YFLife 萬通保險

This notice contains important information that requires your immediate attention. Should you have any queries, you are recommended to seek independent professional advice.

The following change(s) in investment choice(s) relate(s) to the "Global Series" and "Premier-Choice Series" plans. The "Global Series" includes Global InvestPlan and Global InvestPlus. The "Premier-Choice Series" includes Premier-Choice ULife InvestPlan, Premier-Choice Flexi, Premier-Choice Flexi Plus, Premier-Choice InvestPlan and Premier-Choice PLUS InvestPlan.

1. **Integration of Environmental, Social and Governance factors for the Underlying Fund of the Investment Choice**
   - *JPMorgan Funds - USD Money Market VNAV Fund (JFMMU)*

   The investment policy of the underlying fund of the above investment choice above is enhanced to reflect that environmental, social and governance factors are integrated into the investment process.

As advised by Franklin Templeton Investments (Asia) Limited, there will the following changes to the underlying funds.

2. **Update to the Investment Policy of the Underlying Fund of the Investment Choice**
   - *Franklin Templeton Investment Funds - Templeton Global Smaller Companies Fund "A(acc)" Shares (FTGSU)*

   To aid in the efficient portfolio management of the underlying fund of the investment choice above, with effect from 16 December 2019, the investment policy of the underlying fund shall be updated to add the following:

   > *"The fund may further utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts, equity and equity index options, equity linked notes, as well as options (including warrants)."*

   As a result of the underlying fund's investment in financial derivative instruments, the underlying fund will be subject to "Derivative Instruments risk" and "Warrants risk" as described under the "RISK CONSIDERATIONS" section of the current explanatory memorandum of the underlying fund.

   The investment manager believes that this update to the investment policy for the underlying fund will be beneficial to investors in the underlying fund. Other than as disclosed above, this update will not result in any additional risks or impact the investment strategy of the underlying fund. There is no change to the operation and/or the manner in which the underlying fund is being managed.

3. **Elaboration on the Investment Policy of the Underlying Funds of the Investment Choices**
   - *Franklin Templeton Investment Funds - Templeton Global Balanced Fund "A(Qdis)" Shares (FTBAU)*
   - *Franklin Templeton Investment Funds - Templeton Emerging Markets Bond "A(Qdis)" Shares (FTEBU)*
   - *Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares (FTGBU)*
   - *Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares (FTGTU)*

   With effect from 16 December 2019, the investment policies of the underlying funds of the investment choices above will be elaborated to disclose that they may invest in Mainland China through the Bond Connect or CIBM direct. The increase in exposure (where applicable) and maximum exposure are also listed in the table below:

Underlying Fund	**Investment in Mainland China through the Bond Connect or CIBM direct**
Franklin Templeton Investment Funds - Templeton Global Balanced Fund	Less than 30%
Franklin Templeton Investment Funds - Templeton Emerging Markets Bond Fund	Increase from "up to 10%" to "less than 30%"
Franklin Templeton Investment Funds - Templeton Global Bond Fund	Less than 30%
Franklin Templeton Investment Funds - Templeton Global Total Return Fund	Less than 30%

   As a result of the underlying funds' investment in Mainland China through the Bond Connect or CIBM direct, please refer to the risk disclosures on "China Bond Connect risk" and "Chinese Market risk" under the "RISK CONSIDERATIONS" section of the current explanatory memorandum of the underlying funds for details of the relevant risks associated with this proposed change.

   Other than as disclosed above, the investment managers of the underlying funds believe there will not be any additional risks as a result of the elaboration to the underlying funds' investment policies. There is no change to the operation and/or the manner in which the underlying funds are being managed.

4. **<u>Elaboration on the Investment Policy of the Underlying Funds of the Investment Choices</u>**
   - *Franklin Templeton Investment Funds - Templeton Emerging Markets Bond "A(Qdis)" Shares (FTEBU)*
   - *Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares (FTGBU)*
   - *Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares (FTGTU)*

   With effect from 30 October 2019, the investment policies of the underlying funds of the investment choices above shall be elaborated to disclose their employment of Environmental, Social and Governance rating methodology in the process of building the investment portfolios.

As advised by BlackRock Asset Management North Asia Limited, there will the following changes to the underlying funds with effect from 31 December 2019.

5. **<u>Change of Investment Policy of the Underlying Funds of the Investment Choices</u>**
   - *BlackRock Global Funds - Asia Pacific Equity Income Fund Class "A" (MLAIU)*
   - *BlackRock Global Funds - Global SmallCap Fund Class "A" (MLGSU)*
   - *BlackRock Global Funds - Sustainable Energy Fund Class "A" (MLNEU)*
   - *BlackRock Global Funds - Nutrition Fund Class "A" (MLWAU)*
   - *BlackRock Global Funds - World Energy Fund Class "A" (MLWEU)*
   - *BlackRock Global Funds - World Financials Fund Class "A" (MLWFU)*
   - *BlackRock Global Funds - World Gold Fund Class "A" (MLWGU)*
   - *BlackRock Global Funds - World Healthscience Fund Class "A" (MLWHU)*
   - *BlackRock Global Funds - World Mining Fund Class "A" (MLWMU)*
   - *BlackRock Global Funds - Asian Tiger Bond Fund Class "A" (MLABU)*
   - *BlackRock Global Funds - Global Allocation Fund Class "A" (MLGAU)*

   The investment policy of the underlying funds of the investment choices above will be changed to enable these underlying funds to increase their ability to invest in the PRC (a) via RQFII quota and/or via the Stock Connects; and/or (b) in the CIBM via the Foreign Access Regime and/or Bond Connect from 10% to 20% of total assets, thus enabling greater focus on the PRC.Stock Connects means each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the “Stock Connects”) and allows international and Mainland Chinese investors to trade securities in each other's markets through the trading and clearing facilities of their home exchange. RQFII means a Renminbi Qualified Foreign Institutional Investor.

   Bond Connect means the initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China as described in the section entitled “China Interbank Bond Market” in the “Investment Objectives and Policies” section of the prospectus of the underlying funds. CIBM means the Mainland China interbank bond markets of the PRC.

6. **<u>Change of Investment Policy of the Underlying Fund of the Investment Choice</u>**
   - *BlackRock Global Funds - US Dollar High Yield Bond Fund Class "A" (MLUHU)*

   The investment strategy of the underlying fund of the investment choice above will be changed to enable the underlying fund to invest in distressed securities and/or asset-backed securities/mortgage-backed securities. In light of the risks involved in these investments, and in order to provide investors with greater transparency regarding their use, the investment policy of the underlying fund will be changed to enable the underlying fund to invest up to 10% of its total assets in distressed securities.

   Save as described above in respect of the underlying fund, there will be no material changes to the investment objectives, policies, overall risk profiles or to the way in which the underlying fund is managed.

7. **<u>Clarification of Investment Policy and Change of Name of the Underlying Fund of the Investment Choice</u>**
   - *BlackRock Global Funds - Global SmallCap Fund Class "A" (MLGSU)*

   The investment policy of BlackRock Global Funds - Global SmallCap Fund, the underlying fund of the investment choice above, will be enhanced to reflect that it will use quantitative (i.e. mathematical or statistical) models in order to achieve a systematic (i.e. rule based) approach to stock selection. Its name will be amended to include the word “Systematic”, in order to reflect the investment approach followed by the underlying fund. The new underlying fund name will be “BlackRock Global Funds - Systematic Global SmallCap Fund”.

   Accordingly, the name of the investment choice will also be changed to “BlackRock Global Funds - Systematic Global SmallCap Fund Class "A"” with effect from 31 December 2019.

   These changes to the investment policy and name of the underlying fund will have no impact on the investment strategy of the underlying fund and are being made purely for clarification purposes.

8. **<u>Change of Investment Policy of the Underlying Fund of the Investment Choice</u>**
   - *BlackRock Global Funds - US Dollar Reserve Fund Class "A" (MLUDU)*

   The underlying fund of the investment choice above may invest in eligible repurchase agreements and reverse repurchase agreements (“repo transactions”) for both liquidity management purposes and for permitted investment purposes. The maximum proportion of the underlying fund's net asset value that can be subject to repo transactions is 40%. The expected proportion of the underlying fund's net asset value that will be subject to repo transactions will be increased from 0% to 40%.

As advised by Value Partners Hong Kong Limited, there will the following changes to the underlying funds with effect from 1 January 2020 (the "Effective Date").

9. <u>Amendment to Investment Policy of the Underlying Fund of the Investment Choice</u>

- *Value Partners Classic Fund - "B" Unit (VPAFU)**
- *Value Partners Classic Fund - "C" Unit (VPCFU)*

**This investment choice is available in Premier-Choice Series only and has been closed for new subscription.*

The following amendments will be made to the investment policy of the underlying fund of the investment choice above:

(a) Currently, the underlying fund may invest in commodities. Under the revised Code on Unit Trusts and Mutual Funds ("Code") issued by the Securities and Futures Commission in Hong Kong ("SFC"), the underlying fund may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the underlying fund will be amended for compliance with the revised Code, such that with effect from the Effective Date, the underlying fund will no longer invest in physical commodities (unless otherwise approved by the SFC). For the avoidance of doubt, the underlying fund however, may continue to invest in commodity futures contracts.

(b) Enhanced disclosures that the financial derivative instruments that the underlying fund may utilize include, but are 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 and credit linked notes and any other financial derivative instruments, for hedging and/or investment purposes, subject to the limit that the underlying fund's net derivative exposure does not exceed 50% of its net asset value; and

(c) Currently, the manager may make loans out of the assets of the underlying fund with the prior written consent of the trustee. In particular, such loans may take the form of an indirect participation or sub-participation in existing bank loans made to non-performing borrowers in countries such as Vietnam and North Korea, with a view to capitalising on any improvement in the credit standing of the relevant borrower or the implementation of any debt relief programme. With effect from the Effective Date, the manager shall not make any loans out of the assets of the underlying fund.

10. <u>Amendment to Investment Policy of the Underlying Fund of the Investment Choice</u>

- *Value Partners High-Dividend Stocks Fund - Class A1 (VPHDU)*

The following amendments will be made to the investment policy of the underlying fund of the investment choice above:

(a) Currently, the underlying fund may invest in commodities. Under the revised Code, the underlying fund may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the underlying fund will be amended for compliance with the revised Code, such that with effect from the Effective Date, the underlying fund will no longer invest in physical commodities (unless otherwise approved by the SFC). For the avoidance of doubt, the underlying fund however, will continue to invest in commodity-based investments.

(b) Currently, the manager may invest in debt securities that are below investment grade (i.e. a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating from an internationally recognized rating agency) or unrated. With effect from the Effective Date, the manager may invest in debt securities 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 rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch); and an "unrated" debt security is defined as a debt security which neither the security itself nor its issuer has a credit rating.

(c) Currently, the underlying fund may, on an ancillary basis, invest less than 30% of its net asset value in futures contracts, options, depository receipts, warrants, convertible bonds and units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme. For the purposes of hedging market and currency risks, the underlying fund may invest in index and currency swaps and currency forwards. Enhanced disclosures will be made to provide that the underlying fund's net derivative exposure may be up to 50% of the underlying fund's net Asset value provided that for so long as the underlying fund is registered for public distribution in Taiwan, the underlying fund shall, unless otherwise approved by the Taiwan Financial Supervisory Commission, comply with local Taiwanese regulation in respect of net derivative exposure, which currently requires the total value of the underlying fund's non-offset position in derivatives held for:

    (i) any purposes other than hedging, and in any derivatives held for hedging purposes in excess of the position limit stated in the paragraph below, not to exceed 40% of its net asset value (or such other percentage as the Taiwan regulator may stipulate from time to time); and
    (ii) hedging purposes, not to exceed the total market value of the relevant securities held by the underlying fund.

11. <u>Amendment to Investment Policy of the Underlying Funds of the Investment Choices</u>

- *Value Partners China Convergence Fund (VPBHU)*
- *Value Partners Chinese Mainland Focus Fund (VPMFU)*

The following amendments will be made to the investment policy of the underlying funds of the investment choices above:

(a) Currently, each of the underlying funds may invest in commodities. Under the revised Code, the underlying funds may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the underlying funds will be amended for compliance with the revised Code, such that with effect from the Effective Date, the underlying funds will no longer invest in physical commodities (unless otherwise approved by the SFC).

(b) Currently, each of the underlying funds may invest in debt securities that are below investment grade (i.e. a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating (in the case where the credit rating is designated or assigned by an internationally recognized rating agency) or rated BB+ or below (in the case where the credit rating is designated or assigned by a PRC credit rating agency)) or are unrated. With effect from the Effective Date, each of the underlying funds may invest in debt securities 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" debt security is defined as a debt security which neither the security itself nor its issuer has a credit rating.

(c) Currently, the manager may on an ancillary basis, invest less than 30% of each underlying fund's net asset value in commodities, futures, options, warrants, 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. With effect from the Effective Date, investment in futures, options and warrants will be removed from the aforesaid limit (i.e. less than 30% of each underlying fund's net asset value) and each underlying fund's investment in financial derivative instruments for hedging and/or investment purposes is subject to the limit that the underlying fund's net derivative exposure does not exceed 50% of its net asset value. Enhanced disclosures will also be made to provide that each underlying fund's net derivative exposure may be up to 50% of its net asset value.

(d) The underlying fund of Value Partners China Convergence Fund may currently invest up to 45% of its latest available net asset value in A Shares, whether directly or indirectly. Further, the underlying fund may currently invest up to 20% of its latest available net asset value in the Small and Medium Enterprise ("SME") board of the Shenzhen Stock Exchange ("SZSE") and/or the ChiNext Market of the SZSE.

With effect from the Effective Date, to provide the underlying fund with greater flexibility to capture investment opportunities in investing in A Shares in China, the underlying fund may invest up to 100% of its latest available net asset value in A Shares, whether directly or indirectly. Further, the underlying fund may also 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 Shanghai Stock Exchange. For the avoidance of doubt, the underlying fund's investment in A Shares via the QFII Holder's QFII Quota will be less than 70% of its net asset value.

Following the implementation of the changes described above, the underlying fund will continue to be subject to the general risks associated with investing in the China markets, including risks of investing in China and its equity market, RMB currency and conversion risks, risks relating to A Shares markets, QFII risk, risks associated with Stock Connects, risks associated with the SME Board, the ChiNext Board and PRC tax risk. It will also be subject to the risks of investing in the STAR Board. Investors should note that as a result of the change in exposure to A Shares, the underlying fund will be subject to an increase in the level of the risks mentioned above.

Save as described above, the changes will not result in any change to the features and risks applicable to the underlying fund.

You should refer to the relevant offering documents and the notice to shareholders of the underlying fund(s) of the above investment choice(s), which are made available by YF Life Insurance International Ltd. upon request, or visit our website (www.yflife.com) to carefully read the details of the relevant documents in relation to the above change(s).

If you have selected the above investment choice(s) under your insurance policy and if for any reason you wish to change to other investment choice(s), you may switch your investment choice(s) to other available investment choice(s) provided by your policy. Currently, no switching charge and bid-offer spread apply to the investment choices. For details, please refer to Investment Choice Brochure or contact YF Life Insurance International Ltd. - Customer Service Hotline at (852) 2533 5555 (Hong Kong)/ (853) 2832 2622 (Macau).

J.P.Morgan
Asset Management

IMPORTANT: This letter requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice.

Capitalised terms in this letter have the same meaning as in the Hong Kong Offering Document of JPMorgan Funds (the "Fund") unless otherwise specified.

28 November 2019

Dear Investor,

JPMorgan Funds - Asia Pacific Equity Fund / JPMorgan Funds - Emerging Markets Debt Fund / JPMorgan Funds - Emerging Markets Investment Grade Bond Fund / JPMorgan Funds - Emerging Markets Local Currency Debt Fund / JPMorgan Funds - Global Government Bond Fund / JPMorgan Funds - Income Fund / JPMorgan Funds - Japan Equity Fund / JPMorgan Funds - US Aggregate Bond Fund / JPMorgan Funds - US High Yield Plus Bond Fund / JPMorgan Funds - USD Money Market VNAV Fund (each a "Sub-Fund", collectively the "Sub-Funds")

Integration of Environmental, Social and Governance factors for the Sub-Funds

The investment policy of each of the Sub-Funds is enhanced to reflect that environmental, social and governance factors are integrated into the investment process.

The Hong Kong Offering Document of the Fund will be updated to reflect the enhancement of disclosure stated above in due course.

The Management Company of the Fund accepts responsibility for the accuracy of the content of this letter.

If you have any questions with regard to the content of this letter or any other aspect of the Sub-Funds, please do not hesitate to contact:

- your bank or financial adviser;
- your designated client adviser, account manager, pension scheme trustee or administrator;
- our Intermediary Clients' Hotline on (852) 2265 1000;
- our distributor hotline on (852) 2978 7788; or
- if you normally deal directly with us, our J.P. Morgan Funds InvestorLine on (852) 2265 1188.

Yours faithfully,
For and on behalf of
JPMorgan Funds (Asia) Limited
as Hong Kong Representative of the Fund

Edwin TK Chan
Director

JPMorgan Funds (Asia) Limited
21st Floor, Chater House, 8 Connaught Road Central, Hong Kong
Telephone: 852 2800 2800 Facsimile: 852 2810 1694

Franklin Templeton Investments (Asia) Limited
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This letter is important and requires your immediate attention.

If you are in doubt about the contents of this letter, you should seek independent professional advice.

Hong Kong, 15 November 2019

Dear Investor,

Franklin Templeton Investment Funds (the "Company")
- Changes to certain sub-funds ("Funds")

This letter is intended for investors who hold shares of the Company via an account with (i) Franklin Templeton Investments (Asia) Limited (the "**Hong Kong Representative**") or (ii) a duly authorized intermediary for the Hong Kong market (collectively, "**Investors**").

The purpose of this letter is to inform Investors of the following:

(1) change in the settlement deadline and clarification of the investment policy of the **Franklin U.S. Dollar Short-Term Money Market Fund** to enable investment in other short-term money market fund;

(2) elaboration on the investment policy of the **Templeton Asian Bond Fund** to disclose its investment in Mainland China through the Bond Connect or directly (also referred to as CIBM direct) to up to 40% of its net assets;

(3) update to the investment policy of the **Franklin Income Fund**'s expected and maximum levels of exposure to total return swaps and to provide examples of financial derivative instruments that may be used;

(4) clarification on the investment policy of the **Templeton Global Climate Change Fund**;

(5) update to the investment policy of the **Templeton Global Smaller Companies Fund** to clarify the use of financial derivative instruments for investment purposes;

(6) elaborations on the investment policies of the following funds to disclose their investment in Mainland China through the Bond Connect or directly (also referred to as CIBM direct):

   a. **Franklin Strategic Income Fund**;
   b. **Templeton Emerging Markets Dynamic Income Fund**;
   c. **Templeton Emerging Markets Bond Fund**;
   d. **Templeton Global Balanced Fund**;

e. **Templeton Global Bond Fund**;
f. **Templeton Global High Yield Fund**;
g. **Templeton Global Income Fund**;
h. **Templeton Global Total Return Fund**;

(7) elaborations on the investment policies of the following funds to disclose their employment of Environmental, Social and Governance (ESG) rating methodology:

a. **Templeton Asian Bond Fund;**
b. **Templeton Emerging Markets Bond Fund;**
c. **Templeton Global Bond Fund;**
d. **Templeton Global Total Return Fund**; and

(8) clarifications on the investment policy of the **Franklin Euro Government Bond Fund** to reflect the restrictions in relation to the acceptance of investment by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings.

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Explanatory Memorandum of the Company dated April 2019, as amended from time to time (the "**Current Explanatory Memorandum**"). The changes stated in this letter shall take effect as from 16 December 2019, unless otherwise stated.

(1) Change in the settlement deadline and clarification of the investment policy of the Franklin U.S. Dollar Short-Term Money Market Fund to enable investment in other short-term money market fund

(i) <u>Change in the settlement deadline</u>

The Franklin U.S. Dollar Short-Term Money Market Fund currently requires (i) subscription monies in cleared funds be paid within 3 Business Days following the date of application; and (ii) normally arranges redemption proceeds to be paid to investors' bank accounts within 3 Business Days in Hong Kong after the Hong Kong Representative's receipt of properly documented redemption requests. To bring this Fund in line with the market practice for money market funds in general, the Management Company intends to shorten the settlement cycle for both subscriptions and redemptions of this Fund to 1 Business Day in Hong Kong following the dates of (i) application; and (ii) receipt of proper redemption instructions respectively.

Accordingly, the following changes shall be applied:

(a) the beginning of the fifth paragraph under the section headed "**PURCHASE AND REDEMPTION OF SHARES**" – "**PURCHASES**" shall be amended as follows:

"Subscription monies in cleared funds must be paid within three (3) Business Days following the date of application. <u>Subscription monies in cleared funds for Franklin U.S. Dollar Short-Term Money Market Fund must be paid within one (1) Business Day following the date of application.</u>"

(b) the latter part of the first paragraph under the section headed "**PURCHASE AND REDEMPTION OF SHARES**" – "**REDEMPTIONS**" shall be amended as follows:

"Following receipt of original completed documentation, the proceeds will normally be paid to your bank account by telegraphic transfer in US or Hong Kong dollars, or other major freely convertible currencies upon request, within three (3) Business Days <u>(except for Money Market Funds for which proceeds will normally be paid within one (1) Business Day)</u> and in any event

not later than one month after the receipt of a properly documented redemption request from the Shareholder."

The change in the settlement deadline will be effective on 16 December 2019. Any subscription applications received on or before 4:00pm Hong Kong time on 15 December 2019, subscription monies in cleared funds will have to be paid within three (3) Business Days following the date of application. For any subscription applications received after this time, subscription monies in cleared funds will be due within one (1) Business Day following the date of application (instead of three (3)). Any redemption instructions received on or before 4:00pm Hong Kong time on 15 December 2019, redemption proceeds will normally be paid within three (3) Business Days following receipt of original completed documentation by the Hong Kong Representative. For any redemption instructions received after this time, redemption proceeds will normally be paid within one (1) Business Day following receipt of original completed documentation by the Hong Kong Representative.

Please note that despite this change in dealing deadline, certain intermediaries may impose an earlier dealing cut-off time. Investors are recommended to check with their bank, investment adviser or other intermediary (if applicable) to ensure they meet the relevant dealing deadline.

This change in settlement deadline shall apply to all share classes of this Fund. Except for this change, there will be no change or impact to the handling of switching requests, or the processing or valuation of dealing requests otherwise.

Other than the change stated above, there will be no change in the operation and/or manner in which the Fund will be managed, and there will not be any material adverse impact on the interests of investors.

(ii) <u>Clarification of the investment policy of the Franklin U.S. Dollar Short-Term Money Market Fund to enable investment in other short-term money market fund</u>

With effect from 30 October 2019, the investment policy of this Fund shall be clarified to allow investment in (a) all investments at the time of purchase shall have a minimum long-term rating of A or better by Standard & Poor's Corporation or <u>A2 or better by</u> Moody's Investors Service; and (b) less than 10% of the its net assets in units or shares of any other short-term Money Market Fund.

The change above will not result in any additional risks or impact the investment strategy of the Fund. There is no change to the operation and/or the manner in which the Fund is being managed.

(2) Elaboration on the investment policy of the Templeton Asian Bond Fund to disclose its investment in Mainland China through the Bond Connect or directly (also referred to as CIBM direct) to up to 40% of its net assets

The current investment policy of the Templeton Asian Bond Fund provides for up to 10% of the Fund's net assets to be invested in Mainland China through the Bond Connect or CIBM direct. It is proposed that subject to local rules and regulations, this maximum exposure be increased to up to 40%. The Investment Manager believes this additional flexibility will be beneficial to investors in the Fund. The Fund's investment in Mainland China through the Bond Connect or CIBM direct will be part of the principal investment of the Fund.

As a result of the Fund's increased exposure to Mainland China through the Bond Connect or CIBM direct, the Fund will be subject to higher level of "China Bond Connect risk" and "Chinese Market risk" as described under the "RISK CONSIDERATIONS" section of the Current Explanatory Memorandum. In addition, the Fund will also become subject to the following additional risks:

"(i) <u>RMB currency and conversion risk</u>

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 HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the 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.

(ii) <u>Credit rating agency risk</u>

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

(iii) <u>Mainland China tax risk</u>

The treatment of income tax and other tax categories payable in respect of trading in the China Interbank Bond Market ("CIBM") by eligible foreign institutional investors via the Bond Connect is subject to uncertainties, although the central government of Mainland China has announced interim tax relief in respect of income tax and value-added tax applicable to coupon income and, in practice, capital gains from trading debt securities in the CIBM is not subject to any tax. Any changes in the Mainland Chinese tax law, future clarifications thereof, and/or subsequent retroactive enforcement by the Mainland Chinese tax authorities of any tax may result in a material loss to the relevant Funds. The Management Company and/or the relevant Investment Manager will keep the provisioning policy for tax liability under review, and may, in its discretion from time to time, make a provision for potential tax liabilities, if in their opinion such provision is warranted, or as further clarified by the Mainland Chinese authorities in notifications.

(iv) <u>Volatility and Liquidity Risk</u>

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The relevant Funds investing in such market are therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the relevant Funds may therefore incur significant trading and realization costs. The debt securities traded in the CIBM may be difficult or impossible to sell, and this would affect the relevant Funds' ability to acquire or dispose of such securities at their intrinsic value.

(v) <u>Clearing and Settlement Risk</u>

To the extent that a Fund transacts in the CIBM, such Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the relevant Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value. If the clearing house in Mainland China defaults on its obligation to deliver securities/make payment, the Fund may suffer delays in recovering its losses or may not be able to fully recover its losses.

(vi) Risk of Default of Agents

For investments via the Bond Connect, the relevant filings, registration with People's Bank of China and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the relevant Funds are subject to the risks of default or errors on the part of such third parties.

(vii) System Failure Risks for the Bond Connect

Trading through the Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The relevant Fund's ability to trade through the Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where the relevant Fund invests in the CIBM through the Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

(viii) Risk of difference in trading day between markets via the Bond Connect

Due to differences in public holidays between Hong Kong and Mainland China or other reasons such as bad weather conditions, there may be a difference in trading days and trading hours in the markets accessible through the Bond Connect. The Bond Connect will only operate on days when those markets are open for trading and when banks in those markets are open on the corresponding settlement days. As such, it is possible that there are occasions when it is a normal trading day for the CIBM market in Mainland China but it is not possible to carry out any Bond Connect securities trading in Hong Kong.

(ix) Credit default risks associated with Investments in Mainland China Bonds

The Fund is exposed to the credit default risk of issuers of bonds in Mainland China. The issuers may default on their payment obligations or otherwise be unwilling or unable to honor their contractual obligations. The ability of the issuers to satisfy their payment / contractual obligations may be adversely affected by risks inherent in investing in Mainland China, including without limitation economic and political instability, nationalisation, expropriation, government control and intervention, price volatility, and devaluation and fluctuations in RMB. In the event that the issuers default on payment of principal or interest of the bonds that the Fund invests in, the Fund could suffer substantial loss and the net asset value of the Fund could be adversely affected.

(x) Risks associated with the CIBM direct

Investing in the CIBM via CIBM direct is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the CIBM via CIBM direct are subject to change which may have potential retrospective effect. In the event that the relevant authorities in Mainland China suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be adversely affected. In such event, the Fund's ability to achieve its investment objective will be negatively affected."

Other than the change in the investment policy and the exposure to additional risks in relation to the Templeton Asian Bond Fund as a result of an increase in the exposure to Mainland China through the Bond Connect or CIBM direct as outlined above, there will be no material change or increase in the overall risk profile of the Fund and there will be no impact on the feature of the Fund, no change to the operation and/or the manner in which the Fund is being managed and no material adverse impact on the interests of investors.

(3) Update to the investment policy of the Franklin Income Fund's expected and maximum levels of exposure to total return swaps and to provide examples of financial derivative instruments that may be used

To aid in the efficient portfolio management of the Franklin Income Fund, with effect from 30 October 2019, the expected level of exposure that could be subject to total return swaps (unfunded) amounts to 5% of the Fund's net assets, subject to a maximum of 10%. Further, the exposure to swaps would include fixed income related and/or equity related total return swaps. The Investment Manager believes that these updates to the investment policy of the Fund will be beneficial to Shareholders in the Fund. These changes will not result in any additional risks or impact the investment strategy of the Fund. There is no change to the operation and/or the manner in which the Fund is being managed.

(4) Clarification on the investment policy of the Templeton Global Climate Change Fund

For clarificatory purposes, the investment policy of the Templeton Global Climate Change Fund shall be amended as follows with effect from 30 October 2019:

> *"The Fund seeks to achieve its objective through a policy of investing in equity securities of companies throughout the world that are actively addressing climate change* ~~*with favourable Environmental, Social and Governance (ESG) attributes*~~*. The Fund invests primarily in common stocks of global companies providing solutions to mitigate and adapt to climate change and making their businesses resilient* ~~*which recognise and adapt*~~ *to the long-term financial risks and opportunities presented by climate change and resource depletion across all sectors, and are, therefore, better prepared for a transition to a low carbon economy. The Fund's investment process combines financial and ESG (Environmental, Social and Governance) considerations, and the Fund promotes sustainable environmental, social and governance practices.*
>
> *The Fund's climate change objective is to take participation in companies that aim to reduce emissions, improve resource efficiency and limit the physical consequences of climate change so as to align the Fund's portfolio carbon footprint with the landmark Paris Agreement adopted in December 2015 (i.e. "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels").*
>
> *The Fund has no exposure to fossil fuel producers, to producers of controversial weapons (i.e., anti-personnel mines, nuclear weaponry, biological & chemical weaponry and cluster munitions) and to companies that generate 10% or more of their revenues from tobacco. On a best effort basis, the Investment Manager proceeds with a formal review of alleged violations of UN Global Compact Principles, international norms on human rights, labour rights, environment standards and anti-corruption statutes. The severity of the violation, response, frequency and nature of the involvement are considered when deciding appropriate action.*
>
> *Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock, and fixed income securities. The Fund may further invest in time deposits, cash and money market instruments. The Fund may also invest up to 10% of its net assets in units of undertaking for collective investments such as UCITS, Exchange Traded Funds ("ETFs") as well as other UCIs."*

These clarificatory changes will not result in any additional risks or impact the investment strategy of the Fund. There is no change to the operation and/or the manner in which the Fund is being managed.

(5) Update to the investment policy of the Templeton Global Smaller Companies Fund to clarify the use of financial derivative instruments for investment purposes

To aid in the efficient portfolio management of the Templeton Global Smaller Companies Fund, the investment policy of the Fund shall be updated to add the following:

> *"The Fund may further utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts, equity and equity index options, equity linked notes, as well as options (including warrants)."*

As a result of the Fund's investment in financial derivative instruments, the Fund will be subject to "Derivative Instruments risk" and "Warrants risk" as described under the "RISK CONSIDERATIONS" section of the Current Explanatory Memorandum.

The Investment Manager believes that this update to the investment policy for the Fund will be beneficial to Shareholders in the Fund. Other than as disclosed above, this update will not result in any additional risks or impact the investment strategy of the Fund. There is no change to the operation and/or the manner in which the Fund is being managed.

(6) Elaborations on the investment policies of several Funds to disclose their investment in Mainland China through the Bond Connect or directly (also referred to as CIBM direct)

The investment policies of the following Funds will be elaborated to disclose that they may invest in Mainland China through the Bond Connect or CIBM direct. The increase in exposure (where applicable) and maximum exposure are also listed in the table below:

Fund	**Investment in Mainland China through the Bond Connect or CIBM direct**
Franklin Strategic Income Fund	Up to 10%
Templeton Emerging Markets Dynamic Income Fund	Increase from "up to 10%" to "less than 30%"
Templeton Emerging Markets Bond Fund	Increase from "up to 10%" to "less than 30%"
Templeton Global Balanced Fund	Less than 30%
Templeton Global Bond Fund	Less than 30%
Templeton Global High Yield Fund	Less than 30%
Templeton Global Income Fund	Less than 30%
Templeton Global Total Return Fund	Less than 30%

As a result of the Funds' investment in Mainland China through the Bond Connect or CIBM direct, please refer to the risk disclosures on "China Bond Connect risk" and "Chinese Market risk" under the "RISK CONSIDERATIONS" section of the Current Explanatory Memorandum for details of the relevant risks associated with this proposed change.

Other than as disclosed above, the Investment Managers of the Funds believe there will not be any additional risks as a result of the elaboration to the Funds' investment policies. There is no change to the operation and/or the manner in which the Funds are being managed.

(7) Elaborations on the investment policies of several Funds to disclose the employment of Environmental, Social and Governance (ESG) rating methodology

With effect from 30 October 2019, the investment policies of the following Funds shall be elaborated to disclose their employment of Environmental, Social and Governance (ESG) rating methodology in the process of building the investment portfolios.

a. Templeton Asian Bond Fund;
b. Templeton Emerging Markets Bond Fund;
c. Templeton Global Bond Fund;
d. Templeton Global Total Return Fund.

The investment policies of these Funds shall be updated to add the following:

> “*The Fund employs a proprietary Environmental, Social and Governance (ESG) rating methodology to assess government bond issuers, which is derived from a composite of subcategories determined to be material to macroeconomic performance. The research team assigns scores on all invested countries by overlaying their views on a benchmark created by global indexes for current scores. Projected numbers in anticipation of how conditions will change in the medium term are emphasized as part of the research process. Preference is given to countries with higher ESG ratings or projected neutral to improving ESG ratings. ESG subcategories, weightings, and global indexes used may change over time. The Investment Manager performs ESG rating methodology on all potential and current holdings but the results of this methodology can be deviated from in the portfolio construction.”*

(8) clarifications on the investment policy of the Franklin Euro Government Bond Fund to reflect the restrictions in relation to the acceptance of investment by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings

With effect from 30 October 2019, the investment policy of the Franklin Euro Government Bond Fund shall be elaborated to reflect the restrictions in respect of acceptance of investment by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings. The investment policy of the Fund shall be updated as follows:

> *“If and for so long as the Fund accepts investment by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings (Versicherungsaufsichtsgesetz - VAG), the Fund will not invest in (i) debt securities that are rated below B minus ~~and below~~ by Standard & Poor's Corporation and/or Fitch Ratings Limited, or ~~B3 and~~ below B3 by Moody's Investors Service, Inc. (if at any time the Fund’s assets are no longer compliant with this rating requirements due to downgrade, they shall be sold, at the best interest of the Investors, within 6 months' time), however, should the downgraded securities represent less than 3% of the value of the total assets, they may be tolerated by the Investment Manager provided that the interests of Investors are not impaired (if unrated, securities must be declared to be of comparable quality by the Investment Manager), (ii) asset-backed securities rated below investment grade.”*

* * * * * *

The changes set out in this letter are not expected to give rise to any change in the fee level or fee structure of the Funds, or any additional costs and expenses for Shareholders of the Company (other than the cost of publishing this letter, which is estimated to be approximately HKD500,000 and which will be charged and allocated to the Funds covered in the letter based on the pro rata share of the Net Asset Value of the Funds). Any additional costs and expenses arising from the changes will be borne by the Management Company.

The changes set out in this letter will not have any material adverse impact on the interests of the Funds’ investors and are not expected to materially prejudice the rights or interests of Shareholders of the Funds.

* * * * * *

If you do not agree with the changes numbered 2, 5 or 6 above, you may request, free of charge until 16 December 2019, for a redemption of your shares of the relevant Funds impacted by such changes or a switching of such shares into shares of other sub-funds of the Company that are authorized[1] by the Securities and Futures Commission of Hong Kong ("**SFC**"), details of which are disclosed in the Current Explanatory Memorandum.

The Company comprises a wide range of sub-funds catering for many different objectives. Switching of your existing holding may be made into other sub-funds within the Company that are authorized[1] by the SFC. On receipt of your instructions, we will execute the switching for you in accordance with the provisions of the Current Explanatory Memorandum, free of any charges.

If you do not wish to switch your shares and would like to redeem such shares, the redemption will be made in accordance with the provisions of the Current Explanatory Memorandum, free of charge. Please note that "free of any redemption charge" does not apply to the contingent deferred sales charge ("**CDSC**") for all classes subject to such CDSC, due to the nature of such fee. Accordingly, should you decide to redeem any shares subject to a CDSC, such redemption will be subject to the applicable CDSC as more fully disclosed in the Current Explanatory Memorandum.

Please note that although the Company will not charge shareholders of the relevant Funds impacted by the changes numbered 2, 5 or 6 above any redemption or switching fee for redemption and switching requests that reach the Hong Kong Representative, in some cases the relevant bank, investment adviser or other intermediary may charge switching and/or transaction fees. They may also have a local dealing cut-off time which is earlier than the dealing deadline described above. Shareholders of the relevant Funds are recommended to check with their bank, investment adviser or other intermediary (if applicable) to ensure that their instructions reach the Hong Kong Representative before the dealing deadline above.

* * * * * *

The Management Company and the Board accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

An updated version of the Hong Kong offering documents of the Company will be available at the office of the Hong Kong Representative in due course. If you require further information, please do not hesitate to contact your investment consultant, call our Investor Hotline at +852 2805 0111 or contact the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong. If you are not a duly authorized intermediary for the Hong Kong market, please be advised that you are not required to forward this letter to your end clients.

Yours faithfully,
Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
As Hong Kong Representative of the Company

[1] SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

BlackRock.

Registered Office:
2-4, rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action to be taken you should consult your stockbroker, bank manager, solicitor, accountant, relationship manager or other professional adviser immediately.

BLACKROCK GLOBAL FUNDS

Registered office: 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg
R.C.S. Luxembourg B 6317

19 November 2019

Dear Shareholder

We, BlackRock Asset Management North Asia Limited, as Hong Kong Representative of BlackRock Global Funds (the "**Company**") are writing to advise you of changes that the board of directors (the "**Directors**") of the Company proposes to make to the Company and certain of its sub-funds (the "**Funds**").

The changes set out in this letter will take effect from 31 December 2019 (the "**Effective Date**"), unless otherwise stated herein and this letter forms notice to shareholders of the facts set out below.

Terms not defined herein shall have the same meaning as set out in the prospectus currently in force (available at www.blackrock.com/hk) (the "**Prospectus**"). Investors should note that the website has not been authorised or reviewed by the Securities and Futures Commission ("**SFC**").

1. Investment in the People's Republic of China ("PRC")

The investment policy of certain Funds will be changed to enable these Funds to increase their ability to invest in the PRC (a) via RQFII quota and/or via the Stock Connects; and/or (b) in the CIBM via the Foreign Access Regime and/or Bond Connect, thus enabling greater focus on the PRC. Please refer to the table in the Appendix (Part One) for details of the relevant Funds and the changes.

Stock Connects means each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connects**") and allows international and Mainland Chinese investors to trade securities in each other's markets through the trading and clearing facilities of their home exchange. RQFII means a Renminbi Qualified Foreign Institutional Investor.

Bond Connect means the initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China as described in the section entitled "China Interbank Bond Market" in the "Investment Objectives and Policies" section of the Prospectus. CIBM means the Mainland China interbank bond markets of the PRC.

2. Investment in distressed securities and Asset-backed Securities ("ABS")/Mortgage-backed Securities ("MBS")

The investment strategy of certain Funds will be changed to enable these Funds to invest in, or increase the ability to invest in, distressed securities and/or ABS/MBS. In light of the risks involved in these investments (described below), and in order to provide shareholders with greater transparency regarding their use, appropriate disclosure will be added to the investment policy of each relevant Fund, as follows:

(a) Fixed Income Global Opportunities Fund and US Dollar Bond Fund (each a "**Relevant Fund**", and collectively, the "**Relevant Funds**"):

The investment policies of the Relevant Funds currently state that each of them may invest up to 50% of its total assets in ABS and MBS. For greater investment flexibility, it is proposed that from the Effective Date onwards, the Relevant Funds will be able to gain significant exposures to ABS and MBS by disclosing an amended threshold of the Relevant Funds' investments in ABS and MBS. In particular, each of the Fixed Income Global Opportunities Fund and the US Dollar Bond Fund may invest up to 100% of its total assets in ABS and MBS. There will be no change to the investment objectives of the Relevant Funds.

The change may result in an increase in the overall risk profiles of the Relevant Funds through significant exposures to ABS and MBS. However, apart from the increased level of risks associated with investment in ABS and MBS, there will be no other change in other risk factors or addition of new risk factors applicable to the Relevant Funds. There will be no change to the expected level of leverage of each of the Relevant Funds. Please refer to the risks associated with investment in ABS and MBS as described below and also detailed in the Prospectus. The change will not materially prejudice the rights or interests of the existing shareholders of the Relevant Funds.

(b) The investment policy of each of the Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, European High Yield Bond Fund, Global High Yield Bond Fund and US Dollar High Yield Bond Fund will be changed to enable each of these Funds to invest up to 10% of its total assets in distressed securities.

Please refer to the table in the Appendix (Part Two) for details of the relevant Funds and the changes.

The investment thresholds will be added or revised as discussed in paragraphs (a) to (c) above so that the investment policy of each relevant Fund will more clearly and accurately represent how the Investment Adviser wishes to manage the Fund in order to achieve its investment objective. The changes are intended to ensure that the investment characteristics and positioning of these Funds remain both relevant to and consistent with the current investment environment and expectations of shareholders. The Directors believe these changes will be in the best interests of shareholders as they will help create a wider investible universe and maximise the performance of the Funds.

Save as described above in respect of the Relevant Funds, there will be no material changes to the investment objectives, policies, overall risk profiles or to the way in which the relevant Funds are managed.

Distressed securities
In simple terms, distressed securities are securities issued by a company that is either in default or in high risk of default, and investment in distressed securities therefore involves significant risk.

Please refer to "**Distressed Securities**" in the "**Risk Considerations**" section of the Prospectus for further information regarding the risks associated with investment in distressed securities.

ABS / MBS
In simple terms, ABS and MBS are debt securities backed or collateralised by the income stream from an underlying pool of assets or mortgage loans respectively. The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities such as government issued bonds. Please refer to "**Asset-backed Securities ("ABS") and Mortgage-backed Securities ("MBS")**" in the "**Risk Considerations**" section of the Prospectus for further information regarding the risks associated with investment in ABS and MBS.

3. Clarification of investment policies and change to Fund names

The investment policy of certain Funds will be changed to give better clarity regarding the investment strategy of the Fund and to better distinguish the relevant Fund from other Funds in the Company, and for better consistency, as follows:

(a) It is currently disclosed in the Information for Residents of Hong Kong ("**IRHK**") that the Global Long-Horizon Equity Fund invests in equity securities that, in the opinion of the Investment Adviser, have a sustainable competitive advantage and will typically be held over a long-term horizon. The relevant disclosure will be moved to the Prospectus, while the same will remain in the Product Key Facts Statement ("**KFS**") of the Global Long-Horizon Equity Fund, with a minor clarificatory amendment.

(b) The investment policy of each of the China A-Share Opportunities Fund, Global Enhanced Equity Yield Fund and Global SmallCap Fund will be enhanced to reflect that Funds will use quantitative (i.e. mathematical or statistical) models in order to achieve a systematic (i.e. rule based) approach to stock selection. The names of the China A-Share Opportunities Fund, Global Enhanced Equity Yield Fund and Global SmallCap Fund will be amended to include the word "Systematic", in order to reflect the investment approach followed by the Funds. The new Fund names will be as follows: "Systematic China A-Share Opportunities Fund", "Systematic Global Equity High Income Fund" and "Systematic Global SmallCap Fund".

Please refer to the table in the Appendix (Part Three) for details of the relevant Funds and the changes.

These changes to the investment policies and names of the relevant Funds will have no impact on the investment strategy of the relevant Funds and are being made purely for clarification purposes.

Please note also for the Global Enhanced Equity Yield Fund that the management fee on Class D Shares will be reduced from 0.75% to 0.60% on 2 December 2019.

4. Change to the names of the risk management benchmarks for the ESG Multi-Asset Fund and US Government Mortgage Fund

The Prospectus will be updated to reflect the changes to the names of the risk management benchmarks for the ESG Multi-Asset Fund and US Government Mortgage Fund.

The risk management benchmark for the ESG Multi-Asset Fund will be renamed from "50% MSCI World Index / 50% **Citigroup** World Government Bond Euro Hedged Index" to "50% MSCI World Index / 50% **FTSE** World Government Bond Euro Hedged Index". The risk management benchmark for the US Government Mortgage Fund will be renamed from "**Citigroup** Mortgage Index" to "**FTSE** Mortgage Index".

There is no change to the benchmarks themselves.

5. Clarification of the dividend policy of the Funds

New disclosure will be added under the section entitled "**Dividend Policy**" of the Prospectus to clarify the dividend policy of the Funds as it relates to the distribution of income gross of expenses. The following Funds distribute income gross of expenses across all distributing share classes: Asia Pacific Equity Income Fund, Asian Multi-Asset Growth Fund (to be renamed Asian Multi-Asset Income Fund), Emerging Markets Equity Income Fund, Dynamic High Income Fund, European Equity Income Fund, Global Equity Income Fund, Global Multi-Asset Income Fund, Natural Resources Growth & Income Fund, North American Equity Income Fund and Global Enhanced Equity Yield Fund (to be renamed Systematic Global Equity High Income Fund).

There is no change being made to the dividend policy of the Funds as a result of the inclusion of the additional disclosure.

6. Changes to the glossary definition of Business Day

Outside of the European Union, there are days where the relevant local exchange is open whilst the relevant currency exchange vendor, which allows valuation of the Funds to be done in an automated fashion ("**Automated FX Vendor**"), is closed. On such days, with respect to that relevant market, it is not possible to get the most up to date FX price from the Automated FX Vendor but other non-Automated FX Vendors. These non-Automated FX Vendors require manual tracking of FX prices which may pose operational and valuation risks to the Funds. Therefore, it is preferred to obtain the most up to date FX price from the Automated FX Vendor ("**Automated FX Price**").

In the absence of the most up to date Automated FX Price, the Net Asset Value of a Fund so calculated may not fully reflect the most up to date value of the relevant Fund's investments expressed in its Base Currency. To take into account such circumstance, the definition of what constitutes a "Business Day" in the glossary of the Prospectus will be changed to add reference to the closure of currency exchange vendors, as follows, such that there will not be any valuation of, or dealings in, the Shares of the relevant Funds on such days:

"Business Day means any day normally treated by the banks in Luxembourg as a business day (except for Christmas Eve) and such other days as the Directors may decide. ~~*For Funds that invest a substantial amount of assets outside the European Union, t*~~***T****he Management Company may also take into account whether relevant local exchanges are open* ***for Funds that invest a substantial amount in assets outside the Eurozone, and/or whether relevant currency exchange vendors are open for Funds that have substantial exposure to a currency other than their respective Base Currency****, and may elect to treat such closures as non-business days.* ***Information regarding closures of local exchanges or currency exchange vendors treated by the Management Company as non-business days will be available before such a non-business day and can be obtained from the registered office of the Company and from the local Investor Servicing team****."*

While the change applies to all Funds of the Company as a whole, it may only result in a small number of additional non-Business Days for certain Funds that have substantial exposure to currency other than their respective Base Currency, depending on which Automated FX Vendor is closed and the amount of assets of the Fund for which the most up to date Automated FX Price cannot be obtained. Consequentially, there may also be a small number of additional non-Dealing Days (and hence no Share prices are calculated on those non-Dealing Days) for certain Funds that have substantial exposure to currency other than their respective Base Currency.

The change would not result in any changes to the investment objectives, policies, overall risk profiles or to the way in which the Funds are managed.

7. Distributing Shares

On 1 August 2019, the letter "G" (referencing payment of income gross of expenses) was added or removed to the names of some Distributing Shares in accordance with the Prospectus (see section entitled "Classes and Form of Shares"). This was an administrative clarification in the name of the share classes and no changes were made to the manner in which the share classes are operated.

8. US Dollar Reserve Fund

The Fund may invest in eligible repurchase agreements and reverse repurchase agreements ("**repo transactions**") for both liquidity management purposes and for permitted investment purposes. The maximum proportion of the Fund's Net Asset Value that can be subject to repo transactions is 40%. The expected proportion of the Fund's Net Asset Value that will be subject to repo transactions will be increased from 0% to 40%.

Action to be taken by you

Shareholders are not required to take any action in relation to the changes described in this letter. If, however, you do not agree with the changes described in this letter you may redeem your Shares free of any redemption charges at any time prior to the Effective Date, in accordance with the provisions of the Prospectus. If you have any questions regarding the redemption process, please contact your local representative or the Hong Kong Representative (see details below).

Redemption proceeds will be paid to shareholders within three Business Days of the relevant Dealing Day, provided that the relevant documents (as described in the Prospectus) have been received.

General Information

The changes described in this letter will not result in any change in the fees and expenses borne by the Funds and/or its shareholders. The fee and expenses associated with these changes will be paid by the Management Company out of the Administration Fee charged to the Funds. The changes will not materially prejudice the rights or interests of the shareholders of the Funds. Save for the changes described in this letter, the operation of the Funds will remain unchanged.

Updated versions of the Prospectus, IRHK and KFS of the Funds will be available to shareholders free of charge in due course upon request from your local representative on +852 3903-2688 or at the office of the Hong Kong Representative at the address stated below. Copies of the Company’s Articles of Incorporation, annual and semi-annual reports are also available free of charge upon request from your local representative or the Hong Kong Representative.

The Directors accept responsibility for the contents of this letter. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that this is the case) the information contained in this letter is in accordance with the facts and does not omit anything likely to affect the impact of such information.

If you would like any further information or have any questions regarding this letter, please contact the Company's Hong Kong Representative, BlackRock Asset Management North Asia Limited, at 16/F Champion Tower, 3 Garden Road, Central, Hong Kong or by telephone on +852 3903-2688.

Yours faithfully

BlackRock Asset Management North Asia Limited
Hong Kong Representative

Appendix

Part One: Investment in the PRC

For the below listed Funds the ability to invest in the PRC via RQFII quota and/or the Stock Connects and/or the Foreign Access Regime and/or Bond Connect (as appropriate) has been extended from 10% to 20% of total assets. Where a Fund invests in the PRC via both the RQFII quota and/or the Stock Connects and/or the Foreign Access Regime and/or Bond Connect there is an aggregate limit of 20% of total assets.

Fund	New Limit
ASEAN Leaders Fund, Asia Pacific Equity Income Fund, Asian Dragon Fund, China Fund and Pacific Equity Fund	The Fund may invest directly up to 20% in aggregate of its total assets in the PRC by investing via RQFII Quota and/or the Stock Connects. (10% currently).
Emerging Markets Equity Income Fund, Emerging Markets Fund, FinTech Fund, Future Of Transport Fund, Global Dynamic Equity Fund, Global Enhanced Equity Yield Fund (to be renamed Systematic Global Equity High Income Fund), Global Equity Income Fund, Global Long-Horizon Equity Fund, Global SmallCap Fund (to be renamed Systematic Global SmallCap Fund), Natural Resources Growth & Income Fund, Next Generation Technology Fund, Sustainable Energy Fund, Nutrition Fund, World Energy Fund, World Financials Fund, World Gold Fund, World Healthscience Fund, World Mining Fund, World Real Estate Securities Fund and World Technology Fund	The Fund may invest directly up to 20% of its total assets in the PRC by investing via the Stock Connects. (10% currently).
Asian High Yield Bond Fund, Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, Fixed Income Global Opportunities Fund, Global Bond Income Fund, Global Corporate Bond Fund, Global Government Bond Fund, US Dollar Bond Fund, US Dollar Short Duration Bond Fund and World Bond Fund	The Fund may gain exposure for no more than 20% of its total assets to onshore bonds distributed in Mainland China in the CIBM via the Foreign Access Regime and/or Bond Connect and/or other means as may be permitted by the relevant regulations from time to time. (10% currently).
Asian Tiger Bond Fund	The Fund may invest up to 20% in aggregate of its total assets in the PRC via RQFII Quota, the Foreign Access Regime and/or Bond Connect. (Currently, the Fund may invest directly up to 10% of its total assets in the PRC by investing via RQFII Quota, and may gain exposure for no more than 10% of its total assets to onshore bonds distributed in Mainland China in the CIBM via the Foreign Access Regime and/or Bond Connect and/or other means as may be permitted by the relevant regulations from time to time.)
Emerging Markets Local Currency Bond Fund	The Fund may invest up to 20% in aggregate of its total assets in the PRC via RQFII Quota, the Foreign Access Regime and/or Bond Connect. (Currently, the Fund may invest directly up to 10% of its total assets in the PRC by investing via RQFII Quota, and may gain exposure for no more than 20% of its total assets to onshore bonds distributed in Mainland China in the CIBM via the Foreign Access Regime and/or Bond Connect and/or other means as may be permitted by the relevant regulations from time to time.)
Dynamic High Income Fund, ESG Multi-Asset Fund, Global Allocation Fund and Global Multi-Asset Income Fund	The Fund may invest up to 20% in aggregate of its total assets in the PRC via the Stock Connects, the Foreign Access Regime and/or Bond Connect. (Currently, the Fund may invest directly up to 10% of its total assets in the PRC by investing via the Stock Connects, and may gain direct exposure for no more than 10% of its total assets to onshore bonds distributed in Mainland China in the CIBM via the Foreign Access Regime and/or Bond Connect and/or other means as may be permitted by the relevant regulations from time to time.)

Part Two: Investment in distressed securities and ABS/MBS

For the below listed Funds the ability to invest in distressed securities or ABS/MBS is being extended.

Fund	New Disclosures
Emerging Markets Bond Fund	The Fund's exposure to Distressed Securities is limited to 10% of total assets. (No reference currently.)
Emerging Markets Corporate Bond Fund	The Fund's exposure to Distressed Securities is limited to 10% of total assets. (No reference currently).
European High Yield Bond Fund	The Fund's exposure to Distressed Securities is limited to 10% of total assets. (No reference currently).
Fixed Income Global Opportunities Fund	As part of its investment objective the Fund may invest up to 100% of its total assets in ABS and MBS whether investment grade or not. (50% currently). Additional language regarding ABS/MBS and leverage will be added to the investment policy of the Fund to provide better clarity – full statement of investment objective and policy as follows: "The Fixed Income Global Opportunities Fund seeks to maximise total return. The Fund invests at least 70% of its total assets in fixed income transferable securities denominated in various currencies issued by governments, agencies and companies worldwide. The full spectrum of available securities, including non-investment grade, may be utilised. Currency exposure is flexibly managed. The Fund is a CIBM Fund and may gain direct exposure for no more than 20% of its total assets to onshore bonds distributed in Mainland China in the CIBM via the Foreign Access Regime and/or Bond Connect and/or other means as may be permitted by the relevant regulations from time to time. As part of its investment objective the Fund may invest up to 100% of its total assets in ABS and MBS. ABS and MBS are debt securities backed or collateralised by the income stream from an underlying pool of assets or mortgage loans respectively. It is anticipated that a large portion of the ABS and MBS held by the Fund will have an investment grade rating, but the Fund will be able to use the full spectrum of available ABS and MBS, including non-investment grade instruments. ABS and MBS held by the Fund may include asset-backed commercial paper, collateralised debt obligations, collateralised mortgage obligations, commercial mortgage-backed securities, credit–linked notes, real estate mortgage investment conduits, residential mortgage-backed securities and synthetic collateralised debt obligations. The issuers of the ABS and MBS may be companies, governments or municipalities and, more particularly, the Fund may hold MBS issued by government-sponsored enterprises ("agency MBS"). The underlying assets of the ABS and MBS may include loans, leases or receivables (such as credit card debt, automobile loans and student loans in the case of ABS and commercial and residential mortgages originating from a regulated and authorised financial institution in the case of MBS). Although this will not typically be the case, the ABS and MBS in which the Fund invests may use leverage to increase return to investors. The Fund's exposure to contingent convertible bonds is limited to 20% of total assets. The Fund's exposure to Distressed Securities is limited to 10% of its total assets. The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management. Where the Fund uses derivatives, this may generate varying amounts of market leverage (i.e. where the Fund gains market exposure in excess

Fund	New Disclosures
	of the value of its assets) and at times these levels of market leverage may be high. The use of derivatives will inevitably create leverage, because of the required calculation method i.e. leverage is the sum or gross notional exposure created by the derivatives used. A high leverage number is not necessarily an indication of high risk.”
Global High Yield Bond Fund	The Fund’s exposure to Distressed Securities is limited to 10% of total assets. (No reference currently).
US Dollar Bond Fund	As part of its investment objective the Fund may invest up to 100% of its total assets in ABS and MBS whether investment grade or not. (50% currently). Additional language regarding ABS/MBS and leverage will be added to the investment policy of the Fund to provide better clarity – full statement of investment objective and policy as follows: “The US Dollar Bond Fund seeks to maximise total return. The Fund invests at least 80% of its total assets in investment grade fixed income transferable securities. At least 70% of the Fund’s total assets are invested in fixed income transferable securities denominated in US dollars. Currency exposure is flexibly managed. The Fund is a CIBM Fund and may gain direct exposure for no more than 20% of its total assets to onshore bonds distributed in Mainland China in the CIBM via the Foreign Access Regime and/or Bond Connect and/or other means as may be permitted by the relevant regulations from time to time. As part of its investment objective the Fund may invest up to 100% of its total assets in ABS and MBS. ABS and MBS are debt securities backed or collateralised by the income stream from an underlying pool of assets or mortgage loans respectively. It is anticipated that a large portion of the ABS and MBS held by the Fund will have an investment grade rating but the Fund will be able to utilise the full spectrum of available ABS and MBS, including non-investment grade or not instruments. ABS and MBS held by the Fund may include asset-backed commercial paper, collateralised debt obligations, collateralised mortgage obligations, commercial mortgage-backed securities, credit-linked notes, real estate mortgage investment conduits, residential mortgage-backed securities and synthetic collateralised debt obligations. The issuers of the ABS and MBS may be companies, governments or municipalities and, more particularly, the Fund may hold MBS issued by government-sponsored enterprises (“agency MBS”). The underlying assets of the ABS and MBS may include loans, leases or receivables (such as credit card debt, automobile loans and student loans in the case of ABS and commercial and residential mortgages originating from a regulated and authorised financial institution in the case of MBS). Although this will not typically be the case, the ABS and MBS in which the Fund invests may use leverage to increase return to investors. The Fund’s exposure to Distressed Securities is limited to 10% of its total assets and its exposure to contingent convertible bonds is limited to 10% of its total assets. The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management. Where the Fund uses derivatives, this may generate varying amounts of market leverage (i.e. where the Fund gains market exposure in excess of the value of its assets) and at times these levels of market leverage may be high. The use of derivatives will inevitably create leverage, because of the required calculation method i.e. leverage is the sum or gross notional exposure created by the

Fund	New Disclosures
	derivatives used. A high leverage number is not necessarily an indication of high risk.”
US Dollar High Yield Bond Fund	The Fund’s exposure to Distressed Securities is limited to 10% of total assets. (No reference currently).

Part Three: Clarification of investment policies

<table>
<tr><th>Fund</th><th>New Disclosures</th></tr>
<tr><td>Global Long-Horizon Equity Fund</td><td>Additional language will be added to the investment policy of the Fund in the Prospectus. Below is an extract of the investment policy with the added language underlined:

“The Global Long-Horizon Equity Fund seeks to maximise total return. The Fund invests globally, with no prescribed country, regional or capitalisation limits, at least 70% of its total assets in equity securities. <u>The Fund may invest in equity securities that, in the opinion of the Investment Adviser, have a sustained competitive advantage and will typically be held over a long-term horizon</u>. Currency exposure is flexibly managed.”

(Currently, it is disclosed in the IRHK and the KFS that the Fund may invest in equity securities that, in the opinion of the Investment Adviser, have a <u>sustainable</u> competitive advantage and will typically be held over a long-term horizon.)</td></tr>
<tr><td>China A-Share Opportunities Fund (to be renamed Systematic China A-Share Opportunities Fund), Global Enhanced Equity Yield Fund (to be renamed Systematic Global Equity High Income Fund) and Global SmallCap Fund (to be renamed Systematic Global SmallCap Fund)</td><td>The following paragraph will be added to the existing investment policies of the Funds:

“In order to achieve its investment objective and policy, the Fund will invest in a variety of investment strategies and instruments. In particular, the Fund will use quantitative (i.e. mathematical or statistical) models in order to achieve a systematic (i.e. rule based) approach to stock selection. The quantitative models are designed and built by the Investment Adviser. This means that stocks will be selected based on their expected contribution to portfolio returns when risk and transaction cost forecasts are taken into account. The Investment Adviser retains the discretion to disregard certain stocks selected to manage portfolio risk in response to rare unexpected company events.”</td></tr>
<tr><td>Asia Pacific Equity Income Fund, Emerging Markets Equity Income Fund, European Equity Income Fund, Global Enhanced Equity Yield Fund (to be renamed Systematic Global Equity High Income Fund), Global Equity Income Fund, Global Multi-Asset Income Fund, Natural Resources Growth & Income Fund and North American Equity Income Fund</td><td>The following statement regarding the dividend policy of the Funds will be removed from the investment policies of the Funds and set out in the section of the Prospectus entitled “Dividend Policy”:

“This Fund distributes income gross of expenses”.</td></tr>
</table>

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Important: This document is important and requires your immediate attention. If you have any doubt about the contents of this document, you should seek independent professional financial advice.

Unless otherwise stated in this notice, capitalised terms used herein shall have the same meaning as defined in the Explanatory Memorandum of the Value Partners Classic Fund (the "**Fund**") dated 29 April 2016, as amended by the First Addendum dated 21 September 2016, the Second Addendum dated 5 December 2016, the Third Addendum dated 16 October 2017, the Fourth Addendum dated 5 October 2018, the Fifth Addendum dated 16 November 2018 and the Sixth Addendum dated 20 July 2019 (together, the "**Explanatory Memorandum**").

Value Partners Hong Kong Limited, the Manager of the Fund (the "**Manager**"), accepts full responsibility for the accuracy of the information contained in this notice 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 notice misleading as at the date of issuance.

29 November 2019

NOTICE TO UNITHOLDERS – VALUE PARTNERS CLASSIC FUND (the "FUND")

Dear Unitholders,

We are writing to inform you of the following changes to the Fund with effect from 1 January 2020 (the "**Effective Date**").

A. <u>Changes pursuant to the Revised Code on Unit Trusts and Mutual Funds</u>

The Fund is subject to the Code on Unit Trusts and Mutual Funds ("**Code**") issued by the Securities and Futures Commission in Hong Kong ("**SFC**"). The Code has been revised. The Trust Deed will be amended and restated by way of supplemental deed ("**Supplemental Deed**") and the Explanatory Memorandum will be amended by way of a revised Explanatory Memorandum ("**Revised Explanatory Memorandum**") to reflect the requirements under the revised Code.

The following key changes ("**Changes**") will be made to the Trust Deed and/or the Explanatory Memorandum (where applicable) to reflect the requirements and/or flexibility accorded under the revised Code:

(a) <u>Trustee and Manager</u> – additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.

(b) <u>Investment Restrictions: Core Requirements</u> – amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, restriction on investment in commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this Notice.

(c) <u>Redemption Gate</u> – to adopt the flexibility accorded under the revised Code, the Trust Deed will be amended to allow the redemption gate in respect of the Fund to be imposed by reference to either the total net asset value of the Fund or the total number of units in issue as determined by the Manager, instead of only by reference to the total number of units in issue. With effect from the Effective Date, a redemption gate may be imposed by the Manager by reference to the total net asset value of the Fund (instead of by reference to total number of units in issue). In particular, the Manager may limit the total number of units of all classes of the Fund redeemed on any Dealing Day to 10% of the total net asset value of the Fund.

(d) Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including but not limited to the following:

(i) Custody arrangements – enhanced disclosures on custody arrangements.

(ii) Unclaimed proceeds – additional disclosure on arrangements in handling unclaimed proceeds of unitholders where the Fund is terminated.

(iii) Transactions with connected persons – amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements.

(iv) Securities lending transactions – enhanced disclosures on securities lending transactions including, criteria of counterparty and custody/safekeeping arrangement of assets subject to these transactions. In addition, previously, any incremental income earned from any securities lending arrangement may be split between the Fund and any security lending agent in such proportion as the Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed 30% of such incremental income. Going forward, all revenues arising from the securities lending transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities lending transactions will be returned to the Fund.

(v) Collateral policy – enhanced disclosures relating to the collateral policy of the Fund including selection criteria, nature and policy of the collateral held by the Fund and description of the holdings of collateral including nature and quality of collateral, haircut policy, policies on re-investment of cash collateral, safekeeping arrangement and risks associated with collateral management.

B. Amendments to the Investment Policy of the Fund

The following amendments will be made to the investment policies of the Fund:-

(a) Currently, the Fund may invest in commodities. Under the revised Code, the Fund may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the Fund will be amended for compliance with the revised Code, such that with effect from the Effective Date, the Fund will no longer invest in physical commodities (unless otherwise approved by the SFC). For the avoidance of doubt, the Fund however, may continue to invest in commodity futures contracts.

(b) Enhanced disclosures that the financial derivative instruments that the Fund may utilise include, but are 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 and credit linked notes and any other financial derivative instruments, for hedging and/or investment purposes, subject to the limit that the Fund's net derivative exposure does not exceed 50% of its net asset value; and

(c) Currently, the Manager may make loans out of the assets of the Fund with the prior written consent of the Trustee. In particular, such loans may take the form of an indirect participation or sub-participation in existing bank loans made to non-performing borrowers in countries such as Vietnam and North Korea, with a view to capitalising on any improvement in the credit standing of the relevant borrower or the implementation of any debt relief programme. With effect from the Effective Date, the Manager shall not make any loans out of the assets of the Fund.

C. Change in Registrar of the Fund

Currently, HSBC Institutional Trust Services (Asia) Limited acts as the trustee, registrar, administrator and custodian of the Fund. With effect from the Effective Date, HSBC Institutional Trust Services (Asia) Limited will no longer act as the registrar of the Fund, and HSBC Trustee (Cayman) Limited will be ("**New Registrar**") appointed as the registrar of the Fund in its stead. Consequently, the register of the Trust will be located outside of Hong Kong.

Further, the registrar fee of 0.03% per annum of the Fund's net asset value currently, payable to the Trustee for the services provided as the Fund's registrar will be payable to the Registrar with effect from the Effective Date. For the avoidance of doubt, there is no increase in the registrar fee as a result of the appointment of the New Registrar.

Corresponding changes will be made to the Explanatory Memorandum and Product Key Facts Statement to reflect such change in Registrar of the Fund.

D. Miscellaneous Updates/Amendments

The following changes will also be made:

(a) updates to the profiles of the directors of the Manager in the Explanatory Memorandum;

(b) updates to the disclosures relating to Stock Connect;

(c) clarificatory amendments to the valuation rules set out in the Explanatory Memorandum and the Trust Deed. These clarificatory amendments will not result in any change to the manner in which assets of the Fund are valued in practice;

(d) updates and enhancement of the tax disclosures;

(e) enhanced disclosures relating to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong); and

(f) other consequential amendments and miscellaneous updates, drafting and editorial amendments.

Please refer to the Revised Explanatory Memorandum, the revised Product Key Facts Statement and the Supplemental Deed for further details.

E. Implications of Changes

Save as disclosed in this notice, the changes set out above will not result in any material change to the investment objective and risk profile of the Fund. There will be no increase in the fees payable out of the assets of the Fund as a result of these changes. These changes will also not result in a change in the manner in which the Fund currently operates or is being managed.

F. Availability of Documents

The latest Explanatory Memorandum and Product Key Facts Statement are available on our website (www.valuepartners-group.com) [1] and for your inspection free of charge at the Manager's office during normal working hours (except on Saturdays, Sundays and public holidays).

G. Enquiries

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2143 0688 or email us at FIS@vp.com.hk. We would like to take this opportunity to thank you for your valuable support and we look forward to be of continued service to you.

Value Partners Hong Kong Limited

[1] This website has not been reviewed or authorized by the SFC.

ANNEXURE A

Summary of Key Revised Investment and Borrowing Restrictions

The key amendments to the investment restrictions and borrowing restrictions of the Fund are as follows:

(a) the aggregate value of the 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 its latest available net asset value:

(i) investments in securities issued by that entity;

(ii) exposure to that entity through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments;

(b) subject to the requirements under the revised Code and unless otherwise approved by the SFC, the aggregate value of the Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards) through the following may not exceed 20% of its latest available net asset value:

(i) investments in securities issued by those entities;

(ii) exposure to those entities through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments;

(c) unless otherwise approved by the SFC, the value of the Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available net asset value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code;

(d) the Fund may not invest in physical commodities 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;

(e) subject to the requirements under the revised Code, the Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;

(f) the maximum borrowing of the Fund shall be reduced from 25% to 10% of its latest available net asset value. Although the Fund does not intend to engage in sale and repurchase transactions, for the avoidance of doubt, sale and repurchase transactions and securities lending transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;

(g) the Fund may acquire financial derivative instruments for hedging purposes;

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(h) the Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that the Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available net asset value and the qualifications under paragraph B(b) in the notice above.

The following shall apply in respect of calculation of net derivative exposure:

(i) for the purpose of calculating net derivative exposure, the positions of financial derivative instruments acquired by the Fund for investment purposes shall be converted into the equivalent position in the underlying assets of the financial derivative instruments, 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; and

(ii) the net derivative exposure shall be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time.

For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement; and

(i) to limit the exposure to each counterparty, the Fund may receive collateral provided that the collateral complies with the requirements in the revised Code.

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Important: This document is important and requires your immediate attention. If you have any doubt about the contents of this document, you should seek independent professional financial advice.

Unless otherwise stated in this notice, capitalised terms used herein shall have the same meaning as defined in the Explanatory Memorandum of the Value Partners High-Dividend Stocks Fund (the "**Trust**") dated 22 April 2016, as amended by the Addendum dated 15 July 2016, the Second Addendum dated 5 December 2016, the Third Addendum dated 28 March 2018, the Fourth Addendum dated 5 October 2018, the Fifth Addendum dated 16 November 2018, the Sixth Addendum dated 10 June 2019 and the Seventh Addendum dated 20 July 2019 (together, the "**Explanatory Memorandum**").

Value Partners Hong Kong Limited, the Manager of the Trust (the "**Manager**"), accepts full responsibility for the accuracy of the information contained in this notice 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 notice misleading as at the date of issuance.

29 November 2019

NOTICE TO UNITHOLDERS –
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (the "Trust")

Dear Unitholders,

We are writing to inform you of the following changes to the Trust with effect from 1 January 2020 (the "**Effective Date**").

A. <u>Changes pursuant to the Revised Code on Unit Trusts and Mutual Funds</u>

The Trust is subject to the Code on Unit Trusts and Mutual Funds ("**Code**") issued by the Securities and Futures Commission in Hong Kong ("**SFC**"). The Code has been revised. The Trust Deed will be amended and restated by way of supplemental deed ("**Supplemental Deed**") and the Explanatory Memorandum will be amended by way of a revised Explanatory Memorandum ("**Revised Explanatory Memorandum**") to reflect the requirements under the revised Code.

The following key changes ("**Changes**") will be made to the Trust Deed and/or the Explanatory Memorandum (where applicable) to reflect the requirements and/or flexibility accorded under the revised Code:

(a) <u>Trustee and Manager</u> - additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.

(b) <u>Investment Restrictions: Core Requirements</u> - amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, restriction on investment in commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this Notice.

(c) Redemption Gate - to adopt the flexibility accorded under the revised Code, the Trust Deed will be amended to allow the redemption gate in respect of the Trust to be imposed by reference to either the total Net Asset Value of the Trust or the total number of Units in issue as determined by the Manager, instead of only by reference to the total number of Units in issue. With effect from the Effective Date, a redemption gate may be imposed by the Manager by reference to the total Net Asset Value of the Trust (instead of by reference to total number of Units in issue). In particular, the Manager may limit the total number of Units of the Trust redeemed on any Dealing Period to 10% of the total Net Asset Value of the Trust on the Valuation Day for that Dealing Period.

(d) Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including but not limited to the following:

(i) Custody arrangements – enhanced disclosures on custody arrangements.

(ii) Unclaimed proceeds – additional disclosure on arrangements in handling unclaimed proceeds of Unitholders where the Trust is terminated.

(iii) Transactions with connected persons – amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements.

(iv) Securities lending transactions – enhanced and updated disclosures relating to securities lending transactions including, criteria of counterparty, collateral requirements and custody/safekeeping arrangement of assets subject to these transactions. In addition, previously, any incremental income earned from any securities lending arrangement may be split between the Trust and any security lending agent in such proportion as the Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed 30% of such incremental income. Going forward, all revenues arising from the securities lending transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities lending transactions will be returned to the Trust.

(v) Collateral policy – enhanced disclosures relating to the collateral policy of the Trust including selection criteria, nature and policy of the collateral held by the Trust and description of the holdings of collateral including nature and quality of collateral, haircut policy, policies on re-investment of cash collateral, safekeeping arrangement and risks associated with collateral management.

B. Amendments to the Investment Policy of the Trust

The following amendments will be made to the investment policies of the Trust:

(a) Currently, the Trust may invest in commodities. Under the revised Code, the Trust may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the Trust will be amended for compliance with the revised Code, such that with effect from the Effective Date, the Trust will no longer invest in physical commodities (unless otherwise approved by the SFC). For the avoidance of doubt, the Trust however, will continue to invest in commodity-based investments.

(b) Currently, the Manager may invest in debt securities that are below investment grade (i.e. a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating from an internationally recognized rating agency) or unrated. With effect from the Effective Date, the Manager may invest in debt securities 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 rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as

Standard & Poor's, Moody's and/or Fitch); and an "unrated" debt security is defined as a debt security which neither the security itself nor its issuer has a credit rating.

(c) Currently, the Trust may, on an ancillary basis, invest less than 30% of its Net Asset Value in futures contracts, options, depository receipts, warrants, convertible bonds and units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme. For the purposes of hedging market and currency risks, the Trust may invest in index and currency swaps and currency forwards. Enhanced disclosures will be made to provide that the Trust's net derivative exposure may be up to 50% of the Trust's Net Asset Value provided that for so long as the Trust is registered for public distribution in Taiwan, the Trust shall, unless otherwise approved by the Taiwan Financial Supervisory Commission, comply with local Taiwanese regulation in respect of net derivative exposure, which currently requires the total value of the Trust's non-offset position in derivatives held for:

(i) any purposes other than hedging, and in any derivatives held for hedging purposes in excess of the position limit stated in the paragraph below, not to exceed 40% of its Net Asset Value (or such other percentage as the Taiwan regulator may stipulate from time to time); and

(ii) hedging purposes, not to exceed the total market value of the relevant securities held by the Trust.

C. Change in Registrar of the Trust

Currently, HSBC Institutional Trust Services (Asia) Limited acts as the trustee, registrar, administrator and custodian of the Trust. With effect from the Effective Date, HSBC Institutional Trust Services (Asia) Limited will no longer act as the registrar of the Trust, and HSBC Trustee (Cayman) Limited will be appointed as the registrar of the Trust in its stead. Consequently, the register of the Trust will be located outside of Hong Kong.

Corresponding changes will be made to the Explanatory Memorandum and Product Key Facts Statement to reflect such change in Registrar of the Trust.

D. Miscellaneous Updates /Amendments

The following changes will also be made:-

(a) updates to the profiles of the directors of the Manager in the Explanatory Memorandum;

(b) clarificatory amendments to the valuation rules set out in the Explanatory Memorandum and the Trust Deed. These clarificatory amendments will not result in any change to the manner in which assets of the Trust are valued in practice;

(c) updates and enhancement of the tax disclosures;

(d) notices on declaration of suspension and publication of Net Asset Value per Unit of each Class will be made available on the Manager's website www.valuepartners-group.com[1] instead of publishing the same in newspapers;

(e) enhanced disclosures relating to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong); and

(f) other consequential amendments and miscellaneous updates, drafting and editorial amendments.

Please refer to the Revised Explanatory Memorandum, the revised Product Key Facts Statement and the Supplemental Deed for further details.

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E. Implications of Changes

Save as disclosed in this notice, the changes set out above will not result in any material change to the investment objective and risk profile of the Trust. There will be no increase in the fees payable out of the assets of the Trust as a result of these changes. These changes will also not result in a change in the manner in which the Trust currently operates or is being managed.

F. Availability of Documents

The latest Explanatory Memorandum and Product Key Facts Statement are available on our website (www.valuepartners-group.com) [1] and for your inspection free of charge at the Manager's office during normal working hours (except on Saturdays, Sundays and public holidays).

G. Enquiries

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2143 0688 or email us at FIS@vp.com.hk. We would like to take this opportunity to thank you for your valuable support and we look forward to be of continued service to you.

Value Partners Hong Kong Limited

[1] This website has not been reviewed or authorized by the SFC.

ANNEXURE A

Summary of Key Revised Investment and Borrowing Restrictions

The key amendments to the investment restrictions and borrowing restrictions of the Trust are as follows:

(a) the aggregate value of the Trust's investments in, or exposure to, any single entity (other than government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:

  (i) investments in securities issued by that entity;

  (ii) exposure to that entity through underlying assets of financial derivative instruments; and

  (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments;

(b) subject to the requirements under the revised Code and unless otherwise approved by the SFC, the aggregate value of the Trust's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:

  (i) investments in securities issued by those entities;

  (ii) exposure to those entities through underlying assets of financial derivative instruments; and

  (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments;

(c) unless otherwise approved by the SFC, the value of the Trust's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code;

(d) the Trust may not invest in physical commodities 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;

(e) subject to the requirements under the revised Code, the Trust may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;

(f) the maximum borrowing of the Trust shall be reduced from 25% to 10% of its latest available Net Asset Value. Although the Trust does not intend to engage in sale and repurchase transactions, for the avoidance of doubt, sale and repurchase transactions and securities lending transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;

(g) the Trust may acquire financial derivative instruments for hedging purposes;

(h) the Trust may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that the Trust's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available net asset value and the qualifications under paragraph B(c) in the notice above.

The following shall apply in respect of calculation of net derivative exposure:

(i) for the purpose of calculating net derivative exposure, the positions of financial derivative instruments acquired by the Trust for investment purposes shall be converted into the equivalent position in the underlying assets of the financial derivative instruments, 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; and

(ii) the net derivative exposure shall be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time.

For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement; and

(i) to limit the exposure to each counterparty, the Trust may receive collateral provided that the collateral complies with the requirements in the revised Code.

Value Partners
Investing through discipline

Value Partners Limited
(Incorporated in the British Virgin Islands with limited liability)
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Important: This document is important and requires your immediate attention. If you have any doubt about the contents of this document, you should seek independent professional financial advice.

Unless otherwise stated in this notice, capitalised terms used herein shall have the same meaning as defined in the Explanatory Memorandum of the Value Partners Intelligent Funds (the "**Trust**") dated 28 September 2018 (the "**Explanatory Memorandum**").

Value Partners Limited, the Manager of the Trust (the "**Manager**"), accepts full responsibility for the accuracy of the information contained in this notice 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 notice misleading as at the date of issuance.

29 November 2019

NOTICE TO UNITHOLDERS – VALUE PARTNERS INTELLIGENT FUNDS (the "Trust")
China Convergence Fund and the Chinese Mainland Focus Fund (collectively, "Sub-Funds" and each a "Sub-Fund")

Dear Unitholders,

We are writing to inform you of the following changes to the Trust and the Sub-Funds with effect from 1 January 2020 (the "**Effective Date**").

A. <u>Changes pursuant to the Revised Code on Unit Trusts and Mutual Funds</u>

The Trust and the Sub-Funds are subject to the Code on Unit Trusts and Mutual Funds ("**Code**") issued by the Securities and Futures Commission in Hong Kong ("**SFC**"). The Code has been revised. The Trust Deed will be amended by way of supplemental deed ("**Supplemental Deed**") and the Explanatory Memorandum will be amended by way of a revised Explanatory Memorandum ("**Revised Explanatory Memorandum**") to reflect the requirements under the revised Code.

The following key changes ("**Changes**") will be made to the Trust Deed and/or the Explanatory Memorandum (where applicable) to reflect the requirements and/or flexibility accorded under the revised Code:

(a) <u>Trustee and Manager</u> – additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.

(b) <u>Investment Restrictions: Core Requirements</u> – amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, restriction on investment in commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this Notice.

(c) <u>Redemption Gate</u> – to adopt the flexibility accorded under the revised Code, the Trust Deed will be amended to allow the redemption gate in respect of a Sub-Fund to be imposed by reference to either the total Net Asset Value of a Sub-Fund or the total number of Units in issue as determined by the Manager, instead of only by reference to the total number of Units in issue. With effect from the Effective Date, a redemption gate may be imposed by the Manager by reference to the total Net Asset Value of a Sub-Fund (instead of by reference to total number of Units in issue). In particular, the Manager may limit the total number of Units of a Sub-Fund which Unitholders are entitled to redeem by reference to any Valuation Day to 10% of the total Net Asset Value of the Sub-Fund on that Valuation Day.

(d) Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including but not limited to the following:

(i) Custody arrangements – enhanced disclosures on custody arrangements.

(ii) Unclaimed proceeds – additional disclosure on arrangements in handling unclaimed proceeds of Unitholders where the Trust and/or a Sub-Fund is terminated.

(iii) Transactions with connected persons – amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements.

(iv) Securities lending transactions – enhanced and updated disclosures relating to securities lending transactions including, criteria of counterparty, collateral requirements and custody/safekeeping arrangement of assets subject to these transactions. In addition, previously, any incremental income earned from securities lending agreement may be split between the relevant Sub-Fund and any security lending agent in such proportion as the Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed 30% of such incremental income. Going forward, all revenues arising from the securities lending transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities lending transactions will be returned to the relevant Sub-Fund.

(v) Collateral policy – enhanced disclosures relating to the collateral policy of the Sub-Funds including selection criteria, nature and policy of the collateral held by the Sub-Funds and description of the holdings of collateral including nature and quality of collateral, haircut policy, policies on re-investment of cash collateral, safekeeping arrangement and risks associated with collateral management.

B. Amendments to the Investment Policy of the Sub-Funds

The following amendments will be made to the investment policies of the Sub-Funds:

(a) Currently, each of the Sub-Funds may invest in commodities. Under the revised Code, the Sub-Funds may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the Sub-Funds will be amended for compliance with the revised Code, such that with effect from the Effective Date, the Sub-Funds will no longer invest in physical commodities (unless otherwise approved by the SFC).

(b) Currently, each of the Sub-Funds may invest in debt securities that are below investment grade (i.e. a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating (in the case where the credit rating is designated or assigned by an internationally recognized rating agency) or rated BB+ or below (in the case where the credit rating is designated or assigned by a PRC credit rating agency)) or are unrated. With effect from the Effective Date, each of the Sub-Funds may invest in debt securities 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" debt security is defined as a debt security which neither the security itself nor its issuer has a credit rating.

(c) Currently, the Manager may on an ancillary basis, invest less than 30% of each Sub-Fund's Net Asset Value in commodities, futures, options, warrants, 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. With effect from the Effective Date, investment in futures, options and warrants will be removed from the aforesaid limit (i.e. less than 30% of each Sub-Fund's Net Asset Value) and each Sub-Fund's investment in financial derivative instruments for hedging and/or investment purposes is subject to the limit that the Sub-Fund's net derivative exposure does not exceed 50% of its net asset value. Enhanced disclosures will also be made to provide that each Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

(d) The China Convergence Fund may currently invest up to 45% of its latest available Net Asset Value in A Shares, whether directly or indirectly. Further, the China Convergence Fund may currently invest up to 20% of its latest available Net Asset Value in the Small and Medium Enterprise ("**SME**") board of the Shenzhen Stock Exchange ("**SZSE**") and/or the ChiNext Market of the SZSE.

With effect from the Effective Date, to provide the China Convergence Fund with greater flexibility to capture investment opportunities in investing in A Shares in China, the China Convergence Fund may invest up to 100% of its latest available Net Asset Value in A Shares, whether directly or indirectly. Further, the China Convergence Fund may also 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 Shanghai Stock Exchange. For the avoidance of doubt, the China Convergence Fund's investment in A Shares via the QFII Holder's QFII Quota will be less than 70% of its Net Asset Value.

Following the implementation of the changes described above, the China Convergence Fund will continue to be subject to the general risks associated with investing in the China markets, including risks of investing in China and its equity market, RMB currency and conversion risks, risks relating to A Shares markets, QFII risk, risks associated with Stock Connects, risks associated with the SME Board, the ChiNext Board and PRC tax risk. It will also be subject to the risks of investing in the STAR Board. Investors should note that as a result of the change in exposure to A Shares, the China Convergence Fund will be subject to an increase in the level of the risks mentioned above.

Save as described above, the changes will not result in any change to the features and risks applicable to the China Convergence Fund.

C. <u>Miscellaneous Updates /Amendments</u>

The following changes will also be made:

(a) clarificatory disclosures relating to the definition of "A" in the performance fee calculation formula of each Sub-Fund in the Explanatory Memorandum and the respective Product Key Facts Statements. For the avoidance of doubt, this change will not affect any existing class(es) of Units of the relevant Sub-Fund;

(b) updates to the profiles of the directors of the Manager and the principal office address and registered address of the Trustee in the Explanatory Memorandum;

(c) clarificatory amendments to the valuation rules set out in the Explanatory Memorandum and the Trust Deed. These clarificatory amendments will not result in any change to the manner in which assets of the Trust and/or the Sub-Funds are valued in practice;

(d) updates and enhancement of the tax disclosures;

(e) enhanced risk disclosures relating to investments by a Sub-Fund in the STAR Board;

(f) enhanced disclosures relating to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong);

(g) updates and enhancements of the Cayman Islands-related disclosures, including enhanced disclosures relating to the Cayman Islands Data Protection Law, 2017;

(h) the change of registered address of HSBC Trustee (Cayman) Limited to P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal office of the Trust remains unchanged at Strathvale House, 90 North Church Street, George Town, Grand Cayman, Cayman Islands; and

(i) other consequential amendments and miscellaneous updates, drafting and editorial amendments.

Please refer to the Revised Explanatory Memorandum, the revised Product Key Facts Statement and the Supplemental Deed (which will be available on or around the Effective Date) for further details.

D. <u>Implications of Changes</u>

Save as disclosed in this notice, the changes set out above (except section B(d)) will not result in any material change to the investment objective and risk profile of the Sub-Funds. There will be no increase in the fees payable out of the assets of the Trust and/or the Sub-Funds as a result of these changes. These changes will also not result in a change in the manner in which the Trust and/or the Sub-Funds currently operates or are being managed.

For the changes relating to the China Convergence Fund’s exposure to A Shares described in section B (d) above,

(a) the China Convergence Fund will be managed in accordance with its revised investment policy following the implementation of the changes. Save and except the foregoing, there is no change in the operation and/or manner in which the Sub-Fund is being managed;

(b) the changes will not materially prejudice the existing investors’ rights or interests.

(c) there will be no change in the fee structure and fee level of the China Convergence Fund following the implementation of the changes; and

(d) the costs and/or expenses incurred in connection with the changes will be borne by the China Convergence Fund. It is currently estimated that the costs and expenses in relation to the changes would be approximately HK$100,000.

E. <u>Availability of Documents</u>

Copies of the Trust Deed together with the Supplemental Deed (which will be available on or around the Effective Date) are available for inspection at the office of the Manager during normal business hours (except on Saturdays, Sundays and public holidays) free of charge and copies may be purchased at a reasonable charge.

The latest Explanatory Memorandum and Product Key Facts Statement are available on our website (www.valuepartners-group.com) [1] and for your inspection free of charge at the Manager's office during normal working hours (except on Saturdays, Sundays and public holidays).

F. Enquiries

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2143 0688 or email us at FIS@vp.com.hk. We would like to take this opportunity to thank you for your valuable support and we look forward to be of continued service to you.

Value Partners Limited

[1] This website has not been reviewed or authorized by the SFC.

ANNEXURE A

Summary of Key Revised Investment and Borrowing Restrictions

The key amendments to the investment restrictions and borrowing restrictions of each Sub-Fund are as follows:

(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 its latest available Net Asset Value:

  (i) investments in securities issued by that entity;

  (ii) exposure to that entity through underlying assets of financial derivative instruments; and

  (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments;

(b) subject to the requirements under the revised 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 (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:

  (i) investments in securities issued by those entities;

  (ii) exposure to those entities through underlying assets of financial derivative instruments; and

  (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments;

(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 its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code;

(d) a Sub-Fund may not invest in physical commodities 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;

(e) subject to the requirements under the revised Code, a Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;

(f) the maximum borrowing of a Sub-Fund shall be reduced from 25% to 10% of its latest available Net Asset Value. Although each Sub-Fund does not intend to engage in sale and repurchase transactions, for the avoidance of doubt, sale and repurchase transactions and securities lending transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;

(g) a Sub-Fund may acquire financial derivative instruments for hedging purposes;

(h) a Sub-Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that its net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available net asset value and the qualifications under paragraph B(c) in the notice above.

The following shall apply in respect of calculation of net derivative exposure:

(i) for the purpose of calculating net derivative exposure, the positions of financial derivative instruments acquired by a Sub-Fund for investment purposes shall be converted into the equivalent position in the underlying assets of the financial derivative instruments, 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; and

(ii) the net derivative exposure shall be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time.

For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement; and

(i) to limit the exposure to each counterparty, a Sub-Fundmay receive collateral provided that the collateral complies with the requirements in the revised Code.