

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 “Premier-Choice Series” plans, including Premier-Choice ULife InvestPlan, Premier-Choice Flexi, Premier-Choice Flexi Plus, Premier-Choice InvestPlan and Premier-Choice Plus InvestPlan.

Change of Investment Policy of Underlying Funds (with effect from June 25, 2013)

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

As advised by Value Partners Limited, currently the underlying funds corresponding to the above investment choices, “Value Partners Intelligent Funds - China Convergence Fund” and “Value Partners Intelligent Funds - Chinese Mainland Focus Fund”, may indirectly invest in A shares through China A shares access products.

i. “Value Partners Intelligent Funds - China Convergence Fund”

On December 26, 2012, Value Partners Hong Kong Limited obtained a total amount of US\$100 million of the QFII Quota, US\$35 million of which will be allocated to the underlying fund for its exclusive use. With effect from June 25, 2013, the underlying fund may also invest directly in A shares and other eligible securities in the PRC via QFII quota held by Value Partners Hong Kong Limited.

The aggregate exposure to A Shares, whether direct or indirect, remains unchanged and is subject to a maximum of 35 per cent. of the underlying fund’s non-cash assets. It is the current intention of the manager that up to 35 per cent. of the underlying fund’s latest available net asset value may be invested directly in China A shares.

ii. “Value Partners Intelligent Funds - Chinese Mainland Focus Fund”

On December 26, 2012, Value Partners Hong Kong Limited obtained a total amount of US\$100 million of the QFII Quota, US\$20 million of which will be allocated to the underlying fund for its exclusive use. With effect from June 25, 2013, the underlying fund may also invest directly in A shares and other eligible securities in the PRC via QFII quota held by Value Partners Hong Kong Limited.

It is the manager’s intention that between 0 per cent. and 20 per cent. of the underlying fund’s non-cash assets will be invested in A shares.

In light of the above changes, the investment objective of the underlying funds will be amended, with effect from June 25, 2013.

Other matters relating to above investment choices

In addition to the above changes, please note that there are the following updates to the respective underlying funds:

- QFII and related disclosures;
- Change in borrowing policy;
- Trustee, registrar, administrator and custodian and registrar’s agent;
- Amendments to the trust deed of the trust; and
- Other administrative changes.

You should refer to the relevant prospectuses and the notice to shareholders of the underlying fund(s) of the above investment choice(s), which are made available by MassMutual Asia Ltd. upon request, or visit our website 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 applies to any of the investment choices and most of the investment choices do not have a bid-offer spread during subscription and switching of investment choices. For details, please refer to Investment Choice Brochure or contact MassMutual Asia Ltd Customer Service Hotline at (852) 2919 9797 (Hong Kong)/ (853) 2832 2622 (Macau).

**VALUE PARTNERS INTELLIGENT FUNDS
(the “Trust”)**

**CHINA CONVERGENCE FUND
(formerly known as China ABH Shares Fund)
(the “Sub-Fund”)**

NOTICE TO UNITHOLDERS

This notice is important and requires your immediate attention. It contains information regarding changes to the Explanatory Memorandum of the Trust dated 25 June 2011 and the Addendum thereto in respect of the Sub-Fund, as amended from time to time (the “Explanatory Memorandum”). If you are in any doubt about the content of this notice, you should seek independent professional financial advice.

All capitalized terms herein contained shall have the same meaning in this notice as in 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 at the date of publication.

25 May 2013

Dear Unitholders

Change in Investment Policy upon Obtaining Direct Exposure to A Shares and Other Eligible Securities in the PRC via QFII Quota and Change in Borrowing Policy

(A) Change in Investment Policy upon Obtaining Direct Exposure to A Shares and Other Eligible Securities in the PRC via QFII Quota

Currently the Sub-Fund may indirectly invest in A Shares through China A Shares Access Products. On 26 December 2012, Value Partners Hong Kong Limited obtained a total amount of US\$100 million of the QFII Quota, US\$35 million of which will be allocated to the Sub-Fund for its exclusive use. With effect from 25 June 2013, the Sub-Fund may also invest directly in A Shares and other eligible securities in the PRC via QFII quota held by Value Partners Hong Kong Limited.

The aggregate exposure to A Shares, whether direct or indirect, remains unchanged and is subject to a maximum of 35 per cent. of the Sub-Fund’s non-cash assets. It is the current intention of the Manager that up to 35 per cent. of the Sub-Fund’s latest available Net Asset Value may be invested directly in China A Shares.

In light of the above, we are writing to inform you of the following changes to the Sub-Fund which will take effect 25 June 2013 (the “Effective Date”).

1. Change in Investment Objective and Policy

With effect from the Effective Date, the investment objective will be amended as underlined:

<u>Current Investment Objective</u>	<u>Investment Objective upon amendment</u>
<p>The investment objective of the Sub-Fund is to provide Unitholders with long-term capital appreciation (in US dollar terms) by investing primarily in A, B and H shares. A shares (“A Shares”) and B shares (“B Shares”) are shares listed on the Shanghai Securities Exchange and the Shenzhen Stock Exchange in the People’s Republic of China (“PRC”). A Shares are quoted in Renminbi and B Shares are quoted in US dollars and Hong Kong dollars. H shares (“H Shares”) are shares listed on the Hong Kong Stock Exchange and are denominated in Hong Kong dollars.</p> <p>The investment in A Shares is subject to a maximum exposure of 35 per cent. of the Sub-Fund’s non-cash assets and between 0 per cent. and 35 per cent. of the Sub-Fund’s latest available Net Asset Value will be invested in B Shares. This may change after the date of this Addendum from time to time. Unitholders will be notified in advance if any of these limits are to be changed. Apart from A, B and H Shares, the Manager may also invest (to a lesser extent) in shares of China-related companies listed on the stock exchanges in Hong Kong or on recognised stock exchanges in other jurisdictions and in China-related fixed income securities. China related companies are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, Hong Kong and/or elsewhere in Greater China.</p> <p>Subject to the investment restrictions set out in the Explanatory Memorandum in respect of the Trust, the Manager may apply any investment strategy (including hedging, leveraging, short-selling and other strategies for risk management) it deems appropriate under the prevailing economic and market conditions in order to achieve the investment objective of the Sub-Fund.</p> <p>The Sub-Fund may indirectly invest in A Shares through China A Shares Access Products (“CAAPs”), such as participatory notes, being listed or unlisted derivative instruments issued by a third party (“CAAP Issuer”) which represents an obligation of the CAAP Issuer to pay to the Sub-Fund an economic return equivalent to</p>	<p>The investment objective of the Sub-Fund is to provide Unitholders with long-term capital appreciation (in US dollar terms) by investing primarily in A, B and H shares. A Shares and B Shares are shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange in the PRC. A Shares are traded in Renminbi and B Shares are <u>traded</u> in US dollars and Hong Kong dollars. H Shares are shares listed on the Hong Kong Stock Exchange and are denominated in Hong Kong dollars.</p> <p>The investment in A Shares <u>whether directly through the QFII Holder’s QFII Quota or indirectly through CAAPs (as defined below)</u> is subject to a maximum exposure of 35 per cent. of the Sub-Fund’s non-cash assets and between 0 per cent. and 35 per cent. of the Sub-Fund’s latest available Net Asset Value will be invested in B Shares. This may change after the date of this Addendum from time to time. Unitholders will be notified <u>one month</u> in advance if any of these limits is to be changed. Apart from A, B and H Shares, the Manager may also invest (to a lesser extent) in shares of China-related companies listed on the Hong Kong Stock Exchange or on recognised stock exchanges in other jurisdictions and in China-related fixed income securities. China related companies are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, the PRC, Hong Kong and/or elsewhere in the Greater China <u>region (including the PRC, Hong Kong, Macau Special Administrative Region and Taiwan)</u>.</p> <p>Subject to the investment restrictions set out in the Explanatory Memorandum in respect of the Trust, the Manager may apply any investment strategy (including hedging, leveraging, short-selling and other strategies for risk management) it deems appropriate under the prevailing economic and market conditions in order to achieve the investment objective of the Sub-Fund.</p> <p><u>The Sub-Fund will directly invest in A Shares and other Eligible Securities through the QFII Quota of the QFII Holder.</u></p>

<p>holding the underlying A Shares. As the Sub-Fund does not currently have direct access to A Shares through QFII, the Sub-Fund may seek indirect exposure to A Shares through CAAPs. Any direct investment in A Shares through QFII will only be made if the Manager obtains QFII status, upon prior authorisation by the SFC and by giving Unitholders one month's prior written notice (or such shorter notice period as approved by the SFC).</p> <p>In addition, the Manager may hold cash, deposits, short-term papers such as Treasury Bills, certificates of deposit, bankers' acceptances, short-term commercial papers and other fixed income instruments for the account of the Sub-Fund. The Manager may also, on an ancillary basis, invest in commodities, futures, forwards, swaps, options, warrants, equity linked notes, units in any unit trusts, shares in any mutual fund corporations, or any other collective interest schemes (including those offered by the Manager or its Connected Persons (as defined in section VI of the Explanatory Memorandum)). For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps and any other financial instruments. All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to section II of the Explanatory Memorandum for details of the investment restrictions under the Trust Deed.</p>	<p>The Sub-Fund may indirectly invest in A Shares through China A Shares Access Products ("CAAPs"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("CAAP Issuer") which represents an obligation of the CAAP Issuer to pay to the Sub-Fund an economic return equivalent to holding the underlying A Shares. <u>Notwithstanding that the QFII Holder will allocate a certain amount of the QFII Quota to the Sub-Fund for its exclusive use in order to provide the Sub-Fund with direct access to A Shares, the Sub-Fund may still seek indirect exposure to A Shares through CAAPs from time to time. Please refer to the section headed "QFII Regime" for details of the QFII Quota allocated to the Sub-Fund.</u></p> <p><u>Investors should note that the Sub-Fund may not be allocated a sufficient portion of the QFII Quota or CAAPs to meet all applications for subscription.</u></p> <p><u>In order to achieve the investment objective of the Sub-Fund, investing directly or indirectly in A Shares and directly in other Eligible Securities in the PRC is considered by the Manager to be in the best interest of Unitholders.</u></p> <p>In addition, the Manager may hold cash, deposits, short-term papers such as Treasury Bills, certificates of deposit, bankers' acceptances, short-term commercial papers and other fixed income instruments for the account of the Sub-Fund. The Manager may also, on an ancillary basis, invest in commodities, futures, options, warrants, units in any unit trusts, shares in any mutual fund corporations, or any other collective interest schemes (including those offered by the Manager or its Connected Persons (as defined in section VI of the Explanatory Memorandum)). For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps. All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to section II of the Explanatory Memorandum for details of the investment restrictions under the Trust Deed.</p>
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2. QFII and Related Disclosures

Information relating to the QFII Regime, PRC Taxation on A Shares, B Shares and CAAPs, and specific risk factors relating to the Sub-Fund has been set out in the Appendix to this notice. Please refer to the Appendix for details.

(B) Change in Borrowing Policy

With effect from 25 June 2013, the borrowing policy in respect of the Trust and any sub-fund of the Trust including the Sub-Fund will be amended as underlined:

<u>Current Borrowing Policy</u>	<u>Borrowing Policy upon amendment</u>
The Manager may not, on behalf of any Sub-Fund the investment objective of which is to hold direct investments, borrow more than 25 per cent. of the latest available Net Asset Value of that Sub-Fund and, for the purposes of this limitation, back-to-back loans will not be taken into account when determining whether or not these limits have been breached by a Sub-Fund. All borrowings will be made on a temporary basis to facilitate payment of redemption proceeds to the Unitholders and to defray operating expenses.	The Manager may not, on behalf of any Sub-Fund the investment objective of which is to hold direct investments, borrow more than 25 per cent. of the latest available Net Asset Value of that Sub-Fund and, for the purposes of this limitation, back-to-back loans will not be taken into account when determining whether or not these limits have been breached by a Sub-Fund. All borrowings will be made on a temporary basis to facilitate payment of redemption proceeds to the Unitholders and to defray operating expenses <u>or to acquire investments for the account of the Trust or any Sub-Fund.</u>

(C) Trustee, Registrar, Administrator and Custodian and Registrar’s Agent

The current description in respect of the section headed “Trustee, Registrar, Administrator and Custodian and Registrar’s Agent” in the Explanatory Memorandum will be amended as underlined due to the amendments made to the trust deed of the Trust:

<u>Current Description</u>	<u>Description upon amendment</u>
Bank of Bermuda (Cayman) Limited (the “ Trustee, Registrar, Administrator and Principal Office ”) was incorporated in the Cayman Islands on 21 June 1988 and is a licensed trust company under the Banks and Trust Companies Law (Revised) and a licensed mutual fund administrator pursuant to the Mutual Funds Law (Revised). HSBC Institutional Trust Services (Asia) Limited (the “ Custodian ” or the “ Registrar’s Agent ”) was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong. The Trustee, Administrator and Registrar	Bank of Bermuda (Cayman) Limited (the “ Trustee, Registrar, Administrator and Principal Office ”) was incorporated in the Cayman Islands on 21 June 1988 and is a licensed trust company under the Banks and Trust Companies Law (Revised) and a licensed mutual fund administrator pursuant to the Mutual Funds Law (Revised). HSBC Institutional Trust Services (Asia) Limited (the “ Custodian ” or the “ Registrar’s Agent ”) was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong. The Trustee, Administrator and Registrar

as well as the Custodian and Registrar's Agent are indirectly wholly owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

None of the Trustee, Registrar, Administrator, Custodian or Registrar's Agent will participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions of the Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury.

as well as the Custodian and Registrar's Agent are indirectly wholly owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust, subject to the provisions of the Trust Deed.

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

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of (1) Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised or central depositaries or clearing system which may from time to time be approved by the Trustee and the Manager; or (2) any lender or agent or nominee of any lender in whose name

	<p><u>all or any of the Trust's or the relevant Sub-Fund's assets are registered or under whose custody or control such assets are placed under for the purpose of giving any security in connection with any borrowing for the account of the Trust or the relevant Sub-Fund.</u></p> <p><u>Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or the relevant Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust and/or the relevant Sub-Fund unless the Trustee fails to show the degree of diligence and care required of it under the Trust Deed. Notwithstanding the aforesaid, the Trustee can neither be exempted from any liability to holders imposed under Hong Kong law or breaches of trust through fraud or negligence nor may it be indemnified against such liability by holders or at holders' expense. Subject to the applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default on the part of the Trustee, be liable for any losses, costs or damage to the Trust, any Sub-Fund or any Unitholder.</u></p> <p><u>The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment.</u></p> <p><u>The Trustee will not participate in transactions or activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury. The OFAC administers and enforces economic sanction programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers by using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals. In enforcing economic sanctions, OFAC acts to prevent "prohibited transactions," which are described by OFAC as trade or financial transactions and other dealings in which US persons may not engage unless authorised by OFAC or expressly exempted by statute. OFAC has the authority to grant exemptions to</u></p>
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prohibitions on such transactions, either by issuing a general license for certain categories of transactions, or by specific licenses issued on a case-by-case basis. HSBC Group has adopted a policy of compliance with the sanctions issued by OFAC. As part of its policy, the Trustee may request for additional information if deemed necessary.

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

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

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

	<u>Memorandum, and does not accept responsibility for any information contained in this Explanatory Memorandum, other than the descriptions under this section.</u>
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(D) Amendments to the Trust Deed of the Trust

With effect from 25 June 2013, the Trust Deed of the Trust (the “**Trust Deed**”) will be amended by way of a supplemental trust deed (the “**Supplemental Deed**”) for the purposes of clarifying certain duties, obligations and liabilities of the Trustee under the Trust. Some of the key amendments include the scope of liabilities of the Trustee when agent, nominee, custodian, co-custodian or sub-custodians are appointed and the circumstances under which the Trustee is not entitled to be exempted from certain liabilities nor may it be indemnified against such liabilities. For further details, please refer to the third, fourth and fifth paragraphs set out under the heading “Description upon amendment” under the above section headed “(C) Trustee, Registrar, Administrator and Custodian and Registrar’s Agent” as set out in this notice.

In addition to above, the Trust Deed will be amended in light of the current operations of the Trust and the prevailing laws and regulations.

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

(E) Other Administrative Changes

You will also note from the Explanatory Memorandum that applications for subscription of Units by prospective investors or Unitholders and applications for redemptions of Units by Unitholders are to be sent to the Registrar’s Agent instead of the Manager. The change is only intended to clarify on entity that is responsible for handling applications for subscription or redemption of Units.

The Explanatory Memorandum will be updated to reflect the foregoing changes. Should you wish to obtain a copy of the latest Explanatory Memorandum, please visit the Manager’s website, www.valuepartners.com.hk.

Should you have any questions about the change described above, please contact the Manager at 852 2880 9263.

Yours faithfully
For and on behalf of
Value Partners Limited

Appendix

This Appendix contains information on the QFII Regime, PRC Taxation on A Shares and B Shares and specific risk factors relating to the Sub-Fund which has been disclosed in the Addendum in respect of the Sub-Fund.

According to the Addendum,

“PRC Brokers” means brokers appointed by the QFII Holder acting on its behalf to deal with the Eligible Securities in the PRC for the account of the Sub-Fund;

“PRC QFII Custodian” means HSBC Bank (China) Company Limited;

“QFII Custodian” means The Hongkong and Shanghai Banking Corporation Limited who will act through the PRC QFII Custodian as the local custodian of the assets of the Sub-Fund acquired through and/or in connection with the QFII Quota of the QFII Holder under the QFII scheme in the PRC; and

“QFII Holder” means Value Partners Hong Kong Limited.

QFII Regime

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

QFII Holder

The QFII Holder is the holding company of the Manager and has obtained the QFII licence and a total amount of US\$100 million of the QFII Quota in the PRC which may be changed in future. Pursuant to the SAFE’s approval, the QFII Holder will allocate an amount of US\$35 million of the QFII Quota to the Sub-Fund for its exclusive use which may be changed in future. Should there be any change in the QFII Quota granted to the Sub-Fund in future, the Manager will give notice to Unitholders of such change.

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

QFII Custodian and PRC QFII Custodian

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

According to the QFII Custodian Agreement, the QFII Custodian is entitled to utilise its local subsidiary which as of the date hereof is the PRC QFII Custodian (being currently appointed by QFII Custodian) or its other associates within the HSBC group of companies as its delegate for the

performance of services under the QFII Custodian Agreement. The PRC QFII Custodian is incorporated in the PRC and is a wholly-owned subsidiary of the QFII Custodian. The PRC QFII Custodian possesses the applicable qualification to provide custody services to QFIIs. Subject to the applicable regulatory requirements, any change in the QFII Custodian will be subject to not less than one (1) month's prior notice to Unitholders.

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

Please refer to the section "Trustee, Registrar, Administrator and Custodian and Registrar's Agent" under "I. Management and Administration" of the Explanatory Memorandum "in regard to the extent of the Trustee's responsibility for the acts or omissions of the PRC QFII Custodian.

QFII Quota and Assets of the Sub-Fund

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

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

It should be noted that the Sub-Fund does not intend to, and will not, qualify as an open-ended China fund under the QFII Regulations. Accordingly, certain rules under the QFII Regulations which apply to an open-ended China fund are not applicable to the Sub-Fund. As a result, the Sub-Fund may be subject to liquidity risks and please refer to the risk factor "Liquidity risks" below in relation to the QFII Regulations on repatriation of funds in respect of investments held through the QFII Holder. First, the lock-up period for the investment capital of an open-ended China fund is three months, whereas the lock-up period for the QFII Holder's investment capital which constitutes the Sub-Fund's assets in the PRC is expected to be one year, expiring on 26 June 2014 (the "**Lock-up Period**"), unless otherwise notified to Unitholders by the Manager. Second, after the lock-up period, an open-ended China fund is allowed to remit and repatriate funds on a weekly basis based on the net balance of subscriptions or redemptions each week, whereas the Sub-Fund's assets may be repatriated out of the PRC subject to a monthly cumulative limit of 20 per cent of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the preceding year, as stipulated by SAFE. SAFE's prior approval is required where the investment capital of the Sub-Fund is to be repatriated out of the PRC and net realised profits generated from investments via the QFII Quota for the account of the Sub-Fund may be repatriated out of the PRC after the completion of

the audit of such net realised profits by a PRC registered accountant and the issuance of the tax payment certificate. Third, repatriation of assets of an open-ended China fund is subject to a monthly cumulative limit which is 20 per cent of the total onshore assets of that fund as at the end of the previous year, whereas repatriation of the Sub-Fund's assets is subject to a monthly cumulative limit of 20 per cent of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the preceding year, as stipulated by SAFE. It is currently expected that such repatriation limit will be applied across all the assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII, including without limitation the assets attributable to the Sub-Fund, and the assets attributable to other sub-funds, other clients of or other investment funds managed by the QFII Holder (or managed through its group companies including the Manager), and the proprietary assets of the QFII Holder and thus repatriation requests made by such other entities may have an impact on the repatriation of the Sub-Fund's assets. As a result, the restriction or delay in repatriation of investment capital and net profits may impact the Sub-Fund's ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month, of receipt of all required and duly completed redemption documentation.

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

- (a) the securities account(s) ("Securities Account(s)") with the CSDCC and opened by the PRC QFII Custodian as authorized by the QFII Holder have been opened in the name "Value Partners Hong Kong Limited – China Convergence Fund" and for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;
- (b) foreign exchange account and RMB special deposit account(s) (i.e. "Cash Account(s)") have been opened with the PRC QFII Custodian and in the name "Value Partners Hong Kong Limited – China Convergence Fund" and for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;
- (c) the assets held/credited in the Securities Account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers;
- (d) the assets held/credited in the Cash Account(s) (i) become an unsecured debt owing from the PRC QFII Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder and the PRC Brokers;
- (e) the Trustee acting for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the Securities Accounts and the debt in the amount deposited in the Cash Account(s) of the Sub-Fund;

- (f) if the Manager, the QFII Holder or any PRC Broker is liquidated, the assets contained in the Securities Account(s) or the Cash Account(s) will not form part of the liquidation assets of the Manager, the QFII Holder or the PRC Broker in liquidation under the PRC laws; and
- (g) If the PRC QFII Custodian is liquidated, (i) the assets contained in the Securities Account(s) of the Sub-Fund will not form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC, and (ii) the assets contained in the Cash Account(s) of the Sub-Fund will form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC and the Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Account(s).

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

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

PRC Taxation

The income (including dividends, interest income and capital gains) derived from the Sub-Fund's investments in PRC securities (including A Shares, B Shares, H Shares and RMB denominated debt securities issued by PRC issuers, whether issued or listed onshore or listed offshore) may be subject to PRC taxes.

The income (including interest income and capital gains) derived from the Sub-Fund's investments in RMB denominated debt securities issued by non-PRC issuers should not be subject to PRC taxes.

PRC Corporate Income Tax ("CIT")

Dividend income or interest income

If the Sub-Fund is considered as a tax resident enterprise of the PRC, it should be subject to CIT at 25 per cent. on its worldwide taxable income. If the Sub-Fund is considered a non-tax resident enterprise with an establishment or place of business ("PE") in the PRC, the profits and gains attributable to that PE should also be subject to CIT at 25 per cent.

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a PE in the PRC for CIT purposes, although this cannot be guaranteed.

Interest derived from government bonds is exempt from CIT (or CIT on a withholding basis ("WIT")) under the CIT Law.

Unless a specific exemption or reduction is available under current PRC CIT law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10 per cent., on dividend income or interest income arising from investments in the PRC Securities. The entity distributing such dividends or interest is required to withhold such tax on behalf of the recipients.

Under current regulations in the PRC, foreign investors (such as the Sub-Fund) may invest in onshore PRC Securities (i.e. A Shares and RMB denominated bonds issued or listed in the PRC), generally, only through a QFII or a RQFII (in this section referred to as the “relevant QFII”). Since only the relevant QFII’s interests in onshore PRC Securities are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII. However under the terms of the arrangement between the relevant QFII and the Sub-Fund, the relevant QFII will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from onshore PRC securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Capital gains

For B Shares and offshore PRC Securities (including H Shares and RMB denominated debt securities issued by PRC issuers and listed offshore) invested by the Sub-Fund directly and not via the relevant QFII, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains.

Specific rules governing taxes on the relevant QFII’s capital gains derived from the trading of onshore PRC Securities have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. For an enterprise that is a non-tax resident enterprise without PE in the PRC, a 10 per cent. WIT should be imposed on the capital gains derived from the disposal of onshore PRC Securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Any tax on capital gains levied on onshore PRC Securities and payable by the relevant QFII may be passed on to the Sub-Fund to the extent that the tax is attributable to the QFII’s trading gains on the onshore PRC Securities purchased by the Sub-Fund. Certain CAAP Issuers have indicated their intention to withhold an amount equal to 10 per cent of any gains representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A Shares. Similarly for direct investments in onshore PRC Securities, the Manager will accrue for the 10 per cent. withholding tax referred to above. The amounts withheld should generally be retained for a period of 5 years, pending further clarification of the tax rules and tax collection measures adopted by the PRC authorities. If the tax withheld by CAAP Issuers or the manager is inadequate to meet final PRC tax liabilities on capital gains, the CAAP Issuers or the Manager may pass on the additional tax liabilities to the Sub-Fund, and may therefore result in a decrease in the value of the Sub-Fund. There is also a possibility of the tax rules being changed from time to time, possibly with retrospective effect. If the applicable tax rates change, the tax withheld by CAAP Issuers or the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains on onshore PRC Securities. Consequently, unitholders may be advantaged or disadvantaged depending on the final tax outcome, the level of provision and when they subscribed and/or redeemed their units in or from the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for the WIT on such gains or income and withhold the tax for the account of the Sub-Fund. Upon any future resolution of the above-mentioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders should refer to the latest financial report of the Trust for details of the amounts currently withheld as provision for taxation liabilities (if any).

Business Tax (“BT”) and other surtaxes

Dividend income or interest income

The new BT law does not specifically exempt BT on interest earned by non-financial institutions. Hence, interest on both government and corporate bonds in theory should be subject to 5 per cent. BT. If BT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12 per cent. of BT payable.

Dividends on A Shares, B Shares and H Shares will not be subject to BT in China.

Capital gains

Caishui [2005] No. 155 states that gains derived by QFIIs from the trading of PRC Securities are exempt from BT. The new BT law has not changed this exemption treatment at the time of this Addendum. However, it is not clear whether a similar exemption would be extended to RQFIIs. BT if applicable, shall be imposed on the difference between the selling price and buying price of the PRC Securities. If BT is applicable, there are also other surtaxes (up to 12 per cent. of BT payable) being levied.

Where capital gains are derived from trading of B Shares and offshore PRC securities by the Sub-Fund, BT in general should not be imposed as the purchase and disposal are often concluded and completed outside China.

Stamp duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on Stamp Duty. In the case of contracts for sale of A Shares and B Shares, such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1 per cent.

In practice, it appears that stamp duty may not be imposed on RMB denominated debt securities transfer. For offshore PRC securities transfer, PRC stamp duty should not be applicable.

It should also be noted that the actual applicable tax rates imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual applicable tax rate levied by the PRC tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Shareholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the State Administration for Taxation (“SAT”) is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Shareholders who have redeemed their Participating Shares before SAT’s ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager’s overprovision. In this case, the then existing and new Unitholders may benefit if the

difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof.

Non-PRC tax resident Unitholders will not be subject to PRC tax on distributions received from the Sub-Fund (through the Sub-Fund), or on gains derived from the disposal of Units. PRC tax resident Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund (through the Sub-Fund).

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

Additional Risks of the Sub-Fund

It should be appreciated that since the value of Units, and income from them (if any), is based on investments in underlying securities, their value may fall as well as rise.

In addition to the general risk factors set out in the Explanatory Memorandum, investors should also note the following:

(a) Political, Economic and Social Risks

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

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

(b) Legal System of the PRC

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

(c) Potential Market Volatility

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

(d) Currency Exchange Risk

As the Sub-Fund is denominated in US dollars, the performance of the assets of the Sub-Fund will be affected by movements in the exchange rates between the currencies in which the assets are held and US dollars, and any changes in exchange control regulations which may cause

difficulties in the repatriation of funds. The Sub-Fund may, but is not obliged to seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective and may even be counter-productive due to the foreign exchange controls in the PRC. On the other hand, failure to hedge foreign currency risks may result in the Sub-Fund suffering from exchange rate fluctuations.

(e) Accounting and Reporting Standards

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

(f) PRC Tax Risk

Under the PRC CIT Law and its detailed implementation rules, dividends, interest and capital gains derived from onshore PRC Securities (i.e. A Shares and RMB denominated debt securities issued or listed in the PRC) invested directly/indirectly (via QFIIs) by the Sub-Fund are subject to CIT on a withholding basis (“WIT”) at a rate of 10 per cent., unless a specific exemption or reduction is available.

Specific rules governing taxes on capital gains derived from the trading of onshore PRC Securities have yet to be announced. It is possible that the relevant tax authorities may in the future clarify the tax position on capital gains realised by the Sub-Fund or by a relevant QFII dealing in onshore PRC Securities. In the absence of such specific rules, the income tax treatment should be governed by the general tax provisions of the PRC CIT Law. If the Sub-Fund is a non-tax resident enterprise without PE in the PRC, a 10 per cent. WIT should be imposed on the PRC-sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. Currently, the Manager has decided to provide for WIT at the rate of 10 per cent. on capital gains derived from onshore PRC Securities. In light of the uncertainty on income tax treatment on capital gains derived from the trading of onshore PRC Securities, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from onshore PRC Securities. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Sub-Fund during the period of such excessive or inadequate provision. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how capital gains from onshore PRC Securities will be taxed, the level of tax provision and when the investors subscribed and/or redeemed their Units in/from the Sub-Fund.

(g) QFII Risk

Risks associated with CAAP

The QFII policy and regulations imposed by the PRC government are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Sub-Fund. Under the QFII system, each QFII is subject to an investment quota for A Shares. If the QFII status of any CAAP Issuer is revoked or if any CAAP Issuer has insufficient investment quota, the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Sub-Fund may be required to dispose of its existing CAAPs.

Risks associated with QFIIs rules and restrictions

Investors should note that the Sub-Fund's investments made through a QFII are subject to the then prevailing exchange controls and other prevailing requirements of the PRC including rules on investment restrictions, lock-up period and repatriation and remittance of principal and profits.

In particular, the Sub-Fund, by obtaining exposure to the Eligible Securities via the QFII Quota of the QFII Holder, is subject to the following restrictions:

- (a) shares held by a single foreign investor (such as the Sub-Fund) investing through a QFII in a listed company should not exceed 10 per cent of the total outstanding shares of such listed company; and
- (b) total A Shares held by all foreign investors who make investment through QFIIs in a listed company should not exceed 30 per cent of the total outstanding shares of such listed company.

As there are limits on the total A Shares held by all foreign investors in one listed company in the PRC, the capacity of the Sub-Fund to make investments in A Shares will be affected by the activities of all other foreign investors investing through QFIIs.

The current QFII policy and QFII Regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFII Regulations will not be abolished. The Sub-Fund, which invests in the PRC markets through the QFII Quota of the QFII Holder and CAAPs, may be adversely affected as a result of such changes.

Risks regarding QFII licence and QFII Quota

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

Investors should note that pursuant to the QFII Regulations, the size of the QFII Quota may be reduced or cancelled entirely by the SAFE under the following circumstances: (i) the QFII Holder commits an illegal act of using foreign exchange, such as transferring or selling its investment quota; (ii) the QFII Holder provides false information or materials to the QFII Custodian or the SAFE; (iii) the QFII Holder fails to carry out investment-related conversion, purchase or payment of foreign exchange in accordance with the applicable provisions; (iv) the QFII Holder fails to provide relevant information or materials on its fund conversion or securities investments in the PRC as requested by the SAFE; or (v) the QFII Holder otherwise violates foreign exchange control provisions. There are rules and restrictions under QFII Regulations, including rules on remittance of principal, investment restrictions, lock-up periods, and repatriation of funds which will apply to the QFII Holder as a whole and not simply apply to the investment made for the account of the Sub-Fund. As the QFII Quota is also utilised by parties other than the Sub-Fund, investors should be aware that violations of the QFII Regulations on investments arising out of activities related to portions of the QFII Quota through which the Sub-Fund invests other than those which are utilised by the Sub-Fund could result in the revocation of or other regulatory action in respect of the QFII Quota of the QFII Holder as a whole, including any portion utilised by the Sub-Fund.

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

Risks regarding remittance and repatriation of funds

Under the QFII Regulations, there are foreign exchange control restrictions imposed on the repatriation of funds by the QFII Holder. The Sub-Fund will be restricted from withdrawing investment capital from the Cash Accounts during the Lock-up Period. After the Lock-up Period, the Sub-Fund may repatriate capital, dividends, interest and income from the PRC, however any such repatriation is subject to a monthly cumulative limit of 20 per cent. of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the previous year, as stipulated by SAFE. It is currently expected that such repatriation limit will be applied across all the assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII, including without limitation the assets attributable to the Sub-Fund, and the assets attributable to other Sub-Funds of the Trust, other clients of or other investment funds managed by the QFII Holder (or managed through its group companies including the Manager), and the proprietary assets of the QFII Holder and thus repatriation requests made by such other entities may have an impact on the repatriation of the Sub-Fund's assets. In respect of any repatriation of the Sub-Fund's assets out of the PRC, SAFE's prior approval is required where the investment capital of the Sub-Fund is to be repatriated out of the PRC and net realised profits generated from investments via the QFII Quota for the account of the Sub-Fund may be repatriated out of the PRC after the completion of the audit of such net realised profits by a PRC registered accountant and the issuance of the tax payment certificate. Process of repatriations of investment capital and net realised profits may be delayed due to any delay in the approval process of the SAFE or any delay in completion of such audit by the PRC registered accountant which may be beyond the control of the Manager. Further, as RMB is not a freely convertible currency, the Sub-Fund may be exposed to potential loss from any restriction or delay in the QFII Holder's ability to convert USD from or into RMB. In such cases, the restriction or delay in repatriation of investment capital and net realised profits may impact the Sub-Fund's ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month of receipt of all required and duly completed redemption documentation.

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

Not an open-ended China fund

It should be noted that the Sub-Fund does not intend to, and will not, qualify as an open-ended China fund under the QFII Regulations. Accordingly, it will not be benefited from certain rules under the QFII Regulations that will only apply to an open-ended China fund. Please refer to the section headed “QFII Regime”.

Liquidity risks

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

Custodial risk

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

Where the Sub-Fund invests in Eligible Securities through the QFII Holder’s QFII Quota, such securities will be maintained by the PRC QFII Custodian through one or more Securities Account(s) in the name of “Value Partners Hong Kong Limited – China Convergence Fund” in accordance with PRC law and the Sub-Fund may be subject to custodial risk. If the QFII Custodian defaults, the Sub-Fund may suffer substantial losses.

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

Brokerage risk

The Sub-Fund may incur losses due to the acts or omissions of the PRC Brokers or the PRC QFII Custodian or disqualification of the same from acting as a broker or the local custodian,

and will be exposed to the risk involved in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC settlement system.

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

(h) Renminbi depreciation

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

(i) Currency conversion risk

The Sub-Fund invests primarily in A, B and H Shares and financial instruments issued by China-related companies. The Sub-Fund is denominated in US dollars, whilst its investments are primarily denominated in other currencies such as Hong Kong dollars and RMB. Accordingly, the Sub-Fund will need to convert USD-denominated subscription proceeds to Hong Kong dollars or RMB in order to invest. To meet redemption requests, the Sub-Fund may need to convert the Hong Kong dollars or RMB sale proceeds back to USD. The Sub-Fund may incur costs as a result of the conversion and is subject to currency conversion risk. Investment in the Sub-Fund or distribution payments from the Sub-Fund, if any, will be subject to fluctuations in the exchange rates, as well as prices of the Sub-Fund's assets. In general, the performance of the Sub-Fund will be affected by such exchange rate movements. Further, RMB is not freely convertible and is subject to policies of exchange controls and repatriation restrictions. There is no guarantee that the RMB will not depreciate. There is no assurance that RMB will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency will not develop.

VALUE PARTNERS INTELLIGENT FUNDS
(the “Trust”)

CHINESE MAINLAND FOCUS FUND
(the “Sub-Fund”)

NOTICE TO UNITHOLDERS

This notice is important and requires your immediate attention. It contains information regarding changes to the Explanatory Memorandum of the Trust dated 25 June 2011 and the Addendum thereto in respect of the Sub-Fund, as amended from time to time (the “Explanatory Memorandum”). If you are in any doubt about the content of this notice, you should seek independent professional financial advice.

All capitalized terms herein contained shall have the same meaning in this notice as in 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 at the date of publication.

25 May 2013

Dear Unitholders

Change in Investment Policy upon Obtaining Direct Exposure to A Shares and Other Eligible Securities in the PRC via QFII Quota and Change in Borrowing Policy

(A) Change in Investment Policy upon Obtaining Direct Exposure to A Shares and Other Eligible Securities in the PRC via QFII Quota

Currently the Sub-Fund may indirectly invest in A Shares through China A Shares Access Products. On 26 December 2012, Value Partners Hong Kong Limited obtained a total amount of US\$100 million of the QFII Quota, US\$20 million of which will be allocated to the Sub-Fund for its exclusive use. With effect from 25 June 2013, the Sub-Fund may also invest directly in A Shares and other eligible securities in the PRC via QFII quota held by Value Partners Hong Kong Limited.

It is the Manager’s intention that between 0 per cent. and 20 per cent. of the Sub-Fund’s non-cash assets will be invested in A Shares.

In light of the above, we are writing to inform you of the following changes to the Sub-Fund which will take effect 25 June 2013 (the “Effective Date”).

1. Change in Investment Objective and Policy

With effect from the Effective Date, the investment objective will be amended as underlined:

<u>Current Investment Objective</u>	<u>Investment Objective upon amendment</u>
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The investment objective of the Sub-Fund is to achieve medium to long term capital appreciation (in US dollar terms) by investing primarily in investments which are related to the mainland of the People's Republic of China ("PRC") and investments whose value the Manager believes would be boosted by a Renminbi ("RMB") appreciation. The Manager will also invest in investments whose value the Manager believes would increase even if the RMB exchange rate remains unchanged.

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

The investment targets of the Sub-Fund may include RMB-denominated corporate and government bonds, listed or unlisted shares issued by companies whose assets and/or revenues are principally denominated in RMB and/or whose costs or liabilities are principally denominated in US dollars. Investment targets may also include A Shares, B Shares and H Shares. It is the Manager's intention as at the date of this Addendum that between 0 per cent. and 20 per cent. of the Sub-Fund's non-cash assets will be invested in A Shares, between 0 per cent. and 35 per cent. in B Shares and between 0 per cent. and 40 per cent. in H Shares although this may change after the date of this Addendum from time to time. Unitholders will be notified in advance if any of these limits is to be changed. A Shares and B Shares are listed on the Shanghai Securities Exchange and the Shenzhen Stock Exchange in the PRC. A Shares are quoted in RMB and B Shares are quoted in US dollars and Hong Kong dollars. H Shares are listed on the Hong Kong Stock Exchange and are quoted in Hong Kong dollars. Shares of companies listed in Hong Kong or on stock exchanges elsewhere whose shares may not be denominated in RMB but whose business is closely linked with the mainland of the PRC (in that they are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, the mainland of the PRC) may also be investment targets.

The investment objective of the Sub-Fund is to achieve medium to long term capital appreciation (in US dollar terms) by investing primarily in investments which are related to the mainland of the People's Republic of China ("PRC") and investments whose value the Manager believes would be boosted by a Renminbi ("RMB") appreciation. The Manager will also invest in investments whose value the Manager believes would increase even if the RMB exchange rate remains unchanged.

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

The investment targets of the Sub-Fund may include RMB-denominated corporate and government bonds, listed or unlisted shares issued by companies whose assets and/or revenues are principally denominated in RMB and/or whose costs or liabilities are principally denominated in US dollars. Investment targets may also include A Shares whether directly through the QFII Holder's QFII Quota or indirectly through CAAPs (defined below), B Shares and H Shares. It is the Manager's intention as at the date of this Addendum that between 0 per cent. and 20 per cent. of the Sub-Fund's non-cash assets will be invested in A Shares, between 0 per cent. and 35 per cent. in B Shares and between 0 per cent. and 40 per cent. in H Shares although this may change after the date of this Addendum from time to time. Unitholders will be notified one month in advance if any of these limits is to be changed. A Shares and B Shares are listed on the Shanghai Securities Exchange and the Shenzhen Stock Exchange in the PRC. A Shares are traded in RMB and B Shares are traded in US dollars and Hong Kong dollars. H Shares are listed on the Hong Kong Stock Exchange and are traded in Hong Kong dollars. Shares of companies listed in Hong Kong or on stock exchanges elsewhere whose shares may not be denominated in RMB but whose business is closely linked with the mainland of the PRC (in that they are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, the

<p>In terms of geographical area, the Sub-Fund will focus primarily on the mainland of the PRC and at least 70 per cent. of the Sub-Fund's non-cash assets will be related to the mainland of the PRC at all times. This will not preclude the Sub-Fund from investing in other markets where opportunities can be identified.</p> <p>The Sub-Fund may indirectly invest in A Shares through China A Shares Access Products ("CAAPs"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("CAAP Issuer") which represents an obligation of the CAAP Issuer to pay to the Sub-Fund an economic return equivalent to holding the underlying A Shares. As the Sub-Fund does not currently have direct access to A Shares through QFII, the Sub-Fund may seek indirect exposure to A Shares through CAAPs. Any direct investment in A Shares through QFII will only be made if the Manager obtains QFII status, upon prior authorisation by the SFC and by giving Unitholders one month's prior written notice (or such shorter notice period as approved by the SFC).</p> <p>Subject to the investment restrictions set out in the Explanatory Memorandum in respect of the Trust, the Manager may apply any investment strategy (including hedging, leveraging, short-selling and other strategies) it deems appropriate under the prevailing economic and market conditions in order to achieve the investment objective of the Sub-Fund.</p> <p>In addition, the Manager may hold cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers' acceptances, short-term commercial papers and other fixed income instruments for the account of the Sub-Fund. The Manager may also, on an ancillary basis, invest in commodities, futures, options, warrants, units in any unit trusts, shares in any mutual fund corporations, or any other collective interest schemes (including those offered by the Manager or its Connected Persons (as defined in section VI of the Explanatory Memorandum)). For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps. All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to section II of the</p>	<p>mainland of the PRC) may also be investment targets.</p> <p>In terms of geographical area, the Sub-Fund will focus primarily on the mainland of the PRC and at least 70 per cent. of the Sub-Fund's non-cash assets will be related to the mainland of the PRC at all times. This will not preclude the Sub-Fund from investing in other markets where opportunities can be identified.</p> <p>The Sub-Fund will directly invest in A Shares and other Eligible Securities through the QFII Quota of the QFII Holder.</p> <p>The Sub-Fund may indirectly invest in A Shares through China A Shares Access Products ("CAAPs"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("CAAP Issuer") which represents an obligation of the CAAP Issuer to pay to the Sub-Fund an economic return equivalent to holding the underlying A Shares. <u>Notwithstanding that the QFII Holder will allocate a certain amount of the QFII Quota to the Sub-Fund for its exclusive use in order to provide the Sub-Fund with direct access to A Shares, the Sub-Fund may still seek indirect exposure to A Shares through CAAPs from time to time. Please refer to the section headed "QFII Regime" for details of the QFII Quota allocated to the Sub-Fund.</u></p> <p><u>Investors should note that the Sub-Fund may not be allocated a sufficient portion of the QFII Quota or CAAPs to meet all applications for subscription.</u></p> <p><u>In order to achieve the investment objective of the Sub-Fund, investing directly or indirectly in A Shares and directly in other Eligible Securities in the PRC is considered by the Manager to be in the best interest of Unitholders.</u></p> <p>Subject to the investment restrictions set out in the Explanatory Memorandum in respect of the Trust, the Manager may apply any investment strategy (including hedging, leveraging, short-selling and other strategies) it deems appropriate under the prevailing economic and market conditions in order to achieve the investment objective of the Sub-Fund.</p>
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<p>Explanatory Memorandum for details of the investment restrictions under the Trust Deed.</p>	<p>In addition, the Manager may hold cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers' acceptances, short-term commercial papers and other fixed income instruments for the account of the Sub-Fund. The Manager may also, on an ancillary basis, invest in commodities, futures, options, warrants, units in any unit trusts, shares in any mutual fund corporations, or any other collective interest schemes (including those offered by the Manager or its Connected Persons (as defined in section VI of the Explanatory Memorandum)). For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps. All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to section II of the Explanatory Memorandum for details of the investment restrictions under the Trust Deed.</p>
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2. QFII and Related Disclosures

Information relating to the QFII Regime, PRC Taxation on A Shares, B Shares and CAAPs, and specific risk factors relating to the Sub-Fund has been set out in the Appendix to this notice. Please refer to the Appendix for details.

(B) Change in Borrowing Policy

With effect from 25 June 2013, the borrowing policy in respect of the Trust and any sub-fund of the Trust including the Sub-Fund will be amended as underlined:

<u>Current Borrowing Policy</u>	<u>Borrowing Policy upon amendment</u>
<p>The Manager may not, on behalf of any Sub-Fund the investment objective of which is to hold direct investments, borrow more than 25 per cent. of the latest available Net Asset Value of that Sub-Fund and, for the purposes of this limitation, back-to-back loans will not be taken into account when determining whether or not these limits have been breached by a Sub-Fund. All borrowings will be made on a temporary basis to facilitate payment of redemption proceeds to the Unitholders and to defray operating expenses.</p>	<p>The Manager may not, on behalf of any Sub-Fund the investment objective of which is to hold direct investments, borrow more than 25 per cent. of the latest available Net Asset Value of that Sub-Fund and, for the purposes of this limitation, back-to-back loans will not be taken into account when determining whether or not these limits have been breached by a Sub-Fund. All borrowings will be made on a temporary basis to facilitate payment of redemption proceeds to the Unitholders and to defray operating expenses <u>or to acquire investments for the account of the Trust or any Sub-Fund.</u></p>

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(C) Trustee, Registrar, Administrator and Custodian and Registrar’s Agent

The current description in respect of the section headed “Trustee, Registrar, Administrator and Custodian and Registrar’s Agent” in the Explanatory Memorandum will be amended as underlined due to the amendments made to the trust deed of the Trust:

<u>Current Description</u>	<u>Description upon amendment</u>
<p>Bank of Bermuda (Cayman) Limited (the “Trustee, Registrar, Administrator and Principal Office”) was incorporated in the Cayman Islands on 21 June 1988 and is a licensed trust company under the Banks and Trust Companies Law (Revised) and a licensed mutual fund administrator pursuant to the Mutual Funds Law (Revised). HSBC Institutional Trust Services (Asia) Limited (the “Custodian” or the “Registrar’s Agent”) was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong. The Trustee, Administrator and Registrar as well as the Custodian and Registrar’s Agent are indirectly wholly owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.</p> <p>None of the Trustee, Registrar, Administrator, Custodian or Registrar’s Agent will participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions of the Office of Foreign Assets Control (“OFAC”) of the US Department of the Treasury.</p>	<p>Bank of Bermuda (Cayman) Limited (the “Trustee, Registrar, Administrator and Principal Office”) was incorporated in the Cayman Islands on 21 June 1988 and is a licensed trust company under the Banks and Trust Companies Law (Revised) and a licensed mutual fund administrator pursuant to the Mutual Funds Law (Revised). HSBC Institutional Trust Services (Asia) Limited (the “Custodian” or the “Registrar’s Agent”) was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong. The Trustee, Administrator and Registrar as well as the Custodian and Registrar’s Agent are indirectly wholly owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.</p> <p><u>Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust, subject to the provisions of the Trust Deed.</u></p> <p><u>The Trustee may, however, appoint any person or persons (including a Connected Person of the Trustee) to be agent, nominee, custodian or co-custodian to hold certain assets of any Sub-Fund and may empower any such agent, nominee, custodian or co-custodian to appoint, with the prior consent in writing of the Trustee, sub-custodians for the performance of the Trustee’s duties, powers or discretions under the Trust Deed. The agent, nominee, custodian, co-custodian or sub-custodians so appointed are collectively referred to as the “Correspondents”.</u></p>

The Trustee is required to (a) exercise reasonable care and diligence in the selection, appointment and monitoring of such Correspondents and, (b) be satisfied that such Correspondents remain suitably qualified and competent to provide the relevant custodial services to the Sub-Funds. The Trustee shall be responsible for the acts and omissions of any such Correspondent which is a Connected Person of the Trustee (including the Custodian, QFII Custodian and the PRC QFII Custodian which is appointed by the QFII Custodian), as if the same were the acts or omissions of the Trustee, provided however that if the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any such Correspondents not being Connected Persons of the Trustee.

The Trustee shall not be liable for: any act, omission, insolvency, liquidation or bankruptcy of (1) Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised or central depositaries or clearing system which may from time to time be approved by the Trustee and the Manager; or (2) any lender or agent or nominee of any lender in whose name all or any of the Trust's or the relevant Sub-Fund's assets are registered or under whose custody or control such assets are placed under for the purpose of giving any security in connection with any borrowing for the account of the Trust or the relevant Sub-Fund.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or the relevant Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust and/or the relevant Sub-Fund unless the Trustee fails to show the degree of diligence and care required of it under the Trust Deed. Notwithstanding the aforesaid, the Trustee can neither be exempted from any liability to holders imposed under Hong Kong law or breaches of trust through fraud or negligence nor may it be indemnified against such liability by holders or at holders' expense.

	<p><u>Subject to the applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default on the part of the Trustee, be liable for any losses, costs or damage to the Trust, any Sub-Fund or any Unitholder.</u></p> <p><u>The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment.</u></p> <p><u>The Trustee will not participate in transactions or activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury. The OFAC administers and enforces economic sanction programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers by using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals. In enforcing economic sanctions, OFAC acts to prevent "prohibited transactions," which are described by OFAC as trade or financial transactions and other dealings in which US persons may not engage unless authorised by OFAC or expressly exempted by statute. OFAC has the authority to grant exemptions to prohibitions on such transactions, either by issuing a general license for certain categories of transactions, or by specific licenses issued on a case-by-case basis. HSBC Group has adopted a policy of compliance with the sanctions issued by OFAC. As part of its policy, the Trustee may request for additional information if deemed necessary.</u></p> <p><u>The Trustee will remain as the trustee of the Trust until the Trustee retires or is removed. The circumstances under which the Trustee may retire or be removed are set out in the Trust Deed. Where any Sub-Fund is authorised pursuant to section 104 of the Securities and Future Ordinance, any change in the Trustee is subject to the SFC's prior approval and the Trustee will remain as the trustee of the Trust until a new trustee is appointed in accordance with the provisions set out in the Trust Deed. Unitholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.</u></p>
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	<p><u>The Trustee will be entitled to the fees described in the section headed “V. Fees and Expenses – Trustee Fees” below and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.</u></p> <p><u>The Manager has the sole responsibility for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegates) are not responsible for and have no liability for any investment decision made by the Manager. Subject to the duty to ensure that the investment and borrowing limitations of the relevant Sub-Fund comply with the applicable legal and regulatory requirements including but not limited to those in the Code on Unit Trusts and Mutual Funds issued by the SFC and except as expressly stated in this Explanatory Memorandum, the Trust Deed and/or required by the applicable legal and regulatory requirements including but not limited to those in the Code on Unit Trusts and Mutual Funds issued by the SFC, neither the Trustee nor any of its employees, service providers or agents are or will be directly or indirectly involved in the business affairs, organisation, sponsorship or investment management of the Trust or any Sub-Fund. Also, none of the Trustee, its employees, service providers or agents is responsible for the preparation or issue of this Explanatory Memorandum, and does not accept responsibility for any information contained in this Explanatory Memorandum, other than the descriptions under this section.</u></p>
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(D) Amendments to the Trust Deed of the Trust

With effect from 25 June 2013, the Trust Deed of the Trust (the “**Trust Deed**”) will be amended by way of a supplemental trust deed (the “**Supplemental Deed**”) for the purposes of clarifying certain duties, obligations and liabilities of the Trustee under the Trust. Some of the key amendments include the scope of liabilities of the Trustee when agent, nominee, custodian, co-custodian or sub-custodians are appointed and the circumstances under which the Trustee is not entitled to be exempted from certain liabilities nor may it be indemnified against such liabilities. For further details, please refer to the third, fourth and fifth paragraphs set out under the heading “Description upon amendment” under the above section headed “(C) Trustee, Registrar, Administrator and Custodian and Registrar’s Agent” as set out in this notice.

In addition to above, the Trust Deed will be amended in light of the current operations of the Trust and the prevailing laws and regulations.

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

(E) Other Administrative Changes

You will also note from the Explanatory Memorandum that applications for subscription of Units by prospective investors or Unitholders and applications for redemptions of Units by Unitholders are to be sent to the Registrar's Agent instead of the Manager. The change is only intended to clarify on entity that is responsible for handling applications for subscription or redemption of Units.

The Explanatory Memorandum will be updated to reflect the foregoing changes. Should you wish to obtain a copy of the latest Explanatory Memorandum, please visit the Manager's website, www.valuepartners.com.hk.

Should you have any questions about the change described above, please contact the Manager at 852 2880 9263.

Yours faithfully

**For and on behalf of
Value Partners Limited**

Appendix

This Appendix contains information on the QFII Regime, PRC Taxation on A Shares and B Shares and specific risk factors relating to the Sub-Fund which has been disclosed in the Addendum in respect of the Sub-Fund.

According to the Addendum,

“PRC Brokers” means brokers appointed by the QFII Holder acting on its behalf to deal with the Eligible Securities in the PRC for the account of the Sub-Fund;

“PRC QFII Custodian” means HSBC Bank (China) Company Limited;

“QFII Custodian” means The Hongkong and Shanghai Banking Corporation Limited who will act through the PRC QFII Custodian as the local custodian of the assets of the Sub-Fund acquired through and/or in connection with the QFII Quota of the QFII Holder under the QFII scheme in the PRC; and

“QFII Holder” means Value Partners Hong Kong Limited.

QFII Regime

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

QFII Holder

The QFII Holder is the holding company of the Manager and has obtained the QFII licence and a total amount of US\$100 million of the QFII Quota in the PRC which may be changed in future. Pursuant to the SAFE’s approval, the QFII Holder will allocate an amount of US\$20 million of the QFII Quota to the Sub-Fund for its exclusive use which may be changed in future. Should there be any change in the QFII Quota granted to the Sub-Fund in future, the Manager will give notice to Unitholders of such change.

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

QFII Custodian and PRC QFII Custodian

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

According to the QFII Custodian Agreement, the QFII Custodian is entitled to utilise its local subsidiary which as of the date hereof is the PRC QFII Custodian (being currently appointed by QFII

Custodian) or its other associates within the HSBC group of companies as its delegate for the performance of services under the QFII Custodian Agreement. The PRC QFII Custodian is incorporated in the PRC and is a wholly-owned subsidiary of the QFII Custodian. The PRC QFII Custodian possesses the applicable qualification to provide custody services to QFIIs. Subject to the applicable regulatory requirements, any change in the QFII Custodian will be subject to not less than one (1) month's prior notice to Unitholders.

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

Please refer to the section "Trustee, Registrar, Administrator and Custodian and Registrar's Agent" under "I. Management and Administration" of the Explanatory Memorandum "in regard to the extent of the Trustee's responsibility for the acts or omissions of the PRC QFII Custodian.

QFII Quota and Assets of the Sub-Fund

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

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

It should be noted that the Sub-Fund does not intend to, and will not, qualify as an open-ended China fund under the QFII Regulations. Accordingly, certain rules under the QFII Regulations which apply to an open-ended China fund are not applicable to the Sub-Fund. As a result, the Sub-Fund may be subject to liquidity risks and please refer to the risk factor "Liquidity risks" below in relation to the QFII Regulations on repatriation of funds in respect of investments held through the QFII Holder. First, the lock-up period for the investment capital of an open-ended China fund is three months, whereas the lock-up period for the QFII Holder's investment capital which constitutes the Sub-Fund's assets in the PRC is expected to be one year, expiring on 26 June 2014 (the "**Lock-up Period**"), unless otherwise notified to Unitholders by the Manager. Second, after the lock-up period, an open-ended China fund is allowed to remit and repatriate funds on a weekly basis based on the net balance of subscriptions or redemptions each week, whereas the Sub-Fund's assets may be repatriated out of the PRC subject to a monthly cumulative limit of 20 per cent of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the preceding year, as stipulated by SAFE. SAFE's prior approval is required where the investment capital of the

Sub-Fund is to be repatriated out of the PRC and net realised profits generated from investments via the QFII Quota for the account of the Sub-Fund may be repatriated out of the PRC after the completion of the audit of such net realised profits by a PRC registered accountant and the issuance of the tax payment certificate. Third, repatriation of assets of an open-ended China fund is subject to a monthly cumulative limit which is 20 per cent of the total onshore assets of that fund as at the end of the previous year, whereas repatriation of the Sub-Fund's assets is subject to a monthly cumulative limit of 20 per cent of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the preceding year, as stipulated by SAFE. It is currently expected that such repatriation limit will be applied across all the assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII, including without limitation the assets attributable to the Sub-Fund, and the assets attributable to other sub-funds, other clients of or other investment funds managed by the QFII Holder (or managed through its group companies including the Manager), and the proprietary assets of the QFII Holder and thus repatriation requests made by such other entities may have an impact on the repatriation of the Sub-Fund's assets. As a result, the restriction or delay in repatriation of investment capital and net profits may impact the Sub-Fund's ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month, of receipt of all required and duly completed redemption documentation .

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

- (a) the securities account(s) ("Securities Account(s)") with the CSDCC and opened by the PRC QFII Custodian as authorized by the QFII Holder have been opened in the name "Value Partners Hong Kong Limited – Chinese Mainland Focus Fund" and for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;
- (b) foreign exchange account and RMB special deposit account(s) (i.e. "Cash Account(s)") have been opened with the PRC QFII Custodian and in the name "Value Partners Hong Kong Limited – Chinese Mainland Focus Fund" and for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;
- (c) the assets held/credited in the Securities Account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers;
- (d) the assets held/credited in the Cash Account(s) (i) become an unsecured debt owing from the PRC QFII Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder and the PRC Brokers;
- (e) the Trustee acting for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the Securities Accounts and the debt in the amount deposited in the Cash Account(s) of the Sub-Fund;

- (f) if the Manager, the QFII Holder or any PRC Broker is liquidated, the assets contained in the Securities Account(s) or the Cash Account(s) will not form part of the liquidation assets of the Manager, the QFII Holder or the PRC Broker in liquidation under the PRC laws; and
- (g) If the PRC QFII Custodian is liquidated, (i) the assets contained in the Securities Account(s) of the Sub-Fund will not form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC, and (ii) the assets contained in the Cash Account(s) of the Sub-Fund will form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC and the Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Account(s).

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

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

PRC Taxation

The income (including dividends, interest income and capital gains) derived from the Sub-Fund's investments in PRC securities (including A Shares, B Shares, H Shares and RMB denominated debt securities issued by PRC issuers, whether issued or listed onshore or listed offshore) may be subject to PRC taxes.

The income (including interest income and capital gains) derived from the Sub-Fund's investments in RMB denominated debt securities issued by non-PRC issuers should not be subject to PRC taxes.

PRC Corporate Income Tax ("CIT")

Dividend income or interest income

If the Sub-Fund is considered as a tax resident enterprise of the PRC, it should be subject to CIT at 25 per cent. on its worldwide taxable income. If the Sub-Fund is considered a non-tax resident enterprise with an establishment or place of business ("PE") in the PRC, the profits and gains attributable to that PE should also be subject to CIT at 25 per cent.

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a PE in the PRC for CIT purposes, although this cannot be guaranteed.

Interest derived from government bonds is exempt from CIT (or CIT on a withholding basis ("WIT")) under the CIT Law.

Unless a specific exemption or reduction is available under current PRC CIT law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10 per cent., on dividend income or interest income arising from investments in the PRC Securities. The entity distributing such dividends or interest is required to withhold such tax on behalf of the recipients.

Under current regulations in the PRC, foreign investors (such as the Sub-Fund) may invest in onshore PRC Securities (i.e. A Shares and RMB denominated bonds issued or listed in the PRC), generally, only through a QFII or a RQFII (in this section referred to as the “relevant QFII”). Since only the relevant QFII’s interests in onshore PRC Securities are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII. However under the terms of the arrangement between the relevant QFII and the Sub-Fund, the relevant QFII will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from onshore PRC securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Capital gains

For B Shares and offshore PRC Securities (including H Shares and RMB denominated debt securities issued by PRC issuers and listed offshore) invested by the Sub-Fund directly and not via the relevant QFII, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains.

Specific rules governing taxes on the relevant QFII’s capital gains derived from the trading of onshore PRC Securities have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. For an enterprise that is a non-tax resident enterprise without PE in the PRC, a 10 per cent. WIT should be imposed on the capital gains derived from the disposal of onshore PRC Securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Any tax on capital gains levied on onshore PRC Securities and payable by the relevant QFII may be passed on to the Sub-Fund to the extent that the tax is attributable to the QFII’s trading gains on the onshore PRC Securities purchased by the Sub-Fund. Certain CAAP Issuers have indicated their intention to withhold an amount equal to 10 per cent of any gains representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A Shares. Similarly for direct investments in onshore PRC Securities, the Manager will accrue for the 10 per cent. withholding tax referred to above. The amounts withheld should generally be retained for a period of 5 years, pending further clarification of the tax rules and tax collection measures adopted by the PRC authorities. If the tax withheld by CAAP Issuers or the manager is inadequate to meet final PRC tax liabilities on capital gains, the CAAP Issuers or the Manager may pass on the additional tax liabilities to the Sub-Fund, and may therefore result in a decrease in the value of the Sub-Fund. There is also a possibility of the tax rules being changed from time to time, possibly with retrospective effect. If the applicable tax rates change, the tax withheld by CAAP Issuers or the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains on onshore PRC Securities. Consequently, unitholders may be advantaged or disadvantaged depending on the final tax outcome, the level of provision and when they subscribed and/or redeemed their units in or from the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for the WIT on such gains or income and withhold the tax for the account of the Sub-Fund. Upon any future resolution of

the above-mentioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders should refer to the latest financial report of the Trust for details of the amounts currently withheld as provision for taxation liabilities (if any).

Business Tax (“BT”) and other surtaxes

Dividend income or interest income

The new BT law does not specifically exempt BT on interest earned by non-financial institutions. Hence, interest on both government and corporate bonds in theory should be subject to 5 per cent. BT. If BT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12 per cent. of BT payable.

Dividends on A Shares, B Shares and H Shares will not be subject to BT in China.

Capital gains

Caishui [2005] No. 155 states that gains derived by QFIIs from the trading of PRC Securities are exempt from BT. The new BT law has not changed this exemption treatment at the time of this Addendum. However, it is not clear whether a similar exemption would be extended to RQFIIs. BT if applicable, shall be imposed on the difference between the selling price and buying price of the PRC Securities. If BT is applicable, there are also other surtaxes (up to 12 per cent. of BT payable) being levied.

Where capital gains are derived from trading of B Shares and offshore PRC securities by the Sub-Fund, BT in general should not be imposed as the purchase and disposal are often concluded and completed outside China.

Stamp duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on Stamp Duty. In the case of contracts for sale of A Shares and B Shares, such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1 per cent.

In practice, it appears that stamp duty may not be imposed on RMB denominated debt securities transfer. For offshore PRC securities transfer, PRC stamp duty should not be applicable.

It should also be noted that the actual applicable tax rates imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual applicable tax rate levied by the PRC tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Shareholders will be

disadvantaged. On the other hand, if the actual applicable tax rate levied by the State Administration for Taxation (“SAT”) is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Shareholders who have redeemed their Participating Shares before SAT’s ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager’s overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof.

Non-PRC tax resident Unitholders will not be subject to PRC tax on distributions received from the Sub-Fund (through the Sub-Fund), or on gains derived from the disposal of Units. PRC tax resident Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund (through the Sub-Fund).

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

Additional Risks of the Sub-Fund

It should be appreciated that since the value of Units, and income from them (if any), is based on investments in underlying securities, their value may fall as well as rise.

In addition to the general risk factors set out in the Explanatory Memorandum, investors should also note the following:

(a) Political, Economic and Social Risks

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

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

(b) Legal System of the PRC

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

(c) Potential Market Volatility

Investors should note that the stock exchanges in the PRC on which A Shares and B Shares are traded are at a developing stage and the market capitalization and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the A Share and B Share markets may result in prices of

securities traded on such markets fluctuating significantly resulting in substantial changes in the Unit price of the Sub-Fund.

(d) Currency Exchange Risk

As the Sub-Fund is denominated in US dollars, the performance of the assets of the Sub-Fund will be affected by movements in the exchange rates between the currencies in which the assets are held and US dollars, and any changes in exchange control regulations which may cause difficulties in the repatriation of funds. The Sub-Fund may, but is not obliged to seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective and may even be counter-productive due to the foreign exchange controls in the PRC. On the other hand, failure to hedge foreign currency risks may result in the Sub-Fund suffering from exchange rate fluctuations.

(e) Accounting and Reporting Standards

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

(f) PRC Tax Risk

Under the PRC CIT Law and its detailed implementation rules, dividends, interest and capital gains derived from onshore PRC Securities (i.e. A Shares and RMB denominated debt securities issued or listed in the PRC) invested directly/indirectly (via QFIIs) by the Sub-Fund are subject to CIT on a withholding basis (“WIT”) at a rate of 10 per cent., unless a specific exemption or reduction is available.

Specific rules governing taxes on capital gains derived from the trading of onshore PRC Securities have yet to be announced. It is possible that the relevant tax authorities may in the future clarify the tax position on capital gains realised by the Sub-Fund or by a relevant QFII dealing in onshore PRC Securities. In the absence of such specific rules, the income tax treatment should be governed by the general tax provisions of the PRC CIT Law. If the Sub-Fund is a non-tax resident enterprise without PE in the PRC, a 10 per cent. WIT should be imposed on the PRC-sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. Currently, the Manager has decided to provide for WIT at the rate of 10 per cent. on capital gains derived from onshore PRC Securities. In light of the uncertainty on income tax treatment on capital gains derived from the trading of onshore PRC Securities, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from onshore PRC Securities. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Sub-Fund during the period of such excessive or inadequate provision. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how capital gains from onshore PRC Securities will be taxed, the level of tax provision and when the investors subscribed and/or redeemed their Units in/from the Sub-Fund.

(g) QFII Risk

Risks associated with CAAP

The QFII policy and regulations imposed by the PRC government are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Sub-Fund. Under the QFII system, each QFII is subject to an investment quota for A Shares. If the QFII status of any CAAP Issuer is revoked or if any CAAP Issuer has insufficient investment quota, the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Sub-Fund may be required to dispose of its existing CAAPs.

Risks associated with QFIIs rules and restrictions

Investors should note that the Sub-Fund's investments made through a QFII are subject to the then prevailing exchange controls and other prevailing requirements of the PRC including rules on investment restrictions, lock-up period and repatriation and remittance of principal and profits.

In particular, the Sub-Fund, by obtaining exposure to the Eligible Securities via the QFII Quota of the QFII Holder, is subject to the following restrictions:

- (a) shares held by a single foreign investor (such as the Sub-Fund) investing through a QFII in a listed company should not exceed 10 per cent of the total outstanding shares of such listed company; and
- (b) total A Shares held by all foreign investors who make investment through QFIIs in a listed company should not exceed 30 per cent of the total outstanding shares of such listed company.

As there are limits on the total A Shares held by all foreign investors in one listed company in the PRC, the capacity of the Sub-Fund to make investments in A Shares will be affected by the activities of all other foreign investors investing through QFIIs.

The current QFII policy and QFII Regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFII Regulations will not be abolished. The Sub-Fund, which invests in the PRC markets through the QFII Quota of the QFII Holder and CAAPs, may be adversely affected as a result of such changes.

Risks regarding QFII licence and QFII Quota

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

Investors should note that pursuant to the QFII Regulations, the size of the QFII Quota may be reduced or cancelled entirely by the SAFE under the following circumstances: (i) the QFII Holder commits an illegal act of using foreign exchange, such as transferring or selling its investment quota; (ii) the QFII Holder provides false information or materials to the QFII Custodian or the SAFE; (iii) the QFII Holder fails to carry out investment-related conversion, purchase or payment of foreign exchange in accordance with the applicable provisions; (iv) the QFII Holder fails to provide relevant information or materials on its fund conversion or securities investments in the PRC as requested by the SAFE; or (v) the QFII Holder otherwise violates foreign exchange control provisions. There are rules and restrictions under QFII

Regulations, including rules on remittance of principal, investment restrictions, lock-up periods, and repatriation of funds which will apply to the QFII Holder as a whole and not simply apply to the investment made for the account of the Sub-Fund. As the QFII Quota is also utilised by parties other than the Sub-Fund, investors should be aware that violations of the QFII Regulations on investments arising out of activities related to portions of the QFII Quota through which the Sub-Fund invests other than those which are utilised by the Sub-Fund could result in the revocation of or other regulatory action in respect of the QFII Quota of the QFII Holder as a whole, including any portion utilised by the Sub-Fund.

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

Risks regarding remittance and repatriation of funds

Under the QFII Regulations, there are foreign exchange control restrictions imposed on the repatriation of funds by the QFII Holder. The Sub-Fund will be restricted from withdrawing investment capital from the Cash Accounts during the Lock-up Period. After the Lock-up Period, the Sub-Fund may repatriate capital, dividends, interest and income from the PRC, however any such repatriation is subject to a monthly cumulative limit of 20 per cent. of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the previous year, as stipulated by SAFE. It is currently expected that such repatriation limit will be applied across all the assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII, including without limitation the assets attributable to the Sub-Fund, and the assets attributable to other Sub-Funds of the Trust, other clients of or other investment funds managed by the QFII Holder (or managed through its group companies including the Manager), and the proprietary assets of the QFII Holder and thus repatriation requests made by such other entities may have an impact on the repatriation of the Sub-Fund's assets. In respect of any repatriation of the Sub-Fund's assets out of the PRC, SAFE's prior approval is required where the investment capital of the Sub-Fund is to be repatriated out of the PRC and net realised profits generated from investments via the QFII Quota for the account of the Sub-Fund may be repatriated out of the PRC after the completion of the audit of such net realised profits by a PRC registered accountant and the issuance of the tax payment certificate. Process of repatriations of investment capital and net realised profits may be delayed due to any delay in the approval process of the SAFE or any delay in completion of such audit by the PRC registered accountant which may be beyond the control of the Manager. Further, as RMB is not a freely convertible currency, the Sub-Fund may be exposed to potential loss from any restriction or delay in the QFII Holder's ability to convert USD from or into RMB. In such cases, the restriction or delay in repatriation of investment capital and net realised profits may impact the Sub-Fund's ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month of receipt of all required and duly completed redemption documentation.

The restrictions on repatriation of funds may have an impact on the Sub-Fund's ability to meet the redemption requests of its Unitholders. In the event that redemption requests for a large

number of Units are received, the Sub-Fund may need to make borrowings or realise other investments instead of the investments held through the QFII Quota for the purposes of meeting such redemption requests and/or to limit the number of Units of any class in the Sub-Fund redeemed subject to the provisions of the Trust Deed and the applicable legal and regulatory requirements including but not limited to those in the Code on Unit Trusts and Mutual Funds issued by the SFC. It is likely that such an impact will increase as the investment of the Sub-Fund in the PRC's securities market increases.

Not an open-ended China fund

It should be noted that the Sub-Fund does not intend to, and will not, qualify as an open-ended China fund under the QFII Regulations. Accordingly, it will not be benefited from certain rules under the QFII Regulations that will only apply to an open-ended China fund. Please refer to the section headed "QFII Regime".

Liquidity risks

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

Custodial risk

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

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

The assets, including cash, held by the PRC QFII Custodian belong to the Sub-Fund as the ultimate beneficial owner, and they are segregated from the assets of the QFII Holder, the QFII Custodian, the PRC Brokers, and their respective clients. If any of the QFII Holder, the Manager or the PRC Brokers is liquidated, the assets (including cash) which belong to the Sub-Fund do not form part of the liquidation assets of the QFII Holder, the Manager, or the PRC Brokers. If the QFII Custodian is liquidated, the assets held within the Securities Accounts will not form part of its liquidation assets, however, cash held in the Cash Accounts will form part of its liquidation assets in the PRC and the Sub-Fund will become an unsecured creditor for the

amount deposited in the Cash Accounts. The Sub-Fund may incur losses due to a default, act or omission of the QFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

Brokerage risk

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

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

(h) Renminbi depreciation

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

(i) Currency conversion risk

The Sub-Fund invests primarily in A, B and H Shares and financial instruments issued by China-related companies. The Sub-Fund is denominated in US dollars, whilst its investments are primarily denominated in other currencies such as Hong Kong dollars and RMB. Accordingly, the Sub-Fund will need to convert USD-denominated subscription proceeds to Hong Kong dollars or RMB in order to invest. To meet redemption requests, the Sub-Fund may need to convert the Hong Kong dollars or RMB sale proceeds back to USD. The Sub-Fund may incur costs as a result of the conversion and is subject to currency conversion risk. Investment in the Sub-Fund or distribution payments from the Sub-Fund, if any, will be subject to fluctuations in the exchange rates, as well as prices of the Sub-Fund's assets. In general, the performance of the Sub-Fund will be affected by such exchange rate movements. Further, RMB is not freely convertible and is subject to policies of exchange controls and repatriation restrictions. There is no guarantee that the RMB will not depreciate. There is no assurance that RMB will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency will not develop.