong Limited**

43rd Floor  
The Center  
99 Queen's Road Central  
Hong Kong

## PRC QFII CUSTODIAN<sup>^</sup>

### **HSBC Bank (China) Company Limited**

33/F, HSBC Building, Shanghai ifc  
8 Century Avenue  
Pudong, Shanghai  
China (200120)

## Auditor

### **KPMG**

P.O. Box 493 GT  
Century Yard  
Grand Cayman  
Cayman Islands

## Legal Advisers

*To the Manager with respect to Hong Kong law*

### **Deacons**

5/F, Alexandra House  
18 Chater Road  
Central,  
Hong Kong

*To the Manager with respect to Cayman Islands law*

### **Maples and Calder**

PO Box 309, Umland House  
Grand Cayman, KY1-1104  
Cayman Islands

<sup>^</sup> Applicable to China Convergence Fund and Chinese Mainland Focus Fund only.

## II. DEFINITIONS

*The defined terms used in this Explanatory Memorandum have the following meanings:*

- “Administrator”, “Registrar”, or “Trustee” means HSBC Trustee (Cayman) Limited;
- “A Shares” means domestic shares in the PRC incorporated companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the prices of which are quoted in Renminbi and which are available to such investors as approved by the CSRC;
- “B Shares” means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors;
- “China” or “PRC” means mainland China, excluding Hong Kong and Macau Special Administrative Regions and Taiwan;
- “CSRC” means the China Securities Regulatory Commission;
- “Code” means the Central Clearing and Settlement System operated by HKSCC.
- “Custodian” or “Registrar’s Agent” means HSBC Institutional Trust Services (Asia) Limited;

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

- “Eligible Securities” means RMB financial instruments which are permitted for investment by QFIIs from time to time under the QFII Regulations and which for the time being include:
- (a) shares (excluding B Shares), bonds and warrants traded or transferred on the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
  - (b) fixed income instruments traded on the interbank bond market;
  - (c) securities investment funds;
  - (d) stock index futures; and
  - (e) any other financial instruments from time to time approved by the CSRC for the purposes of the QFII scheme;
- “entities within the same group” means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards;
- “Government and other public securities” has the meaning as set out in the Code which, at the date of this Explanatory Memorandum, means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies;
- “Hong Kong” means the Hong Kong Special Administrative Region of the PRC;
- “H Shares” means shares issued by companies incorporated in the PRC and listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

|                            |   |
|----------------------------|---|
| “Investment Delegate”      | means an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund;  |
| “IRS”                      | means the United States Internal Revenue Service;   |
| “IRS Code”                 | means the United States Internal Revenue Code of 1986, as amended;  |
| “Manager”                  | means Value Partners Limited;   |
| “Net Asset Value”          | means, in relation to any Sub-Fund or class of Units, the net asset value of such Sub-Fund or class, as the context may require, calculated in accordance with the provisions of the Trust Deed;  |
| “Participation Agreement”  | means an agreement entered into between the Trustee, the QFII Holder, the Manager, the QFII Custodian and the PRC QFII Custodian, as novated and amended from time to time;   |
| “PRC Brokers”              | means brokers appointed by the QFII Holder acting on its behalf to deal with the Eligible Securities in the PRC for the account of the Sub-Funds;   |
| “PRC QFII Custodian”       | means HSBC Bank (China) Company Limited;  |
| “QFII”                     | means Qualified Foreign Institutional Investor;   |
| “QFII Custodian”           | means The Hongkong and Shanghai Banking Corporation Limited who will act through the PRC QFII Custodian as the local custodian of the assets of a Sub-Fund acquired through and/or in connection with the QFII Quota of the QFII Holder under the QFII scheme in the PRC;   |
| “QFII Custodian Agreement” | means an agreement entered into between the QFII Custodian and the QFII Holder pursuant to which the QFII Custodian was appointed to act through the PRC QFII Custodian as the custodian of the assets acquired through and/or in connection with the QFII Quota of the QFII Holder within the PRC under the QFII scheme; |

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

- “QFII Holder” means Value Partners Hong Kong Limited;
- “QFII Quota” means an investment quota (if applicable) granted by the SAFE to the QFII Holder to remit foreign freely convertible currencies into the PRC and convert into RMB for the purpose of investing in the PRC’s securities market;
- “QFII Regulations” means the rules and regulations governing the establishment and the operation of the QFII regime in the PRC, as may be promulgated and/or amended from time to time, including but not limited to:
- (a) The Measures on the Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors jointly promulgated by the CSRC, the People’s Bank of China and the SAFE on 24 August 2006 which came into effect on 1 September 2006 (the “**Measures**”) and The Provisions on Relevant Issues Concerning the Implementation of the Measures on the Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors promulgated by the CSRC on 27 July 2012 which came into effect on 27 July 2012 (the “**Provisions**”);
  - (b) The Regulations on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors issued by the SAFE on 12 June 2018 (the “**Regulations**”);
  - (c) Announcement on Relevant Matters concerning Further Improvement in the Investment in the Interbank Bond Market by Foreign Institutional Investors (Announcement [2016] No.3 of the People’s Bank of China) issued by the People’s Bank of China on 17 February 2016; and
  - (d) The Notice on the Issues concerning the Depository and Settlement of Domestic Securities Investment of QFII issued by the CSRC on 4 July 2003 (the “**Notice**”);



# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

|                                     |  |
|-------------------------------------|--|
| “REITs”                             | means real estate investment trusts;   |
| “reverse repurchase transactions”   | means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future;   |
| “RMB”                               | means renminbi, the lawful currency of the PRC;  |
| “SAFE”                              | means the State Administration of Foreign Exchange;  |
| “sale and repurchase transactions”  | means transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future;   |
| “securities financing transactions” | means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions;  |
| “securities lending transactions”   | means transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee;   |
| “SFC”                               | means the Securities and Futures Commission of Hong Kong;  |
| “Sub-Fund”                          | means a sub-fund of the Trust, being a separate trust which is established pursuant to a supplemental deed and is maintained in accordance with the provisions of the Trust Deed and such supplemental deed and with respect to which one or more separate classes of Units is issued;                                 |
| “substantial financial institution” | means an authorised institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HKD2 billion or its equivalent in foreign currency; |
| “Trust”                             | means Value Partners Intelligent Funds and includes the Sub-Funds;   |

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

- “Trust Deed” means the trust deed establishing the Trust entered into by the Manager and the Trustee dated 21 June 2000, and as amended and/or restated and/or supplemented from time to time;
- “Unit” means a unit of the class to which it relates and except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes;
- “Unitholder” means a person registered as a holder of a Unit;
- “US dollars”, “US\$” or “USD” means the lawful currency of the United States of America; and
- “US IGA” means the intergovernmental agreement between the United States and the Cayman Islands to improve international tax compliance and the exchange of information.

### III. MANAGEMENT AND ADMINISTRATION

#### **Manager**

The Manager is an investment company incorporated with limited liability in the British Virgin Islands on 9 October, 1991. The Manager is licensed under the Hong Kong Securities and Futures Ordinance to carry on regulated activities of dealing in securities, dealing in futures contracts, advising on securities, advising on futures contracts and asset management in Hong Kong. The Manager is also licensed by the Financial Services Commission in the British Virgin Islands to hold a Category 3: Investment Management Sub-Category B: Managing Mutual Funds licence under Section 5 and 6(2) of the Securities and Investment Business Act, 2010 (“SIBA”), and, in accordance with the provisions of Sections 5 and 6(2) of SIBA, and Section 40B of the Financial Services Commission Act, 2011.

The Manager may, at its discretion and subject to the prior approval of the SFC, appoint one or more Investment Delegates, investment advisers and other agents to provide it with assistance in its management of the investments of the Trust.

The Directors of the Manager are:

#### ***Dato’ Seri CHEAH Cheng Hye***

Dato’ Seri CHEAH Cheng Hye is Co-Chairman and Co-Chief Investment Officer (“Co-CIO”) of Value Partners Group Limited (“Value Partners”). He is in charge of Value Partners’ fund management and investment research, business operations, product development and corporate management. He sets Value Partners’ overall business and portfolio strategy.

Dato’ Seri CHEAH has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm’s funds and business operation. He led Value Partners to a successful listing on the Main Board of The Hong Kong Stock Exchange in 2007. The firm became the first asset management company listed in Hong Kong. Dato’ Seri CHEAH has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards – a total of more than 200 professional awards and prizes since the firm’s inception in 1993.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

Dato' Seri CHEAH currently serves as an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited (“**HKEX**”), a member of The Hong Kong University of Science and Technology (“**HKUST**”) Business School Advisory Council, as well as Co-Chairman of The Malaysian Chamber of Commerce (Hong Kong and Macau). He was previously a member of the Financial Services Development Council (“**FSDC**”) (from February 2015 to January 2019), and a member of the New Business Committee of FSDC (from 2013 to 2018). FSDC is a high-level, cross-sector advisory body established by the Hong Kong Special Administrative Region Government.

In August 2016, Dato' Seri CHEAH was conferred Darjah Gemilang Pangkuan Negeri (“**DGPN**”), one of the highest civil honours granted by the state of Penang in Malaysia to recognize exceptional individuals. The DGPN award comes with the title of “Dato' Seri”. In 2013, he was conferred Darjah Setia Pangkuan Negeri (“**DSPN**”) with the title of “Dato' ”. In the same year, he was named an Honorary Fellow of the HKUST for outstanding achievements.

Dato' Seri CHEAH was named “Outstanding Manager of the Year – Greater China equity category” in the Fund of the Year Awards 2017 by Benchmark, and the co-winner of “CIO of the Year in Asia” along with Mr. Louis SO in the 2011 Best of the Best Awards by Asia Asset Management. In 2010, he was named by AsianInvestor as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by AsianInvestor as one of the 25 Most Influential People in Asian Asset Management. He was also named “Capital Markets Person of the Year” by FinanceAsia in 2007, and in 2003, he was voted the “Most Astute Investor” in the Asset Benchmark Survey.

Prior to starting Value Partners, Dato' Seri CHEAH worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the company's Hong Kong/China equities research department as the Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the Asian Wall Street Journal and Far Eastern Economic Review, where he reported on business and financial news across East and Southeast Asia markets. Dato' Seri CHEAH served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading microfinance company (a subsidiary of Public Bank Malaysia renamed from 2006 as Public Financial Holdings).

## ***SO Chun Ki Louis***

Mr. Louis SO is Co-Chairman and Co-Chief Investment Officer (“**Co-CIO**”) of Value Partners. He works closely with Dato' Seri CHEAH Cheng Hye on all aspects of providing leadership to Value Partners, including overseeing all group affairs and activities, daily operations and management of the firm's investment management team. Mr. SO holds a leadership role in Value Partners' investment process, including a high degree of responsibility over portfolio management.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

Mr. SO has 20 years of experience in the financial industry, with a solid track record in research and portfolio management. He joined Value Partners in May 1999 and was promoted to take up various research and fund management roles since then. He was appointed Co-Chairman of Value Partners with effect from 26 April 2019. His extensive management capability and on-the-ground experience helped the group establish an unparalleled research and investment team.

Mr. SO was named “Outstanding Manager of the Year – Greater China equity category” in the Fund of the Year Awards 2017 by Benchmark. In the 2011 Best of the Best Awards by Asia Asset Management, he was the co-winner of “CIO of the Year in Asia” award alongside Dato’ Seri CHEAH Cheng Hye.

Mr. SO graduated from the University of Auckland in New Zealand with a Bachelor’s degree in Commerce and obtained a Master’s degree in Commerce from the University of New South Wales in Australia.

## ***HO Man Kei, Norman***

Mr. Norman HO is a Senior Investment Director of Value Partners, where he is a leader in Value Partners’ investment process, with a high degree of responsibility over portfolio management. Mr. HO is a member of the Board of Directors of Value Partners Group, and is also a director of certain subsidiaries of the Group.

Mr. HO has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr. HO joined Value Partners in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively. Prior to joining Value Partners, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO graduated with a Bachelor’s degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

## **Trustee, Registrar, Administrator, Custodian and Registrar's Agent**

**HSBC Trustee (Cayman) Limited**, the Trustee, Registrar, and Administrator, was incorporated in the Cayman Islands on 10 November 1981 and is regulated by the Cayman Islands Monetary Authority. It is licensed as an unrestricted trust company under the Banks and Trust Companies Law (2018 Revision) of the Cayman Islands, as well as being licensed as a mutual fund administrator under the Mutual Funds Law (2019 Revision). HSBC Institutional Trust Services (Asia) Limited, the Custodian or the Registrar's Agent, was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong. The Trustee, Administrator and Registrar as well as the Custodian and Registrar's Agent are indirectly wholly owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust, and shall take into its custody or under its control all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders in accordance with the provisions of the Trust Deed. To the extent permitted by law, such cash and registrable assets shall be registered in the name of or to the order of the Trustee and be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereof. The Trustee shall in respect of any investments or other assets of each Sub-Fund which by nature cannot be held in custody, maintain a proper record of such investments or other assets in its books under the name of such Sub-Fund.

The Trustee may, however, appoint any person or persons (including a Connected Person (as defined below) of the Trustee) to be agent, nominee, delegate custodian or co-custodian for the custody and/or safekeeping of any investments, cash, assets or other property comprised in the assets of the relevant Sub-Fund(s) and may empower any such agent, nominee, delegate, custodian or co-custodian to appoint, with the prior consent in writing of the Trustee, sub-custodians for the performance of the Trustee's duties, powers or discretions under the Trust Deed. The agent, nominee, delegate, custodian, co-custodian or sub-custodians so appointed are collectively referred to as the "**Correspondents**" (including the Custodian, the QFII Custodian and the PRC QFII Custodian which is appointed by the QFII Custodian). The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and monitoring of such Correspondents and, (b) be satisfied that such Correspondents remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Sub-Funds. The Trustee shall be liable for the acts and omissions of any such Correspondent which is a Connected Person of the Trustee (including the Custodian, QFII Custodian and the PRC QFII Custodian which is appointed by the QFII Custodian), as if the same were the acts or omissions of the Trustee, provided however that if the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any such Correspondents not being Connected Persons of the Trustee.

The Trustee shall not be liable for: any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised or central depositories or clearing and settlement system.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or the relevant Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust and/or the relevant Sub-Fund unless the Trustee fails to show the degree of diligence and care required of it under the Trust Deed. Notwithstanding the aforesaid, the Trustee can neither be exempted from any liability to holders imposed under Hong Kong law or Cayman Islands law or breaches of trust through fraud or negligence nor may it be indemnified against such liability by holders or at holders' expense. Subject to the applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default on the part of the Trustee, be liable for any losses, costs or damage to the Trust, any Sub-Fund or any Unitholder.

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

The Trustee will not participate in transactions or activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury. The OFAC administers and enforces economic sanction programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers by using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals. In enforcing economic sanctions, OFAC acts to prevent “prohibited transactions,” which are described by OFAC as trade or financial transactions and other dealings in which US persons may not engage unless authorised by OFAC or expressly exempted by statute. OFAC has the authority to grant exemptions to prohibitions on such transactions, either by issuing a general license for certain categories of transactions, or by specific licenses issued on a case-by-case basis. HSBC Group has adopted a policy of compliance with the sanctions issued by OFAC. As part of its policy, the Trustee may request for additional information if deemed necessary.

The Trustee will remain as the trustee of the Trust until the Trustee retires or is removed. The circumstances under which the Trustee may retire or be removed are set out in the Trust Deed. Where any Sub-Fund is authorised pursuant to section 104 of the Securities and Future Ordinance, any change in the Trustee is subject to the SFC’s prior approval and the Trustee will remain as the trustee of the Trust until a new trustee is appointed in accordance with the provisions set out in the Trust Deed. Unitholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.

The Trustee will be entitled to the fees described in the section headed “**Fees and Expenses – Trustee Fees**” below and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has the sole responsibility for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegates) are not responsible for and have no liability for any investment decision made by the Manager. Subject to the duty to ensure that the investment and borrowing limitations of the relevant Sub-Fund comply with the applicable legal and regulatory requirements including but not limited to those in the Code and except as expressly stated in this Explanatory Memorandum, the Trust Deed and/or required by the applicable legal and regulatory requirements including but not limited to those in the Code, neither the Trustee nor any of its employees, service providers or agents are or will be directly or indirectly involved in the business affairs, organisation, sponsorship or investment management of the Trust or any Sub-Fund. Also, none of the Trustee, its employees, service providers or agents is responsible for the preparation or issue of this Explanatory Memorandum, and does not accept responsibility for any information contained in this Explanatory Memorandum, other than the descriptions under this section.



## **QFII Regime**

Under prevailing regulations in the PRC, foreign investors who wish to invest directly in the PRC domestic securities market generally need to apply for a QFII licence or a RQFII licence.

### ***QFII Holder***

In relation to the China Convergence Fund and Chinese Mainland Focus Fund, the QFII Holder is the holding company of the Manager and has obtained the QFII licence.

It is currently intended that the Sub-Fund(s) may obtain exposure to A Shares and other Eligible Securities issued within the PRC by using the QFII Holder's QFII Quota (a portion of which will be allocated to the Sub-Fund(s)) and the China A Shares Access Products ("CAAPs") issued by CAAP Issuers.

### ***QFII Custodian and PRC QFII Custodian***

In relation to the China Convergence Fund and Chinese Mainland Focus Fund, the Sub-Funds of the Trust, **The Hongkong and Shanghai Banking Corporation Limited** is the QFII Custodian appointed by the QFII Holder (as defined in this Explanatory Memorandum) and **HSBC Bank (China) Company Limited** is the PRC QFII Custodian appointed by the QFII Custodian. The appointments of the QFII Custodian and the PRC QFII Custodian were made with the consent in writing of the Trustee.

The Hongkong and Shanghai Banking Corporation Limited has been appointed by the QFII Holder as the QFII Custodian to act through the PRC QFII Custodian pursuant to the QFII Custodian Agreement. Such appointment was made with the consent in writing of the Trustee. The QFII Custodian through the PRC QFII Custodian will be responsible for the safe custody of the assets acquired through and/or in connection with the QFII Quota of the QFII Holder within the PRC under the QFII scheme in accordance with the QFII Custodian Agreement. As at the date of this Explanatory Memorandum, no function of the PRC QFII Custodian in connection with custody of assets under the QFII regime is currently delegated to its associates within the group companies of the Trustee or any other person(s).

According to the QFII Custodian Agreement, the QFII Custodian is entitled to utilise its local subsidiary which as of the date hereof is the PRC QFII Custodian (being currently appointed by QFII Custodian) or its other associates within the HSBC group of companies as its delegate for the performance of services under the QFII Custodian Agreement. The PRC QFII Custodian is incorporated in the PRC and is a wholly-owned subsidiary of the QFII Custodian. The PRC QFII Custodian possesses the applicable qualification to provide custody services to QFIIs.

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According to the terms of the QFII Custodian Agreement, the QFII Custodian shall remain responsible for any negligence or wilful default of the PRC QFII Custodian, as if no such appointment had been made.

Subject to the applicable regulatory requirements, any change in the QFII Custodian or the PRC QFII Custodian will be subject to not less than one (1) month's prior notice to Unitholders.

Please refer to the section headed "**Trustee, Registrar, Administrator, Custodian and Registrar's Agent**" above in regard to the extent of the Trustee's responsibility for the acts or omissions of the PRC QFII Custodian.

## *QFII Quota and Assets of the Sub-Fund(s)*

In relation to the China Convergence Fund and Chinese Mainland Focus Fund, the Sub-Funds' assets in the PRC in connection with the portion of the QFII Holder's QFII Quota allocated to the Sub-Fund(s) under the QFII scheme will be held by the QFII Custodian through the PRC QFII Custodian. In other words, the PRC QFII Custodian will provide custody services in respect of the Sub-Funds' assets in the PRC in connection with the portion of the QFII Holder's QFII Quota allocated to the Sub-Fund(s) under the QFII scheme. Both the QFII Custodian and the PRC QFII Custodian are Connected Persons of the Trustee. The Trustee shall be responsible for the acts and omissions of the QFII Custodian and the PRC QFII Custodian which is appointed by the QFII Custodian, as if the same were the acts or omissions of the Trustee.

The PRC QFII Custodian may open one or more securities account(s) in the name of "Value Partners Hong Kong Limited – China Convergence Fund" (in respect of the China Convergence Fund) and "Value Partners Hong Kong Limited – Chinese Mainland Focus Fund" (in respect of the Chinese Mainland Focus Fund) ("**Securities Account(s)**") with the relevant depositories including but not limited to the China Securities Depository and Clearing Corporation Limited ("**CSDCC**"), China Central Depository & Clearing Co., Ltd ("**CCDC**"), Shanghai Clearing House Co., Ltd. ("**SCH**") and China Financial Futures Exchange ("**CFFEX**") for the Sub-Funds in accordance with the QFII Regulations (the "**Relevant Depositories**"). Foreign exchange account and RMB special deposit account in the name of "Value Partners Hong Kong Limited – China Convergence Fund" (in respect of the China Convergence Fund) and "Value Partners Hong Kong Limited – Chinese Mainland Focus Fund" (in respect of the Chinese Mainland Focus Fund) ("**Cash Account(s)**") shall also be established and maintained with the PRC QFII Custodian. The PRC QFII Custodian shall, in turn, have a cash clearing account with the CSDCC for trade settlement according to the QFII Regulations.

It should be noted that the Sub-Fund(s) does not intend to, and will not, qualify as open ended China funds under the QFII Regulations. Accordingly, certain rules under the QFII Regulations which apply to an open-ended fund are not applicable to the Sub-Fund(s). As a result, the Sub-Fund(s) may be subject to liquidity risks and please refer to the risk factor “QFII Risk - Liquidity risks” in the section headed “**Risk Factors**” in relation to the QFII Regulations on repatriation of funds in respect of investments held through the QFII Holder. For instance, an open-ended fund is allowed to remit and repatriate funds on a daily basis based on the net balance of subscriptions or redemptions each day. Having said that, the QFII Regulations provide that the realised cumulative profits generated from investments via the QFII Quota for the account of the Sub-Fund(s) may be repatriated out of the PRC, as and when QFII Holder instructs the PRC QFII Custodian to do so and after the completion of the audit of such realised cumulative profits by a PRC registered accountant and the issuance of the tax payment certificate or tax filing certificate (if any). Notwithstanding the aforesaid, the SAFE may implement measures to administer the repatriation of funds by QFIIs depending on the PRC’s economic and financial trends, the demand and supply of the foreign exchange market and the balance of international payments. As a result, any restriction or delay in repatriation of realised cumulative profits may impact the relevant Sub-Fund’s ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month of receipt of all required and duly completed redemption documentation. Please refer to the sub-section headed “**Redemption of Units**” and the Appendices in respect of the relevant Sub-Fund(s) for further details.

The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

- (a) the securities account(s) (“**Securities Account(s)**”) with the Relevant Depositories and opened by the PRC QFII Custodian as authorized by the QFII Holder have been opened in the name of “Value Partners Hong Kong Limited – China Convergence Fund” (in respect of the China Convergence Fund) and “Value Partners Hong Kong Limited – Chinese Mainland Focus Fund” (in respect of the Chinese Mainland Focus Fund)” and for the sole benefit and use of the Sub-Funds in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;

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- (b) foreign exchange account and RMB special deposit account(s) (i.e. “**Cash Account(s)**”) have been opened with the PRC QFII Custodian and in the name of “Value Partners Hong Kong Limited – China Convergence Fund” (in respect of the China Convergence Fund) and “Value Partners Hong Kong Limited – Chinese Mainland Focus Fund” (in respect of the Chinese Mainland Focus Fund) and for the sole benefit and use of the Sub-Funds in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;
- (c) the assets held/credited in the Securities Account(s) (i) belong solely to each of the Sub-Funds, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers;
- (d) the assets held/credited in the Cash Account(s) of each of the Sub-Funds (i) become an unsecured debt owing from the PRC QFII Custodian to the relevant Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder and the PRC Brokers;
- (e) the Trustee acting for and on behalf of the Sub-Funds is the only entity which has a valid claim of ownership over the assets in the Securities Accounts and the debt in the amount deposited in the Cash Account(s) of the relevant Sub-Fund;
- (f) if the Manager, the QFII Holder or any PRC Broker is liquidated, the assets contained in the Securities Account(s) or the Cash Account(s) will not form part of the liquidation assets of the Manager, the QFII Holder or the PRC Broker in liquidation under the PRC laws; and
- (g) If the PRC QFII Custodian is liquidated, (i) the assets contained in the Securities Account(s) of the Sub-Funds will not form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC, and (ii) the assets contained in the Cash Account(s) of the Sub-Funds will form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC and the Sub-Funds will become an unsecured creditor for the amount deposited in the Cash Account(s).

Further, since the Sub-Funds may invest in A Shares directly through the QFII Holder’s QFII Quota, the Trustee has put in place proper arrangements to ensure that:

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- (i) the Trustee takes into its custody or under its control the assets of the Sub-Funds, including assets maintained by the PRC QFII Custodian in the Securities Account(s) and Cash Account(s), and holds the same in trust for the Unitholders;
- (ii) cash and registrable assets of the Sub-Funds, including assets deposited in the Securities Account(s) and Cash Account(s), are registered in the name of or to the order of the Trustee; and
- (iii) the PRC QFII Custodian will look to the Trustee for instructions and solely act in accordance with the instructions of the Trustee, as provided in the Participation Agreement.

## **Auditor**

KPMG has been retained as the independent auditors of the Trust. The terms of engagement of the auditors provide that, except where finally determined to have resulted from the wilful or intentional neglect or misconduct or fraudulent behaviour of the auditors, the auditors' maximum liability to the Trust for any reason relating to their services is limited to three times the fees paid by the Trust to the auditors for the services or work product giving rise to liability.

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## IV. INFORMATION ON THE TRUST

The information on the Trust herein is subject to any further information, terms, conditions and restrictions set out in the relevant Appendix to this Explanatory Memorandum relating to each Sub-Fund or any other aspects of the Trust.

### Trust Structure

**Value Partners Intelligent Funds**, the Trust, is an open-ended unit trust established under the laws of the Cayman Islands pursuant to the Trust Deed. The Trust has an umbrella structure and may offer Units in different Sub-Funds to Unitholders on a continuing basis at a price based on the Net Asset Value of the relevant class of Units of the relevant Sub-Fund. Units may be issued in different classes in relation to any particular Sub-Fund. Each class of Units in relation to any particular Sub-Fund may be subject to different conditions, including the dealing frequency, the amount of minimum subscription, the minimum holding, the charges payable on subscription, redemption or conversion of Units, the fees payable to the various service providers of the Trust, and the dividends and other benefits (if any) payable to Holders. The Trust Deed confers upon the Unitholders the right to have their Units redeemed based upon the Net Asset Value per Unit of the relevant class of Units of the relevant Sub-Fund.

To reflect the different initial offer prices and the different levels of fees and charges in respect of different classes of Units in each Sub-Fund, and to maintain the respective interests of Unitholders of the different classes, each Unit in each class will represent a certain number of undivided shares in the relevant Sub-Fund (“**Shares**”). The Trust Deed contains provisions pursuant to which the number of Shares represented by each Unit of any particular class will be adjusted on each Valuation Day to take into account the level of fees, other costs, expenses and liabilities which have been accrued in respect of such class of Units. As the level of fees, costs, expenses and liabilities accrued in respect of a class of Units becomes higher, the number of Shares represented by a Unit of that class will decrease over time.

Units in Sub-Funds may be offered for investment from time to time and prospective investors should check with the Manager as to which Sub-Funds are currently available for investment. Details of the Sub-Funds and their investment objectives will be set out in the Appendices to this Explanatory Memorandum relating to such Sub-Funds.

## Investment Objective and Policy

The investment objective of the Trust is to provide Unitholders with long term capital appreciation (in US dollar terms) by investing principally in the securities of companies listed in Asian equity markets. The investment objective of each Sub-Fund will be detailed in the relevant Appendix to this Explanatory Memorandum that relates to that Sub-Fund.

The Manager believes that its investment policy of each Sub-Fund will be effective, but investors should understand that all investment carries risk. The value of Units and the income from them, if any, may fall as well as rise and investors might not get back the amount originally invested. Investors are also reminded that in certain circumstances described in the section headed “**Suspension of Valuations and Dealings**”, dealing in the Units may be temporarily suspended.

## Stock Connects

A Sub-Fund may invest in A Shares via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEX, Shanghai Stock Exchange (“**SSE**”) and CSDCC and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEX, Shenzhen Stock Exchange (“**SZSE**”) and CSDCC. The aim of the Stock Connects is to achieve mutual stock market access between the PRC and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the relevant Sub-Fund), through their Hong Kong brokers and a securities trading service company as established by The Stock Exchange of Hong Kong Limited (“**SEHK**”), may be able to trade eligible A Shares listed on SSE by routing orders to SSE.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the relevant Sub-Fund), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible A Shares listed on the SZSE by routing orders to SZSE.

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## *Eligible Securities*

### (i) Shanghai-Hong Kong Stock Connect

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Fund) are able to trade certain stocks listed on the SSE market (i.e. “**SSE Securities**”). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on SEHK, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are under “risk alert”.

It is expected that the list of eligible securities will be subject to review.

### (ii) Shenzhen-Hong Kong Stock Connect

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the relevant Sub-Fund) are able to trade certain eligible shares listed on the SZSE market (i.e. “**SZSE Securities**”). These include all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A Shares which have corresponding H Shares listed on SEHK, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are under “risk alert” or under delisting arrangement.

At the initial stage of the Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Market of the SZSE (“**ChiNext Market**”) under Northbound trading will be limited to institutional professional investors (which the relevant Sub-Fund will qualify as such) as defined in the relevant Hong Kong rules and regulations.

It is expected that the list of eligible securities will be subject to review.

## *Trading Days*

Investors (including the relevant Sub-Fund) will only be allowed to trade on the SSE market and the SZSE market on days where both the PRC and Hong Kong stock markets are open for trading and banking services are available in both markets on the corresponding settlement days.



### ***Trading Quota***

Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota (“**Daily Quota**”). Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day.

SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX’s website.

### ***Settlement and Custody***

The Hong Kong Securities Clearing Company Limited (“**HKSCC**”), a wholly-owned subsidiary of HKEX, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The A Shares traded through the Stock Connects are issued in scripless form, so investors will not hold any physical A Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK).

### ***Corporate Actions and Shareholders’ Meetings***

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities and SZSE Securities held in its omnibus stock account in CSDCC, CSDCC as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities and SZSE Securities.

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HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS (“**CCASS participants**”) informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce information regarding their annual general meetings/extraordinary general meetings about two to three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

## ***Foreign Shareholding Restrictions***

CSRC stipulates that, when holding A Shares through the Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the relevant Sub-Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and
- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30% of the total issued shares of such listed company.

When the aggregate foreign shareholding of an individual A Share reaches 26%, SSE or SZSE, as the case may be, will publish a notice on its website (<http://www.sse.com.cn/disclosure/disclosure/qfii> for SSE and <http://www.szse.cn/main/disclosure/news/qfii/> for SZSE). If the aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

## ***Currency***

Hong Kong and overseas investors will trade and settle SSE Securities and SZSE Securities in RMB only. Hence, the relevant Sub-Fund will need to use RMB to trade and settle SSE Securities and SZSE Securities.

## ***Trading Fees***

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, CSDCC, HKSCC or the relevant PRC authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)\*

## ***Investor Compensation***

The relevant Sub-Fund's investments through Northbound trading under the Stock Connects will not be covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connects do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund.

On the other hand, since the relevant Sub-Fund carrying out Northbound trading through securities brokers in Hong Kong but not the PRC brokers, therefore it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

Further information about the Stock Connects is available online at the website:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)\*

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\* This website has not been reviewed or authorised by the SFC.

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## **RISK MANAGEMENT POLICY**

To manage the risks arising from the use of financial derivative instruments (“**FDIs**”), the Manager intends to monitor participation and positions in such FDIs closely and will ensure that a suitable risk management process is employed which is commensurate with the Sub-Fund’s risk profile.

Investments in FDIs would normally be monitored and controlled by the Manager with regular marked-to-market valuations, careful research prior to investment and compliance monitoring. A risk management team of the Manager will undertake risk management control functions.

### **Risk Factors**

**This “Risk Factors” section sets out the risks associated with investment in any of the Sub-Funds. Investors should also pay attention to the applicable fees, charges and expenses.**

**Investors should consult their own financial, tax, accounting, legal and other appropriate advisers before investing into any of the Sub-Funds.**

### *Equity Market Risk*

Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, a Sub-Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. The risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

### **Additional Risks in relation to Investment in China**

A Sub-Fund investing in China will also be subject to the following additional risks:

**(a) Political, Economic and Social Risks**

The economy in the PRC has experienced rapid growth in recent years. However, such growth may or may not continue nor apply evenly across different sectors of the PRC economy. The PRC government has also implemented various measures from time to time to prevent overheating of the economy. Furthermore, the transformation of the PRC from a socialist economy to a more market-oriented economy has led to various economic and social disruptions in the PRC and there can be no assurance that such a transformation will be continued or be successful. All these may have an adverse impact upon the performance of the underlying investments of a Sub-Fund which are related to the PRC.

Political changes, social instability and unfavourable diplomatic developments in the PRC could result in the imposition of additional governmental restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the relevant Sub-Fund in the PRC.

Investors should also note that any change in the policies of the PRC may impose an adverse impact on the securities market in the PRC as well as the underlying securities of the relevant Sub-Fund. Furthermore, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may have an adverse impact on the performance of the relevant Sub-Fund.

**(b) Legal System and Regulatory/Exchanges Requirements/Policies of the PRC**

The legal system of the PRC is based on written laws and regulations. The PRC government is continuously making improvements on its commercial laws and regulations. However, many of these laws and regulations are still at an experimental stage and the enforceability of such laws and regulations remains unclear.

Securities exchanges in the China markets typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on a Sub-Fund.

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## **(c) Potential Market Volatility**

Investors should note that the stock exchanges in the PRC on which A Shares and B Shares are traded are at a developing stage and the market capitalization and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the A Share and B Share markets may result in prices of securities traded on such markets fluctuating significantly resulting in substantial changes in the Unit price of the relevant Sub-Fund.

High market volatility and potential settlement difficulties in the China markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the relevant Sub-Fund.

## **(d) Currency Exchange Risk**

The underlying investments of a Sub-Fund may be denominated in currencies other than its base currency. Also, a class of Units may be designated in a currency other than the base currency of the relevant Sub-Fund. The Net Asset Value of the relevant Sub-Fund and the performance of the assets of the relevant Sub-Fund may be affected unfavourably by movements in the exchange rates between the currencies in which the assets are held and US dollars, and any changes in exchange control regulations which may cause difficulties in the repatriation of funds. The relevant Sub-Fund may, but is not obliged to seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective and may even be counter-productive due to the foreign exchange controls in the PRC. On the other hand, failure to hedge foreign currency risks may result in the relevant Sub-Fund suffering from exchange rate fluctuations.

## **(e) Accounting and Reporting Standards**

Accounting, auditing and financial reporting standards and practices applicable to companies in the PRC may differ from those in countries that have more developed financial markets. These differences lie in areas such as different valuation methods of the properties and assets, and the requirements for disclosure of information to investors.

## **(f) PRC Tax Risk**

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. Any increased tax liabilities on a Sub-Fund may adversely affect the Sub-Fund's value.

The Manager will assess the tax provisioning approach on an on-going basis. Should the PRC tax policies change, the Manager may decide to set aside a provision to meet any potential tax liability in the future.

For further details on the risks and effects of PRC taxation on a Sub-Fund, please refer to the section titled “PRC Taxation” under the heading “TAXATION” in the Explanatory Memorandum.

### **(g) QFII Risk**

#### ***Risks associated with CAAPs***

The policy and regulations imposed by the PRC government on the access into the China A Shares markets are subject to change and any such change may adversely impact the issuance of CAAPs invested by a Sub-Fund. Unitholders should note that there can be no assurance that a Sub-Fund may be able to maintain or obtain a sufficient investment in CAAPs. This may have an impact on the Unitholders’ investment in a Sub-Fund. If any CAAP Issuer has insufficient investment quota (if applicable), the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and a Sub-Fund may be required to dispose of its existing CAAPs.

Further, a Sub-Fund will be exposed to the counterparty risk associated with each CAAP Issuer. Because a CAAP is a payment obligation of the CAAP Issuer, rather than a direct investment in China A Shares, a Sub-Fund may suffer losses potentially equal to the full value of the CAAP if the CAAP Issuer were to become insolvent or fails to perform its payment obligations under the CAAPs.

#### ***Risks associated with QFII rules and restrictions***

Investors should note that a Sub-Fund’s ability to make the relevant investments through a QFII or to fully implement or pursue its investment objective and strategy are subject to the applicable laws, rules and regulations (including the then prevailing exchange controls and other prevailing requirements of the PRC including rules on investment restrictions and repatriation and remittance of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect. In addition, there can be no assurance that the QFII Regulations will not be abolished. A Sub-Fund, which invests in the PRC markets through the QFII Quota of the QFII Holder and CAAPs, may be adversely affected as a result of such changes.

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## *Risks regarding QFII licence and QFII Quota*

The QFII Holder's QFII licence may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFII Holder or for any other reasons. In such event, all the assets held by the PRC QFII Custodian for the account of a Sub-Fund will be liquidated and repatriated to a bank account maintained for and on behalf of a Sub-Fund outside of the PRC in accordance with applicable laws and regulations. A Sub-Fund may suffer significant loss as a result of such liquidation and repatriation.

Investors should note that pursuant to the QFII Regulations, the size of the QFII Quota may be reduced or cancelled entirely by the SAFE under the following circumstances: (i) the QFII Holder commits an illegal act of using foreign exchange, such as transferring or selling its investment quota (if applicable) without prior approval; (ii) the QFII Holder does not provide information or materials relating to its securities investment in the PRC to the SAFE or the PRC QFII Custodian in accordance with the applicable regulations or provides false information or materials to the SAFE or the PRC QFII Custodian; (iii) the QFII Quota filed with or approved by the SAFE is exceeded or the QFII Holder fails to carry out remittance and repatriation of funds, or purchase or payment of foreign exchange in accordance with the applicable regulations; or (iv) the QFII Holder commits such other acts which violate foreign exchange control provisions. There are rules and restrictions under QFII Regulations, including rules on remittance of principal, investment restrictions and repatriation of funds which will apply to the QFII Holder as a whole and not simply apply to the investment made for the account of the Sub-Fund. As the QFII Quota of the QFII Holder is also utilised by parties other than a Sub-Fund, investors should be aware that violations of the QFII Regulations on investments arising out of activities of such other parties could result in the revocation of or other regulatory action in respect of the QFII Quota of the QFII Holder as a whole, including any portion utilised by a Sub-Fund.

Investors should note that there can be no assurance that the QFII Holder will continue to make available its QFII Quota, or a Sub-Fund will be allocated a sufficient portion of QFII Quota or CAAPs to meet all applications for subscription to a Sub-Fund, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may result in suspension of dealings of a Sub-Fund. In extreme circumstances, a Sub-Fund may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFII investment restrictions, illiquidity of the PRC securities market, and/or delay or disruption in execution of trades or in settlement of trades.



A Sub-Fund may suffer substantial losses if there is insufficient QFII quota (if applicable) allocated to it to make investments, the approval of the QFII is being revoked/terminated or otherwise invalidated as a Sub-Fund may be prohibited from trading of relevant securities and repatriation of a Sub-Fund's monies, or if any of the key operators or parties (including QFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

### ***Risks regarding remittance and repatriation of funds***

Under the QFII Regulations, the QFII Holder may instruct the PRC QFII Custodian to arrange for the repatriation of funds for the account of a Sub-Fund. In respect of any repatriation of a Sub-Fund's assets out of the PRC, the realised cumulative profits generated from investments via the QFII Quota for the account of the Sub-Fund may be repatriated out of the PRC, as and when QFII Holder instructs the PRC QFII Custodian to do so and after the completion of the audit of such realised cumulative profits by a PRC registered accountant and the issuance of the tax payment certificate or tax filing certificate (if any). Process of repatriations of realised cumulative profits may be delayed due to any delay in completion of such audit by the PRC registered accountant which may be beyond the control of the Manager. Notwithstanding the aforesaid, the SAFE may implement measures to administer the repatriation of funds by QFIIs depending on the PRC's economic and financial trends, the demand and supply of the foreign exchange market and the balance of international payments. Further, as RMB is not a freely convertible currency, a Sub-Fund may be exposed to potential loss from any restriction or delay in the QFII Holder's ability to convert USD from or into RMB. In such cases, any restriction or delay in repatriation of realised cumulative profits may impact a Sub-Fund's ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month, of receipt of all required and duly completed redemption documentation.

The restrictions on repatriation of funds may have an impact on a Sub-Fund's ability to meet the redemption requests of its Unitholders. In the event that redemption requests for a large number of Units are received, a Sub-Fund may need to make borrowings or realise other investments instead of the investments held through the QFII Quota for the purposes of meeting such redemption requests and/or to limit the number of Units of any class in a Sub-Fund redeemed subject to the provisions of the Trust Deed and the applicable legal and regulatory requirements including but not limited to those in the Code. It is likely that such an impact will increase as the investment of a Sub-Fund in the PRC's securities market increases.

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## ***Liquidity risks***

The liquidity of a Sub-Fund will be affected by the liquidity of its investments and may be subject to restrictions imposed under the QFII Regulations on repatriation of investment capital or profits in respect of investments held through the QFII Holder. Transaction sizes for QFIIs are relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities). If the size of the disposals is sufficiently large, or the market is illiquid, then there is a risk that either the investments might not be sold or the price at which they are sold may adversely affect the Net Asset Value of a Sub-Fund. Further, there is no assurance that the liquidity of a Sub-Fund will always be sufficient to meet redemption requests as and when made. In the event that redemption requests for a large number of Units are received, a Sub-Fund may need to make borrowings or realise other investments instead of the investments held through the QFII Quota for the purposes of meeting such redemption requests and/or to limit the number of Units in a Sub-Fund redeemed subject to the provisions of the Trust Deed and the applicable legal and regulatory requirements including but not limited to those in the Code.

## ***Custodial risk***

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets of a Sub-Fund in those markets.

Where a Sub-Fund invests in Eligible Securities through the QFII Holder's QFII Quota, such securities will be maintained by the PRC QFII Custodian through one or more Securities Account(s) in the name of the Manager for the account of the relevant Sub-Fund (e.g. "Value Partners Hong Kong Limited – China Convergence Fund" or "Value Partners Hong Kong Limited – Chinese Mainland Focus Fund") in accordance with PRC law and a Sub-Fund may be subject to custodial risk. If the PRC QFII Custodian defaults, a Sub-Fund may suffer substantial losses.

The assets, including cash, held by the PRC QFII Custodian belong to a Sub-Fund as the ultimate beneficial owner, and they are segregated from the assets of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian, the PRC Brokers, and their respective clients. If any of the QFII Holder, the Manager or the PRC Brokers is liquidated, the assets (including cash) which belong to a Sub-Fund do not form part of the liquidation assets of the QFII Holder, the Manager, or the PRC Brokers. If the PRC QFII Custodian is liquidated, the assets held within the Securities Account(s) will not form part of its liquidation assets, however, cash held in the Cash Accounts will form part of its liquidation assets in the PRC and a Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Accounts. A Sub-Fund may incur losses due to a default, act or omission of the PRC QFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

### ***Brokerage risk***

A Sub-Fund may incur losses due to the acts or omissions of the PRC Brokers or the PRC QFII Custodian or disqualification of the same from acting as a broker or the local custodian, and will be exposed to the risk involved in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC settlement system.

When selecting PRC Brokers, the QFII Holder will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. If the QFII Holder considers appropriate, it is possible that a single PRC Broker will be appointed and a Sub-Fund may not necessarily pay the lowest commission available in the market.

### **(h) Risks associated with Stock Connects**

A Sub-Fund may invest through the Stock Connects. In addition to the risk factors headed “Political, Economic and Social Risks”, “Legal System of the PRC”, “Potential Market Volatility”, “PRC Tax Risk” and “Renminbi depreciation”, it is also subject to the following additional risks:

*Quota limitations* – The Stock Connects are subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict a Sub-Fund’s ability to invest in A Shares through the Stock Connects on a timely basis, a Sub-Fund may not be able to effectively pursue its investment strategies.

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*Suspension risk* – Each of the SEHK, SSE and SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through the Stock Connects is effected, a Sub-Fund’s ability to access the PRC market will be adversely affected. In such event, a Sub-Fund’s ability to achieve its investment objective could be negatively affected.

*Differences in trading days* – The Stock Connects only operate on days when both the PRC and Hong Kong stock markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC stock markets but Hong Kong investors (such as the Sub-Fund) cannot carry out any A Shares trading. Due to the differences in trading days, a Sub-Fund may be subject to a risk of price fluctuations in A Shares on a day that the PRC stock markets are open for trading but the Hong Kong stock market is closed.

*Operational risk* – The Stock Connects provide a channel for investors from Hong Kong and overseas to access the PRC stock markets directly.

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading A Shares through the Stock Connects. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connects requires routing of orders across the border. SEHK has set up an order routing system (“**China Stock Connects System**”) to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. A Sub-Fund’s ability to access the A Shares market (and hence to pursue its investment strategy) will be adversely affected.

*Restrictions on selling imposed by front-end monitoring* – PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on A Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if a Sub-Fund desires to sell certain A Shares it holds, it must transfer those A Shares to the respective accounts of its brokers before the market opens on the day of selling (“**trading day**”). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, a Sub-Fund may not be able to dispose of holdings of A Shares in a timely manner.

However, a Sub-Fund may request a custodian to open a special segregated account (“**SPSA**”) in CCASS to maintain its holdings in A Shares under the enhanced pre-trade checking model.

Each SPSA will be assigned a unique “Investor ID” by CCASS for the purpose of facilitating China Stock Connects System to verify the holdings of an investor such as the relevant Sub-Fund.

Provided that there is sufficient holding in the SPSA when a broker inputs a Sub-Fund’s sell order, a Sub-Fund will be able to dispose of its holdings of A Shares (as opposed to the practice of transferring A Shares to the broker’s account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for a Sub-Fund will enable it to dispose of its holdings of A Shares in a timely manner.

*Recalling of eligible stocks* – When a stock is recalled from the scope of eligible stocks for trading via the Stock Connects, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of a Sub-Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

*Clearing and settlement risk* – The HKSCC and CSDCC have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

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Should the remote event of CSDCC default occur and CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against CSDCC. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from CSDCC through available legal channels or through CSDCC's liquidation. In that event, the relevant Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from CSDCC.

*Participation in corporate actions and shareholders' meetings* – The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities (as defined in the section headed “**Stock Connects**” in this Explanatory Memorandum). Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the relevant Sub-Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that a Sub-Fund may not be able to participate in some corporate actions in a timely manner.

*Currency risk* – The performance of a Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and its base currency. A Sub-Fund may, but is not obliged to, seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective. On the other hand, failure to hedge foreign currency risks may result in a Sub-Fund suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor “**(d) Currency Exchange Risk**” above).

*No Protection by Investor Compensation Fund* – Investment through the Stock Connects is conducted through brokers, and is subject to the risks of default by such brokers' in their obligations.

As disclosed in the section headed “**Stock Connects**”, a Sub-Fund’s investments through Northbound trading under the Stock Connects are not covered by the Hong Kong’s Investor Compensation Fund. Therefore, a Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A Shares through the Stock Connects. Further, since the relevant Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

*Regulatory risk* – The Stock Connects will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connects.

It should be noted that the current regulations and rules on Stock Connects are subject to change which may have potential retrospective effect. There can be no assurance that the Stock Connects will not be abolished. A Sub-Fund, which may invest in the PRC markets through the Stock Connects, may be adversely affected as a result of such changes.

**(i) Risks associated with the Small and Medium Enterprise Board of the SZSE (“SME Board”), ChiNext Market of the SZSE and/or the STAR Board of the SSE**

A Sub-Fund may have exposure to stocks listed on SME Board of the SZSE, ChiNext Market of the SZSE and the STAR Board of the SSE.

*Higher fluctuation on stock prices and liquidity risk* – Listed companies on the SME Board, ChiNext Market and/or the STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on the STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the Main Boards of the SZSE and/or the SSE.

*Over-valuation risk* – Stocks listed on SME Board, ChiNext Market and/or the STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

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*Differences in regulation* – The rules and regulations regarding companies listed on ChiNext Market and the STAR Board are less stringent in terms of profitability and share capital than those in the Main Boards of the SZSE and/or the SSE and SME Board.

*Delisting risk* – It may be more common and faster for companies listed on the SME Board, ChiNext Market and/or the STAR Board to delist. In particular, STAR Board has stricter criteria for delisting compared to other boards. This may have an adverse impact on the relevant Sub-Fund if the companies that it invests in are delisted.

*Concentration risk* – The STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in the STAR Board may be concentrated in a small number of stocks and subject the relevant Sub-Fund to higher concentration risk.

Investments in the SME Board, ChiNext Market and the STAR Board may result in significant losses for the relevant Sub-Fund and its investors.

## **(j) Renminbi Depreciation**

A Sub-Fund may invest primarily in investments which are related to the PRC and investments whose value the Manager believes would be boosted by a Renminbi appreciation. Conversely, the value of such Sub-Fund may be adversely affected in the event of Renminbi depreciation. Investors may lose money in such circumstances.



**(k) Currency Conversion Risk**

A Sub-Fund may invest primarily in A, B and H Shares and financial instruments issued by China-related companies. The base currency of a Sub-Fund may be denominated in a currency which is different from the currency of denomination of its underlying investments such as Hong Kong dollars and RMB. Accordingly, a Sub-Fund may need to convert subscription proceeds received in its base currency to the currency of denomination of its underlying investments such as Hong Kong dollars or RMB in order to invest. To meet redemption requests, a Sub-Fund may need to convert the sale proceeds in the currency of denomination of its underlying investments back to its base currency. The relevant Sub-Fund may incur costs as a result of the conversion and is subject to currency conversion risk. Investment in a Sub-Fund or distribution payments from a Sub-Fund, if any, will be subject to fluctuations in the exchange rates, as well as prices of the relevant Sub-Fund's assets. In general, the performance of a Sub-Fund will be affected by such exchange rate movements. Further, RMB is not freely convertible and is subject to policies of exchange controls and repatriation restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the RMB against the investors' base currencies (for example US dollar) will not depreciate. There is no assurance that RMB will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency will not develop. Any depreciation of RMB could adversely affect the value of investors' investment in the relevant Sub-Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

**(l) Risks relating to A Shares and B Shares Markets**

The PRC markets on which A Shares and B Shares are traded have in the past experienced substantial price volatility and there can be no assurance that such volatility will not occur in the future. These markets may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than markets in more developed countries. Market volatility and potential lack of liquidity (for example, low liquidity in respect of B Shares due to low trading volume) may result in prices of securities traded on the PRC markets to fluctuate significantly. This may result in substantial changes to the prices of Units of a Sub-Fund which invests in A Shares and/or B Shares.

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## **(m) Performance of underlying investments**

It should be appreciated that because the value of Units, and income from them (if any), is based on investments in the underlying securities of China-related companies, the value of the Units will rise or fall as a result of fluctuations in the value or performance of such underlying securities and companies.

### ***Investment Risk***

There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve any capital growth or even to maintain its current value. Investors should be aware that the value of Units may fall as well as rise.

Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. A Sub-Fund's investment portfolio may fall in value due to any of the key risk factors in this Explanatory Memorandum. It is possible that an investor may lose a substantial proportion or all of its investment in a Sub-Fund. There is no guarantee of the repayment of principal. As a result, each investor should carefully consider whether it can afford to bear the risks of investing in the Trust or any of the Sub-Funds.

A Sub-Fund may invest in companies which are less well-established or in their early stages of development. These companies may often experience significant price volatility and potential lack of liquidity due to low trading volume of their securities.

### ***Custody Risk***

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, a Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

***Risks of investing in American Depositary Receipts (“ADRs”)***

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

***Risk associated with Small-capitalisation / Mid-capitalisation Companies***

A Sub-Fund may invest in the securities of small and medium sized companies. This can involve greater risk than is customarily associated with investments in larger and more established companies. The stock of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

***Risks relating to Investment in ETFs******Passive investments***

The ETFs that a Sub-Fund invests in may not be “actively managed” and the managers of such ETFs do not have the discretion to adapt to market changes due to the inherent investment nature of such ETFs. Therefore, when there is a decline in the underlying index of the ETFs, the ETFs will also decrease in value, which may adversely affect the value of the Sub-Fund.

***Tracking error risk***

Due to fees and expenses of an ETF that a Sub-Fund invests in, liquidity of the market and different investment strategies adopted by the manager of the ETF, the ETF’s return may deviate from that of the underlying index. Although the manager of the ETF will monitor and seek to manage such risk in minimising tracking error, there can be no assurance of exact or identical replication at any time of the performance of the underlying index.

***Trading risk***

Generally, a Sub-Fund can only buy or sell units/shares of an ETF on any securities exchange. The trading price of units/shares of an ETF on a securities exchange is driven by market factors such as the demand and supply of such units/shares. Therefore, such units/shares may trade at a substantial premium or discount to the relevant ETF’s net asset value.

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As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units/shares of an ETF on a securities exchange, a Sub-Fund may pay more than the net asset value per unit/share when buying units/shares of an ETF on a securities exchange, and may receive less than the net asset value per unit/share when selling units/shares of an ETF on a securities exchange.

## *Trading differences risk*

As the relevant stock exchanges may be open when units/shares in an ETF that a Sub-Fund invests in are not priced, the value of the securities in the relevant ETF's portfolio may change on days when investors like the relevant Sub-Fund will not be able to purchase or sell the ETF's units/shares.

Differences in trading hours between the relevant stock exchanges and the stock exchange on which an ETF is listed may also increase the level of premium or discount of the unit/share price to the net asset value of an ETF, which in turn, may affect the value of the relevant Sub-Fund.

## *Termination risk*

The ETFs that a Sub-Fund invests in may be terminated early under certain circumstances, for example, where the underlying index is no longer available for benchmarking or if the size of the relevant ETF falls below a pre-determined threshold as set out in the constitutive documents and offering documents. Investors like the relevant Sub-Fund may not be able to recover its investments and suffer a loss when the relevant ETF is terminated.

## *Reliance on market maker risk*

Although the manager of an ETF that a Sub-Fund invests in will ensure that there will be market making arrangement in place, there is no guarantee that any market making activity will be effective. Also, liquidity in the market for the units/shares of the relevant ETF may be adversely affected if there is no or only one market maker for the relevant ETFs.

## ***Risks relating to REITs***

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs and may subject a Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions.

Returns from REITs are dependent on management skills in managing the underlying properties. REITs are subject to risk of defaults by borrowers or tenants. In the event of a default, a REIT may experience delays in enforcing its rights and may suffer losses as a result.

### ***Effect of Redemptions***

If significant redemptions of Units are requested, it may not be possible to liquidate a Sub-Fund's investments at the time such redemptions are requested or a Sub-Fund may be able to do so only at prices which the Sub-Fund believes does not reflect the true value of such investments, resulting in an adverse effect on the return to the investors. Where significant redemptions of Units are requested, a Sub-Fund may limit the number of Units that are redeemed on any Valuation Day, suspend the right of Unitholders to require redemption, or may extend the period for the payment of redemption moneys.

In addition, a Sub-Fund may also in certain circumstances suspend the determination the Net Asset Value of a Sub-Fund for the whole or any part of any period.

Please see the section headed "**Subscription and Redemption of Units**" of this Explanatory Memorandum for further details.

### ***Possible Business Failure***

In the current economic environment, global markets are experiencing very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of a Sub-Fund's investments may have an adverse effect on a Sub-Fund's performance and ability to achieve its objectives. The Sub-Funds intend to diversify its investments to minimise such adverse impact but there is no guarantee that such diversification strategy can mitigate any such adverse impact. Investors may lose money by investing in the Trust and any of the Sub-Funds.

### ***No Right to Control the Trust's or the Sub-Fund's Operation***

Investors will have no right to control the daily operations, including investment and redemption decisions, of the Trust or a Sub-Fund.

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## ***Active Investment Management Risk***

The Sub-Funds will rely upon the Manager in formulating the investment strategies and its performance is largely dependent on the continuation of an agreement with the Manager and the services and skills of their respective officers and employees. The Sub-Funds' investments will not track a particular share index or other predetermined benchmarks. Instead, a Sub-Fund's assets will be actively managed by the Manager, based on the expertise of individual fund managers, who will have discretion (subject to the Sub-Fund's investment restrictions) to invest a Sub-Fund's assets in investments that it considers will enable a Sub-Fund to achieve its investment objective. There is no guarantee that a Sub-Fund's investment objective will be achieved based on the investments selected. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case the insolvency of the Manager, a Sub-Fund may not find successor managers quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Sub-Fund's performance and investors may lose money in those circumstances.

## ***Market Risk***

The investments of a Sub-Fund are subject to risks inherent in all securities (including settlement and counterparty risks). The value of holdings may fall as well as rise. The global markets are currently experiencing very high levels of volatility and instability, resulting in higher levels of risk than is customary (including settlement and counterparty risks).

## ***Emerging Markets Risk***

Investments may be made by a Sub-Fund in the emerging markets like China and may be subject to certain increased risks and special conditions not typically associated with investment in more developed economies or markets, due to less developed (and in some instances, a lack of) legal, political, business and social frameworks to support their securities markets. Some of the significant additional risks in investing in emerging markets include:

- delays in settling securities transactions and registering transfers of securities
- risk of loss arising out of systems of share registration and custody
- lesser investor protection due to low levels of monitoring of the activities in securities markets
- higher risk of political, economic and social uncertainty

- volatility of emerging market currencies against developed market currencies and greater foreign exchange controls
- higher volatility and lesser liquidity compared to developed markets
- unforeseen development of new laws which have a negative impact of the value of investments
- shortage of qualified judicial and legal professionals to interpret or advise upon recently enacted and future laws
- greater settlement risk
- greater tax risk
- difficulties in enforcement actions

These factors make investments in emerging markets generally more volatile than investments in developed markets, which may result in a declining Net Asset Value and may impair a Sub-Fund's liquidity.

### ***Concentration Risk***

Due to the geographical concentration of a Sub-Fund's investments, the value of a Sub-Fund may likely be more volatile than a broad-based fund having a more diverse portfolio of investments, such as a global equity fund, as it is more susceptible to fluctuations in value resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the markets of the countries in which it invests.

### ***Liquidity Risk***

It is possible that there may be no liquidity or no bid or offer prices or no reliable bid or offer prices quoted for certain securities that a Sub-Fund may invest in, in particular debt securities and other securities that are not listed on a recognised stock exchange. It may be difficult to determine the appropriate valuation of such investments and a Sub-Fund's ability to sell or liquidate investments at favourable times or for favourable prices may be restricted.

Liquidity risk exists if sizeable redemption requests are received as the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such investments.

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## *Currency Exchange Risk*

Assets of certain Sub-Funds may be denominated in currencies other than the base currencies of such Sub-Funds and the currency of some assets may not be freely convertible. Also, a class of Units may be designated in a currency other than the base currencies of the Sub-Funds as well. These Sub-Funds may be adversely affected by changes in exchange rates between the currencies in which the assets of the relevant Sub-Fund are held and the base currency of such Sub-Fund.

Investors should also note that if they ask to be paid redemption proceeds in a currency other than US dollars (in which the Units are denominated), the value of the amount in the payment currency that they receive may be less than the amount they would have received in US dollars owing to administrative expenses and the costs of currency conversion (such currency conversion to be effected at such rate as the Manager, in its discretion, deems appropriate).

## *Risks relating to Currency Hedging and the Currency Hedged Classes*

The Manager may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of a Sub-Fund attributable to a particular class into the class currency of the relevant class. Any financial instruments used to implement such strategies with respect to one or more classes shall be assets/liabilities of such Sub-Fund as a whole but will be attributable to the relevant class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant class. Where a class of Units is to be hedged (“**Currency Hedged Class**”) this will be disclosed in the relevant Appendix. Any currency exposure of a class may not be combined with, or offset against, that of any other class of the relevant Sub-Fund. The currency exposure of the assets attributable to a class may not be allocated to other classes.

Where the Manager seeks to hedge against currency fluctuations, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Manager. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of that Currency Hedged Class. Investors should also be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the class currency, if the Currency Hedged Class’ denominating currency falls against the base currency of a Sub-Fund.

The Manager may also, at its absolute discretion, seek to fully or partially hedge currency exposures arising from some or all of a Sub-Fund’s underlying assets to its base currency.

Investors whose base currency is different (or not in a currency linked to the relevant Sub-Fund’s base currency or the currency of that Currency Hedged Class) may be exposed to additional currency risk.



The precise hedging strategy applied to a particular Currency Hedged Class may vary. In addition, there is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis (which means that, for example, if the hedging strategy in respect of a Currency Hedged Class such as Class A AUD Hedged Units is ineffective, depending on the exchange rate movements of AUD relative to the base currency of the relevant Sub-Fund, and/or other currency(ies) of the non-AUD denominated underlying investments of such Sub-Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-AUD denominated underlying investments; or (ii) investors may suffer additional losses if the non-AUD denominated underlying investments of such Sub-Fund fall in value).

If the counterparties of the instruments used for hedging purposes default, investors of the Currency Hedged Classes may be exposed to the currency exchange risk on an unhedged basis and may therefore suffer further losses.

A Sub-Fund may offer different Currency Hedged Classes as disclosed in the relevant Appendix which are primarily targeted for investors whose base currencies of investment are the currencies of the Currency Hedged Classes.

Each Currency Hedged Class may hedge the relevant Sub-Fund's denominated currency back to its currency of denomination, with an aim to provide a return on investment which correlates with the return of the class which is denominated in the base currency of such Sub-Fund by reducing the effect of exchange rate fluctuations between the base currency of such Sub-Fund and the Currency Hedged Classes whilst taking into account practical considerations such as transaction costs. However, the return of the Currency Hedged Classes will never correlate perfectly to the class which is denominated in the base currency of such Sub-Fund due to various factors, including but not limited to short-term interest rate differentials, unrealized gains/losses on currency forward positions not being invested until the gains/losses are realised and transaction costs attributable to the hedging activity. Investors should also note that the distribution amount and/or rate of the Currency Hedged Classes may be more than or less than such amount and/or rate of the class which is denominated in the base currency of the relevant Sub-Fund due to various factors, including but not limited to short-term interest rate differentials. Where the Currency Hedged Class is subject to a performance fee, it should be noted that any divergence in the performance of different classes (for the reasons stated above), or different launch dates of different classes, could result in any such performance fees becoming chargeable at different points in time, as different classes reach their high watermark at different points in time. Accordingly the performance fee may adversely impact the correlation between different classes.

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Consequently, a Currency Hedged Class is not recommended for investors whose base currency of investment is not in the same currency of such Currency Hedged Class. Investors who choose to convert other currencies into such base currency to invest in such Currency Hedged Class should understand that they may be exposed to higher currency risks and may suffer a higher loss as a result of exchange rate fluctuations than an investor whose base currency of investment is in the same currency of the Currency Hedged Class.

To the extent that hedging is successful for a particular Currency Hedged Class, the performance of the Currency Hedged Class is likely to move in line with the performance of the underlying assets of the relevant Sub-Fund with the result that investors in that Currency Hedged Class will not gain if the class currency falls against the base currency of such Sub-Fund.

It is intended that the currency hedging strategy which will be employed will be based on the most up-to-date information in relation to the Net Asset Value of a Sub-Fund, and will also take into account future transactions relating to Unitholder activity that will be processed through each class of Units in such Sub-Fund as at the relevant valuation point. The currency hedging strategy will be monitored and adjusted in line with the valuation cycle at which investors are able to subscribe to and redeem from such Sub-Fund.

Futures, forwards, options and contracts for difference may be used to hedge against downward movements in the value of a Sub-Fund's portfolio, either by reference to specific securities or markets to which such Sub-Fund may be exposed.

Forward foreign exchange contracts are also used more specifically to hedge the value of certain classes of Units in a Sub-Fund against changes in the exchange rate between the currency of denomination of the class of Units and the base currency of such Sub-Fund.

## ***Repatriation Limitations***

Some countries may impose restrictions on foreign exchange, especially in relation to the repatriation of foreign funds. Such markets may prohibit the repatriation of foreign funds for a fixed time horizon and limit the percentage of invested funds to be repatriated at each time. As a result, a Sub-Fund can incur loss from any prohibition or delay in its ability to repatriate funds from those countries and therefore cause a decline in the Net Asset Value. Investors may lose money or may be unable to redeem the full amount of their Units or may experience some delay, please see the section headed "**Subscription and Redemption of Units**" of this Explanatory Memorandum for further details.

### ***Counterparty Risk***

Financial institutions, such as brokerage firms, broker-dealers and banks, may enter into transactions with the Manager on account of a Sub-Fund in relation to the Sub-Fund's investments. These financial institutions, being a counterparty to the transactions, may also be issuers of securities or other financial instruments in which the Sub-Fund invests. This exposes the Sub-Fund to the risk that a counterparty may not settle a transaction in accordance with market practice due to a credit or liquidity problem of the counterparty, or due to the insolvency, fraud or regulatory sanction of the counterparty, thus causing the Sub-Fund to suffer a loss.

Deposits of securities or cash with a custodian, bank or financial institution (“**custodian or depository**”) will also carry counterparty risk as the custodian or depository may be unable to perform their obligations due to credit-related and other events like insolvency of or default by them. In these circumstances, a Sub-Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the Sub-Fund's assets. In most cases, the Sub-Fund's assets will be maintained by the custodian or depository in segregated accounts and would be protected in the event of the insolvency of the custodian or depository. However, for instance, in securities lending transactions, a Sub-Fund may not have a right to have specific assets returned to it, but rather, the Sub-Fund may only have an unsecured claim against the custodian or counterparty, in which case it may lose all or the greater part of the value of the relevant assets.

### ***Credit Risk***

A Sub-Fund may invest in securities which (or the issuers of which) are lower rated. A Sub-Fund may be subject to additional risks due to the speculative nature of investing in securities (or the issuers) with a lower rating. Accordingly, an investment in these securities may be accompanied by a higher degree of credit risk (as defined below) than is present with investment in higher rated, lower yielding securities. Lower rated securities such as, for example, high yield debt securities, may be considered speculative and can include securities that are unrated and/or in default.

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due.

Even in the absence of the issuer's default, if the mark-to-market value is lower than the cost of the investment, a Sub-Fund may suffer immediate diminution in the Net Asset Value, even if a Sub-Fund holds that investment to maturity and yields a profit.

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In times of market turmoil if redemption pressure is huge, a Sub-Fund may be forced to realise a substantial portion of its investments at a value which may result in significant losses to a Sub-Fund and investors may lose money in such circumstances.

Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields.

Changes in the financial conditions of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

## ***Interest Rate Risk***

A Sub-Fund may invest in fixed income securities which are subject to interest rate risk. A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Certain fixed income securities give an issuer the right to call its securities, before their maturity date, in periods of declining interest rates. The possibility of such "pre-payment risk" may force a Sub-Fund to reinvest the proceeds of such investments in securities offering lower yields, thereby reducing a Sub-Fund's interest income.

## ***Valuation Risk***

Valuation of a Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of a Sub-Fund.

## ***Credit Rating Risk***

Credit ratings assigned by rating agencies are subject to imitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

## ***Credit Rating Agency Risk***

The credit appraisal system in the PRC and the rating methodologies employed in the PRC may be different from those employed in other markets. Credit ratings given by the PRC rating agencies may therefore not be directly comparable with those given by other international rating agencies.

## ***Downgrading Risk***

The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of a Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.

***Sovereign Debt Risk***

A Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuer may not be able or willing to repay the principal and/or interest when due or may request a Sub-Fund to participate in restructuring such debts. A Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

***Risk of Investing in Collateralised and/or Securitised Products (such as Asset Backed Securities/ Mortgage Backed Securities/ Asset Backed Commercial Papers)***

A Sub-Fund may from time to time invest in collateralised and/or securitised products, such as asset backed securities/mortgage backed securities/asset backed commercial papers (collectively, "structured debt instruments"). Such structured debt instruments provide exposure to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. Issuers of such securities may also have limited ability to enforce the security interest in the underlying assets in the event of default. The underlying assets can take many forms including, but not limited to, credit card receivables, residential mortgages, corporate loans, manufactured housing loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured debt securities have embedded call options exercisable by the issuer which creates prepayment risk (the risk of unexpected early return of principal on the security), while other features may create extension risk (the risk that the security's tenure is unexpectedly extended due to lower repayment levels). Some structured debt instruments may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition, investments in structured debt instruments may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently a Sub-Fund may be more susceptible to liquidity risk. The liquidity of a structured debt instrument can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

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## ***Risks relating to Urban Investment Bonds***

Urban investment bonds are issued by local government financing vehicles (“LGFVs”), such bonds are typically not guaranteed by local governments or the central government of the PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, a Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

## ***Risks relating to “Dim Sum” Bond***

The “Dim Sum” bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of a Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

## ***Borrowing Risks***

A Sub-Fund may borrow subject to the limit set out in the Trust Deed for various reasons, such as facilitating redemptions or to acquire investments for the account of the Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of a Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that a Sub-Fund will be able to borrow on favourable terms, or that a Sub-Fund’s indebtedness will be accessible or be able to be refinanced by the Trust at any time.

### ***Political, Economic and Social Risks***

Uncertainty in any change to social conditions, government policies or legislation in the countries in which a Sub-Fund may invest may adversely affect the political or economic stability of such countries. The value of the assets of a Sub-Fund may be affected by uncertainties such as domestic and international political developments, changes in social conditions, changes in government policies, taxation, restrictions on foreign investments and currency repatriation, the level of interest rates, currency fluctuations, fluctuations in both debt and equity capital markets, sovereign defaults, inflation and money supply deflation, and other developments in the legal, regulatory and political climate in the countries in which investments may be made, which may or may not occur without prior notice. Any such changes or developments may affect the value and marketability of a Sub-Fund's investments. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made do not provide the same degree of investor protection or information to investors as would generally apply in more developed countries.

### ***Financial Derivative Instruments***

A Sub-Fund may invest in the investment targets of the Sub-Fund through FDIs, including investments in participation notes and equity linked notes. A Sub-Fund may also use FDIs for hedging purposes. FDIs may not be listed and are subject to the terms and conditions imposed by their issuer. There is no active market in FDIs and therefore investment in FDIs can be illiquid. In order to meet redemption requests, a Sub-Fund relies upon the issuer of the FDIs to quote a price to unwind any part of the FDIs that will reflect the market liquidity conditions and the size of the transaction. There is a risk that the issuer of the Derivative Instruments will not settle a transaction due to a credit or liquidity problem and a Sub-Fund's may suffer a total loss of the Sub-Fund's interest in the FDIs.

An investment in the FDIs does not entitle the FDIs holder to the beneficial interest in the shares underlying the Derivative Instruments nor to make any claim against the company issuing the shares. There can be no assurance that the price of the FDIs will equal the underlying value of the company or securities market that it may seek to replicate.

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Risks associated with FDIs include counterparty/credit risk, liquidity, valuation risk, volatility risk and over-the-counter (“OTC”) transaction risk. Compared to conventional securities, such as shares and debt securities, FDIs with leveraging effect (such as futures and warrants) can be more sensitive to changes in interest rates or to sudden fluctuations in market prices. As a result, a relatively small price movement in the value of the underlying asset of such FDIs may result in immediate and substantial loss (or gain) to a Sub-Fund. The leverage element/ component of a derivative instrument and adverse changes in the value or level of the underlying asset, rate or index can result in a loss significantly greater than the amount invested in the FDIs itself. Exposure to FDIs may lead to a high risk of significant loss by a Sub-Fund, and a Sub-Fund’s losses may be greater than if it invests only in conventional securities such as shares and debt securities. The exposure of a Sub-Fund to FDIs is also subject to the other applicable investment restrictions set out in this Explanatory Memorandum.

In particular, investments in participation notes (P-notes) involve certain risks in addition to those associated with a direct investment in the underlying foreign companies or foreign securities markets whose return they seek to replicate. There can be no assurance that there will be a trading market or that the trading price will equal the underlying value of the foreign company or foreign securities market that it seeks to replicate.

A Sub-Fund is relying on the creditworthiness of the counterparty issuing the P-note and has no rights under a P-note against the issuer of the underlying security. Therefore, if such counterparty were to become insolvent, a Sub-Fund would lose its investment. This risk may be amplified because a Sub-Fund can purchase P-notes issued by as few as one issuer. In seeking to limit its counterparty risk, a Sub-Fund will endeavour to transact with a number of counterparties provided the Manager sees fit and will seek to limit the Sub-Fund’s gross exposure to each issuer to 10% of the Net Asset Value of the Sub-Fund. P-notes may also include transaction costs in addition to those applicable to a direct investment.

## ***Risks relating to Securities Lending Transactions***

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.



***Risks associated with Collateral Management and Re-investment of Cash Collateral***

Where a Sub-Fund enters into a securities financing transaction or an OTC derivative transaction, collateral may be received from or provided to the relevant counterparty. Notwithstanding that a Sub-Fund may only accept non-cash collateral which is highly liquid, a Sub-Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. A Sub-Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

A Sub-Fund may re-invest its cash collateral. Investors should note that there are risks associated with the re-investment of cash collateral. If a Sub-Fund reinvests cash collateral, such re-investment is subject to investment risks including the potential loss of principal.

Where collateral is provided by a Sub-Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the Sub-Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Finance charges received by a Sub-Fund under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by a Sub-Fund may also be reinvested in order to generate additional income. In both circumstances, the Sub-Fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the Sub-Fund to the securities lending counterparty at the conclusion of the securities lending contract. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

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## *Risks of Investing in Other Collective Investment Schemes*

A Sub-Fund may invest in other collective investment schemes. The underlying investment schemes in which the relevant Sub-Fund may invest may not be regulated by the SFC. The relevant Sub-Fund does not have control of the investments of the underlying schemes. Investment decisions of the underlying schemes are made at the level of such schemes. There can be no assurance that (i) the selection of the managers of the underlying schemes will result in an effective diversification of investment styles and that positions taken by the underlying schemes will always be consistent; and (ii) the investment objective and strategy of the underlying schemes will be successfully achieved. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the relevant Sub-Fund's redemption requests as and when made. As a result, the foregoing may have a negative impact on the Net Asset Value of the relevant Sub-Fund.

There may be additional costs involved when investing into the underlying schemes. The relevant Sub-Fund bears the fees payable to the Manager and its other service providers, as well as, indirectly, a proportionate share of the fees paid by the underlying schemes to their managers and the service providers of the underlying schemes (such as subscription fee, redemption fee, management fee and other costs and charges payable to the managers and service providers of the underlying schemes). For the avoidance of doubt, where the relevant Sub-Fund invests into an underlying scheme managed by the Manager, the Investment Delegates (if any) or any of their respective Connected Persons, all initial charges and redemption charges on such underlying scheme will be waived. Further, the Manager or any person acting on behalf of a Sub-Fund or the Manager will not obtain a rebate on any fees or charges levied by the underlying scheme or its management company or any quantifiable monetary benefits in connection with investments in any underlying scheme.

A Sub-Fund may invest in shares or units of a collective investment scheme managed by the Manager, its Investment Delegates (if any), or any of their respective Connected Persons. It is possible that any of the Manager, its Investment Delegates (if any) or any of their respective Connected Persons may, in the course of business, have potential conflicts of interest with the relevant Sub-Fund. In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the relevant Sub-Fund and any of them are on an arm's length basis. Please refer to the section headed "Conflicts of Interest" of this Explanatory Memorandum for further details.

## ***Performance Fee***

The performance fee payable to the Manager may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Prospective investors should note that the management fee and performance fee payable to the Manager are based in part upon unrealised gains (as well as unrealised losses), and that such unrealised gains and losses may never be realised by a Sub-Fund.

There is no equalisation arrangement in respect of the calculation of the performance fees. As there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis, a Unitholder may incur a performance fee notwithstanding the Unitholder may have suffered a loss in investment in the Units (e.g. a Unitholder will be disadvantaged if he subscribes to a Sub-Fund during a performance period when the Net Asset Value per Unit is above the High Water Mark and redeems prior to or at the end of such performance period when the Net Asset Value per Unit at the time of redemption has decreased but remains above High Water Mark. Under such circumstances, he has paid the performance fee despite of a loss). On the other hand, a Unitholder may not be subject to any performance fee notwithstanding the Unitholder concerned may have realised a gain in investment in the Units.

## ***Accounting and Reporting Standards***

The accounting standards and regulatory requirements of financial reporting and information disclosure in some markets in which a Sub-Fund may invest may not follow international standards as there are differences between international standards and reporting practices in such markets. These differences may lie in areas such as different valuation methods of the properties or the assets, and the requirements for disclosure of information to investors. Therefore, a Sub-Fund may be forced to make investment decisions based on incomplete or incorrect data. If those data turn out to be incomplete or incorrect, the security in which a Sub-Fund has invested into could decline in value or become valueless. Investors may lose money in those circumstances.

## ***Valuation and Accounting***

In some instances where there may be no liquidity or no bid or offer prices or no reliable bid or offer prices quoted for certain securities that a Sub-Fund may invest in, in particular debt securities and securities that are not listed or quoted on a recognised market, it may be difficult to determine the appropriate valuation of such investments and the Manager may have a conflict of interest in striking such valuation since its management and performance fees will be affected by the value of assets under management. The Manager may in such instances request for a revaluation to be made by a professional person approved by the Trustee.

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Further, under current market conditions, it may be the case that the bid-offer spread will be very wide for financial instruments held by a Sub-Fund, particularly in the case of debt securities that are not listed on a recognised stock exchange, although such spread may be expected to narrow over time. One consequence of this is that to the extent a Sub-Fund values its portfolio by reference to bid prices, it will incur an immediate diminution in net asset value on the purchase of such debt instruments.

The Manager adopts the International Financial Reporting Standards (“**IFRS**”) in drawing up the annual reports of the Sub-Funds, and interim reports will apply the same accounting policies and method of computation as are applied in the annual reports of the Sub-Funds. However, the calculation of the Net Asset Value of each Sub-Fund in the manner described below in the section headed “**Subscription and Redemption of Units**” of this Explanatory Memorandum (which the Manager intends to adopt for the purpose of the calculation of various fees as described in this Explanatory Memorandum) may not necessarily be in compliance with the IFRS. Accordingly, the Net Asset Value of each Sub-Fund as described in this Explanatory Memorandum may not necessarily be the same as the net asset value to be reported in the annual reports as the Manager may make necessary adjustments in the annual reports to comply with IFRS.

## *Dividends and distributions*

Whether the Manager will pay dividends on Units of a Sub-Fund is subject to the Sub-Fund’s distribution policy. There is no guarantee that any dividends will be distributed nor will there be a target level of dividend payout. A high distribution yield does not imply a positive or high return.

## *Distributions payable out of capital risk*

Payment of dividends out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital of a Sub-Fund may result in an immediate reduction of the Net Asset Value per Unit of the relevant class.

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged class and the Sub-Fund’s base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged classes.

Please refer to the section headed “**Distribution Policy**” in the main part of this Explanatory Memorandum and the relevant Appendix.

### *Foreign Account Tax Compliance*

Under Sections 1471 – 1474 of the IRS Code (referred to as “**FATCA**”), unless a “foreign financial institution” as defined in the IRS Code and U.S. Treasury Regulations, timely agrees to collect and disclose to the U.S. Treasury certain information with respect to its investors and its investors’ investments, or collects and discloses such information to a foreign government pursuant to an applicable intergovernmental agreement between the U.S. and that foreign government, and meets certain other conditions, certain payments to that foreign financial institution of dividends, interest, and certain other categories of investment income from sources within the U.S. will generally, assuming certain other conditions are met, be subject to a 30% U.S. federal withholding tax. While such withholding would have applied also to payments of gross proceeds from the sale or other disposition on or after 1 January 2019 of property of a type which can produce U.S. source dividends and interest, recently proposed U.S. Treasury regulations eliminate such withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed U.S. Treasury regulations until final U.S. Treasury regulations are issued.

Pursuant to the US IGA, the Trust and each applicable Sub-Fund will generally be relieved from FATCA withholding tax on payments they receive, as well as the obligation to withhold tax on payments made to their investors, provided that they comply with the AEOI Regulations (discussed under the section entitled “**Automatic Exchange of Financial Account Information**” under the heading “**Taxation**” below), which give effect to the US IGA. Pursuant to the AEOI Regulations, reporting is made annually in respect of the previous calendar year.

The Trust and each applicable Sub-Fund will endeavour to satisfy the requirements imposed under FATCA, the US IGA and the AEOI Regulations to avoid any withholding tax. In particular, China Convergence Fund and China Mainland Focus Fund have been registered with the IRS with Global Intermediary Identification Numbers LYNZ1J.99999.SL.136 and K7SWE0.99999.SL.136 respectively. In the event that the Trust or any applicable Sub-Fund is not able to comply with the requirements imposed by FATCA, the US IGA or related Cayman Islands law, and the Trust or any applicable Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Trust or any applicable Sub-Fund may be adversely affected and the Trust or any applicable Sub-Fund may suffer significant losses as a result. In addition, prospective investors should note that underlying collective investment schemes in which the applicable Sub-Fund invests may be required to satisfy their own FATCA compliance obligations, and failure by any underlying collective investment scheme to fully comply with its FATCA obligations may have an adverse impact on the Net Asset Value of the applicable Sub-Fund.

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To the extent that the Trust or any applicable Sub-Fund suffers withholding tax on its investments as a result of FATCA, the Trustee on behalf of the Trust and/or any applicable Sub-Fund may, after completing due process to ascertain and confirm that a Unitholder has failed to cooperate and provide the required information, bring legal action against such Unitholder for losses suffered by the Trust and/or any applicable Sub-Fund as a result of such withholding tax.

Each Unitholder and prospective investor should consult with his/her own tax adviser as to the potential impact of FATCA in his/her own tax situation.

## **Investment and Borrowing Restrictions and Prohibitions**

The Trust Deed sets out certain restrictions on the investment of the assets and the borrowing powers of the Trust, which are set out in Schedule 1.

## **Securities Financing Transactions**

Subject to the “Investment Objective and Policy” section of the relevant Appendix of each Sub-Fund, the Trustee may enter into securities financing transactions in respect of a Sub-Fund, provided that they are in the best interests of Unitholders and the associated risks have been properly mitigated and addressed. Please refer to the “Investment Objective and Policy” section of the relevant Appendix of each Sub-Fund for the policy regarding such arrangements of each Sub-Fund.

Securities lending transactions will only be entered into:-

- (a) if the Manager is satisfied that the borrower will provide sufficient assets as collateral for the borrowed securities of a value equivalent to or in excess of the borrowed securities and such collateral to be quality, liquid collateral;
- (b) through the agency of a recognised clearing system or a financial institution acceptable to the Manager which engages in this type of transaction;
- (c) the relevant securities lent must be fully paid-up shares listed on any stock exchange, over-the-counter market or other organised securities market that is open to the international public on which such securities are regularly traded; and
- (d) the amount of consideration (including the value of any collateral) given for the relevant securities must exceed the value of such securities at any one time on daily marked to market values.

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Further, unless otherwise specified under the “Investment Objective and Policy” section of the relevant Appendix of each Sub-Fund, details of the policy regarding securities financing transactions are as follows:-

- (i) all revenue arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of such transactions, will be credited to the account of the relevant Sub-Fund;
- (ii) each counterparty for such transactions (including a borrower for a securities lending transaction) and the issuer of collateral will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision. There is no criteria for country of origin of the counterparty. Each counterparty is expected to be (x) incorporated in countries of high credit quality, (y) have a minimum credit rating of A2/P2 or equivalent assigned by reputable credit rating agencies or in the reasonable opinion of the Manager, or deemed to have an implied rating of A2/P2 or equivalent; alternatively, an unrated counterparty will be acceptable where the relevant Sub-Fund is indemnified against losses caused by the counterparty, by an entity which has a minimum credit rating of A2/P2 or equivalent, or (z) be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;
- (iii) the relevant Sub-Fund should have at least 100% collateralization in respect of securities financing transactions. The Trustee, upon the instruction of the Manager, will take collateral, which will be cash or liquid securities with value greater than or equal to the value of the securities lent, and the collateral agent (who may be the Trustee or a third party to be appointed by the Trustee at the direction of the Manager or by the Manager directly, as may from time to time be agreed between them) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described below;
- (iv) the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the relevant Sub-Fund does not exceed 10% of the latest available Net Asset Value of such Sub-Fund;
- (v) no more than 50% of the securities of the same issue, or of the same kind (by value) held in respect of the relevant Sub-Fund(s) may be the subject of security lending transactions at any one time;

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- (vi) the Manager will ensure that it is able to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transactions or terminate such transactions into which it has entered;
- (vii) where any securities lending transaction is arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the securities lending fee will be disclosed in the connected party transaction section of the relevant Sub-Fund's annual financial reports).

In particular, The HongKong and Shanghai Banking Corporation Limited, which is a Connected Person of the Trustee, may engage in securities financing transactions with a Sub-Fund. In acting as securities lending agent, The HongKong and Shanghai Banking Corporation Limited will receive remuneration for its activities; and

- (viii) custody / safekeeping arrangements, which details are set out in the section entitled "Collateral Valuation and Management Policy" below, are in place in respect of the assets subject to the securities financing transactions.

## **Other Provisions relating to Investment, Borrowing and Security Lending Transactions**

The Manager may also (although it will not be under any obligation to do so), from time to time, formulate such other investment, borrowing and security lending limitations and prohibitions in accordance with the provisions of the Trust Deed. Such limitations and prohibitions may be set out in the relevant Appendix relating to the relevant Sub-Fund.

Any limitation on investment, borrowing or security lending to be measured by reference to the latest available Net Asset Value of a Sub-Fund shall be measured by reference to the latest available Net Asset Value of that Sub-Fund before the time the relevant investment, borrowing or security lending is made.

If any of the restrictions or limitations set out in this Explanatory Memorandum are breached in respect of a Sub-Fund, the Manager will, as a priority objective, take all necessary steps within a reasonable period of time to remedy such breach, taking due account of the interests of the Unitholders of the relevant Sub-Fund.



## Liquidity Risk Management

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Sub-Funds and to ensure that the liquidity profile of the investments of the Sub-Funds will facilitate compliance with the relevant Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the relevant Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by the relevant Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the heading entitled "**Redemption of Units**" in the section headed "**Subscription and Redemption of Units**" of this Explanatory Memorandum, and will facilitate compliance with the relevant Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the relevant Sub-Fund under normal and exceptional market conditions.

The following tool(s) may be employed by the Manager to manage liquidity risks:

- the Manager may limit the total number of Units in any Sub-Fund which Unitholders are entitled to redeem by reference to any Valuation Day to 10% of the total Net Asset Value of the relevant Sub-Fund on that Valuation Day (subject to the conditions under the heading entitled "**Redemption of Units**" in the section headed "**Subscription and Redemption of Units**" of this Explanatory Memorandum).

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## V. SUBSCRIPTION AND REDEMPTION OF UNITS

### Dealing Periods

Each Sub-Fund is valued as at the close of business in the last market to close of all relevant markets in which the relevant Sub-Fund is invested (or at such other time as the Manager may, with the consent of the Trustee, select) on each Valuation Day. The Valuation Day for each Sub-Fund may be different. Please refer to the Appendix to this Explanatory Memorandum that relates to each Sub-Fund for details of the Valuation Day of each Sub-Fund.

A Business Day is a day when banks in Hong Kong are open for general business except for: (i) a Saturday or Sunday; (ii) a day on which banks in Hong Kong are open for a shorter time as a result of a Typhoon Signal, a Rainstorm Warning or similar event, unless the Manager, with the consent of the Trustee, determines otherwise in relation to each Sub-Fund.

The price at which investors may subscribe for, or redeem, Units of any class of any Sub-Fund is a single price denominated in the currency of account of the Sub-Fund which reflects the Net Asset Value per Unit of that class of Units as determined on a Valuation Day in the manner described under the section headed “**Calculation and Publication of Net Asset Value**”. An initial charge of up to 5% of the issue price (payable to the Manager) may, at the discretion of the Manager, be added to the issue price of Units.

At present, Dealing Periods are periods which commence at the end of the preceding Dealing Period and end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day. **However, the Manager may determine that different Valuation Days and Dealing Periods will apply to individual Sub-Funds, as it shall consider appropriate. Where this determination is made, the Valuation Days and Dealing Periods applicable to the relevant Sub-Fund will be disclosed in the relevant Appendix to this Explanatory Memorandum relating to that Sub-Fund.**

Dealing Periods for other places may be determined as the need arises but, in all cases, the principle will be maintained that the Dealing Period must end at or prior to 5:00 p.m. (Hong Kong time) on each relevant Valuation Day, as determined by the Manager.

The Manager has power to alter the Dealing Periods in any place, to determine that Dealing Periods should be referable to a different Valuation Day, and to change the time at which any Sub-Fund is valued on each Valuation Day. Such alterations will be made with the prior consent of the Trustee and one month's prior written notice (or where applicable, such shorter notice period as approved by the SFC) to Unitholders. Subject to the consent of the Trustee, the Manager may, at its discretion, make one or more of these alterations on a temporary basis. The Manager does not intend to do so unless under the circumstances (including, but not limited to, future operational requirements or the acquisition by the relevant Sub-Fund of investments on different markets) make it desirable.

Subscription, redemption and switching of Units may also be placed through the distributor(s) as from time to time determined by the Manager. Investors should note that applications made through the distributor(s) may involve different dealing procedures. Further, the distributor(s) may impose an earlier cut-off time on each Dealing Period for receiving instructions for subscription, redemption or switching. Investors should confirm the arrangements with the distributor(s) concerned on the arrangements and dealing procedures that are applicable to them.

## **Subscription of Units**

All applications to subscribe for Units are subject to the terms, conditions and restrictions of this Explanatory Memorandum (and any Appendices hereto) and the Trust Deed.

Applications for subscription of Units may be made to the Registrar's Agent during any Dealing Period in writing and sent by post to the business address or, if the applicant has provided the Manager with an original fax indemnity in the Subscription Form provided by the Manager, by fax to the fax number shown on the Subscription Form which accompanies this Explanatory Memorandum (to be followed by the original signed Subscription Form, unless waived by the Manager with the consent of the Trustee), unless an original fax indemnity was already previously provided to the Manager. The Manager may also agree with the Trustee to allow any applications for subscription of Units to be made by other written or electronic forms.

All applications by prospective investors for an initial subscription of Units which are sent by fax or electronic means to the Registrar's Agent must be followed by the duly signed original applications for subscription. The Manager may, in its absolute discretion, determine whether or not such original applications are also required in respect of subsequent applications for subscription sent by fax by Unitholders.

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Applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager with the approval of the Trustee) must be received by the Registrar's Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day which coincides with the last Business Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. However, the Manager may, in respect of any Sub-Fund, stipulate that such an application shall be subject to the expiration of a period of notice whereupon it shall be treated as having been received during the relevant Dealing Period current upon the expiration of such notice. The issue price per Unit will be the Net Asset Value per Unit of the relevant class of Units of the relevant Sub-Fund calculated as at that Valuation Day. Valid applications for subscription received (whether by post, fax or other written or electronic forms specified by the Manager with the approval of the Trustee) by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on the Business Day coinciding with such Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period. The Manager, with the approval of the Trustee, has the discretion to accept late application for subscription received by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on a Valuation Day in exceptional circumstances (such as system breakdown) and the Manager is satisfied that the application was placed before the dealing cut-off time (i.e. 5:00 p.m. (Hong Kong time)) and the valuation point on the relevant Valuation Day. Full details of the application and payment procedures for Units are set out under the section headed "**Procedure for Application**" below.

## **Redemption of Units**

All applications to redeem Units are subject to the terms, conditions and restrictions of this Explanatory Memorandum (and any Appendices hereto) and the Trust Deed.

Requests to redeem Units may be made to the Registrar's Agent during any Dealing Period in writing and sent by post to the business address or, if the relevant Unitholder has provided the Manager with an original fax indemnity in the redemption request provided by the Manager, by fax to the fax number shown on the Subscription Form which accompanies this Explanatory Memorandum (to be followed by the original signed redemption form, unless waived by the Manager with the consent of the Trustee), unless an original fax indemnity was already previously provided to the Manager. The Manager may also agree with the Trustee to allow any requests for redemption to be made by other written or electronic forms. Redemption requests should specify the name of the Sub-Fund, the number and the class of Units of the relevant Sub-Fund to be redeemed, the name in which such Units are registered and details of the bank account (if any) to which the redemption monies are to be transferred.

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All redemption requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorized to sign such requests on behalf of the other joint Unitholders (where such authorization has been notified in writing to the Manager) or, in the absence of such notification, by all joint Unitholders.

Applications for redemption of Units in a Sub-Fund (whether by post, fax or other written or electronic forms specified by the Manager with the approval of the Trustee) must be received by the Registrar's Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. The redemption price per Unit in the relevant class of a Sub-Fund will be the Net Asset Value per Unit of that class in the Sub-Fund calculated as at that Valuation Day.

Valid applications for redemption received (whether by post, fax or other written or electronic forms specified by the Manager with the approval of the Trustee) by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on a Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period. The Manager, with the approval of the Trustee, has the discretion to accept late application for redemption received by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on a Valuation Day, in exceptional circumstances (such as system breakdown) and the Manager is satisfied that the application was placed before the dealing cut-off time (i.e. 5:00 p.m. (Hong Kong time)) and the valuation point on the relevant Valuation Day.

All redemption requests sent by fax or electronic means to the Registrar's Agent must be followed by the duly signed original requests, unless an original fax indemnity was already previously provided to the Manager. Unitholders should note that redemption monies will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Manager) and all other supporting documents, if any are required, have been received by the Registrar's Agent; and (b) if the redemption proceeds are to be paid by telegraphic transfer to a bank account in the state of New York in the United States of America or in Hong Kong, Australia, Canada and New Zealand, the signature of the Unitholder (or the relevant joint Unitholder or Unitholders) on the redemption request form must be verified by a banker or some other person acceptable to the Registrar's Agent. No redemption proceeds will be paid to third parties.

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Redemption proceeds will normally be paid in the currency of account of the relevant Sub-Fund by telegraphic transfer according to instructions given by the relevant Unitholder(s) to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled thereto to the registered address of the Unitholder or (in the case of joint Unitholders) the first named joint Unitholder appearing on the register of Unitholders. If there is no delay in submitting all duly completed redemption documentation and the Manager is not exercising any of its powers described in the section headed “**Suspension of Valuations and Dealings**” below, redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event, the maximum interval between the receipt of a properly documented request for redemption of Units and payment of redemption proceeds to the Unitholders may not exceed one calendar month, unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls), rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, payment of redemption proceeds may be deferred, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

If at any time during the period from the time as at which the redemption price is calculated and the time at which redemption proceeds are converted out of any other currency into the class currency of the relevant class of Units there is an officially announced devaluation or depreciation of that other currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

All bank charges and administrative costs incurred in settling redemption proceeds to the Unitholder(s) will be borne by the relevant Unitholder(s) and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Unitholders. A redemption charge of up to 5% of the redemption proceeds may also be deducted.

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the currency of account. Such alternative settlement instructions should be specified in the redemption request. The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Unitholder(s).

With a view to protecting the interests of Unitholders, the Manager may limit the total number of Units in any Sub-Fund which Unitholders are entitled to redeem by reference to any Valuation Day to 10% of the total Net Asset Value of the relevant Sub-Fund on that Valuation Day. Such limitation will be applied pro rata to all Unitholders who have requested such redemption. If the redemption requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient redemptions which, in aggregate, amount to 10% of the total Net Asset Value of the relevant Sub-Fund at the relevant time. Redemption requests for Units which are not redeemed but which would otherwise have been redeemed will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10% of the total Net Asset Value of the relevant Sub-Fund) in priority to later redemption requests.

Partial redemptions may be effected. However, if a redemption request will result in a Unitholder having a residual holding of less than any minimum holding prescribed by the Manager from time to time in respect of that class or Units, the Manager may deem such redemption request to have been made in respect of all the Units in that class held by that Unitholder.

## **Switching of Units between Sub-Funds**

Unitholders will be able to switch (should there be more than one Sub-Fund within the Trust), during any Dealing Period, all or part of their holdings of any Sub-Fund into Units of any other class. However, the Manager may only permit the conversion of Units between certain Sub-Funds. Details of whether the switching of Units either to or from a specific Sub-Fund is permitted will be contained in the relevant Appendix relating to that particular Sub-Fund.

Applications for switching of Units may be made to the Registrar's Agent during any Dealing Period in writing and sent by post to the business address or by fax to the fax number shown on the Subscription Form which accompanies this Explanatory Memorandum. In respect of any faxed instructions, the duly signed original applications must follow such faxed instructions, unless an original fax indemnity was already previously provided to the Manager. The Manager may also agree with the Trustee to allow any requests for switching to be made by other written or electronic forms.

All applications for switching received will be dealt with in the same manner as applications for subscriptions and redemptions. Switches will be calculated on a redemption to subscription price basis by reference to the prices of the relevant classes of Units of the relevant Sub-Funds. Switches may be combined with partial redemptions. No switching charge will apply to the switching of Units between Sub-Funds.

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The rate at which the whole or any part of a holding of Units of the original class will be switched during any Dealing Period to Units of the new class of a Sub-Fund will be determined in accordance with the provisions of the Trust Deed.

Partial switches must not result in either the Unitholder's balance holding in the class of Units out of which he is switching or his holding in the class of Units to which he is switching his holding being less than any minimum holding of Units prescribed by the Manager from time to time in respect of the relevant classes or Units. If a request for partial switching will result in either of these holdings being less than any such prescribed minimum holding, the switching request will be deemed to be in respect of the Unitholder's entire holding in the first class of Units and the Units will be switched accordingly in their entirety.

## **Transfers**

Unitholders are entitled to transfer Units by an instrument in writing in such form as the Manager may from time to time prescribe signed by both the transferor and the transferee. All applications for the transfer of Units sent by fax to the Registrar's Agent must be followed by the duly signed originals of such applications.

No transfer will be accepted if, as a result thereof, either the transferor or the transferee holds less than any minimum holding specified in respect of the relevant class of Units or, Units are acquired or held by a non-qualified person as described under the section headed "**Restrictions on Unitholders**".

## **Fax or Electronic Instructions**

All instructions received by fax or electronic means from investors or Unitholders in respect of the subscription, switching, transfer and redemption of Units (whether or not the duly signed original written applications or requests, as the case may be, of which are also required by the Manager to follow such faxed or electronic instructions) will generally be acted upon by the Manager subject to its absolute discretion not to, and instructing the Trustee not to, do so until the original written instructions are received. All initial applications for subscription of Units sent by fax or electronic means must be followed by duly signed original applications for subscription.



All Unitholders who wish to give instructions relating to subscription or redemption of Units by fax or electronic means must provide to the Manager an original fax indemnity in the form prescribed by the Manager from time to time (with the consent of the Trustee as to the contents of the fax indemnity), unless an original fax indemnity was already previously provided to the Manager. Neither the Manager nor the Trustee is obliged to verify the identity of the person sending the instructions.

Neither the Manager, the Trustee nor any of their agents, employees or delegates will be liable for any loss which the relevant investor or Unitholder may suffer arising from (a) either the Manager or the Trustee or any of their agents, employees or delegates acting on any faxed or electronic instructions which they believe in good faith to have originated from properly authorised persons; or (b) the Manager exercising its absolute discretion not to, and instructing the Trustee or any of their agents, employees or delegates not to, act on such faxed or electronic instructions; or (c) any faxed or electronic instructions which are illegible or not received by the Manager or the Trustee or any of their agents, employees or delegates. The relevant investor or Unitholder will keep the Trust, the Manager and the Trustee fully indemnified on demand against all actions, losses and expenses brought against, or incurred by, the Manager or the Trustee or any of their agents, employees or delegates resulting from the Manager or the Trustee or any of their agents, employees or delegates acting, or failing to act, on such instructions or from the illegibility or non-receipt of faxed or electronic instructions.

**Moreover, without written confirmation of receipt by the Manager or the Trustee or any of their agents, employees or delegates, a transmission report produced by the originator of the facsimile or electronic transmission disclosing the transmission was sent shall not be sufficient proof of receipt thereof by the Manager or the Trustee or any of their agents, employees or delegates.**

## **Suspension of Valuations and Dealings**

The Manager may, in consultation with the Trustee, having regard to the best interests of the Unitholders, declare a suspension of dealings of any Sub-Fund if:

- (a) there exists any state of affairs prohibiting the normal disposal of the relevant Sub-Fund's investments;
- (b) there is a closure of or a suspension or restriction of trading on any market on which a substantial part of the relevant Sub-Fund's investments is normally traded;

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- (c) there is a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the value of any security or other asset in the Trust or the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, or when for any other reason the value of any security or other asset in the Trust or the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit cannot be ascertained promptly and accurately;
- (d) for any reason the price of investments in the relevant Sub-Fund or which the Manager has agreed to acquire for the account of the relevant Sub-Fund cannot, in the opinion of the Manager be ascertained promptly and accurately;
- (e) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to redeem normally or without prejudicing the interests of the relevant Unitholders, all or any of the investments in the relevant Sub-Fund or which the Manager has agreed to acquire for the account of the relevant Sub-Fund; or
- (f) the remittance of funds which will or may be involved in the redemption of, or in the payment for, the investments of the relevant Sub-Fund or the subscription or redemption of Units in that Sub-Fund cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

No Units will be issued or redeemed during any period of suspension.

Whenever the Manager declares a suspension of an SFC-authorized Sub-Fund, it shall as soon as may be practicable after any such declaration notify the SFC of such suspension. Notice of declaration of suspension shall be published as soon as may be practicable after any such declaration and at least once a month during the period of such suspension on the Manager's website [www.valuepartners-group.com](http://www.valuepartners-group.com).\*

## Calculation and Publication of Net Asset Value

The Net Asset Value of each Sub-Fund will be calculated by valuing the assets of the Sub-Fund and deducting the liabilities attributable to the Sub-Fund in accordance with the terms of the Trust Deed.

The value of the assets of a Sub-Fund will be determined by the Manager, in consultation with the Trustee, as at each valuation point in accordance with the Trust Deed. The Trust Deed provides (inter alia) that:

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\* This website has not been reviewed or authorised by the SFC.

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- (a) investments (other than a commodity, futures contract or an interest in an unlisted collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by reference to the price appearing to the Trustee to be the last traded price or “exchange close” price as calculated and published by the relevant exchange of that market in accordance with its local rules and customs, provided that:
  - (i) if an investment is quoted, listed, traded or dealt in on more than one such market, the price adopted shall be the last traded price or the exchange close price as published by the market in accordance with its local rules and customs which, in the opinion of the Manager, provides the principal market for such investment, provided that if the Manager considers that the prices published on a securities market other than the principal market for such investment provides, in all circumstances, a fairer criterion of value in relation to any such investment, such prices may be adopted;
  - (ii) if prices on such market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment or, if the Trustee so requires, by the Manager after consultation with the Trustee;
  - (iii) interest accrued on any interest-bearing investments shall be taken into account up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price;
  - and (iv) the Trustee and the Manager shall be entitled to use and rely on electronically transmitted data from such source or sources or pricing systems as they may from time to time think fit with regard to the valuation of investments and the prices provided by any such source or pricing system shall be deemed to be the last traded prices for the purposes of valuation;
  
- (b) the value of any investment (other than a commodity, futures contract or an interest in a collective investment scheme) which is not quoted, listed, traded or ordinarily dealt in on any securities market shall initially be the value equal to the amount expended on behalf of the Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses), and thereafter the value as assessed by the Trustee on the latest revaluation thereof, provided that a revaluation shall be made on each Valuation Day by reference to the latest bid price, asked price or mean thereof, as the Trustee and the Manager consider appropriate, quoted by a person, firm or institution making a market in such investments or otherwise approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);
  
- (c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager in consultation with the Trustee, any adjustment should be made to reflect the value thereof;

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- (d) the value of any commodity or futures contract shall be ascertained in such manner as the Manager, in consultation with the Trustee, shall think fit, but so that:
- (i) if a commodity or futures contract is dealt in any recognised commodities market, then regard shall be had to the latest ascertainable price ruling or officially fixed on such recognised commodities market or (if there shall be more than one such recognised commodities market) on such recognised commodities market as the Manager, in consultation with the Trustee, shall consider appropriate;
  - (ii) if any such price as referred to in (i) is not, in the opinion of the Manager, reasonably up-to-date or is not ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such commodity or futures contract provided by a firm or institution making a market in such commodity or futures contract;
  - (iii) the value of any futures contract (the “relevant Contract”), to the extent that it is not determined in accordance with (i) or (ii), shall be valued (1) where the relevant Contract is for the sale of a commodity, by subtracting, from the contract value of the relevant Contract, the sum of the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and
  - (iv) if the provisions of (i) and (ii) do not apply to the relevant commodity or futures contract, then the value shall be determined in accordance with (b) above as if such commodity or futures contract were an unquoted investment;

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- (e) the value of each unit, share or interest in any collective investment scheme (other than an interest in a listed collective investment scheme) which is valued as at the same day as the Sub-Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Manager so determines, if such collective investment scheme is not valued as at the same day as the Sub-Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme, provided that if no net asset value is available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the Trustee;
- (f) notwithstanding paragraphs (a) to (e) above, the Manager may, in consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment; and
- (g) the value of any investment (whether of a borrowing or other liability or an investment or cash) in a currency other than the base currency of the Sub-Fund or the currency of denomination of the relevant class will be converted into the base currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

The Net Asset Value of each class of Units of each Sub-Fund will be calculated by (i) determining the Net Asset Value of each class (prior to accrual of the fees referred to in (ii) below) by apportioning the Net Asset Value of the Sub-Fund among its classes according to the previous Net Asset Value of each class of Units of each Sub-Fund (before accrual for any performance fees) of each class; and (ii) deducting therefrom the fees, costs, expenses or liabilities attributable to the relevant class. The Net Asset Value per Unit of each class will be determined by taking the actual Net Asset Value of the relevant class derived as described above and dividing that figure by the number of Units in issue in those classes. All such calculations are carried out with the intention to properly reflect the comparative differences in fees, costs, expenses or other liabilities which are borne differently between the classes of each Sub-Fund.

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In determining the subscription price, the Manager is entitled to add an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class) it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and purchase charges, including but not limited to stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Units or the remittance of money to the Trustee. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the remaining Unitholders. Any such additional amount will be paid to the Trust and will form part of the assets of the relevant Sub-Fund.

Similarly, in determining the redemption price, the Manager is entitled to deduct an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class) which it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and sale charges, including but not limited to stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred by the relevant Sub-Fund in realising assets to provide funds to meet any redemption request. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the remaining Unitholders. Any such deducted amount will be retained by and form part of the assets of the relevant Sub-Fund.

The Manager (after consultation with the Trustee) will only adjust the subscription price or redemption price under exceptional circumstances and if it considers it in the best interest of the Unitholders. Examples of such exceptional circumstances may include (a) the aggregate net subscription or redemptions in Units (as the case may be) exceeding a pre-determined threshold set by the Manager from time to time; or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders.

Unit prices will be available from the Manager on request and unit prices of SFC-authorised sub-funds will also be published on every Valuation Day on the Manager's website [www.valuepartners-group.com](http://www.valuepartners-group.com).<sup>\*</sup> Investors are advised that such published prices are for information only. None of the Trustee, the Administrator, the Registrar's Agent, the Custodian or the Manager accepts any responsibility for any error in publication or for omissions of publication of the Unit prices.

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<sup>\*</sup> This website has not been reviewed or authorised by the SFC.

**Form of Units**

A contract note will normally be issued by the Registrar's Agent as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching of Units, as the case may be. Certificates for Units will, however, not be issued. The number of Units to be issued pursuant to any application for subscription or switching will be rounded down to the nearest second decimal point (where applicable) and any smaller fraction of a Unit will be retained for the benefit of the relevant Sub-Fund.

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## VI. TAXATION

**The following comments are based on advice received by the Manager regarding current law and practice and are intended to assist investors. Investors should appreciate that as a result of changing law or practice, or unfulfilled expectations as to how the Trust or Unitholders will be regarded by revenue authorities in different jurisdictions, the taxation consequences for Unitholders may be otherwise than as stated below.**

**Investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.**

### **Cayman Islands**

The Government of the Cayman Islands, will not, under existing legislation, impose any income or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Trust or the Unitholders. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by the Trust.

The Trust has obtained an undertaking from the Financial Secretary of the Cayman Islands that, in accordance with section 81 of the Trusts Law (2018 Revision) of the Cayman Islands, for a period of 50 years from 21 June 2000, no law which is thereafter enacted in the Cayman Islands imposing any tax or duty to be levied on income or on capital assets, gains or appreciations or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or any income arising under the Trust or to the trustees or the Unitholders in respect of any such property or income.

Although the Trust is not subject to tax in the Cayman Islands, the Trust may be liable for any taxes which may be withheld at source in other countries in respect of income or gains derived from its investments.



## **Hong Kong**

### ***The Trust***

#### *Profits Tax*

The Trust has been authorised by the SFC pursuant to Section 104 of the Securities and Futures Ordinance. Accordingly, profits of the Trust arising from the sale or disposal of securities, net investment income received by or accruing to the Trust and other profits of the Trust are exempted from Hong Kong profits tax for so long as the Trust is so authorised.

#### *Stamp Duty*

The sale or purchase of Hong Kong stocks by the Trust will be subject to stamp duty in Hong Kong at the current rate of HK\$1 per HK\$1,000 or part thereof of the price or market value of the stocks, whichever is higher, unless specific exemptions apply.

### ***The Unitholders***

#### *Profits Tax*

No tax will be payable by Unitholders in Hong Kong in respect of income distributions from the Trust or in respect of any gains arising on a sale, redemption or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

#### *Stamp Duty*

If the register of Unitholders of the Trust is maintained outside Hong Kong, no Hong Kong stamp duty will be payable by the Unitholders on the issue or transfer of Units in the Trust.

If the register of Unitholders of the Trust is maintained in Hong Kong, no Hong Kong stamp duty will be payable by the Unitholders on the issue of Units in the Trust. However, the transfer by Unitholders of Units in the Trust may be subject to stamp duty in Hong Kong, depending on the mode and circumstances of the transfer. The current rate of Hong Kong stamp duty if applicable is HK\$1 per HK\$1,000 or part thereof of the price or market value of the Units, whichever is higher.

Currently, the register of the Trust is located outside of Hong Kong.

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## **PRC Taxation**

By investing in securities (including A Shares, B Shares, H Shares and debt instruments) issued by PRC tax resident enterprises, irrespective of whether such securities are issued or distributed onshore or offshore (the “**PRC Securities**”), a Sub-Fund may be subject to PRC taxes.

The income (including interest income and capital gains) derived from a Sub-Fund’s investments in debt securities issued by non-PRC issuers outside China should not be subject to PRC taxes.

The PRC government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies.

### ***Corporate Income Tax (“CIT”)***

If the Trust or a Sub-Fund is considered as a tax resident enterprise of the PRC, it will be subject to CIT at 25% on its worldwide taxable income. If the Trust or a Sub-Fund is considered a non-tax resident enterprise with an establishment or place of business (“**E&P**”) in the PRC, the profits and gains attributable to that E&P would be subject to PRC CIT at 25%.

If the Trust or a Sub-Fund is considered as a non-tax resident enterprise without an E&P in the PRC, it will be subject to CIT on a withholding basis (“**WIT**”), generally at a rate of 10%, to the extent it directly derives the PRC sourced passive income, unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties.

The Manager intends to manage and operate the Trust or a Sub-Fund in such a manner that the Trust or a Sub-Fund should not be treated as tax resident enterprises of the PRC or non-tax resident enterprises with E&P in the PRC for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Trust or a Sub-Fund should not be subject to CIT on an assessment basis and would only be subject to WIT to the extent that the Trust or a Sub-Fund directly derives PRC sourced income in respect of its investments in PRC Securities.

### ***Interest/dividend***

A Sub-Fund’s income from interests, dividends and profit distributions from PRC tax enterprise received by a Sub-Fund is generally subject to PRC WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with PRC tax laws and regulations or an applicable tax treaty signed with the PRC.

In respect of interests, under the PRC CIT Law and regulations, interest derived from government bonds issued by the State Council's finance departments and/or local government bonds approved by the State Council is exempt from PRC income tax.

Further, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Mainland China-HK Arrangement**"), if a Hong Kong tax resident receives interest income from PRC tax resident enterprises, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interest income under the Mainland China-HK Arrangement and other relevant conditions are satisfied, subject to the agreement from the PRC tax authorities. In practice, due to the practical difficulties in demonstrating that an investment fund is the beneficial owner of the interest income received, such investment fund is generally not entitled to the reduced WIT rate of 7%. In general, the prevailing rate of 10% should be applicable to a Sub-Fund.

In respect of dividends, under the Mainland China-HK Arrangement, dividends distributed by a PRC tax resident to a Hong Kong tax resident would be subject to a reduced PRC WIT rate of 5% provided (i) the Hong Kong tax resident is the beneficial owner of the dividend; (ii) the Hong Kong tax resident holds at least 25% of the equity of the PRC tax resident; and (iii) the relevant treaty conditions are satisfied. Due to a Sub-Fund's investment restriction, a Sub-Fund would not hold more than 10% of the ordinary shares issued by any single PRC issuer. In this connection, a Sub-Fund would not be able to enjoy the reduced WIT rate of 5% provided under the Mainland China-HK Arrangement.

On 22 November, 2018, the Ministry of Finance ("**MOF**") and the State Administration for Taxation ("**SAT**") issued Caishui [2018] No. 108 ("**Circular 108**"), which stipulated that foreign institutional investors are exempted from PRC WIT and Value Added Tax ("**VAT**") in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the PRC bond market.

### ***Capital gains***

#### *(i) Capital gains realised from trading of B Shares and H Shares*

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities by foreign investors. Hence, the tax treatment for investment in B Shares and H Shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, a Sub-Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

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Having said that, for B Shares and H Shares invested by a Sub-Fund directly, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. In practice, the 10% WIT has not been strictly enforced by the PRC tax authorities on capital gains derived by non-PRC tax resident enterprises from the trading of these securities with sales and purchase effected through stock exchanges.

Having consulted professional and independent tax adviser, the Manager has not made and currently has no intention to make provision in respect of WIT on gross realised and unrealised capital gains on trading of B Shares and H Shares. The Manager will monitor the situation and if, in the opinion of the Manager, a provision is warranted, the change will be implemented by the Manager and Unitholders will be notified of the change.

## *(ii) Capital gains realised from trading of A Shares through the Stock Connects*

PRC tax circulars Caishui [2014] No. 81 (“**Notice No. 81**”) and Caishui [2016] No. 127 (“**Notice No. 127**”) provide that PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including a Sub-Fund) on the trading of A Shares through the Stock Connects. Based on Notice No. 81 and Notice No. 127, and having consulted professional and independent tax adviser, no WIT provision for gross realised or unrealised capital gains derived from trading of A Shares via the Stock Connects is made by the Manager on behalf of a Sub-Fund.

It should be noted that the corporate income tax exemption under Notice No. 81 and Notice No. 127 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, a Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value.

## *(iii) Capital gains realised through trading of A Shares through QFII/RQFII and CAAPs with exposure to A Shares*

A Sub-Fund may from time to time obtain exposure to A Shares through QFII/RQFII or by investing in CAAPs.

Pursuant to the “Notice on the temporary exemption of Corporate Income Tax on capital gains realised from the transfer of PRC equity investment assets such as PRC domestic stocks by QFII and RQFII” (Caishui [2014] No. 79) (“Notice No. 79”) promulgated by the MOF, the SAT and the CSRC on 14 November 2014 states that (a) PRC CIT will be imposed on capital gains realised by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including PRC domestic stocks) prior to 17 November 2014 in accordance with laws; and (b) QFIIs and RQFIIs (without an E&P in the PRC or having an establishment in the PRC but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from PRC CIT on gains realised from the transfer of PRC equity investment assets (including A Shares) effective from 17 November 2014.

The issuer of the CAAPs may implement hedge arrangements on the CAAPs through QFII/RQFII which would acquire or dispose of the underlying A Shares to which the CAAPs are linked. As the QFIIs/RQFIIs are the legal owners of the A Shares under PRC law with respect to such CAAPs, any PRC taxes arising from the QFIIs’/RQFIIs’ investments in such securities would be legally borne by the QFII/RQFII directly. Given that any PRC tax liabilities accruing to the QFII/RQFII in respect of the securities to which the CAAPs are linked arise because of the trading activities of the relevant Sub-Fund, such tax liabilities (if any) may ultimately be recharged to and borne by such Sub-Fund and would likely have an economic effect on the value of the relevant Sub-Fund. On the basis of Notice No. 79, it is not expected that the issuers of any CAAP would make any provision for potential tax liabilities from 17 November 2014 onwards.

Pursuant to Notice No. 79 and having consulted professional and independent tax adviser, with effect from 17 November 2014, in respect of each Sub-Fund, the Manager will not make WIT provision for gross realised or unrealised capital gains derived from trading of A Shares through QFII/RQFII and/or through CAAPs with exposure to A Shares.

Please note that the tax exemption granted under Notice No. 79 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, a Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value.

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## *(iv) Capital gains realised from the trading of PRC debt securities issued or listed offshore by PRC issuers*

There are currently no specific tax rules or regulations governing the taxation of capital gains realised by foreign investors on the disposal of these securities. In the absence of specific rules, the general tax provisions under PRC CIT Law should apply and such general tax provisions stipulate that a non-resident enterprise with no place of effective management, establishment or place of business in the PRC would generally be subject to WIT at the rate of 10% on its PRC-sourced income, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties. Based on the current interpretation of the SAT and the local PRC tax authorities, capital gains derived by foreign investors from investment in PRC debt securities should not be treated as PRC sourced income and thus should not be subject to PRC WIT. There are no written tax regulations issued by the PRC tax authorities to confirm that interpretation. However, as a matter of practice, such 10% PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of PRC debt securities has not been strictly enforced by the PRC tax authorities.

Having consulted professional and independent tax adviser, the Manager will not make WIT provisions for a Sub-Fund on the gross realised and unrealised capital gains derived from PRC debt securities issued or listed offshore by PRC issuers. The implication of this is that if a Sub-Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of a Sub-Fund.

## *(v) Capital gains derived from funds that invest in PRC Securities*

A Sub-Fund may invest in funds that invest in PRC Securities. Such funds may or may not withhold WIT equal to 10% of any potential capital gains which may be payable on a sale of such PRC Securities. Any such withholding by a fund would be reflected in the net asset value of the relevant fund and, therefore, in the Net Asset Value of a Sub-Fund on any Valuation Day. Where a fund has no such withholding or insufficient withholding, any retrospective enforcement and/or changes in PRC tax law relating to WIT on capital gains on the sale of PRC Securities may adversely affect the net asset value of the relevant fund and, therefore, the Net Asset Value of a Sub-Fund.

In this regard, any PRC tax liability may, if it arises, be payable by the funds that invest in PRC Securities. However, under the terms of the arrangement between a Sub-Fund and the funds that invest in PRC Securities, the funds may pass on any tax liability to a Sub-Fund. Such tax charges would likely be recharged to, and borne by, a Sub-Fund under contractual agreement with the funds. As such, a Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes what are so levied by the relevant PRC tax authority.

*(vi) Tax Provision*

It should be noted that the existing tax laws, regulations and practices may be revised or amended in the future, with the possibility that such changes will be applied with retrospective effect. In order to meet any potential tax liability for capital gains or income, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of a Sub-Fund.

As such, if it transpires that a Sub-Fund is subject to actual tax liabilities, in respect of which the Manager had not made any provision, investors should note that the Net Asset Value of a Sub-Fund may be lowered, as a Sub-Fund will ultimately have to bear the full amount of tax liabilities. It should also be noted that the level of provision (if any) may be inadequate or excessive to meet actual PRC tax liabilities on investments made by the relevant Sub-Fund. Consequently, Unitholders may be disadvantaged or advantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied by the SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount (or if the Manager did not make any tax provision), investors should note that the Net Asset Value of the relevant Sub-Fund may be adversely affected, as the relevant Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the relevant Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne by persons who have already redeemed their Units in the relevant Sub-Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

*Value Added Tax (“VAT”) and other surtaxes*

The MOF and SAT issued the “Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program (“**B2V Pilot Program**”) (Caishui [2016] No. 36) (“**Notice No. 36**”) on 23 March 2016. The Notice No. 36 sets out that the B2V Pilot Program covers all the remaining industries of the program, including financial services. The Notice No. 36 has taken effect from 1 May 2016, unless otherwise stipulated therein.

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The Notice No. 36 provides that VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities, e.g. A Shares and RMB denominated debt securities issued by PRC issuers.

Based on the prevailing VAT regulations, capital gains derived by (i) QFIIs/RQFIIs on trading of marketable securities and (ii) foreign investors via the Stock Connects are exempted from VAT. Therefore, to the extent that a Sub-Fund's key investment (such as A Shares through the Stock Connects, CAAPs) are conducted through these channels, either by a Sub-Fund directly or via CAAP Issuers, the capital gains should be exempted from VAT. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

The current VAT regulations do not provide VAT exemption on capital gains derived from trading of B Shares. Having said that, the PRC tax authorities have not actively collected VAT from non-PRC tax resident enterprises on gains realized from B Shares in practice. Where capital gains are derived from trading of H Shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside PRC.

The prevailing VAT regulations do not specifically exempt VAT on interest received by foreign investors (including QFIIs and RQFIIs). Interest income on non-government bonds (including corporate bonds) should technically be subject to 6% VAT.

Dividend income or profit distributions on equity investment derived from PRC are not included in the taxable scope of VAT.

Circular 108 stipulated that foreign institutional investors are exempted from PRC WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the PRC bond market.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities. The applicable levies depend on the location where VAT filing (if required) is done.



### *Stamp Duty*

Stamp Duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp Duty is levied on certain taxable documents executed or received in the PRC, including the contracts for the sale of A Shares and B Shares traded on the PRC stock exchanges. In the case of contracts for sale of A Shares and B Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

It is unclear whether PRC Stamp Duty that is imposed on the transfer of shares of PRC companies under the PRC Stamp Duty regulations would similarly apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC. That said, PRC Stamp Duty is generally not imposed for trading of H Shares in practice.

No PRC Stamp Duty is expected to be imposed on non-tax resident holders of government and corporate bonds, either upon issuance or upon a subsequent transfer of such bonds.

Further, no PRC Stamp Duty is expected to be imposed on non-tax resident holders of fund units, either upon subscription or upon a subsequent redemption of such fund units.

### **General**

It should also be noted that the actual applicable tax rates imposed by the SAT may change from time to time. It should also be noted that the prevailing PRC tax regulations specified that the tax exemption on capital gains derived from the trading of A Shares from 17 November 2014 onwards is temporary. There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

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If the actual applicable tax rate levied by SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of a Sub-Fund may suffer more than the tax provision amount as a Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of a Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in a Sub-Fund before the return of any overprovision to the account of a Sub-Fund will not be entitled or have any right to claim any part of such overprovision. Unitholders should seek their own tax advice on their tax position with regard to their investment in a Sub-Fund.

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than currently contemplated.

## **Automatic Exchange of Financial Account Information**

In addition to the US IGA, the Cayman Islands has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the “CRS”).

Cayman Islands regulations have been issued to give effect to the US IGA and CRS (collectively, the “**AEOI Regulations**”). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (the “**TIA**”) has published guidance notes on the application of the US IGA and CRS.

All Cayman Islands “Financial Institutions” (as defined in the relevant AEOI Regulations) are required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, unless they are able to rely on an exemption that allows them to become a “Non-Reporting Financial Institution” (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes, in which case only the registration requirement would apply under CRS. The Trust and each applicable Sub-Fund do not propose to rely on any Non-Reporting Financial Institution exemption and therefore intends to comply with all of the requirements of the AEOI Regulations.

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A Sub-Fund that is a “Reporting Financial Institution” is required, amongst other things, to (i) register with the IRS to obtain a Global Intermediary Identification Number (in the context of the US IGA only), (ii) register with the TIA, and thereby notify the TIA of its status as a “Reporting Financial Institution” (as defined in the relevant AEOI Regulations); (iii) adopt and implement written policies and procedures setting out how it will address its obligations under CRS, (iv) conduct due diligence on its accounts to identify whether any such accounts are considered “Reportable Accounts” (as defined in the relevant AEOI Regulations), and (v) report information on such Reportable Accounts to the TIA. The TIA will transmit the information reported to it to the overseas fiscal authority relevant to a reportable account (e.g. the IRS in the case of a US Reportable Account) annually on an automatic basis.

A Sub-Fund that is a Reporting Financial Institution, and which complies with the AEOI Regulations that implement the US IGA, will be treated as satisfying the due diligence and reporting requirements of FATCA and accordingly will be “deemed compliant” with the requirements of FATCA, will not be subject to the FATCA withholding tax (currently at the rate of 30%), and will not be required to close recalcitrant accounts. Cayman Islands Reporting Financial Institutions may need to provide self-certification, on US tax forms, as to their FATCA status to US withholding agents to avoid the imposition of the FATCA withholding tax. Under the terms of the US IGA, FATCA withholding tax will not be imposed on payments made to the Trust/Sub-Fund unless it is deemed to be a Non-participating Financial Institution (as defined in the US IGA) as a result of “significant non-compliance”. The AEOI Regulations that implement the US IGA do not require Cayman Islands Financial Institutions to withhold tax on payments made by to an account holder on account of FATCA or otherwise.

A Sub-Fund that is relying upon one of the available exemptions in each of the AEOI Regulations and therefore qualifies as a “Non-Reporting Financial Institution” for each regime will have no obligations under the AEOI Regulations save in relation to CRS where it will be obliged to notify the TIA of (i) its status and classification under CRS (including the relevant exemption it is relying upon), and (ii) the details of the individual appointed as principal point of contact and a second individual who has the authority to change such principal point of contact, in respect of the Sub-Fund.

For information on any potential withholding tax that may be levied against the Trust and each applicable Sub-Fund, see also the risk factor “*Foreign Account Tax Compliance*”.

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By investing in the Trust and the applicable Sub-Fund and/or continuing to invest in the Trust and the applicable Sub-Fund, investors shall be deemed to acknowledge that further information may need to be provided to the Trust and/or the applicable Sub-Fund, the Trust's compliance with the AEOI Regulations may result in the disclosure of investor information, and investor information may be exchanged with overseas fiscal authorities. Where an investor fails to provide any requested information (regardless of the consequences), the Manager, on behalf of the Trust and the applicable Sub-Fund, may be obliged, and/or reserves the right, to take any action and/or pursue all remedies at its disposal, in good faith and on reasonable grounds, including, without limitation, compulsory redemption of the investor concerned, to the extent permitted by applicable laws and the Trust's constitutive documents and/or closure of the investor's account. In accordance with TIA issued guidance, the Trust is required to close an investor's account if a self-certification is not obtained within 90 days of account opening.

Each Unitholder and prospective investor should consult its own professional adviser(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Trust and the applicable Sub-Fund through financial institutions in Hong Kong.

## **VII. FEES AND EXPENSES**

Further details of the initial, switching and redemption charges, and fees payable to the Manager in relation to each Sub-Fund, are set out in the relevant Appendix to this Explanatory Memorandum relating to the relevant Sub-Fund.

### **Initial, Switching and Redemption Charges**

An initial charge of up to 5% of the relevant issue price of the relevant class of Units of a Sub-Fund may be made by the Manager on issue of Units and retained for its own use and benefit.

A redemption charge of up to 5% of the redemption proceeds of the relevant class of Units of a Sub-Fund may also be made by the Manager on redemption of Units and retained for its own use and benefit.

No switching charge will apply to switching of Units between Sub-Funds or classes within the Sub-Fund. However, certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund or other Sub-Funds, which will be deducted at the time of the switching and paid to the relevant distributor. Unitholder who intends to switch their Units in one class to Units in another class of the Sub-Fund or other Sub-Funds should check with their respective distributors for the charge on switching.

### **Trustee Fees**

The Trustee is entitled to receive a monthly Trustee's fee out of the assets of the Trust calculated as a percentage of the Net Asset Value as at each Valuation Day of the Trust. The actual Trustee's fee payable in respect of each Sub-Fund is set out in the relevant Appendix to this Explanatory Memorandum relating to the relevant Sub-Fund. However, the Trustee's fee may be increased up to a permitted maximum of 1% per annum on giving the Manager and the Unitholders of the relevant Sub-Fund one month's prior written notice (or where applicable, such shorter notice period as approved by the SFC). The Trustee's fees are accrued daily, calculated as at each Valuation Day and payable monthly in arrears, out of the Trust Fund for the account of the relevant Sub-Fund.

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Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund a fixed annual fee of US\$3,000 payable quarterly in arrears, as well as transaction fees at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time relating to the investment transactions of the Trust.

The Trustee is responsible for the fees of the Custodian and Registrar's Agent. All other fees of co-custodians and/or sub-custodians will be paid out of the Trust Fund at such commercial rates prevailing in the relevant market as may be agreed by the relevant sub-custodian and the Trustee and/or its custodian at the relevant time when such future appointment(s), if any, are made.

## **Management Fee**

The Manager is entitled to receive an annual management fee of up to 2% per annum of the Net Asset Value of the relevant class of Units of a Sub-Fund and may also be entitled (under certain circumstances) to a performance fee in respect of a class of Units. Further details of the management fee payable in relation to each Sub-Fund are set out in the relevant Appendix to this Explanatory Memorandum relating to the relevant Sub-Fund.

The Manager may appoint investment delegates and investment advisers, on terms and conditions determined by the Manager, to provide sub-investment management services or investment advice in respect of any or all of the Sub-Funds. The Manager will be responsible for the fees of such appointed persons.

The Manager may, in its absolute discretion, waive or reduce, or share with or rebate to any person(s) including those by or through whom the Units are offered for subscription, the payment of all or any portion of the initial charge and/or redemption charge received by the Manager for its own use and benefit, and may share with or rebate to any person(s) including those by or through whom the Units are offered for subscription, the payment of all or any portion of the management fee and/or performance fee received by the Manager for its own use and benefit. Such persons may retain such charges for their own use and benefit by agreement between the Manager and such persons.

## **Performance Fee**

The Manager is entitled to charge a performance fee in respect of any class of Units of a Sub-Fund if so disclosed in the relevant Appendix. The maximum amount of which is equal to 15% per annum of the Net Asset Value of the relevant class of Units.

***Performance fee calculation***

Performance fee is payable annually, calculated on a high-on-high basis (i.e. when the Net Asset Value per Unit as at the last Valuation Day of an accounting period exceeds the High Water Mark (as defined below)) in accordance with the following formula:

$$(A-B) \times C \times D$$

Where:

“A” is the Net Asset Value per Unit as at the last Valuation Day of an accounting period, (prior to the deduction of any performance fee and any distribution declared or paid in respect of the relevant accounting period(s) since the last performance fee is crystallised and paid).

“B” is the **High Water Mark**, which is the higher of:

- (a) the initial offer price; and
- (b) the Net Asset Value per Unit as at the last Valuation Day of the last accounting period in respect of which a performance fee was paid to the Manager (after deduction of all fees including any performance fee paid for that accounting period and any distribution declared or paid in respect of that accounting period).

Where a performance fee is payable for an accounting period, the Net Asset Value per Unit (after deduction of performance fee and any distribution declared or paid in respect of that preceding accounting period) on the last Valuation Day of that accounting period will be set as the High Water Mark for the next accounting period.

“(A-B)” means the outperformance of Net Asset Value per Unit, i.e. the amount by which the increase in Net Asset Value per Unit during the relevant accounting period exceeds the High Water Mark.

“C” is the rate of performance fee payable (i.e. 15%)

“D” is the average number of Units in issue in the relevant accounting period, calculated by adding the total number of Units in issue as at the valuation point on each Valuation Day of the relevant accounting period divided by the total number of Valuation Days in such accounting period.

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Each accounting period corresponds to the financial year of a Sub-Fund, unless otherwise set out in the relevant Appendix of the Sub-Fund.

Any performance fee payable shall be paid to the Manager as soon as practicable after the end of the relevant accounting period.

## *Performance fee accrual*

Where a performance fee is charged, the performance fee shall be accrued on each Valuation Day throughout the relevant accounting period. The accrual is made based on the Net Asset Value per Unit on each Valuation Day. If it exceeds the High Water Mark, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above. If the Net Asset Value per Unit on a Valuation Day is lower than or equal to the High Water Mark, all provisions on previously accrued performance fee will be reversed and no performance fee will be accrued.

The price of Units being subscribed or redeemed during the relevant accounting period will be based on the Net Asset Value per Unit (after accrual of the performance fee as calculated in accordance with the above). Depending on the performance of a Sub-Fund during an accounting period, the price at which Unitholders subscribe or redeem units at different times during such accounting period will be affected by the performance of the relevant Sub-Fund and this could have a positive or negative effect on the performance fee borne by them.

There is no equalisation arrangement in respect of the calculation of the performance fees. That means, there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis based on the timing the relevant Unitholder subscribes or redeems the relevant Units during the course of an accounting period. The Unitholder may be advantaged or disadvantaged as a result of this method of calculating the performance fee.

A charge of performance fee may have been borne by a Unitholder notwithstanding the Unitholder concerned may have suffered a loss in investment in the Units. On the other hand, a Unitholder may not be subject to any performance fee notwithstanding the Unitholder concerned may have realised a gain in investment in the Units.



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For instance, a Unitholder will be advantaged if he subscribes to a Sub-Fund during an accounting period when the Net Asset Value per Unit is below the High Water Mark, and redeems prior to the end of such accounting period when the Net Asset Value per Unit has increased up to but does not exceed the High Water Mark at the time of his redemption, and thus, no performance fee is payable even though he has made a profit.

Likewise, a Unitholder will be disadvantaged if he subscribes to a Sub-Fund during an accounting period when the Net Asset Value per Unit is above the High Water Mark, and redeems prior to or at the end of such accounting period when the Net Asset Value per Unit at the time of redemption has decreased but remains above High Water Mark. Under such circumstances, he has paid the performance fee despite of a loss.

The Manager may, in its absolute discretion, waive or reduce, or share with or rebate to any person(s) including those by or through whom the Units are offered for subscription, the payment of all or any portion of the initial charge, redemption charge, management fee and/or performance fee received by the Manager for its own use and benefit subject to applicable regulation. Such persons may retain such charges for their own use and benefit by agreement between the Manager and such persons.

## *Illustrative examples*

The examples below are shown for illustration purposes only and may contain simplifications.

### Assumptions:

- The initial issue price for the relevant Unit in a Sub-Fund is US\$10.
  - The performance fee payable is 15% of the increase in the Net Asset Value per Unit during an accounting period above the High Water Mark (i.e. outperformance of Net Asset Value per Unit).
- (I) First accounting period (Net Asset Value per Unit above High Water Mark at the end of accounting period – performance fee payable)

Investor A subscribes for one Unit during the initial offer period at the initial issue price. Thereafter, investor B subscribes for one Unit mid-way through the first accounting period at an issue price of US\$12. High Water Mark is the initial Issue Price, which is US\$10.

# VALUE PARTNERS INTELLIGENT FUNDS

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By the end of the first accounting period, the Net Asset Value per Unit (before deducting performance fee accrual) is US\$11. The outperformance of Net Asset Value per Unit is thus US\$1. The average number of Units in issue on this Valuation Day is 1.5 Units.

The total performance fee payable by the relevant Sub-Fund would be calculated as:

$$(\text{US\$11} - \text{US\$10}) \times 15\% \times 1.5 \text{ Units} = \text{US\$0.23}.$$

At the end of the first accounting period, the Net Asset Value per Unit will be reduced by US\$0.12 (i.e. US\$0.23 / 2 Units). In effect, each of Investors A and B will have borne the US\$0.12 performance fee in respect of the first accounting period.

- (II) Second accounting period (Net Asset Value per Unit below High Water Mark on a particular Valuation Day – no performance fee accrual; Net Asset Value below High Water Mark at the end of accounting period – no performance fee payable):

At the start of the second accounting period, the High Water Mark is US\$10.88 (being the Net Asset Value per Unit at the end of the last accounting period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second accounting period, the Net Asset Value per Unit is US\$9.85. Investor A redeems his Unit. Investor C subscribes for one Unit. On this Valuation Day, the Net Asset Value per Unit is below the High Water Mark. Therefore, no performance fee is accrued in respect of the Unit redeemed by Investor A.

At the end of the second accounting period, the Net Asset Value per Unit becomes US\$10.5. No performance fee is payable in the second accounting period as the Net Asset Value per Unit at the end of the accounting period is below the High Water Mark. Although Investor C had a gain in this period, no performance fee is charged.

## Other Expenses

The Trust will not be responsible for any promotional expenses incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Trust will not be paid (either in whole or in part) out of the Trust Fund.

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The Trust will bear all costs and expenses relating to the Trust including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, costs, charges or expenses incurred in connection with securities lending, charges and expenses of its legal counsel and auditors, any out-of-pocket expenses properly incurred on behalf of the Trust by any of its service providers, the expenses incurred in convening and holding meetings of Unitholders, printing and distributing annual and half-yearly reports, accounts and other circulars relating to the Trust and the expenses of publishing Unit prices

The costs of establishing the Trust and the Sub-Funds have been fully amortised.

If subsequent Sub-Funds are launched and incur additional preliminary expenses which are specific to them, such expenses will be allocated to the relevant Sub-Fund for whose account they were incurred, and amortised over a period of up to 3 years from the close of the initial offer period of such Sub-Fund. Expenses incurred which are not specific to any particular Sub-Fund will be allocated among all the Sub-Funds in proportion to their respective Net Asset Value as at the close of their respective initial offer periods, and amortised over a period of 3 years from the close of such initial offer period. At the point of time when additional Sub-Funds are established, any unamortised preliminary expenses incurred in establishing the Trust and still carried by existing Sub-Funds will be reallocated among all Sub-Funds on the basis of their respective Net Asset Value, except that it is unlikely that any previous amortisation written off will be re-opened.

On termination or merger of a Sub-Fund, the unamortised portion will be written off against the assets of the terminating Sub-Fund because it will no longer be meaningful to carry it as an asset in the accounting records.

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## VIII. GENERAL INFORMATION

### **Distribution Policy**

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends in respect of any Sub-Fund, details of which are set out in the relevant Appendix.

Where distributions are made, unless Unitholders indicate otherwise to the Manager, any such distributions will automatically be reinvested in further Units in the relevant Sub-Fund to be issued to such Unitholders in proportion to the number of Units held by them on the distribution date which will fall on the Valuation Day which coincides with last Business Day of the fourth quarter in each calendar year (“**Distribution Date**”).

The amount of any distribution will be calculated once a year on the Distribution Date, with any such distribution being made to Unitholders as soon as practicable thereafter. In relation to a class or a Sub-Fund where distribution may be made, Unitholders may specify, either on subscription or at a later stage, by giving notice in writing to the Manager, that if a distribution is declared by the Manager they wish to receive a cash dividend. Such a notice must be received by the Manager on a Business Day which is at least 14 days prior to a Distribution Date in order for a cash dividend, if any, to be payable on that Distribution Date. If such a notice is received less than 14 days prior to the Distribution Date, and a distribution is declared by the Manager, no cash dividend will be paid in respect of that Distribution Date and the notice shall be dealt with by reference to the Valuation Day coinciding with the next Distribution Date. If Unitholders do not request cash dividends, either on subscription or by notice prior to the Distribution Date as aforesaid, the dividend to which they are entitled will be reinvested in further Units in the relevant Sub-Fund to be issued to such Unitholders.

The exact amount of any such cash dividend payable to a Unitholder will be determined by the Manager and will equal, in relation to an individual Unitholder, the relevant portion of the net distributable income attributable to the number of Units in the relevant Sub-Fund held by that Unitholder on the Distribution Date, net of all fees and expenses which relate to the relevant Sub-Fund. Net distributable income shall include any income received in respect of the underlying investments by way of interest or dividend, but shall not include any capital gain realised on their sale.

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, pay dividend out of capital of the relevant Sub-Fund. Payment of dividends out of capital may require the Manager to sell the assets of the relevant Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital of the relevant Sub-Fund may result in an immediate reduction of the Net Asset Value per Unit of the relevant class.

The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months will be available from the Manager on request and on the website of the Manager at [www.valuepartners-group.com](http://www.valuepartners-group.com).\*

Should there be any change in the distribution policy in future, the Manager will seek the SFC's prior approval and not less than one month's prior written notice (or such shorter notice period as approved by the SFC) will be provided to Unitholders.

## **Trust Deed**

The Trust was constituted by a trust deed dated 21 June 2000, as amended from time to time entered into between Value Partners Limited as Manager and Bank of Bermuda (Cayman) Limited (replaced by HSBC Trustee (Cayman) Limited as trustee of the Trust on 28 September 2018) as trustee and is governed by the laws of the Cayman Islands. Unitholders and prospective investors are advised to review the terms of the Trust Deed which govern their investment in the Trust. Please refer to the section headed "**General Information – Material Agreements**" of this Explanatory Memorandum for details on how you can inspect or purchase a copy of the Trust Deed from the Manager.

## **Financial Reports and Statements**

The financial year-end of the Trust (and each Sub-Fund) is 31 December each calendar year. Annual reports of each Sub-Fund, prepared according to International Financial Reporting Standards, will normally be sent to Unitholders of such Sub-Fund within four months of the financial year. The Manager will also prepare unaudited interim financial reports in respect of each individual Sub-Fund for the first six calendar months ending on 30 June in each financial year, to be sent to Unitholders of the relevant Sub-Fund within two months after the end of such period. Such reports provide details of the assets of the relevant Sub-Fund and the Manager's statement on transactions during the period under review.

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\* This website has not been reviewed or authorised by the SFC.

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At the end of each calendar month (for China Convergence Fund and Chinese Mainland Focus Fund) and at the end of each calendar quarter (i.e. March, June, September and December) (for all other Sub-Funds), each Unitholder will be sent an account statement by the Administrator containing details of his transactions during the relevant period and the market value of his Units.

The English and Chinese reports of the SFC-authorized Sub-Funds provide details of the assets of the Sub-Funds and the Manager's statement on transactions during the period under review and will be posted on the Manager's website, [www.valuepartners-group.com](http://www.valuepartners-group.com).\*

## Duration and Termination of the Trust

Unless terminated earlier as provided in the Trust Deed, the Trust will continue until the date falling 150 years from the date of the Trust Deed. This is a technical requirement in order to avoid the possibility of the Trust infringing the rule against perpetuities under Cayman Islands law.

The Trust may be terminated by the Trustee after giving three months' notice to all Unitholders if:

- (a) the Manager commences to be wound up or goes into liquidation or has a receiver appointed over its assets; or
- (b) if, in the reasonable opinion of the Trustee, the Manager is incapable of performing or has failed to perform its duties satisfactorily or the Trustee forms the opinion for any other good and sufficient reason that a change in investment manager of the Trust is desirable in the interests of the Unitholders; or
- (c) the Trustee is unable to find an acceptable person to replace an investment manager who has been removed within such time as the Trustee considers to be reasonable; or
- (d) any law is passed which renders it illegal, impracticable or inadvisable in the opinion of the Trustee to continue the Trust; or
- (e) if, within a reasonable period of the Trustee notifying the Manager of its intention to retire, no new trustee has been appointed.

The Manager may terminate the Trust by giving three months' notice to all Unitholders of the Trust if:

- (a) after 5 years from the date of the Trust Deed, the aggregate Net Asset Value of Units outstanding in the Trust is less than US\$2,500,000; or

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\* This website has not been reviewed or authorised by the SFC.

- (b) it becomes illegal or, in the opinion of the Manager, impracticable or inadvisable to continue operating the Trust.

The Manager may also terminate any Sub-Fund by giving three months' notice to all Unitholders of that Sub-Fund if, after 5 years from the date of establishment of such Sub-Fund, its Net Asset Value is less than US\$2,500,000.

Furthermore, the Trust or any Sub-Fund may also be terminated by Extraordinary Resolution passed at a duly convened meeting of all Unitholders or of the Unitholders of the relevant Sub-Fund, as the case may be.

Any unclaimed proceeds or other monies held by the Trustee under the provisions of the Trust Deed may at the expiration of twelve months from the date upon which the same became payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

## **Conflicts of Interest**

The Manager, the Investment Delegates (if any), the Trustee and their respective Connected Persons may, from time to time, act as manager, investment delegate, trustee or successor trustee or investment adviser, representative or such other capacity in connection with any collective investment scheme separate and distinct from the Trust or any Sub-Fund and retain any profit or benefit made in connection therewith.

In addition:

- (a) The Manager or any Connected Person may purchase and sell investments for the account of any Sub-Fund as agent for the Trustee.
- (b) The Trustee, the Manager and any of their Connected Persons may contract with or enter into any financial, banking or other transaction with one another or with any Unitholder of the Trust or any Sub-Fund or any company or body any of whose shares or securities form part of the Trust or any Sub-Fund or may be interested in any such contract or transaction.
- (c) The Trustee or the Manager may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager.

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- (d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held as part of the Trust or any Sub-Fund.
- (e) If cash forming part of the Trust's assets is deposited with the Trustee, the Manager, any investment delegate or any of their respective Connected Persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders of the Trust, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.
- (f) Any arrangements for the borrowing of any monies for the account of the Trust or any Sub-Fund may be made with any of the Trustee, the Manager, any Investment Delegate or any of their Connected Persons being a banker or other financial institution provided that such person shall charge interest at no higher rate and any fee for arranging or terminating the loan is of no greater amount than is in accordance with its normal banking practice, the commercial rate for a loan of a similar size, nature and duration, in the same currency and with institutions of similar standing negotiated at arm's length.
- (g) Subject to restrictions and requirements applicable from time to time, the Manager or any of its Connected Persons may enter into investments for any Sub-Fund as agent for the relevant Sub-Fund and may deal with the relevant Sub-Fund as principal provided that, in both cases, dealings are carried out in good faith and effected on best available terms negotiated on an arm's length basis and in the best interests of the Unitholders of the Trust. Any transactions between a Sub-Fund and the Manager, Investment Delegate as may be appointed by the Manager or any of their Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Trust's annual report.
- (h) In transacting with brokers or dealers connected to the Manager, any Investment Delegate, the Trustee or any of their Connected Person, the Manager must ensure that:
  - (i) such transactions are on an arm's length terms;
  - (ii) the Manager has used due care in the selection of such persons and has ensured that they are suitably qualified in the circumstances;
  - (iii) transaction execution is consistent with applicable best execution standards;



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- (iv) the fee or commission paid to any such persons in respect of a transaction is not greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
  - (v) the Manager must monitor such transactions to ensure compliance with its obligations; and
  - (vi) the nature of such transactions and the total commissions and other quantifiable benefits received by such persons shall be disclosed in the Trust's annual reports.
- (i) Neither the Trustee nor the Manager nor their respective Connected Persons shall be liable to account to each other or to the Trust, a Sub-Fund or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

It is, therefore, possible that any of the Trustee, the Manager, the Investment Delegates (if any) or their respective Connected Persons may, in the course of business, have potential conflicts of interest with the Trust or a Sub-Fund. The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest including conducting all transactions in good faith at arm's length and in the best interests of the Trust and the Sub-Funds on normal commercial terms. If such conflicts arise, each will at all times, act in accordance with the terms of the Trust Deed and have regard in such event to its obligations to the Trust, the Sub-Funds and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly and all transactions between the relevant Sub-Fund and any of them are on an arm's length basis.

For the purposes of this Explanatory Memorandum, "**Connected Persons**" shall have the meaning defined in the Trust Deed and the Code SFC and include any subsidiary or holding company or associate of the Manager or the Trustee, or subsidiary of such holding company as the case may be.

Where the Manager invests in shares or units of a collective investment scheme managed by the Manager, the Investment Delegates (if any), or any of their respective Connected Persons, the manager of the scheme in which the investment is being made must waive any initial charge and redemption charges which it is entitled to charge for its own account in relation to the acquisition or redemption (as the case may be) of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any Connected Person) borne by the Trust.

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None of the Manager, its Investment Delegates (if any) or any of their respective Connected Persons shall retain any cash or rebates or other payment or benefit (except as otherwise provided for in this Explanatory Memorandum or in the Trust Deed) received from a third party (either directly or indirectly) in consideration of directing transactions in the Trust's assets to such persons, and any such rebates or payments or benefits which are received shall be credited to the account of the Trust.

Subject to paragraphs (h)(i)-(vi) above, the Manager, the Investment Delegates (if any) and/or any of their Connected Persons reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the Investment Delegates (if any) and/or any of their Connected Persons has an arrangement under which that broker or dealer with from time to time provide to or procure for the Manager, the Investment Delegates (if any) and/or any of their Connected Persons goods or services for which no direct payment is made but instead the Manager, the Investment Delegates (if any) and/or any of their Connected Persons undertakes to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders of the Trust and the Sub-Funds (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Delegate (if any) in their ability to manage the Trust and the Sub-Funds or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Trust and the Sub-Funds in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Delegates (if any), including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The services of the Trustee and its Connected Persons provided to the Trust are not deemed to be exclusive and each of them shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other monies payable in respect of any of the arrangements described above and the Trustee and its Connected Persons shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust or any Sub-Fund, any Unitholder or any other relevant party any fact or thing which comes to its notice in the course of it rendering similar services to other parties or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force. None of the Trustee and its Connected Persons shall be liable to account to any Sub-Fund or any investor of the relevant Sub-Fund for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above).

The Manager may enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager or its Connected Persons (including other collective investment schemes managed by the Manager or its Connected Persons) (“**cross trades**”). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objectives, restrictions and policies of both clients, the cross trades are executed on arm’s length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. accounts owned by the Manager or any of its Connected Persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

### **Restrictions on Unitholders**

The Manager has power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in the Trust are acquired or held by a US Person (as defined in the Trust Deed), unless accepted by the Manager, or other nonqualified persons whose holding of Units in the Trust would either:

- (a) be a breach of the law or requirements of any country or governmental authority in circumstances which, in the Manager’s opinion, might result in the Trust or any Sub-Fund suffering hardship which the Trust or such Sub-Fund might not otherwise have suffered;
- (b) be in circumstances which, in the Manager’s opinion, may result in the Trust or any Sub-Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or such Sub-Fund might not otherwise have incurred or suffered; or

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- (c) be a breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including, but not limited to, the issue of any warranty or supporting document required to be given to the Registrar's Agent or the Manager.

If it comes to the notice of the Manager that any Units are so held by such a person, the Manager may give notice to such person requiring the redemption or transfer of such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any such restriction is required either to deliver to the Trust a written request for redemption of his Units in accordance with the Trust Deed or to transfer his Units to a person who would not thereby be a non-qualified person.

## **Voting Rights**

Meetings of all Unitholders, or of Unitholders of a specific Sub-Fund or of a class of Units in a specific Sub-Fund, may be convened by the Manager or the Trustee. In the case of a meeting of all Unitholders, the holders of one tenth or more in value of the Units in issue may require such a meeting to be convened. In the case of a meeting of holders of the Units in a particular class or Sub-Fund, the holders of one tenth or more in value of the Units in issue in the relevant class or Sub-Fund may require such a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for the transaction of business, except for the purpose of passing an Extraordinary Resolution, will be Unitholders present in person or by proxy registered as holding not less than 10% of the Units for the time being in issue in either the Trust, the Sub-Fund or the relevant class of Units within a Sub-Fund, as the case may be. The quorum for passing an Extraordinary Resolution will be Unitholders present in person or by proxy registered as holding not less than 25% of the Units for the time being in issue in either the Trust, the Sub-Fund or the relevant class of Units within a Sub-Fund, as the case may be.

Meetings of Unitholders may be used to modify the terms of the Trust Deed, including to increase the maximum fees payable to the service providers, to remove the Trustee or to terminate the Trust at any time. Such amendments to the Trust Deed must be considered by Unitholders holding at least 25% of the Units in issue and passed by way of an Extraordinary Resolution where there is a 75% majority of the votes cast.

Every Unitholder (being an individual) who is present in person or (being a corporation) is present by a representative has one vote for every Share represented by the Units held by such Unitholder. In the case of joint Unitholders, the senior of those who tenders a vote (in person or by proxy) will be accepted to the exclusion of the other joint Unitholders and seniority is determined by the order in which the names appear on the register of Unitholders. A poll may be demanded by the Chairman or one or more Unitholders present in person or by proxy registered as holding 5% or more of the Units for the time being in issue.

### **Anti-Money Laundering Regulations**

#### ***Cayman Islands***

In order to comply with legislation or regulations aimed at the prevention of money laundering, the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates are required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity, the identity of their beneficial owners/ controllers (where applicable), and source of funds. Where permitted, and subject to certain conditions, the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates may also rely upon a suitable person for the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) or otherwise delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates on the Trust's behalf, reserve the right to request such information as is necessary to verify the identity of a subscriber or a transferee and the identity of their beneficial owners/ controllers (where applicable) and the source of the payment. Where the circumstances permit, the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates, on the Trust's behalf, may be satisfied that full due diligence may not be required at subscription where an exemption applies under the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, as amended and revised from time to time or any other applicable law. However, detailed verification information may be required prior to the payment of any proceeds from or any transfer of Unit(s).

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In the event of delay or failure on the part of the subscriber or the transferee, as applicable, in producing any information required for verification purposes, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates on the Trust's behalf, may refuse to accept the application or if the application has already occurred, may suspend or redeem the Unit(s), in which case any funds received will, to the fullest extent permitted by applicable law, be returned without interest to the account from which they were originally debited.

The Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates on the Trust's behalf, also reserve the right to refuse to make any redemption or dividend payment to a Unitholder if the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates suspect or are advised that the payment of redemption or dividend proceeds to such Unitholder may be non-compliant with applicable laws or regulations, or if such refusal is considered necessary or appropriate to ensure the compliance by the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates with any applicable laws or regulations. None of the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) or their delegates shall be liable to the Unitholder for any loss suffered as a result of the rejection or delay to process an application or payment of redemption proceeds.

The Cayman Islands Monetary Authority has a discretionary power to impose substantial administrative fines upon the Trust or the Sub-Fund in connection with any breaches by the Trust or the Sub-Fund of prescribed provisions of the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, as amended and revised from time to time, and other parties who either consented to or connived in the breach, or to whose neglect the breach is proved to be attributable. To the extent any such administrative fine is payable by the Trust or the Sub-Fund, the Trust/Sub-Fund will bear the costs of such fine and any associated proceedings.

If any person in the Cayman Islands (including the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be)) knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority (“**FRA**”) of the Cayman Islands, pursuant to the Proceeds of Crime Law (2019 Revision) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Law (2018 Revision) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

By subscribing, applicants consent to the disclosure by the Trust of any information about them to regulators and others upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.

Pursuant to the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, the Trust must designate natural persons to act as its Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (the “**AML Officer Roles**”). The Manager has ensured that natural persons have been designated to perform the AML Officer Roles in accordance with Cayman Islands law. Investors can obtain further information in respect of the AML Officer Roles from the Manager at 43rd Floor, The Center, 99 Queen’s Road Central, Hong Kong.

### ***Hong Kong***

The Trust, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) will also require similar verification of identity according to the SFC’s Guideline on Anti-Money Laundering and Counter-Terrorist Financing (as amended) and/or Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities (as amended).

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In Hong Kong, there are obligations to report suspicious transactions to the Joint Financial Intelligence Unit jointly run by staff of the Hong Kong Police Force and the Hong Kong Customs & Excise Department under the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organised and Serious Crimes Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance and the Prevention of Money Laundering and Terrorist Financing Guidance Note issued by the SFC. Reporting of suspicious transactions by the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) shall not be communicated with the Unitholder, as such action may constitute an offence in Hong Kong.

## **Regulation of the Trust in the Cayman Islands**

The Trust is regulated as a mutual fund under the Mutual Funds Law (2019 Revision) of the Cayman Islands (“**Mutual Funds Law**”). The Cayman Islands Monetary Authority (the “**Authority**”) has supervisory and enforcement powers to ensure compliance with the Mutual Funds Law. Regulation under the Mutual Funds Law entails the filing of prescribed details and audited accounts annually with the Authority. As a regulated mutual fund, the Authority may at any time instruct the Trustee to have the Trust’s accounts audited and to submit them to the Authority within such time as the Authority specifies. Failure to comply with these requests by the Authority may result in substantial fines on the part of the Trustee on behalf of the Trust and may result in the Authority applying to the court to have the Trust wound up.

The Trustee on behalf of the Trust will not, however, be subject to supervision in respect of its investment activities or the constitution of the Trust’s portfolio by the Authority or any other governmental authority in the Cayman Islands, although the Authority does have power to investigate the activities of the Trust in certain circumstances. Neither the Authority nor any other governmental authority in the Cayman Islands has passed judgment upon or approved the terms or merits of this document. There is no investment compensation scheme available to investors in the Cayman Islands.

The Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Authority include the power to require the substitution of Trustee, to appoint a person to advise the Trustee on the proper conduct of the affairs of the Trust or to appoint a person to assume control of the affairs of the Trust. There are other remedies available to the Authority including the ability to apply to the court for approval of other actions.



## Sanctions

The Trust and applicable Sub-Funds are subject to laws that restrict it from dealing with entities, individuals, organisations and/or investments which are subject to applicable sanctions regimes.

Accordingly, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) on behalf of the Trust and the relevant Sub-Fund will require the subscriber to represent and warrant, on a continuing basis, that it is not, and that to the best of its knowledge or belief its beneficial owners, controllers or authorised persons (“**Related Persons**”) (if any) are not; (i) named on any list of sanctioned entities or individuals maintained by the US Treasury Department’s Office of Foreign Assets Control (“**OFAC**”) or pursuant to European Union (“**EU**”) and/or United Kingdom (“**UK**”) Regulations (as the latter are extended to the Cayman Islands by statutory instrument), (ii) operationally based or domiciled in a country or territory in relation to which sanctions imposed by the United Nations, OFAC, the EU and/or the UK apply, or (iii) otherwise subject to sanctions imposed by the United Nations, OFAC, the EU or the UK (including as the latter are extended to the Cayman Islands by statutory instrument) (collectively, a “**Sanctions Subject**”).

Where the subscriber or a Related Person is or becomes a Sanctions Subject, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) on behalf of the Trust and the relevant Sub-Fund may be required immediately and without notice to the subscriber to cease any further dealings with the subscriber and/or the subscriber’s Units in the relevant Sub-Fund(s) until the subscriber or the Related Person ceases to be a Sanctions Subject, or a licence is obtained under applicable law to continue such dealings (a “**Sanctioned Persons Event**”). The Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) shall have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by the subscriber as a result of a Sanctioned Persons Event.

In addition, should any investment made on behalf of the Trust or a Sub-Fund subsequently become subject to applicable sanctions, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) on behalf of the Trust and the relevant Sub-Fund may immediately and without notice to the subscriber cease any further dealings with that investment until the applicable sanctions are lifted or a licence is obtained under applicable law to continue such dealings (a “**Sanctioned Investment Event**”).

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## **Material Agreements**

Copies of the Trust Deed are available for inspection at the office of the Manager during normal business hours free of charge and copies may be purchased at a reasonable charge.

Once published, copies of the annual financial reports and interim financial reports of the Trust will also be available for inspection at the office of the Manager during normal business hours.

## **Market Timing**

The Manager does not authorise practices connected to market timing or related excessive, short-term trading practices deployed by any investors and it reserves the right to reject any applications for subscriptions or switching of Units from any investor engaging in such practices or which it suspects to use such practices and take such further measures or actions, as it, in its discretion deems appropriate or necessary to protect the Unitholders of the relevant Sub-Fund.

Market timing is to be understood as an arbitrage method through which a Unitholder systematically subscribes, redeems or switches Units within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of a Sub-Fund.

## **Certification for Compliance with FATCA or Other Applicable Laws**

Each investor (i) shall be required to, upon demand by the Trust, any applicable Sub-Fund, the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trust, any applicable Sub-Fund, the Trustee or the Manager that is necessary for the Trust and/or any applicable Sub-Fund, (A) to avoid withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust or any applicable Sub-Fund receives payments and/or (B) to satisfy due diligence, reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any registration, due diligence and reporting obligations imposed by the United States, Hong Kong, the Cayman Islands or any other jurisdiction (including but not limited to any law, rule and requirement relating to AEOI), including such obligations that may be imposed by future legislation.

For the purposes herein, “AEOI” means one or more of the following as the context requires:

- (a) FATCA;
- (b) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standards and any associated guidance;
- (c) any intergovernmental agreement, treaty, guidance, standard or other agreement between the Cayman Islands government (or any government body in the Cayman Islands) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in paragraphs (a) and (b) above; and
- (d) any legislation, regulations or guidance in the Cayman Islands that give effect to the matters outlined in the preceding paragraphs (a) to (c) above.

## **Power to Disclose Information to Authorities**

Subject to applicable laws and regulations in the Cayman Islands and Hong Kong, the Trust, applicable Sub-Fund, the Manager, the Trustee or any of their authorised persons (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS, the TIA and the Hong Kong Inland Revenue Department), certain information in relation to a Unitholder, including but not limited to the Unitholder’s name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder’s holdings, account balance/value, and income or sale or redemption proceeds, to enable the Trust and any applicable Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA).

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## Requests for Information

The Trust, applicable Sub-Fund, the Manager, the Trustee or any of their authorised persons, may be compelled to provide information, including, but not limited to, information relating to the subscriber, and where applicable the subscriber's beneficial owners and controllers, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; e.g. by the Cayman Islands Monetary Authority, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Law (2018 Revision), or by the TIA, under the Tax Information Authority Law (2017 Revision) or Reporting of Savings Income Information (European Union) Law (2014 Revision) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Trust, applicable Sub-Fund, the Manager, the Trustee or any of their authorised persons, may be prohibited from disclosing that the request has been made.

## Personal Data

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong, "PDPO"), the Trustee, the Manager, or any of their respective delegates (each a "Data User") may collect, hold, use personal data of individual investors in a Sub-Fund only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and any applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

## Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Law, 2017 (the "DPL") on 18 May 2017. The DPL introduces legal requirements for the Trust based on internationally accepted principles of data privacy.

The Trust has prepared a document outlining the Trust's data protection obligations and the data protection rights of investors (and individuals connected with investors) under the DPL (the "Fund Privacy Notice"). The Fund Privacy Notice is provided with the Subscription Form and is available to existing investors by contacting the Manager.

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Prospective investors should note that, by virtue of making investments in the Trust and/or any Sub-Fund and the associated interactions with the Trust and/or any Sub-Fund and its affiliates and/or delegates (including completing the Subscription Form, and including the recording of electronic communications or phone calls where applicable), or by virtue of providing the Trust and/or any Sub-Fund with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Trust and/or its Sub-Fund and its affiliates and/or delegates (including, without limitation, the Administrator and the Manager) with certain personal information which constitutes personal data within the meaning of the DPL.

The Trust shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Administrator and the Manager, may act as data processors (or data controllers in their own right in some circumstances).

By investing in and/or continuing to invest in the Trust and/or any Sub-Fund, investors shall be deemed to acknowledge that they have read in detail and understood the Fund Privacy Notice and that the Fund Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Fund. The Subscription Form contains relevant representations and warranties.

Oversight of the DPL is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPL by the Fund could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

## IX. PROCEDURE FOR APPLICATION

### Method of Application

Applications for Units may be made on the Subscription Form which accompanies this Explanatory Memorandum or is otherwise available from the Manager. Subsequent applications for subscription of Units must be made on the Subsequent Subscription Form available from the Manager. Applications should be sent by post or by fax to the Registrar's Agent at the business address or fax number shown on the Subscription Form. Please refer to the sub-section headed "**Fax or Electronic Instructions**" under the section headed "**Subscription and Redemption of Units**" of this Explanatory Memorandum for details relating to subscriptions made by fax instructions. The Manager may also agree with the Trustee to allow any applications for subscription of Units to be made by other written or electronic forms.

**All applications by prospective investors for an initial subscription of Units which are sent by fax to the Registrar's Agent must be followed by the duly signed original applications for subscription. Neither the Manager nor the Trustee is obliged to verify the identity of the person sending the instructions.** The Manager may, in its absolute discretion, determine whether or not such original applications are also required in respect of subsequent applications for subscription sent by fax by Unitholders.

**The Manager reserves the right to reject any application in whole or in part in which case the subscription monies will be returned (without interest) by cheque or telegraphic transfer at the cost and risk of the investor.**

Units of a class of a Sub-Fund are denominated in the relevant class currency. Prospective investors may wish to refer to the section headed "**Voting Rights**" above before applying for Units.

### Payment Procedure

**No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance.** Third party cheques and cash are not accepted. Payment of subscription monies will normally be made in the relevant class currency of the relevant class of Units (unless the applicant has made arrangements with the Manager to make payment in some other currency) and must be received in full and in cleared funds together with such applications or within such period as the Manager may, in its absolute discretion, determine. Please note that, for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to 5:00 p.m. on the relevant Valuation Day payment by telegraphic transfer must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for Hong Kong dollars) before such Valuation Day.

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Units will not usually be issued unless and until the signed application for subscription of Units has been received (whether by post, fax or other written or electronic forms specified by the Manager with the approval of the Trustee), and subscription monies have been received in full in cleared funds by or on behalf of the Trustee, in which case the relevant Units will be issued by reference to the Net Asset Value of the relevant class of Units of the Sub-Fund determined as at the close of the Dealing Period during which monies are actually received.

The Manager may, however, exercise its discretion to accept late payment of subscription monies, provisionally allot Units by reference to the issue price of the Units in the relevant Sub-Fund at the close of the relevant Dealing Period and charge interest for the benefit of the relevant Sub-Fund on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies is not received within such period as determined by the Manager (which shall not be more than 3 Business Days after the close of the relevant Dealing Period), the Manager may, or the Trustee may require the Manager to, cancel such issue of Units. Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee. The Manager shall be entitled to claim from the applicant and retain for its own account a cancellation fee of up to HK\$500, representing any administrative, foreign exchange or other costs involved in processing and cancelling such application. The Manager may also require the applicant to pay to the Manager for the account of the Trust in respect of each Unit so cancelled the amount (if any) by which the issue price of each such Unit exceeds the redemption price which would have applied in relation to each such Unit if the Manager had received on such day a request from such applicant for the redemption of the Units.

Payment details are set out in the Subscription Form of the relevant Sub-Fund.

Payment in other freely convertible currencies may be accepted subject to the prior consent of the Trustee and/or the Manager. If such applications in other freely convertible currencies are accepted, the number of Units to be issued in such circumstances will be determined by the Manager calculating the equivalent of the subscription amount in the currency of account of the relevant Sub-Fund at an exchange rate which the Trustee deems appropriate and after deducting the cost of foreign exchange. Any bank charges incurred from payment will be for the account of the investor. The cost of any currency conversion and other related administrative expenses will also be borne by the investor. Conversion of currencies may involve some delay.

Units issued by the Trust will be held for investors in registered form. Certificates will not be issued. A contract note will normally be issued by the Registrar's Agent as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching of Units, as the case may be, and will be forwarded by ordinary post (at the risk of the person(s) entitled thereto).

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## SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS

### Investment restrictions

Unless otherwise approved by the SFC, the following principal investment restrictions apply to each Sub-Fund under the Trust authorised by the SFC:

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of the latest available Net Asset Value of such Sub-Fund:
  - (1) investments in securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDI's; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDI's;
  
- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the latest available Net Asset Value of the Sub-Fund:
  - (1) investments in securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDI's; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDI's;
  
- (c) unless otherwise approved by the SFC, the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the latest available Net Asset Value of the Sub-Fund, unless:
  - (1) the cash is held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested, or
  - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interest of investors; or



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- (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests

For the purposes of this paragraph, "cash deposits" generally refers to those that are repayable on demand or have the right to be withdrawn by a Sub-Fund and not referable to provision of property or services.

- (d) ordinary shares issued by a single entity held for the account of a Sub-Fund, when aggregated with other holdings of ordinary shares issued by a single entity held for the account of all other Sub-Funds under the Trust collectively, may not exceed 10% of the nominal amount of the ordinary shares issued by the same entity;
- (e) not more than 15% of the latest available Net Asset Value of a Sub-Fund may be invested in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such securities are regularly traded;
- (f) notwithstanding (a), (b) and (d), not more than 30% of the latest available Net Asset Value of a Sub-Fund may be invested in Government and other public securities of the same issue;
- (g) subject to (f), a Sub-Fund may fully invest in Government and other public securities in at least six different issues; Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise;
- (h) unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary, a Sub-Fund may not invest in physical commodities;
- (i) unless otherwise provided under the Code, the spread requirements under paragraphs (a), (b), (d) and (e) do not apply to investments in other collective investment schemes by a Sub-Fund and for the avoidance of doubt, exchange traded funds that are:
- (1) authorised by the SFC under Chapter 8.6 or 8.10 of the Code; or

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- (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and:
  - the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or
  - the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

may either be considered and treated as (i) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in paragraph (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and, unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, investment by a Sub-Fund in exchange traded funds is considered and treated as listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above;

- (j) where a Sub-Fund invests in shares or units of other collective investment schemes (“underlying schemes”),
  - (1) the value of such Sub-Fund’s investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC, may not in aggregate exceed 10% of the latest available Net Asset Value of the Sub-Fund; and
  - (2) such Sub-Fund may invest in one or more underlying schemes which are either authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Sub-Fund’s investment in units or shares in each such underlying scheme may not exceed 30% of the latest available Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the relevant Appendix of the Sub-Fund,

provided that in respect of (1) and (2) above:

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- (i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its latest available net asset value, and exchange traded funds satisfying the requirements in paragraph (i) above in compliance with paragraph (j)(1) and (j)(2);
  - (ii) where the underlying schemes are managed by the Manager or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;
  - (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
  - (iv) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme (s) must be waived; and
  - (v) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of a underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (k) in the case of investments in shares in real estate companies and interests in REITs, a Sub-Fund shall comply with the requirements under paragraphs (a), (b), (d), (e) and (j)(1) above where applicable. Where investments are made in listed REITs, the requirements under paragraphs (a), (b) and (d) above apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under paragraphs (e) and (j)(1) above apply respectively.
- (l) a Sub-Fund may invest 90% or more of its Net Asset Value in a single collective investment scheme and may be authorised as a feeder fund by the SFC. In this case:
- (1) the underlying scheme (“**master fund**”) must be authorised by the SFC;

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- (2) the relevant Appendix of the Sub-Fund must state that:
  - the Sub-Fund is a feeder fund into the master fund;
  - for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;
  - the Sub-Fund's annual report must include the investment portfolio of the master fund as at the financial year end date; and
  - the aggregate amount of all the fees and charges of the Sub-Fund and its underlying master fund must be clearly disclosed;
- (3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, management company's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Unitholders or by the Sub-Fund may result, if the master fund in which the Sub-Fund invests is managed by the Manager or by its Connected Person; and
- (4) notwithstanding paragraph (j)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraphs (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j);
- (m) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its latest available Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents; and
- (n) notwithstanding paragraphs (a), (b), (d) and (e) above, where direct investment by a Sub-Fund in a market is not in the best interests of investors, the Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
  - (1) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;

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- (2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Sub-Fund as a result must be clearly disclosed in this Explanatory Memorandum or the relevant Appendix of the Sub-Fund; and
- (3) the Sub-Fund must produce the reports required by Chapter 5.10(b) of the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund.

A Sub-Fund shall not:

- (A) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively the directors and officers of the Manager own more than 5% of those securities;
- (B) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in REITs);
- (C) make short sales if as a result a Sub-Fund would be required to deliver securities exceeding 10% of the latest available Net Asset Value of the Sub-Fund (and for this purpose (i) securities sold short must be actively traded on a market where short selling is permitted; and (ii) short selling is carried out in accordance with all applicable laws and regulations);
- (D) carry out any naked or uncovered short sale of securities;
- (E) lend or make a loan out of the assets of the Sub-Fund, except to the extent that, in either case, the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (F) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;
- (G) enter into any obligation in respect of a Sub-Fund or acquire any asset or engage in any transaction for the account of a Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders must be limited to their investments in the relevant Sub-Fund; or

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- (H) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapter 7.29 and 7.30 of the Code.

## **Borrowing restrictions**

The maximum borrowing of each Sub-Fund shall not exceed 10% of its latest available Net Asset Value. Where the Manager so determines, a Sub-Fund's permitted borrowing level may be a lower percentage. In determining for the purpose of these borrowing limits, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings in accordance with the provisions of the Trust Deed.

For the avoidance of doubt, securities lending transactions and sale and repurchase transactions (subject to the section "Investment Objective and Policy" in the relevant Appendix of the Sub-Fund) in compliance with the requirements set out in the section headed "Securities financing transactions" are not subject to the limitations in this section.

## **Financial derivative instruments**

Subject always to the provisions of the Trust Deed, the Code and the section headed "Investment Objective and Policy" in the relevant Appendix of the Sub-Fund, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to swaps or other FDIs, for hedging or non-hedging (investment) purposes:

### ***Hedging purposes***

A Sub-Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purposes if they meet all of the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss of risks arising from the investments being hedged;

- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned with due consideration on the fees, expenses and costs, to enable the relevant Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

***Non-hedging (investment) purposes***

Each Sub-Fund may acquire FDIs for non-hedging purposes (“investment purposes”), subject to the limit that the Sub-Fund’s net exposure relating to these FDIs (“net derivative exposure”) does not exceed 50% of its latest available Net Asset Value, except this limit may be exceeded for Sub-Funds approved by the SFC under Chapters 8.8 (structured funds) or 8.9 (funds that invest extensively in financial derivative instruments) of the Code, provided that this limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. In this regard:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) for the avoidance of doubt, FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

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## ***Restrictions applicable to FDIs***

The FDIs invested by a Sub-Fund shall be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;
- (b) where a Sub-Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions set out in paragraphs (a), (b), (c) and (f) of the section headed “Investment restrictions” above provided that the index is in compliance with the relevant requirements under Chapter 8.6 of the Code;
- (c) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;
- (d) subject to paragraphs (a) and (b) under the section entitled “Investment Restrictions” above, a Sub-Fund’s net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the latest available Net Asset Value of such Sub-Fund, provided that the exposure of a Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive marked-to-market value of the over-the-counter FDIs with that counterparty, if applicable; and
- (e) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominees, agents or delegates independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the Administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.



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For the avoidance of doubt, restrictions and limitations on counterparty as set out in paragraphs (a) and (b) under the section entitled “Investment Restrictions” above and paragraph (d) of this section will not apply to FDIs that are:

- (A) transacted on an exchange where the clearing house performs a central counterparty role; and
- (B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

Subject to the above, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDIs, together with the other investments of the relevant Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in the paragraphs (a), (b), (c), (f), (g), (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j), (k) and (B) under the section entitled “Investment restrictions” above.

A Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For such purposes, assets that are used to cover a Sub-Fund’s payment and delivery obligations incurred under transactions in FDIs should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should also be covered as follows:

- (a) in the case of FDIs transactions which will, or may at the discretion of the Trustee or the Manager, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- (b) in the case of FDIs transactions which will, or may at the counterparty’s discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation.

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In the case of holding alternative assets as cover, a Sub-Fund shall apply safeguard measures, such as to apply haircut where appropriate, to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well.

## **Collateral Valuation and Management Policy**

The Manager employs a collateral management policy in relation to collateral received in respect of over-the-counter (OTC) FDI transactions and securities financing transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to an OTC FDI transaction or a securities financing transaction, so as to reduce its counterparty risk exposure as set out in paragraph (d) under the section entitled “Restrictions applicable to FDIs” above and paragraph (iii) under the section entitled “Securities financing transactions” above, provided that the collateral complies with the requirements set out below:

- Nature and quality of collateral – unless otherwise agreed by the Manager, eligible collateral include:
  - o cash, in the same currency denomination as the securities lent, or in Hong Kong or US dollars if the securities lent are denominated in a foreign currency;
  - o government or other public securities including debt securities;
  - o certificates of deposit;
  - o letters of credit which are unconditional and irrevocable and which have a credit rating of A1/P1 or better; and
  - o certificates issued by securities exchange clearing systems;
  
- Selection of counterparties - The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of OTC FDI transactions and securities financing transactions and will be subject to the requirements under paragraph (ii) under the section entitled “Securities financing transactions” above. In particular:

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- o the counterparties for OTC FDI transactions will be entities with legal personality typically located in Organisation for Economic Co-operation and Development (OECD) jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority; and
- o the counterparties for securities financing transactions (including a borrower for a securities lending transaction) will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision;
- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing. Regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Issuer credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut – a haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. Collateral should be subject to prudent haircut policy, which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets:
  - o the haircut policy takes into account the price volatility of the asset used as collateral and, where appropriate, other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions; and

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- o the haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by a Sub-Fund. Further details of the applicable haircut arrangement for each asset class is available from the Manager upon request;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and a Sub-Fund’s exposure to issuer(s) of the collateral should be taken into account in compliance with the corresponding investment restrictions and limitations set out in the paragraphs (a), (b), (c), (f), (g), (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j), (k) and (B) under the section entitled “Investment restrictions” above;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee of the relevant Sub-Fund;
- Safe-keeping of collateral and assets subject to securities financing transactions–
  - o any non-cash assets received by the relevant Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities lending transaction or an OTC FDI transaction) shall be held by the Trustee, or a nominee, agent or delegate appointed in relation the assets of such relevant Sub-Fund. This is not applicable in the event that there is no title transfer and, in which case, the collateral will be held by a third party custodian which is unrelated to the provider of the collateral; and
  - o assets provided by the relevant Sub-Fund on a title transfer basis (in respect of a sale and repurchase transaction) shall no longer belong to such Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counter party other than on a title transfer basis shall be held by the Trustee or a nominee, agent or delegate appointed in relation the assets of such relevant Sub-Fund;

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- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs, or the counterparty of securities financing transactions;
- Re-investment of collateral - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and the following restrictions:
  - o non-cash collateral received may not be sold, re-invested or pledged;
  - o the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.2 (f) and 8.2(n) of the Code;
  - o cash collateral received is not allowed to be further engaged in any securities financing transactions;
  - o when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions; and
  - o unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

For the purposes of re-investment of cash collateral received, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments will be taken into account;

- Encumbrances - collateral should be free of prior encumbrances; and
- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

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The requirements under paragraphs (a) and (b) under the section entitled “Investment restrictions” above will also apply in the case of the “Diversification” and “Re-investment of collateral” requirements of this section.

A description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund’s annual and interim reports for the relevant period.

If any of the restrictions or limitations set out above is breached in respect of a Sub-Fund, the Manager will, as a priority objective, take all necessary steps within a reasonable period of time to remedy such breach, taking due account of the interests of the Unitholders of that Sub-Fund.

**APPENDIX 1 - CHINA CONVERGENCE FUND**  
**(formerly known as China ABH Shares Fund)**

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the China Convergence Fund (the “**Sub-Fund**”), a sub-fund of the Trust. All references in this Appendix to the “Sub-Fund” are to China Convergence Fund, and all references in this Appendix to the “Unit(s)”, “Unitholder(s)”, “Class(es)” and “Net Asset Value” are to that of China Convergence Fund, unless otherwise stated. Unless otherwise defined in this Appendix, terms defined in the main part of this Explanatory Memorandum have the same meaning when used in this Appendix.

The Explanatory Memorandum, together with this Appendix, does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

*For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see “IMPORTANT INFORMATION FOR INVESTORS” in the main part of the Explanatory Memorandum above).*

**China Convergence Fund** (formerly known as China ABH Shares Fund) is constituted as a sub-fund of the Trust. Investment in the Sub-Fund is subject to the provisions herein as well as the provisions of the Trust Deed constituting the Trust and the latest Explanatory Memorandum relating to the Trust. Investors should, therefore, review the information relating to both the Trust and the Sub-Fund before applying to invest in the Sub-Fund. Copies of the Trust Deed are available for inspection at the office of the Manager during normal business hours free of charge and copies may be purchased at a reasonable charge.

The Sub-Fund has been authorised by the SFC under Section 104 of the Hong Kong Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. In giving such authorisation the SFC does not take responsibility for the financial soundness of the Sub-Fund or for the correctness of any statements made or opinions expressed in this regard.

Other than as varied by the provisions of this Appendix, the provisions of the Explanatory Memorandum shall remain unchanged.

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## Investment Objective and Policy

The Sub-Fund aims to provide Unitholders with long-term capital appreciation by investing primarily (i.e. not less than 70% of the Sub-Fund's Net Asset Value) in equity securities of China-related companies that are listed on a stock exchange in mainland China (excluding Hong Kong, Macau and Taiwan) ("PRC" or "China"), the Hong Kong Stock Exchange or on major/recognised stock exchanges in other jurisdictions (including but not limited to A, B and H Shares and American Depositary Receipts ("ADRs")).

For the purpose of the Sub-Fund, China-related companies are considered by the Manager to be companies which are based in or have their principal operation in China or have the majority of their assets situated in, or the majority of their revenue, income or profits derived from China.

The investment in A Shares whether directly through the QFII Holder's QFII Quota and the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "Stock Connects") (as further described in the section headed "Stock Connects" in the main part of the Explanatory Memorandum), or indirectly through China A Shares Access Products ("CAAPs"), is subject to a maximum exposure of 100% of the Sub-Fund's latest available Net Asset Value and between 0% and 35% of the Sub-Fund's latest available Net Asset Value will be invested in B Shares. The Sub-Fund may invest up to 100% of its latest available Net Asset Value in the SME Board of the SZSE, ChiNext Market of the SZSE and/or the Science and Technology Innovation Board ("STAR Board") of the SSE. The Manager may also invest (to a lesser extent, i.e. less than 30% of the Sub-Fund's Net Asset Value) in fixed income securities of China-related companies, including up to 10% in bonds issued in China. The Sub-Fund may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate. When investing the assets of the Sub-Fund, the Manager does not intend to have an investment focus in terms of sector or industry. Debt and equity securities that the Sub-Fund may invest in include but are not limited to listed debt securities, bonds, sovereign debts, listed equities, ADRs, real estate investment trusts ("REITs"), and Exchange Traded Funds ("ETFs").

Subject to the investment restrictions set out in the Explanatory Memorandum in respect of the Trust, the Manager may apply any investment strategy (including hedging, leveraging, short-selling and other strategies for risk management) it deems appropriate under the prevailing economic and market conditions in order to achieve the investment objective of the Sub-Fund.

For indirect investment in A Shares, the Sub-Fund may do so through CAAPs being listed or unlisted derivative instruments issued by a third party ("CAAP Issuer"), which represents an obligation of the CAAP Issuer to pay to the Sub-Fund an economic return equivalent to holding the underlying A Shares. The Sub-Fund's gross exposure to each CAAP Issuer is limited to 10% of its latest available Net Asset Value, and the Sub-Fund's aggregate exposure to CAAPs is limited to 10% of its latest available Net Asset Value.



The Sub-Fund may invest up to 30% of its Net Asset Value in securities of non-China-related companies.

Investors should note that the Sub-Fund may not be allocated a sufficient portion of the QFII Quota or CAAPs to meet all applications for subscription.

The Sub-Fund may also hold cash and other cash-based and fixed income instruments. Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may be invested temporarily up to 100% in liquid assets, such as cash, deposits, certificates of deposit, commercial paper and treasury bills for cash flow management. To the extent permitted by the Code and the provisions set out under **Schedule 1** of the Explanatory Memorandum, the Sub-Fund may also, on an ancillary basis (i.e. less than 30% of its Net Asset Value), invest in other fixed income instruments, units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those offered by the Manager, its Investment Delegates (if any) or any of their Connected Persons (as defined in the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum)).

The Sub-Fund may also utilise FDIs including but not limited to futures, options, swaps (including but not limited to credit and credit-default, equity, interest rate and inflation swaps), forward foreign currency contracts, participation notes, credit linked notes and any other financial derivative instruments, for hedging and/or investment purposes, subject to the limit that the Sub-Fund’s net derivative exposure does not exceed 50% of its net asset value. For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps.

The Sub-Fund may invest less than 30% of its latest available Net Asset Value in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) and/or mortgage backed securities for hedging or non-hedging purposes. The Sub-Fund does not intend to engage in sale and repurchase transactions and reverse repurchase transactions. However, the Sub-Fund may enter into securities lending transactions provided that the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Sub-Fund does not exceed 10% of its latest available Net Asset Value. The Sub-Fund will not invest more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

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Where the Manager considers appropriate, the Sub-Fund may invest not more than 10% of its latest available Net Asset Value in urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles (“LGFVs”) and traded on the PRC exchange traded bond market and interbank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

When investing in lower rated securities, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in bonds which (or the issuers of which) are below investment grade or unrated. A debt security which is rated below investment grade is defined as a debt security which (or the issuer of which) is (a) within the PRC, rated BB+ or below by a local PRC credit rating agency; and (b) outside the PRC, rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor’s, Moody’s and/or Fitch); and an “unrated” fixed income security is defined as a fixed income security which neither the security itself nor its issuer has a credit rating. Before investing in a bond, the Manager will first consider its credit rating and if the bond is not rated, the Manager will consider the credit rating of the issuer of the bond, which will be deemed as its credit rating. A bond where neither itself nor its issuer has a credit rating is considered to be unrated.

Assets of the Sub-Fund acquired through the QFII Holder’s QFII Quota and denominated in RMB are valued with reference to the CNY rate, whereas all other assets denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the “CNH” rate) may be different from the exchange rate within the PRC (the “CNY” rate). While the CNH rate and the CNY rate represent the same currency, they are traded in different and separate markets which operate independently. As such, the CNH rate does not necessarily have the same exchange rate and may not move in the same direction as the CNY rate.

## *Use of Derivatives / Investment in Derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of its Net Asset Value.

Please refer to the section headed “**QFII Regime**” in the main part of the Explanatory Memorandum for details of the QFII Regime, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the QFII Quota and Assets of the Sub-Fund.

All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to the section headed “**Information of the Trust**” in the main part of the Explanatory Memorandum for details of the investment restrictions under the Trust Deed.

## ADDITIONAL INVESTMENT RESTRICTIONS OF THE SUB-FUND

In addition to the investment restrictions set out in section headed “**Information on the Trust**” of the Explanatory Memorandum and the section headed “**Investment Objective and Policy**” in this Appendix above, the Sub-Fund is also subject to the following restrictions:

- (1) not more than 10% of the Sub-Fund’s latest available Net Asset Value may be directly or indirectly (through investment in CAAPs) invested in A Shares issued by any single issuer;
- (2) not more than 10% of the Sub-Fund’s latest available Net Asset Value based on the Sub-Fund’s gross exposure may be invested in CAAPs issued by any single CAAP Issuer; and
- (3) not more than 15% of the Sub-Fund’s latest available Net Asset Value may be invested in CAAPs which are neither listed, quoted nor dealt on a stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which such CAAPs are regularly traded.

### Units

The Sub-Fund currently has the following classes of Units which are available for subscription:

| <b>Class</b>       | <b>Class Currency</b> |
|--------------------|-----------------------|
| Class A            | USD                   |
| Class A AUD Hedged | AUD                   |
| Class A CAD Hedged | CAD                   |
| Class A NZD Hedged | NZD                   |
| Class X USD        | USD                   |
| Class X RMB Hedged | RMB                   |
| Class Z            | USD                   |

Class A AUD Hedged, Class A CAD Hedged and Class A NZD Hedged Units are collectively referred to as “**Class A Hedged Units**”.

Class X USD Units and Class X RMB Hedged Units are collectively referred to as “**Class X Units**”. Class X Units are only available for subscription by funds and managed accounts managed by the Manager or its Connected Persons who are “professional investors” as defined in the Hong Kong Securities and Futures Ordinance or offered on a private placement basis.

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Class Z Units are only available for subscription by institutional investors and/or professional investors and are subject to an initial charge of up to 5% of the issue price.

The main features of the following classes of Units in the Sub-Fund are summarised in the table:

|  | <b>Class A</b>                               | <b>Class A Hedged</b>   | <b>Class Z</b>                                   | <b>Class X</b> |
|--|--|---|--|----------------|
| Minimum Initial Subscription             | US\$10,000 (inclusive of the initial charge) | US\$10,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge) | US\$10,000,000 (inclusive of the initial charge) | Nil            |
| Minimum Subsequent Subscription          | US\$5,000 (inclusive of the initial charge)  | US\$5,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge)  | US\$100,000 (inclusive of the initial charge)    | Nil            |
| Minimum Redemption                       | Not applicable                               | Not applicable  | US\$100,000 (inclusive of any redemption charge) | Nil            |
| Minimum Holding                          | US\$10,000                                   | US\$10,000 (or its equivalent in the relevant class currency)                                   | US\$5,000,000                                    | Nil            |
| Initial Charge on Subscription of Units  | Up to 5% of the issue price                  | Up to 5% of the issue price   | Up to 5% of the issue price                      | Nil            |
| Switching Fee                            | Currently Nil*                               | Currently Nil*  | Currently Nil*                                   | Nil            |
| Redemption Charge On Redemption of Units | Currently Nil (Max 5%)                       | Currently Nil (Max 5%)  | Currently Nil (Max 5%)                           | Nil            |

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|                        | <b>Class A</b>   | <b>Class A Hedged</b>   | <b>Class Z</b>  | <b>Class X</b> |
|------------------------|--|---|---|----------------|
| Annual Management fee  | 1.25% per annum of the Net Asset Value of each class of Units  | 1.25% per annum of the Net Asset Value of each class of Units | 0.75% per annum of the Net Asset Value of each class of Units | Nil            |
|                        | The annual management fee may be increased up to a maximum of 2% per annum of the Net Asset Value of each class of Units of the Sub-Fund by giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC)                 |   |   |                |
| Annual Performance Fee | 15% of the increase in Net Asset Value per Unit in the relevant class in the relevant accounting period over the High Water Mark, calculated on a "high-on-high basis". Please refer to the sub-section headed " <b>Performance Fee</b> " below for further information. |   |   | Nil            |

\* Certain distributors may impose a charge for each switching of Units acquired through them for Units in another class of the Sub-Fund or other Sub-Funds, which will be deducted at the time of the switching and paid to the relevant distributor.

## **Dealing in Units, Subscription and Redemption**

Applicants should refer to the details relating to the dealing periods, subscription and redemption of Units and the application and payment procedures, all as set out in the main part of the Explanatory Memorandum.

### ***Dealing Periods and Valuation Days***

Valuation Days for the Sub-Fund shall fall on each Business Day. At present, each Dealing Period shall commence at the end of the preceding Dealing Period and shall end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day. The Manager may determine that different Valuation Days and Dealing Periods will apply, as it considers appropriate.

# VALUE PARTNERS INTELLIGENT FUNDS

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## *Subscription for Units*

The minimum initial subscription for Units (inclusive of initial charge) and the minimum subsequent subscription (inclusive of the initial charge) are set out in the above section headed “**Units**”. The Manager may, at its discretion, waive the minimum subsequent subscription amount in respect of Class Z units, whether generally or in a particular case. An initial charge of up to 5% in respect of the relevant issue price per Unit of each class may be made and retained by the Manager for its own use and benefit.

Class X USD Units and Class X RMB Hedged Units will initially be issued at US\$10 and RMB10 respectively. Subsequently, the issue price per Unit for Class X Units during any Dealing Period will be the Net Asset Value per Unit of Class X Units calculated as at a Valuation Day referable to such Dealing Period, in the manner described under the section headed “**Calculation and Publication of Net Asset Value**” in the main part of the Explanatory Memorandum.

For details of dealing procedures, please refer to the sections headed “**Subscription of Units**” and “**Procedure for Application**” in the main part of the Explanatory Memorandum.

## *Redemption of Units*

Applicants should refer to the details on the redemption procedures set out in the main part of the Explanatory Memorandum. However, where these procedures differ from those set out below, the provisions of this Appendix will apply and will prevail in the event of any conflict.

The minimum redemption for Class Z Units (inclusive of the redemption charge) are set out in the above section headed “**Units**”. The Manager may on any Valuation Day differentiate between applicants as to the amount of the redemption charge to be added to the redemption price of Units to be redeemed by them respectively on that day. For further details of the Redemption Charge, please refer to the section headed “**Initial, Switching and Redemption Charges**” in the main part of the Explanatory Memorandum.

A redemption charge of up to 5% of the redemption proceeds for Units of the Sub-Fund may be imposed and retained by the Manager for its own use and benefit. The Manager has currently waived the redemption charge for the redemption of Units in the Sub-Fund. Unitholders will be notified if the Manager imposes a redemption charge in future.

Partial redemptions of Units of the relevant class are permitted provided that they do not result in the relevant Unitholder holding Units valued, in aggregate, at less than the minimum holding amount as set out in the above section headed “**Units**”, or such other minimum amount which the Manager may prescribe from time to time.

### *Switching of Units between Sub-Funds*

Unitholders may apply to switch all or part of their holding in the Sub-Fund to Units of another sub-fund in the Trust that is SFC authorised during any Dealing Period in accordance with the terms in the main part of the Explanatory Memorandum.

### *Transfers*

No transfer will be accepted if, as a result thereof, either the transferor or the transferee holds less than the minimum holding amount as set out in the above section headed “**Units**” in this Appendix or such other minimum holding specified by the Manager from time to time or, Units are acquired or held by a nonqualified person as described under the section headed “**Restrictions on Unitholders**” in the main part of the Explanatory Memorandum.

### **Fees**

#### *Management Fee*

The Manager is entitled to receive an annual management fee of 1.25% per annum based on the Net Asset Value of each class of Units as at each Valuation Day in the case of Class A Units and Class A Hedged Units and 0.75% per annum based on the Net Asset Value of each class of Units as at each Valuation Day in the case of Class Z Units. No annual management fee is charged in the case of Class X Units. The annual management fee will be accrued daily and calculated as at each Valuation Day and is payable monthly in arrears out of the Trust. The management fee payable may be increased up to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund by the Manager giving not less than one month’s prior written notice (or such shorter notice period as approved by the SFC) of such proposed increase to the Trustee and the relevant Unitholders.

#### *Performance Fee*

The Manager is also entitled to receive an annual performance fee in respect of Class A Units, Class A Hedged Units and Class Z Units. No annual performance fee is charged in the case of Class X Units. Applicants should refer to the above section headed “**Units**” for fee details and the main part of the Explanatory Memorandum for further details on performance fee calculation and the illustrative examples.

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## ***Trustee Fees***

The Trustee is entitled to receive a monthly Trustee's fee out of the assets of the Sub-Fund calculated as a percentage of the Net Asset Value of the Sub-Fund as at each Valuation Day of the Sub-Fund at the following rates:

- 0.15% per annum on the first US\$400 million of the Net Asset Value of the Sub-Fund
- 0.12% per annum on the balance of the Net Asset Value of the Sub-Fund in excess of US\$400 million.

The Trustee's fees are accrued daily, calculated as at each Valuation Day and payable monthly in arrears, out of the Sub-Fund provided that the aggregate Trustee's fees payable to the Trustee in respect of the Sub-Fund for any month shall be no less than US\$3,000.

Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund a fixed annual fee of US\$3,000 payable quarterly in arrears, as well as transaction fees at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time relating to the investment transactions of the Trust. The Sub-Fund will be responsible for the relevant proportion of fixed annual fee of the Trustee which will be pro-rated and calculated based on the ratio of the Net Asset Value of the Sub-Fund to the Net Asset Value of the Trust Fund.

Applicants should refer to the main part of the Explanatory Memorandum for further details on charges and fees payable by the Sub-Fund.

## **Distribution Policy**

The primary objective of the Sub-Fund is capital growth and dividends are of secondary importance. In respect of each of Class A Units and Class A Hedged Units, any net distributable income of the Sub-Fund may be accumulated or distributed by the Manager, in its absolute discretion, as detailed in the main part of the Explanatory Memorandum. In respect of Class X and Class Z Units, the Manager currently does not intend to pay dividends to Unitholders. Therefore, any net income and net realized profits attributable to the Class X and Class Z Units will be reinvested and reflected in their respective Net Asset Values.



## APPENDIX 2 - CHINESE MAINLAND FOCUS FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Chinese Mainland Focus Fund (the “**Sub-Fund**”), a sub-fund of the Trust. All references in this Appendix to the “Sub-Fund” are to Chinese Mainland Focus Fund, and all references in this Appendix to the “Unit(s)”, “Unitholder(s)”, “Class(es)” and “Net Asset Value” are to that of Chinese Mainland Focus Fund, unless otherwise stated. Unless otherwise defined in this Appendix, terms defined in the main part of this Explanatory Memorandum have the same meaning when used in this Appendix.

The Explanatory Memorandum, together with this Appendix, does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

*For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see “IMPORTANT INFORMATION FOR INVESTORS” in the main part of the Explanatory Memorandum above.).*

**Chinese Mainland Focus Fund** is constituted as a sub-fund of the Trust. Investment in the Sub-Fund is subject to the provisions herein as well as the provisions of the Trust Deed constituting the Trust and the latest Explanatory Memorandum relating to the Trust. Investors should, therefore, review the information relating to both the Trust and the Sub-Fund before applying to invest in the Sub-Fund. Copies of the Trust Deed are available for inspection at the office of the Manager during normal business hours free of charge and copies may be purchased at a reasonable charge.

The Sub-Fund has been authorised by the SFC under Section 104 of the Hong Kong Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. In giving such authorisation the SFC does not take responsibility for the financial soundness of the Sub-Fund or for the correctness of any statements made or opinions expressed in this regard.

Other than as varied by the provisions of this Appendix, the provisions of the Explanatory Memorandum shall remain unchanged.

### **Investment Objective and Policy**

The Sub-Fund aims to achieve medium to long-term capital appreciation by investing primarily in investments which are related to mainland China.

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The Sub-Fund will focus primarily on mainland China and at least 70% of the Sub-Fund's latest available Net Asset Value will be on investments related to mainland China at all times. The Sub-Fund may also invest, on an ancillary basis (up to 30% of the Sub-Fund's latest available Net Asset Value), in other markets where opportunities can be identified.

The Sub-Fund will be managed based on a value-oriented investment strategy. In doing so, the Manager will invest in assets which are considered to be undervalued, compared to their intrinsic value.

It is the current intention of the Manager that the Sub-Fund invests at least 70% of its latest Net Asset Value in equity securities. Also, the Sub-Fund may invest less than 30% of its latest Net Asset Value in debt securities. However, the Sub-Fund will not invest more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

The investment targets of the Sub-Fund may include RMB-denominated corporate and government bonds, listed or unlisted shares issued by companies whose assets and/or revenues are principally denominated in RMB and/or whose costs or liabilities are principally denominated in US dollars.

Investment targets may also include A Shares whether directly through the QFII Holder's QFII Quota and the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connects**"), or indirectly through China A Shares Access Products ("**CAAPs**"), B Shares and H Shares. It is the Manager's intention that between 0% and 100% of the Sub-Fund's latest available Net Asset Value will be invested in A Shares and between 0% and 35% in B Shares and between 0% and 100% in H Shares.

The investment targets of the Sub-Fund may also include shares of companies listed in Hong Kong or on stock exchanges elsewhere whose shares may not be denominated in RMB but whose business is closely linked with mainland China (in that they are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, mainland China).

The Sub-Fund does not intend to focus on a particular industry or sector. The Sub-Fund may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate.

# VALUE PARTNERS INTELLIGENT FUNDS

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For indirect exposure to A Shares, the Sub-Fund may do so through CAAPs, being listed or unlisted derivative instruments issued by a third party (“CAAP Issuer”), which represents an obligation of the CAAP Issuer to pay to the Sub-Fund an economic return equivalent to holding the underlying A Shares. The Sub-Fund’s gross exposure to each CAAP Issuer is limited to 10% of its latest available Net Asset Value, and the Sub-Fund’s aggregate exposure to CAAPs is limited to 10% of its latest available Net Asset Value.

Investors should note that the Sub-Fund may not be allocated a sufficient portion of the QFII Quota or CAAPs to meet all applications for subscription.

Where the Manager considers appropriate, the Sub-Fund will invest not more than 10% of its latest available Net Asset Value in urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles (“LGFVs”) and traded on the PRC exchange-traded bond market and interbank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

When investing in lower rated securities, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in bonds which (or the issuers of which) are below investment grade or unrated. A debt security which is rated below investment grade is defined as a debt security which (or the issuer of which) is (a) within the PRC, rated BB+ or below by a local PRC credit rating agency; and (b) outside the PRC, rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor’s, Moody’s and/or Fitch); and an “unrated” fixed income security is defined as a fixed income security which neither the security itself nor its issuer has a credit rating. Before investing in a bond, the Manager will first consider its credit rating and if the bond is not rated, the Manager will consider the credit rating of the issuer of the bond, which will be deemed as its credit rating. A bond where neither itself nor its issuer has a credit rating is considered to be unrated.

Subject to the investment restrictions set out in the main part of the Explanatory Memorandum in respect of the Trust, the Manager may apply any investment strategy (including hedging, leveraging, short-selling and other strategies) it deems appropriate under the prevailing economic and market conditions in order to achieve the investment objective of the Sub-Fund.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

The Sub-Fund may hold cash and other cash-based and fixed income instruments. Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may be invested temporarily up to 100% in liquid assets such as cash, deposits, treasury bills, certificates of deposit, short-term commercial papers for cash flow management. To the extent permitted by the Code and the provisions set out under **Schedule 1** of the Explanatory Memorandum, the Manager may also, on an ancillary basis, invest less than 30% of its Net Asset Value in other fixed income instruments, units in any unit trusts, shares in any mutual fund corporations, or any other collective investment schemes (including those offered by the Manager, its Investment Delegates (if any) or any of their Connected Persons (as defined in the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum)).

The Sub-Fund may also utilise FDIs including but not limited to futures, options, swaps (including but not limited to credit and credit-default, equity, interest rate and inflation swaps), forward foreign currency contracts, participation notes, credit linked notes and any other financial derivative instruments, for hedging and/or investment purposes, subject to the limit that the Sub-Fund’s net derivative exposure does not exceed 50% of its Net Asset Value. For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps.

The Sub-Fund will invest less than 30% of its latest available Net Asset Value in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) and/or mortgage backed securities for hedging or non-hedging purposes. Also, the Sub-Fund does not intend to engage in sale and repurchase transactions and reverse repurchase transactions. However, the Sub-Fund may enter into securities lending transactions provided that the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Sub-Fund does not exceed 10% of its latest available Net Asset Value.

Assets of the Sub-Fund acquired through the QFII Holder’s QFII Quota and denominated in RMB are valued with reference to the CNY rate, whereas all other assets denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the “**CNH**” rate) may be different from the exchange rate within the PRC (the “**CNY**” rate). While the CNH rate and the CNY rate represent the same currency, they are traded in different and separate markets which operate independently. As such, the CNH rate does not necessarily have the same exchange rate and may not move in the same direction as the CNY rate.

## *Use of Derivatives / Investment in Derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of its Net Asset Value.

Please refer to the section headed “**QFII Regime**” in the main part of the Explanatory Memorandum for details of the QFII Regime, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the QFII Quota and Assets of the Sub-Fund.

All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to the section headed “**Information of the Trust**” in the main part of the Explanatory Memorandum for details of the investment restrictions under the Trust Deed.

## **ADDITIONAL INVESTMENT RESTRICTIONS OF THE SUB-FUND**

In addition to the investment restrictions set out in the section headed “**Information on the Trust**” of the Explanatory Memorandum and the above section headed “**Investment Objective and Policy**” in this Appendix, the Sub-Fund is also subject to the following restrictions:

- (1) not more than 10% of the Sub-Fund’s latest available Net Asset Value may be directly or indirectly (through investment in CAAPs) invested in A Shares issued by any single issuer;
- (2) not more than 10% of the Sub-Fund’s latest available Net Asset Value based on the Sub-Fund’s gross exposure may be invested in CAAPs issued by any single CAAP Issuer; and
- (3) not more than 15% of the Sub-Fund’s latest available Net Asset Value may be invested in CAAPs which are neither listed, quoted nor dealt on a stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which such CAAPs are regularly traded.

## **Units**

The Sub-Fund currently has the following classes of Units which are available for subscription:

| <b>Class</b>       | <b>Class Currency</b> |
|--------------------|-----------------------|
| Class A            | USD                   |
| Class X USD        | USD                   |
| Class X RMB Hedged | RMB                   |

Class X USD Units and Class X RMB Hedged Units are collectively referred to as “**Class X Units**”. Class X Units are only available for subscription by funds and managed accounts managed by the Manager or its Connected Persons who are “professional investors” as defined in the Hong Kong Securities and Futures Ordinance or offered on a private placement basis.

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The main features of Units in the Sub-Fund are summarised in the table below:

|  | <b>Class A</b>   | <b>Class X</b> |
|--|--|----------------|
| Minimum Initial Subscription             | US\$10,000 (inclusive of the initial charge)   | Nil            |
| Minimum Subsequent Subscription          | US\$5,000 (inclusive of the initial charge)  | Nil            |
| Minimum Holding                          | US\$10,000   | Nil            |
| Initial Charge on Subscription of Units  | Up to 5% of the issue price  | Nil            |
| Switching Fee                            | Nil*   | Nil            |
| Redemption Charge On Redemption of Units | No redemption charge   | Nil            |
| Annual Management Fee                    | 1.25% per annum of the Net Asset Value of the Sub-Fund.<br><br>The annual management fee may be increased up to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund by giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC) | Nil            |
| Annual Performance Fee                   | 15% of the increase in Net Asset Value per Unit in the relevant accounting period over the High Water Mark, calculated on a "high-on-high basis". Please refer to the sub-section headed " <b>Performance Fee</b> " below for further information.   | Nil            |

\* Certain distributors may impose a charge for each switching of Units acquired through them for Units in another class of the Sub-Fund or other Sub-Funds, which will be deducted at the time of the switching and paid to the relevant distributor.

## Dealing in Units, Subscription and Redemption

Applicants should refer to the details relating to the dealing periods, subscription and redemption of Units and the application and payment procedures, all as set out in the main part of the Explanatory Memorandum.

### *Dealing Periods and Valuation Days*

Valuation Days for the Sub-Fund shall fall on each Business Day. At present, each Dealing Period shall commence at the end of the preceding Dealing Period and shall end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day. The Manager may determine that different Valuation Days and Dealing Periods will apply, as it considers appropriate.

### *Subscription for Units*

The minimum initial subscription for Units (inclusive of initial charge) and the minimum subsequent subscription (inclusive of the initial charge) are set out in the above section headed “**Units**”. An initial charge of up to 5% in respect of the relevant issue price per Unit may be made and retained by the Manager for its own use and benefit.

Class X USD Units and Class X RMB Hedged Units will initially be issued at US\$10 and RMB10 respectively. Subsequently, the issue price per Unit for Class X Units during any Dealing Period will be the Net Asset Value per Unit of Class X Units calculated as at a Valuation Day referable to such Dealing Period, in the manner described under the section headed “**Calculation and Publication of Net Asset Value**” in the main part of the Explanatory Memorandum.

For details of dealing procedures, please refer to the sections headed “**Subscription of Units**” and “**Procedure for Application**” in the main part of the Explanatory Memorandum.

### *Redemption of Units*

Applicants should refer to the details on the redemption procedures set out in the main part of the Explanatory Memorandum. However, where these procedures differ from those set out below, the provisions of this Appendix will apply and will prevail in the event of any conflict.

A redemption charge of up to 5% of the redemption proceeds for Units of the Sub-Fund may be imposed and retained by the Manager for its own use and benefit. The Manager has currently waived the redemption charge for the redemption of Units in the Sub-Fund. Unitholders will be notified if the Manager imposes a redemption charge in future.

Partial redemptions of Units are permitted provided that they do not result in the relevant Unitholder holding Units valued, in aggregate, at less than the minimum holding amount as set out in the above section headed “**Units**” or such other minimum amount which the Manager may prescribe from time to time.

# VALUE PARTNERS INTELLIGENT FUNDS

(A Cayman Islands Unit Trust)

## *Switching of Units between sub-funds*

Unitholders may apply to switch all or part of their holding in the Sub-Fund to Units of another sub-fund in the Trust that is SFC authorised during any Dealing Period in accordance with the terms in the main part of the Explanatory Memorandum.

## **Fees**

### *Management Fee*

The Manager is entitled to receive an annual management fee of 1.25% per annum based on the Net Asset Value of each class of Units as at each Valuation Day in the case of Class A Units. No annual management fee is charged in the case of Class X Units. The annual management fee will be accrued daily and calculated as at each Valuation Day and is payable monthly in arrears out of the Trust. The management fee payable may be increased up to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund by the Manager giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC) of such proposed increase to the Trustee and the relevant Unitholders.

### *Performance Fee*

The Manager is also entitled to receive an annual performance fee in respect of Class A Units. No annual performance fee is charged in the case of Class X Units. Applicants should refer to the above section headed “**Units**” for fee details and the main part of the Explanatory Memorandum for further details on performance fee calculation and the illustrative examples.

### *Trustee Fees*

The Trustee is entitled to receive a monthly Trustee's fee out of the assets of the Sub-Fund calculated as a percentage of the Net Asset Value of the Sub-Fund as at each Valuation Day of the Sub-Fund at the following rates:

- 0.17% per annum on the first US\$400 million of the Net Asset Value of the Sub-Fund
- 0.15% per annum on the next US\$400 million of the Net Asset Value of the Sub-Fund
- 0.13% per annum on the balance of the Net Asset Value of the Sub-Fund in excess of US\$800 million.



The Trustee's fees are accrued daily, calculated as at each Valuation Day and payable monthly in arrears, out of the Sub-Fund, provided that the aggregate Trustee's fees payable to the Trustee in respect of the Sub-Fund for any month shall be no less than US\$3,000.

Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund a fixed annual fee of US\$3,000 payable quarterly in arrears, as well as transaction fees at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time relating to the investment transactions of the Trust. The Sub-Fund will be responsible for the relevant proportion of fixed annual fee of the Trustee which will be prorated and calculated based on the ratio of the Net Asset Value of the Sub-Fund to the Net Asset Value of the Trust Fund.

Applicants should refer to the main part of the Explanatory Memorandum for further details on charges and fees payable by the Sub-Fund.

## **Distribution Policy**

The primary objective of the Sub-Fund is capital growth and dividends are of secondary importance. In respect of each of Class A Units, any net distributable income of the Sub-Fund may be accumulated or distributed by the Manager, in its absolute discretion, as detailed in the main part of the Explanatory Memorandum. In respect of Class X Units, the Manager currently does not intend to pay dividends to Unitholders. Therefore, any net income and net realized profits attributable to the Class X Units will be reinvested and reflected in their respective Net Asset Values.

**Value Partners Limited**

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**VALUE PARTNERS INTELLIGENT FUNDS (the “TRUST”)**

**FIRST ADDENDUM**

**Important**

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated January 2020 (“**Explanatory Memorandum**”).*

*The changes made to the Explanatory Memorandum by this Addendum shall take effect on 26 February 2021.*

*All capitalized terms used in this First Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Limited, the Manager of the Trust, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of publication.*

The Explanatory Memorandum will hereby be amended as follows:

**Enhancement of selling restrictions**

1. The following paragraphs and sections shall be inserted immediately before the section “**Cayman Islands**” under the heading “**IMPORTANT INFORMATION FOR INVESTORS**” on page 4 of the Explanatory Memorandum:-

“The selling restrictions in this Explanatory Memorandum describe restrictions on offers and sales of the Units in particular jurisdictions however the jurisdictions mentioned are not exhaustive and the distribution of this Explanatory Memorandum and the offers and sales of Units in other jurisdictions not specified in this Explanatory Memorandum may be prohibited or restricted. No persons receiving a copy of this Explanatory Memorandum or the Subscription Form in any such jurisdiction may treat this Explanatory Memorandum or such Subscription Form as constituting an invitation to them to subscribe for Units, nor should they in any event use this Explanatory Memorandum or such Subscription Form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such Subscription Form could lawfully be used by them without compliance with any registration or other legal requirements.

This Explanatory Memorandum or the Subscription Form does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

It is the responsibility of any persons in possession of this Explanatory Memorandum and any persons wishing to apply for Units pursuant to this Explanatory Memorandum to inform themselves of, and to observe, all laws and regulations applicable to them.

***Australia***

This Explanatory Memorandum is not a prospectus or product disclosure statement under the Corporations Act 2001 (Cth) (the “**Corporations Act**”) and does not constitute a recommendation to acquire, an invitation to apply for, an offer to apply for or buy, an offer to arrange the issue or sale of, or an offer for issue or sale of, any securities in Australia except as set out below. The Trust has not authorised nor taken any action to prepare or lodge with the Australian Securities & Investments Commission an Australian law compliant prospectus or product disclosure statement.

Accordingly, this Explanatory Memorandum may not be issued or distributed in Australia and the Units in the Trust may not be offered, issued, sold or distributed in Australia by the Manager, or any other person, under this Explanatory Memorandum other than by way of or pursuant to an offer or invitation that does not need disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act, whether by reason of the investor being a “wholesale client” (as defined in section 761G of the Corporations Act and applicable regulations) or otherwise.

This Explanatory Memorandum does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of Units to a “retail client” (as defined in section 761G of the Corporations Act and applicable regulations) in Australia.

### ***Brunei***

This Explanatory Memorandum relates to a foreign collective investment scheme under the Securities Markets Order, 2013 (the “**Order**”) which is not subject to any form of domestic regulations by the Autoriti Monetari Brunei Darussalam (the “**Brunei Authority**”) and further, it relates to a private collective investment scheme under the Order and is intended for distribution only to specific classes of investors such as an accredited investor, an expert investor or an institutional as specified in the Order at their request and must not, therefore, be delivered to, or relied on by, a retail client. The Brunei Authority is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Brunei Authority has not approved this Explanatory Memorandum or any other associated documents nor taken any steps to verify the information set out in this Explanatory Memorandum, and has no responsibility for it.

The Units to which this Explanatory Memorandum relates may be illiquid or subject to restrictions on their resale. Prospective purchasers of the Units offered should conduct their own due diligence on the Units. If you do not understand the contents of this document you should consult your legal adviser.”

2. The sections “*United States of America*” and “*Singapore:*” under the heading “**IMPORTANT INFORMATION FOR INVESTORS**” on pages 5 to 7 of the Explanatory Memorandum shall be deleted in their entirety and replaced with the following:-

### ***India***

This Explanatory Memorandum will not be registered as a prospectus with the Registrar of Companies in India, nor has the Registrar of Companies in India circulated or distributed nor will it circulate or distribute this Explanatory Memorandum or any other offering document or material relating to the offering, directly or indirectly, to the public or any members of the public in India. This Explanatory Memorandum does not constitute an offer to the public generally to subscribe for or otherwise acquire the securities and is for the exclusive use of the recipient where the recipient obtained this Explanatory Memorandum on its own or pursuant to a reverse inquiry.

### ***Indonesia***

The offering of the Units is not registered under the Indonesian Capital Markets Law and its implementing regulations and is not intended to become a public offering of units under the Indonesian Capital Markets Law and regulations. This Explanatory Memorandum does not constitute an offer to sell nor a solicitation to buy securities within Indonesia.

### ***Malaysia***

As the recognition or approval by the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been / will not be obtained, and as this Explanatory Memorandum and other related documents have not been / will not be lodged or registered with or delivered to the Malaysian Securities Commission, no offer or invitation for subscription or purchase of Units shall be made within Malaysia and this Explanatory Memorandum and any other document or material in connection therewith shall not be distributed, caused to be distributed or circulated within Malaysia

### ***New Zealand***

Units in the Trust are not offered in New Zealand other than to “wholesale investors” within the meaning of clause 3(2) of Schedule 1 to the Financial Markets Conduct Act 2013 (“**FMCA**”). If you are a New Zealand investor, and apply for Units in the Trust, you warrant that you are such a “wholesale investor” and agree that you will not sell the Units in the Trust within 12 months after they are issued, in circumstances where disclosure would be required under Part 3 of the FMCA.

### *Philippines*

The securities being offered or sold herein are being offered pursuant to exempt transactions under 10.1 (1) of the Securities Regulation Code and have not been registered with the Securities and Exchange Commission under the Securities Regulation Code. Any future offer or sale of the securities is subject to the registration requirements under the Securities Regulation Code unless such offer or sale qualifies as an exempt transaction.

By a purchase of a security, the investor will be deemed to acknowledge that the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase, such security was made outside the Philippines.

### *Singapore*

Certain Sub-Funds (“**Restricted Sub-Funds**”) have been entered onto the list of restricted schemes maintained by the Monetary Authority of Singapore (the “**MAS**”) pursuant to section 305 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). The list of Restricted Sub-Funds may be accessed at the MAS website at <https://eservices.mas.gov.sg/cisnet/home/CISNetHome.action>. Investors should note that other Sub-Funds referred to in this Explanatory Memorandum other than the Restricted Sub-Funds are not available to persons in Singapore via section 305 of the SFA and references to such other Sub-Funds are not and should not be construed as an offer of Units of such other Sub-Funds to persons in Singapore.

The offer or invitation of the Units of Restricted Sub-Funds, which is the subject of this Explanatory Memorandum, are not authorised or recognised by the MAS and Units of Restricted Sub-Funds are not allowed to be offered to the retail public. Neither this Explanatory Memorandum and any other document nor material issued in connection with the offer or sale is a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectus would not apply. You should consider carefully whether the investment is suitable for you in light of your own personal circumstances.

This Explanatory Memorandum has not been registered as a prospectus with the MAS. Accordingly, this Explanatory Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units of the Restricted Sub-Funds may not be circulated or distributed, nor may such Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A(1)(c) of the SFA) (each an “**Institutional Investor**”), (ii) to a relevant person as defined in Section 305 of the SFA or any person pursuant to an offer referred to in Section 305(2) of the SFA (each a “**Relevant Investor**”), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Subject to all other restrictions on transferability imposed by the Trust and/or Restricted Sub-Funds, recipients of this Explanatory Memorandum represent and warrant that where the Units are initially acquired pursuant to an offer made in reliance on an exemption under:

- (a) Section 304 of the SFA by an Institutional Investor, subsequent sales of the Units may only be made to another Institutional Investor; and
- (b) Section 305 of the SFA by a Relevant Investor, subsequent sales of the Units may only be made to an Institutional Investor or another Relevant Investor.

In addition, it should be noted that where the Units of the Restricted Sub-Funds are initially subscribed or purchased in Singapore under Section 305 of the SFA by:

- (i) a corporation referred to in Section 305A(2) of the SFA (a “**Relevant Corporation**”), the securities of the Relevant Corporation shall not be transferred within 6 months after the Relevant Corporation has acquired any Units unless the transfer is in accordance with the conditions of Section 305A(2) of the SFA; or

- (ii) a trust referred to in Section 305A(3) of the SFA (a “**Relevant Trust**”), the rights and interest (howsoever described) of the beneficiaries thereof in the Relevant Trust shall not be transferred within 6 months after any Units have been acquired for the Relevant Trust unless the transfer is in accordance with the conditions of Section 305A(3) of the SFA.

Investors are required to ensure that any of their own transfer arrangements in relation to any Units of the Restricted Sub-Funds comply with the above restrictions and should seek legal advice to ensure compliance with the same.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, the Trust and the Restricted Sub-Funds have determined, and hereby notify all relevant persons (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 (“**CMP Regulations 2018**”)), that the interests are capital markets products other than prescribed capital markets products (as defined in Section 309B of the SFA).

This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Investors in Singapore should note that if they wish to obtain information on the past performance and a copy of the annual report of the Trust they should contact the relevant distributors to obtain such information.

Prospective applicants for the Units should inform themselves as to (a) the possible tax consequences; (b) the legal requirements; and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

#### ***Taiwan***

The Units are being made available (i) to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan; and (ii) in Taiwan only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, “**Qualified Institutions**”) and other entities and individuals meeting specific criteria (“**Other Qualified Investors**”) to the extent permitted under the Taiwan Rules Governing Offshore Funds, but may not be otherwise be offered, sold or resold in Taiwan. Taiwan purchasers of the Units may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or Other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission. No other offer or sale of the Units in Taiwan is permitted.

#### ***Thailand***

This Explanatory Memorandum has not been approved by the Securities and Exchange Commission Thailand which takes no responsibility for its contents. No offer to the public to purchase the Units will be made in Thailand and this Explanatory Memorandum is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

#### ***United Arab Emirates***

This Explanatory Memorandum, and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates (“**UAE**”) and accordingly should not be construed as such.

The marketing of the Units in the UAE requires the prior approval of the Securities and Commodities Authority (“**SCA**”) unless the exemptions to the regulations relating to promotion or offering of units in foreign funds or foreign shares (SCA Board of Directors Decision no 3/RM of 2017 concerning the organization of promotion and introduction, as further revised and updated) apply. Consequently, based on the mentioned exemptions, the Units are only being offered to (A) a limited number of investors in the UAE who (a) are willing and able to conduct an independent investigation of the risks involved in an investment in such Units, (b) upon their specific request, and (c) on a cross-border basis (an “**unsolicited request**”); or

(B) to a limited number of exempt investors in the UAE who fall under one of the following categories of Exempt Qualified Investors: (1) an investor which is able to manage its investments on its own (unless such person wishes to be classified as a retail investor), namely: (a) the federal government, local governments, and governmental entities, institutions and authorities, or companies wholly-owned by any such entities; (b) foreign governments, their respective entities, institutions and authorities or companies wholly owned by any such entities; (c) international entities and organisations; (d) entities licensed by the SCA or a regulatory authority that is an ordinary or associate member of the International Organisation of Securities Commissions (a “**Counterpart Authority**”); or (e) any legal person who fulfils on the date of the last financial statements at least two of the following requirements: (i) total assets of AED 75 million; (ii) net revenues or annual income of AED 150 million; or (iii) net equities or paid capital of AED 7 million; or (2) a natural person licensed by the SCA or a Counterpart Authority to carry out any of the functions related to financial activities or services (each an “**Exempt Qualified Investor**”).

The Units have not been approved by or licensed or registered with the UAE Central Bank, the SCA, the Dubai Financial Services Authority, the Financial Services Regulatory Authority or any other relevant licensing authorities or governmental agencies in the UAE (the “**Authorities**”). The Authorities assume no liability for any investment that the named addressee makes as an Exempt Qualified Investor.

The Explanatory Memorandum is for the use of the named addressee only, and in case the Units are being offered on unsolicited request basis, the named addressee has specifically requested it, on a cross-border basis, without a promotion effected by Value Partners Limited, its promoters or the distributors of the Units. The Explanatory Memorandum should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

In relation to Units being offered to Exempt Qualified Investors, no transaction will be concluded in the UAE and any enquiries regarding the Units should be made to the Manager.

#### *United States of America*

The Trust is not registered as an investment company with the U.S. Securities and Exchange Commission. Units in the Trust have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or any other U.S. federal or state law, and Units in the Trust are not offered or sold to, and may not be transferred to or acquired by, U.S. persons (including, without limitation, U.S. residents, as well as business entities organised under U.S. law), except pursuant to an exemption available under the Securities Act.

**The attention of U.S. Persons is drawn to the paragraph headed “Restrictions on Unitholders” and the compulsory redemption powers of the Manager referred to therein.**

The Manager is exempt from registration with the United States Commodity Futures Trading Commission (“**CFTC**”), and is not registered with the U.S. CFTC as a commodity pool operator (“**CPO**”), in respect of the Trust or any Sub-Fund pursuant to an exemption under U.S. CFTC rule 4.13(a)(3) and the Manager is not registered with the CFTC as a commodity trading adviser (“**CTA**”) pursuant to rule 4.14(a)(8) for pools (a) whose interests are exempt from registration under the Securities Act and are offered and sold without marketing to the public in the United States, (b) whose participants are limited to certain qualified eligible persons including Qualified Purchasers and Accredited Investors and (c) satisfy the other criteria in CFTC Rule 4.14(a)(8). To maintain the exemptions provided by CFTC Rule 4.13(a)(3), the Manager will not (x) commit more than 5% of a Sub-Fund's liquidation value, taking into account unrealised profits or loss on such positions to establish commodity interest positions or (y) permit the net notional value of a Sub-Fund's commodity interests positions to exceed 100% of a Sub-Fund's liquidation value, taking into account unrealised profits or loss on such positions. Therefore, unlike a commodity pool operated by a registered CPO, there is no obligation imposed by the CFTC on the Manager to deliver a disclosure document (as defined in the CFTC Rules) or a certified annual report to investors. The CFTC does not pass upon the merits of participating in a pool or upon the adequacy or accuracy of an offering memorandum. Consequently, the CFTC has not reviewed or approved this offering or this Explanatory Memorandum.”

### Establishment of New Classes of Units in respect of the Chinese Mainland Focus Fund

3. The paragraphs under the section headed “Units” in Appendix 2 shall be deleted in their entirety and replaced with the following:-

“The Sub-Fund currently has the following classes of Units which are available for subscription:

| <b>Class</b>       | <b>Class Currency</b> |
|--------------------|-----------------------|
| Class A            | USD                   |
| Class A HKD        | HKD                   |
| Class A AUD Hedged | AUD                   |
| Class A CAD Hedged | CAD                   |
| Class A GBP Hedged | GBP                   |
| Class A NZD Hedged | NZD                   |
| Class A SGD Hedged | SGD                   |
| Class X USD        | USD                   |
| Class X RMB Hedged | RMB                   |

Class A, Class A HKD, Class A AUD Hedged, Class A CAD Hedged, Class A GBP Hedged, Class A NZD Hedged and Class A SGD Hedged are collectively referred to as “**Class A Units**”.

Class X USD and Class X RMB Hedged are collectively referred to as “**Class X Units**”. Class X Units are only available for subscription by funds and managed accounts managed by the Manager or its Connected Persons who are “professional investors” as defined in the Hong Kong Securities and Futures Ordinance or offered on a private placement basis.

The main features of Units in the Sub-Fund are summarized in the table below:

|  | <b>Class A Units</b>  | <b>Class X Units</b> |
|--|---|----------------------|
| Minimum Initial Subscription             | US\$10,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge)   | Nil                  |
| Minimum Subsequent Subscription          | US\$5,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge)  | Nil                  |
| Minimum Holding                          | US\$10,000 (or its equivalent in the relevant class currency)   | Nil                  |
| Initial Charge on Subscription of Units  | Up to 5% of the issue price   | Nil                  |
| Switching Fee                            | Nil*  | Nil                  |
| Redemption Charge on Redemption of Units | No redemption charge  | Nil                  |
| Annual Management Fee                    | 1.25% per annum of the Net Asset Value of the Sub-Fund.<br><br>The annual management fee may be increased up to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund by giving not less than one month’s prior written notice (or such shorter notice period as approved by the SFC). | Nil                  |
| Annual Performance Fee                   | 15% of the increase in Net Asset Value per Unit in the relevant accounting period over the High Water Mark, calculated on a “high-on-high basis”. Please refer to the sub-section headed “ <b>Performance Fee</b> ” below for further information.  | Nil                  |



\* *Certain distributors may impose a charge for each switching of Units acquired through them for Units in another class of the Sub-Fund or other Sub-Funds, which will be deducted at the time of the switching and paid to the relevant distributor.*

4. The following paragraphs shall be inserted after the first paragraph under the section headed “**Dealing in Units, Subscription and Redemption**” in Appendix 2:

“The “Initial Offer Period” for Class A HKD, Class A AUD Hedged, Class A CAD Hedged, Class A GBP Hedged and Class A NZD Hedged shall be the period from 9:00 a.m. (Hong Kong time) on 26 February 2021 to 5:00 p.m. (Hong Kong time) on 26 February 2021 or such period as the Trustee and the Manager may agree. The “Initial Offer Period” for Class A SGD Hedged will be such other date or time as the Manager may determine.

During the Initial Offer Period, applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager with the approval of the Trustee) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Valid applications for subscription received (whether by post, by fax or other written or electronic forms specified by the Manager with the approval of the Trustee) by the Registrar’s Agent after 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period will be deemed to have been received, and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

Payment of subscription monies can be made in the relevant class currency and must be received in full and in cleared funds by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Please refer to the sub-section headed “**Dealing Periods and Valuation Days**” for applications for subscription for Class A Units following the close of the Initial Offer Period.”

5. The second paragraph under the sub-section headed “**Subscription for Units**” in Appendix 2 shall be deleted in its entirety and replaced with the following:

“The initial offer price in respect of each class of Units is as follows:

| <b>Class</b>       | <b>Initial Offer Price</b> |
|--------------------|----------------------------|
| Class A            | USD10                      |
| Class A HKD        | HKD10                      |
| Class A AUD Hedged | AUD10                      |
| Class A CAD Hedged | CAD10                      |
| Class A GBP Hedged | GBP10                      |
| Class A NZD Hedged | NZD10                      |
| Class A SGD Hedged | SGD10                      |
| Class X USD        | USD10                      |
| Class X RMB Hedged | RMB10                      |

Subsequently, the issue price per Unit during any Dealing Period will be the Net Asset Value per Unit calculated as at a Valuation Day referable to such Dealing Period, in the manner described under the section headed “**Calculation and Publication of Net Asset Value**” in the main part of the Explanatory Memorandum. Where a Class of Units is fully redeemed and subsequently re-launched, such Class will be issued at the relevant initial offer price as set out above (exclusive of the initial charge) during such re-launch, and thereafter, will be issued at the relevant Net Asset Value per Unit.”

**Update to Risk Disclosure**

6. The sub-section headed “**Investor Compensation**” under the section headed “**Stock Connects**” in the main part of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

***“Investor Protection***

The relevant Sub-Fund’s investments through Northbound trading under the Stock Connects are conducted through securities brokers in Hong Kong.

Since the relevant Sub-Fund carrying out Northbound trading through securities brokers in Hong Kong but not the PRC brokers, therefore it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.”

26 February 2021

**VALUE PARTNERS INTELLIGENT FUNDS (the “TRUST”)**

**SECOND ADDENDUM**

**Important**

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated January 2020, as amended by the First Addendum dated 26 February 2021 (collectively, “**Explanatory Memorandum**”). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 30 April 2021.*

*All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Limited, the Manager of the Trust, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of publication.*

The Explanatory Memorandum will hereby be amended as follows:

**A. Change of Auditor’s Address**

1. The Auditor’s address under the heading “**I. Directory**” on page 10 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“**KPMG**  
P.O. Box 493  
SIX Cricket Square  
Grand Cayman  
KY1-1106  
Cayman Islands”

**B. Amendment to the Trustee Fees of China Convergence Fund (formerly known as China ABH Shares Fund) and Chinese Mainland Focus Fund**

1. The second paragraph under the sub-section headed “**Trustee Fees**” of heading “**VII. FEES AND EXPENSES**” on page 100 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund transaction fees at such rates within the Trustee’s usual range of fees for similar transactions as agreed on a commercial arm’s length basis with the Manager from time to time relating to the investment transactions of the Trust.”

2. The first to third paragraphs under the sub-section headed “**Trustee Fees**” of Appendix 1 headed “**CHINA CONVERGENCE FUND**” on page 150 of the Explanatory Memorandum shall be deleted in their entirety and replaced with the following:

“The Trustee is entitled to receive a monthly Trustee’s fee out of the assets of the Sub-Fund calculated as a percentage of the Net Asset Value of the Sub-Fund as at each Valuation Day of the Sub-Fund at the following rates:

- 0.135% per annum on the first US\$150 million of the Net Asset Value of the Sub-Fund
- 0.13% per annum on the next US\$650 million of the Net Asset Value of the Sub-Fund
- 0.125% per annum on the balance of the Net Asset Value of the Sub-Fund in excess of US\$800 million.

The Trustee's fees are accrued daily, calculated as at each Valuation Day and payable monthly in arrears, out of the Sub-Fund provided that the aggregate Trustee's fees payable to the Trustee in respect of the Sub-Fund for any month shall be no less than US\$4,500.

Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund transaction fees at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time relating to the investment transactions of the Trust."

3. The first to third paragraphs under the sub-section headed "**Trustee Fees**" of Appendix 2 headed "**CHINESE MAINLAND FOCUS FUND**" on pages 158 and 159 of the Explanatory Memorandum shall be deleted in their entirety and replaced with the following:

"The Trustee is entitled to receive a monthly Trustee's fee out of the assets of the Sub-Fund calculated as a percentage of the Net Asset Value of the Sub-Fund as at each Valuation Day of the Sub-Fund at the following rates:

- 0.135% per annum on the first US\$150 million of the Net Asset Value of the Sub-Fund
- 0.13% per annum on the next US\$650 million of the Net Asset Value of the Sub-Fund
- 0.125% per annum on the balance of the Net Asset Value of the Sub-Fund in excess of US\$800 million.

The Trustee's fees are accrued daily, calculated as at each Valuation Day and payable monthly in arrears, out of the Sub-Fund, provided that the aggregate Trustee's fees payable to the Trustee in respect of the Sub-Fund for any month shall be no less than US\$4,500.

Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund transaction fees at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time relating to the investment transactions of the Trust."

### **C. Addition of Class Z Units to Chinese Mainland Focus Fund**

1. The first paragraph under the sub-section headed "**Units**" of Appendix 2 headed "**CHINESE MAINLAND FOCUS FUND**" on page 155 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

"The Sub-Fund currently has the following classes of Units which are available for subscription:

| <b>Class</b>       | <b>Class Currency</b> |
|--------------------|-----------------------|
| Class A            | USD                   |
| Class A HKD        | HKD                   |
| Class A AUD Hedged | AUD                   |
| Class A CAD Hedged | CAD                   |
| Class A GBP Hedged | GBP                   |
| Class A NZD Hedged | NZD                   |
| Class A SGD Hedged | SGD                   |
| Class X USD        | USD                   |
| Class X RMB Hedged | RMB                   |
| Class Z USD        | USD"                  |

2. The following new paragraph shall be inserted after the third paragraph under the sub-section headed "**Units**" of Appendix 2 headed "**CHINESE MAINLAND FOCUS FUND**" on page 155 of the Explanatory Memorandum:

"Class Z USD is referred to as "Class Z Units. Class Z Units are only available for subscription by institutional investors and/or professional investors and are subject to an initial charge of up to 5% of the issue price."

3. The fourth paragraph under the sub-section headed “Units” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 156 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The main features of Units in the Sub-Fund are summarised in the table below:

|  | <b>Class A Units</b>   | <b>Class Z Units</b>  | <b>Class X Units</b> |
|--|--|---|----------------------|
| Minimum Initial Subscription             | US\$10,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge)  | US\$10,000,000 (inclusive of the initial charge)              | Nil                  |
| Minimum Subsequent Subscription          | US\$5,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge)   | US\$100,000 (inclusive of the initial charge)                 | Nil                  |
| Minimum Redemption                       | Nil  | US\$100,000 (inclusive of any redemption charge)              | Nil                  |
| Minimum Holding                          | US\$10,000 (or its equivalent in the relevant class currency)  | US\$5,000,000   | Nil                  |
| Initial Charge on Subscription of Units  | Up to 5% of the issue price  | Up to 5% of the issue price                                   | Nil                  |
| Switching Fee                            | Currently Nil*   | Currently Nil*  | Nil                  |
| Redemption Charge on Redemption of Units | Currently Nil (Max 5%)   | Currently Nil (Max 5%)  | Nil                  |
| Annual Management Fee                    | 1.25% per annum of the Net Asset Value of each class of Units.<br><br>The annual management fee may be increased up to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund by giving not less than one month’s prior written notice (or such shorter notice period as approved by the SFC). | 0.75% per annum of the Net Asset Value of each class of Units | Nil                  |
| Annual Performance Fee                   | 15% of the increase in Net Asset Value per Unit in the relevant accounting period over the High Water Mark, calculated on a “high-on-high basis”. Please refer to the sub-section headed “ <b>Performance Fee</b> ” below for further information.   |   | Nil                  |

\* *Certain distributors may impose a charge for each switching of Units acquired through them for Units in another class of the Sub-Fund or other Sub-Funds, which will be deducted at the time of the switching and paid to the relevant distributor.”*

4. The second paragraph under the section headed “**Dealing in Units, Subscription and Redemption**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 156 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The “Initial Offer Period” for Class Z USD shall be the period from 9:00 a.m. (Hong Kong time) on 3 May 2021 to 5:00 p.m. (Hong Kong time) on 3 May 2021 or such period as the Trustee and the Manager may agree. The “Initial Offer Period” for Class A SGD Hedged will be such date or time as the Manager may determine.”

5. The first paragraph under the sub-section headed “**Subscription for Units**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 157 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The minimum initial subscription for Units (inclusive of initial charge) and the minimum subsequent subscription (inclusive of the initial charge) are set out in the above section headed “**Units**”. The Manager may, at its discretion, waive the minimum subsequent subscription amount in respect of Class Z Units, whether generally or in a particular case. An initial charge of up to 5% in respect of the relevant issue price per Unit may be made and retained by the Manager for its own use and benefit.”

6. The second paragraph under the sub-section headed “**Subscription for Units**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 157 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The initial offer price in respect of each class of Units is as follows:

| <b>Class</b>       | <b>Initial Offer Price</b> |
|--------------------|----------------------------|
| Class A            | USD10                      |
| Class A HKD        | HKD10                      |
| Class A AUD Hedged | AUD10                      |
| Class A CAD Hedged | CAD10                      |
| Class A GBP Hedged | GBP10                      |
| Class A NZD Hedged | NZD10                      |
| Class A SGD Hedged | SGD10                      |
| Class X USD        | USD10                      |
| Class X RMB Hedged | RMB10                      |
| Class Z USD        | USD10”                     |

7. The following new paragraph shall be inserted after the first paragraph under the sub-section headed “**Redemption of Units**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 157 of the Explanatory Memorandum:

“The minimum redemption for Class Z Units (inclusive of the redemption charge) are set out in the above section headed “**Units**”. The Manager may on any Valuation Day differentiate between applicants as to the amount of the redemption charge to be added to the redemption price of Units to be redeemed by them respectively on that day. For further details of the Redemption Charge, please refer to the section headed “**Initial, Switching and Redemption Charges**” in the main part of the Explanatory Memorandum.”

8. The first paragraph under the sub-section headed “**Management Fee**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 158 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The Manager is entitled to receive an annual management fee of 1.25% per annum based on the Net Asset Value of each class of Units as at each Valuation Day in the case of Class A Units and 0.75% per annum based on the Net Asset Value of each class of Units as at each Valuation Day in the case of Class Z Units. No annual management fee is charged in the case of Class X Units. The annual management fee will be accrued daily and calculated as at each Valuation Day and is payable monthly in arrears out of the Trust. The management fee payable may be increased up to a maximum of 2% per annum of the Net Asset Value of the Sub-Fund by the Manager giving not less than one month’s prior written notice (or such shorter notice period as approved by the SFC) of such proposed increase to the Trustee and the relevant Unitholders.”

9. The first paragraph under the sub-section headed “**Performance Fee**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 158 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The Manager is also entitled to receive an annual performance fee in respect of Class A Units and Class Z Units. No annual performance fee is charged in the case of Class X Units. Applicants should refer to the above section headed “**Units**” for fee details and the main part of the Explanatory Memorandum for further details on performance fee calculation and the illustrative examples.”

10. The first paragraph under the sub-section headed “**Distribution Policy**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 159 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The primary objective of the Sub-Fund is capital growth and dividends are of secondary importance. In respect of each of Class A Units, any net distributable income of the Sub-Fund may be accumulated or distributed by the Manager, in its absolute discretion, as detailed in the main part of the Explanatory Memorandum. In respect of Class X Units and Class Z Units, the Manager currently does not intend to pay dividends to Unitholders. Therefore, any net income and net realized profits attributable to the Class X Units and Class Z Units will be reinvested and reflected in their respective Net Asset Values.”

30 April 2021

**VALUE PARTNERS INTELLIGENT FUNDS (the “TRUST”)**

**China Convergence Fund  
Chinese Mainland Focus Fund  
(the “Sub-Funds”)**

**THIRD ADDENDUM**

**Important**

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated January 2020, as amended by the First Addendum dated 26 February 2021 and the Second Addendum dated 30 April 2021 (collectively, “**Explanatory Memorandum**”). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 21 February 2022.*

*All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Limited, the Manager of the Trust, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of publication.*

The Explanatory Memorandum will hereby be amended as follows:

**A. Modification of anti-dilution pricing adjustment (Swing Pricing)**

1. The following new risk factor shall be inserted after the existing risk factor headed “*Effect of Redemptions*” under the sub-section headed “**RISK FACTORS**” under the section headed “**IV. INFORMATION ON THE TRUST**” on page 51 of the Explanatory Memorandum:

**“Pricing Adjustments Risk**

Subscriptions or redemptions may dilute a Sub-Fund’s assets due to dealing and other costs associated with the trading of underlying securities. In order to counter this impact, adjustment of prices (including swing pricing) may be adopted to protect the interests of the Unitholders. Consequently, investors may subscribe (redeem) at a higher subscription price (lower redemption price). Investors should note that the occurrence of events which may trigger adjustment of prices is not predictable. It is not possible to accurately predict how frequent such adjustments of prices will need to be made. Adjustments may be greater than or less than the actual charges incurred. Investors should also be aware that adjustment of prices may not always, or fully, prevent the dilution of the relevant Sub-Fund’s assets.”

2. The fourth paragraph under the sub-section headed “**Liquidity Risk Management**” under the section headed “**IV. INFORMATION ON THE TRUST**” on page 71 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The following tool(s) may be employed by the Manager to manage liquidity risks:

- the Manager may limit the total number of Units in any Sub-Fund which Unitholders are entitled to redeem by reference to any Valuation Day to 10% of the total Net Asset Value of the relevant Sub-Fund on that Valuation Day (subject to the conditions under the heading entitled “Redemption of Units” in the section headed “Subscription and Redemption of Units” of this Explanatory Memorandum); and



- the Manager may adjust the Net Asset Value of a Unit of any class in any Sub-Fund in determining the subscription price and redemption price of a Dealing Period where the net subscription/redemption exceeds certain pre-determined threshold(s) (as detailed under the heading entitled “**Anti-Dilution Pricing Adjustment Mechanism (Swing Pricing)**” in the section headed “**V. SUBSCRIPTION AND REDEMPTION OF UNITS**”).”
3. The fourth paragraph beginning with “In determining the subscription price,...” under the sub-section headed “**Calculation and Publication of Net Asset Value**” under the section headed “**V. SUBSCRIPTION AND REDEMPTION OF UNITS**” on page 84 of the Explanatory Memorandum shall be deleted in its entirety.
  4. The fifth paragraph beginning with “Similarly, in determining the redemption price,...” under the sub-section headed “**Calculation and Publication of Net Asset Value**” under the section headed “**V. SUBSCRIPTION AND REDEMPTION OF UNITS**” on page 84 of the Explanatory Memorandum shall be deleted in its entirety.
  5. The sixth paragraph beginning with “The Manager (after consultation with the Trustee)...” under the sub-section headed “**Calculation and Publication of Net Asset Value**” under the section headed “**V. SUBSCRIPTION AND REDEMPTION OF UNITS**” on page 84 of the Explanatory Memorandum shall be deleted in its entirety.
  6. A new sub-section headed “**Anti-Dilution Pricing Adjustment Mechanism (Swing pricing)**” shall be inserted immediately after the existing sub-section headed “**Calculation and Publication of Net Asset Value**” under the section headed “**V. SUBSCRIPTION AND REDEMPTION OF UNITS**” on page 84 of the Explanatory Memorandum:

**“Anti-Dilution Pricing Adjustment Mechanism (Swing pricing)”**

In order to reduce the effect of “dilution” on a Sub-Fund, the Manager may (if in its opinion in good faith it is in the best interest of Unitholders to do so), adjust the Net Asset Value of a Unit of the relevant class. Dilution occurs when the actual cost of purchasing or selling the underlying assets of a Sub-Fund, deviates from the carrying value of these assets in the relevant Sub-Fund’s valuation due to dealing and other costs, taxes and duties, market movements and any spread between the buying and selling prices of the underlying assets. Dilution may have an adverse effect on the value of the relevant Sub-Fund and therefore impact the Unitholders. By adjusting the Net Asset Value per Unit, this effect can be reduced or mitigated and Unitholders can be protected from the impact of dilution.

Under normal market conditions, the Manager expects that the anti-dilution pricing adjustment will not exceed 3% of the Net Asset Value per Unit of the relevant class of the relevant Sub-Fund on the Valuation Day of the relevant Dealing Period. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the Unitholders.

In determining the subscription price and redemption price of a Unit of any class of each relevant Dealing Period, the Net Asset Value per Unit shall be increased by the aforesaid adjustment where the net subscription in the relevant Dealing Period exceeds certain pre-determined threshold(s), or decreased by the aforesaid adjustment where the net redemption in the relevant Dealing Period exceeds certain pre-determined threshold(s). Such pre-determined threshold(s) will be determined and reviewed on a periodic basis by the Manager.

The Manager will consult the Trustee prior to any adjustment and such adjustment will only be made where the Trustee has no objection to it. Any such additional amount will be retained by the relevant Sub-Fund and will form part of the assets of the relevant Sub-Fund.”

**B. Change of Rounding of Fraction of the Units**

7. The paragraph under the sub-section headed “**Form of Units**” under the section headed “**V. SUBSCRIPTION AND REDEMPTION OF UNITS**” on page 85 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“A contract note will normally be issued by the Registrar’s Agent as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching of Units, as the case may be. Certificates for Units will, however, not be issued. The number of Units to be issued pursuant to any application for subscription or switching will be rounded down to the nearest fourth decimal point (where applicable) and any smaller fraction of a Unit will be retained for the benefit of the relevant Sub-Fund.”

**C. Change in Business Day**

8. The second paragraph under the sub-section headed “**Dealing Periods**” under the section headed “**V. SUBSCRIPTION AND REDEMPTION OF UNITS**” on page 72 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“A Business Day is a day when banks in Hong Kong are open for general business except for: (i) a Saturday or Sunday; (ii) a day on which banks in Hong Kong are open for a shorter time as a result of a Typhoon Signal, a Rainstorm Warning or similar event, unless the Manager, with the consent of the Trustee, determines otherwise in relation to each Sub-Fund and/or such other day or days as may from time to time be determined by the Manager with the consent of the Trustee (either in respect of any particular Sub-Fund or generally). **The Manager with the consent of the Trustee, may determine that different Business Day will apply to individual Sub-Funds, as it shall consider appropriate. Where this determination is made, the Business Day applicable to the relevant Sub-Fund will be disclosed in the relevant Appendix to this Explanatory Memorandum relating to that Sub-Fund.**”

9. The sub-section headed “**Dealing Periods and Valuation Days**” of Appendix 1 headed “**CHINA CONVERGENCE FUND**” on page 147 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

***“Dealing Periods and Valuation Days***

A “**Business Day**” for the purpose of this Appendix and the Sub-Fund shall be any day (other than a Saturday or Sunday) on which banks in Hong Kong and the PRC are open for normal banking business, or such other day or days as the Manager and the Trustee may determine from time to time, provided that where, as a result of a Typhoon Signal, Rainstorm Warning or other similar event, the period during which banks in Hong Kong or the PRC are open for normal banking business on any day is reduced, such day shall not be a Business Day unless the Manager, with the consent of the Trustee, determines otherwise in relation to the Sub-Fund. Valuation Days for the Sub-Fund shall fall on each Business Day. At present, each Dealing Period shall commence at the end of the preceding Dealing Period and shall end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day. The Manager may determine that different Valuation Days and Dealing Periods will apply, as it considers appropriate.”

10. The sub-section headed “**Dealing Periods and Valuation Days**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 157 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

***“Dealing Periods and Valuation Days***

A “**Business Day**” for the purpose of this Appendix and the Sub-Fund shall be any day (other than a Saturday or Sunday) on which banks in Hong Kong and the PRC are open for normal banking business, or such other day or days as the Manager and the Trustee may determine

from time to time, provided that where, as a result of a Typhoon Signal, Rainstorm Warning or other similar event, the period during which banks in Hong Kong or the PRC are open for normal banking business on any day is reduced, such day shall not be a Business Day unless the Manager, with the consent of the Trustee, determines otherwise in relation to the Sub-Fund.

Valuation Days for the Sub-Fund shall fall on each Business Day. At present, each Dealing Period shall commence at the end of the preceding Dealing Period and shall end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day. The Manager may determine that different Valuation Days and Dealing Periods will apply, as it considers appropriate.”

**D. Establishment of Class A RMB Hedged Units under each of the Sub-Funds**

11. The following sentence shall be inserted immediately at the end of the risk factor headed “**(k) Currency Conversion Risk**” on page 47 of the Explanatory Memorandum:

“Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.”

12. The first and second paragraphs under the sub-section headed “**Units**” of Appendix 1 headed “**CHINA CONVERGENCE FUND**” on page 145 of the Explanatory Memorandum shall be deleted in their entirety and replaced with the following:

“The Sub-Fund currently has the following classes of Units which are available for subscription:

| <b>Class</b>       | <b>Class Currency</b> |
|--------------------|-----------------------|
| Class A            | USD                   |
| Class A AUD Hedged | AUD                   |
| Class A CAD Hedged | CAD                   |
| Class A NZD Hedged | NZD                   |
| Class A RMB Hedged | RMB                   |
| Class X USD        | USD                   |
| Class X RMB Hedged | RMB                   |
| Class Z            | USD                   |

Class A AUD Hedged, Class A CAD Hedged, Class A NZD Hedged and Class A RMB Hedged are collectively referred to as “**Class A Hedged Units**”.

13. The following paragraphs shall be inserted after the first paragraph under the section headed “**Dealing in Units, Subscription and Redemption**” of Appendix 1 headed “**CHINA CONVERGENCE FUND**” on page 147 of the Explanatory Memorandum:

“The “Initial Offer Period” for Class A RMB Hedged Units shall be the period from 9:00 a.m. (Hong Kong time) on 22 February 2022 to 5:00 p.m. (Hong Kong time) on 22 February 2022 or such period as the Trustee and the Manager may agree.

During the Initial Offer Period, applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager with the approval of the Trustee) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Valid applications for subscription received (whether by post, by fax or other written or electronic forms specified by the Manager with the approval of the Trustee) by the Registrar’s Agent after 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period will be deemed to have been received, and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

Payment of subscription monies can be made in the relevant class currency and must be received in full and in cleared funds by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Please refer to the sub-section headed “**Dealing Periods and Valuation Days**” for applications for subscription for Class A RMB Hedged Units following the close of the Initial Offer Period.”

14. The second paragraph under the sub-section headed “**Subscription for Units**” of Appendix 1 headed “**CHINA CONVERGENCE FUND**” on page 148 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The initial offer price in respect of each class of Units is as follows:

| <b>Class</b>       | <b>Initial Offer Price</b> |
|--------------------|----------------------------|
| Class A            | USD10                      |
| Class A AUD Hedged | AUD10                      |
| Class A CAD Hedged | CAD10                      |
| Class A NZD Hedged | NZD10                      |
| Class A RMB Hedged | RMB10                      |
| Class X USD        | USD10                      |
| Class X RMB Hedged | RMB10                      |
| Class Z            | USD10                      |

Subsequently, the issue price per Unit during any Dealing Period will be the Net Asset Value per Unit of the relevant class calculated as at a Valuation Day referable to such Dealing Period, in the manner described under the section headed “**Calculation and Publication of Net Asset Value**” in the main part of the Explanatory Memorandum. Where a class of Units is fully redeemed and subsequently re-launched, such class will be issued at the relevant initial offer price as set out above (exclusive of the initial charge) during such re-launch, and thereafter, will be issued at the relevant Net Asset Value per Unit of the relevant class.”

15. The first and second paragraphs under the sub-section headed “**Units**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 155 of the Explanatory Memorandum shall be deleted in their entirety and replaced with the following:

“The Sub-Fund currently has the following classes of Units which are available for subscription:

| <b>Class</b>       | <b>Class Currency</b> |
|--------------------|-----------------------|
| Class A            | USD                   |
| Class A HKD        | HKD                   |
| Class A AUD Hedged | AUD                   |
| Class A CAD Hedged | CAD                   |
| Class A GBP Hedged | GBP                   |
| Class A NZD Hedged | NZD                   |
| Class A RMB Hedged | RMB                   |
| Class A SGD Hedged | SGD                   |
| Class X USD        | USD                   |
| Class X RMB Hedged | RMB                   |
| Class Z USD        | USD                   |

Class A, Class A HKD, Class A AUD Hedged, Class A CAD Hedged, Class A GBP Hedged, Class A NZD Hedged. Class A RMB Hedged and Class A SGD Hedged are collectively referred to as “**Class A Units**”.

16. The second paragraph under the section headed “**Dealing in Units, Subscription and Redemption**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 156 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The “Initial Offer Period” for Class A RMB Hedged shall be the period from 9:00 a.m. (Hong Kong time) on 22 February 2022 to 5:00 p.m. (Hong Kong time) on 22 February 2022 or such period as the Trustee and the Manager may agree. The “Initial Offer Period” for Class A SGD Hedged will be such date or time as the Manager may determine.”

17. The second paragraph under the sub-section headed “**Subscription for Units**” of Appendix 2 headed “**CHINESE MAINLAND FOCUS FUND**” on page 157 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The initial offer price in respect of each class of Units is as follows:

| <b>Class</b>       | <b>Initial Offer Price</b> |
|--------------------|----------------------------|
| Class A            | USD10                      |
| Class A HKD        | HKD10                      |
| Class A AUD Hedged | AUD10                      |
| Class A CAD Hedged | CAD10                      |
| Class A GBP Hedged | GBP10                      |
| Class A NZD Hedged | NZD10                      |
| Class A RMB Hedged | RMB10                      |
| Class A SGD Hedged | SGD10                      |
| Class X USD        | USD10                      |
| Class X RMB Hedged | RMB10                      |
| Class Z USD        | USD10”                     |

21 February 2022