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

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

Value Partners Limited, the Manager of the Trust (the “**Manager**”), accepts full responsibility for the accuracy of the information contained in this notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this notice misleading as at the date of issuance.

29 November 2019

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

Dear Unitholders,

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

A. Changes pursuant to the Revised Code on Unit Trusts and Mutual Funds

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

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

- (a) Trustee and Manager – additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.
- (b) Investment Restrictions: Core Requirements – amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, restriction on investment in commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

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

- (c) Redemption Gate – to adopt the flexibility accorded under the revised Code, the Trust Deed will be amended to allow the redemption gate in respect of a Sub-Fund to be imposed by reference to either the total Net Asset Value of a Sub-Fund or the total number of Units in issue as determined by the Manager, instead of only by reference to the total number of Units in issue. With effect from the Effective Date, a redemption gate

may be imposed by the Manager by reference to the total Net Asset Value of a Sub-Fund (instead of by reference to total number of Units in issue). In particular, the Manager may limit the total number of Units of a Sub-Fund which Unitholders are entitled to redeem by reference to any Valuation Day to 10% of the total Net Asset Value of the Sub-Fund on that Valuation Day.

- (d) Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including but not limited to the following:
- (i) Custody arrangements – enhanced disclosures on custody arrangements.
 - (ii) Unclaimed proceeds – additional disclosure on arrangements in handling unclaimed proceeds of Unitholders where the Trust and/or a Sub-Fund is terminated.
 - (iii) Transactions with connected persons – amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements.
 - (iv) Securities lending transactions – enhanced and updated disclosures relating to securities lending transactions including, criteria of counterparty, collateral requirements and custody/safekeeping arrangement of assets subject to these transactions. In addition, previously, any incremental income earned from securities lending agreement may be split between the relevant Sub-Fund and any security lending agent in such proportion as the Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed 30% of such incremental income. Going forward, all revenues arising from the securities lending transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities lending transactions will be returned to the relevant Sub-Fund.
 - (v) Collateral policy – enhanced disclosures relating to the collateral policy of the Sub-Funds including selection criteria, nature and policy of the collateral held by the Sub-Funds and description of the holdings of collateral including nature and quality of collateral, haircut policy, policies on re-investment of cash collateral, safekeeping arrangement and risks associated with collateral management.

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

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

- (a) Currently, each of the Sub-Funds may invest in commodities. Under the revised Code, the Sub-Funds may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the Sub-Funds will be amended for compliance with the revised Code, such that with effect from the Effective Date, the Sub-Funds will no longer invest in physical commodities (unless otherwise approved by the SFC).
- (b) Currently, each of the Sub-Funds may invest in debt securities that are below investment grade (i.e. a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating (in the case where the credit rating is designated or assigned by an internationally recognized rating agency) or rated BB+ or below (in the case where the credit rating is designated or assigned by a PRC credit rating agency)) or are unrated. With effect from the Effective Date, each of the Sub-Funds may invest in debt securities which (or the issuers of which) are below investment grade or unrated. A debt security which is rated below investment grade is defined as a debt security which (or the issuer of which) is (a) within the PRC, rated BB+ or below by a local PRC credit

rating agency; and (b) outside the PRC, rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch); and an "unrated" debt security is defined as a debt security which neither the security itself nor its issuer has a credit rating.

- (c) Currently, the Manager may on an ancillary basis, invest less than 30% of each Sub-Fund's Net Asset Value in commodities, futures, options, warrants, other fixed income instruments, units in any unit trusts, shares in any mutual fund corporations, or any other collective investment schemes (including those offered by the Manager, its investment delegates (if any) or any of their Connected Persons. With effect from the Effective Date, investment in futures, options and warrants will be removed from the aforesaid limit (i.e. less than 30% of each Sub-Fund's Net Asset Value) and each Sub-Fund's investment in financial derivative instruments for hedging and/or investment purposes is subject to the limit that the Sub-Fund's net derivative exposure does not exceed 50% of its net asset value. Enhanced disclosures will also be made to provide that each Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.
- (d) The China Convergence Fund may currently invest up to 45% of its latest available Net Asset Value in A Shares, whether directly or indirectly. Further, the China Convergence Fund may currently invest up to 20% of its latest available Net Asset Value in the Small and Medium Enterprise ("**SME**") board of the Shenzhen Stock Exchange ("**SZSE**") and/or the ChiNext Market of the SZSE.

With effect from the Effective Date, to provide the China Convergence Fund with greater flexibility to capture investment opportunities in investing in A Shares in China, the China Convergence Fund may invest up to 100% of its latest available Net Asset Value in A Shares, whether directly or indirectly. Further, the China Convergence Fund may also invest up to 100% of its latest available Net Asset Value in the SME Board of the SZSE, ChiNext Market of the SZSE and/or the Science and Technology Innovation Board ("**STAR Board**") of the Shanghai Stock Exchange. For the avoidance of doubt, the China Convergence Fund's investment in A Shares via the QFII Holder's QFII Quota will be less than 70% of its Net Asset Value.

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

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

C. Miscellaneous Updates /Amendments

The following changes will also be made:

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

- (c) clarificatory amendments to the valuation rules set out in the Explanatory Memorandum and the Trust Deed. These clarificatory amendments will not result in any change to the manner in which assets of the Trust and/or the Sub-Funds are valued in practice;
- (d) updates and enhancement of the tax disclosures;
- (e) enhanced risk disclosures relating to investments by a Sub-Fund in the STAR Board;
- (f) enhanced disclosures relating to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong);
- (g) updates and enhancements of the Cayman Islands-related disclosures, including enhanced disclosures relating to the Cayman Islands Data Protection Law, 2017;
- (h) the change of registered address of HSBC Trustee (Cayman) Limited to P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal office of the Trust remains unchanged at Strathvale House, 90 North Church Street, George Town, Grand Cayman, Cayman Islands; and
- (i) other consequential amendments and miscellaneous updates, drafting and editorial amendments.

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

D. Implications of Changes

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

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

- (a) the China Convergence Fund will be managed in accordance with its revised investment policy following the implementation of the changes. Save and except the foregoing, there is no change in the operation and/or manner in which the Sub-Fund is being managed;
- (b) the changes will not materially prejudice the existing investors' rights or interests.
- (c) there will be no change in the fee structure and fee level of the China Convergence Fund following the implementation of the changes; and
- (d) the costs and/or expenses incurred in connection with the changes will be borne by the China Convergence Fund. It is currently estimated that the costs and expenses in relation to the changes would be approximately HK\$100,000.

E. Availability of Documents

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

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

F. Enquiries

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

Value Partners Limited

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

ANNEXURE A

Summary of Key Revised Investment and Borrowing Restrictions

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

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity (other than government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments;
- (b) subject to the requirements under the revised Code and unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments;
- (c) unless otherwise approved by the SFC, the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code;
- (d) a Sub-Fund may not invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;
- (e) subject to the requirements under the revised Code, a Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;
- (f) the maximum borrowing of a Sub-Fund shall be reduced from 25% to 10% of its latest available Net Asset Value. Although each Sub-Fund does not intend to engage in sale and repurchase transactions, for the avoidance of doubt, sale and repurchase transactions and securities lending transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph;
- (g) a Sub-Fund may acquire financial derivative instruments for hedging purposes;

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

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

- (i) for the purpose of calculating net derivative exposure, the positions of financial derivative instruments acquired by a Sub-Fund for investment purposes shall be converted into the equivalent position in the underlying assets of the financial derivative instruments, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions; and
- (ii) the net derivative exposure shall be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time.

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

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