

**CIRCULAR TO THE SHAREHOLDERS OF
VALUE PARTNERS GREATER CHINA HIGH YIELD INCOME FUND
(the “Company”)**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should seek independent professional financial and/or legal advice.

If you have sold or transferred all of your Shares in the Company, you should pass this document, together with the relevant accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was made for transmission to the purchaser or transferee.

The directors of the Company (“**Directors**”) and Value Partners Hong Kong Limited (“**Manager**”) accept full responsibility for the accuracy of the information contained in this Circular as at the date of issue and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Unless otherwise stated herein, capitalised terms in this Circular shall have the same meanings as defined in the explanatory memorandum of the Company dated 8 July 2013, as amended by the First Addendum dated 13 September 2013, the Second Addendum dated 11 November 2013 and the Third Addendum dated 30 June 2014 (“**Explanatory Memorandum**”).

12 July 2016

Dear Shareholders,

Meeting to Propose an Ordinary Resolution to Increase the Authorised Share Capital of the Company and Special Resolutions to Amend the Memorandum and Articles of Association

We refer to the notice dated 6 June 2016, whereby you have been notified that the authorised share capital of the Company has been exceeded (“**Incident**”).

1. Proposed Increase of Authorised Share Capital

In order to rectify the Incident and to accommodate both existing and prospective future subscriptions, the Company intends to increase its authorised share capital to US\$5,000,000 divided into 100 Administrative Shares of a nominal or par value of US\$1.00 each and 4,999,900,000 Participating Shares of a nominal or par value of US\$0.001 each (“**Proposed Increase of Authorised Share Capital**”) in accordance with the Company’s Memorandum and Articles of Association (“**M&A**”).

The Manager is of the opinion that the Proposed Increase of Authorised Share Capital is in the best interests of the Company as a whole.

2. Amendments to Memorandum and Articles of Association

The Company intends to amend its memorandum of association (“**Memorandum**”) and articles of association (“**Articles**”) to reflect the Proposed Increase of Authorised Share Capital (“**Proposed M&A Amendments**”).

Details of the Proposed M&A Amendments are set out in the Schedule annexed to this Circular.

The Manager is of the opinion that the Proposed M&A Amendments are in the best interests of the Company as a whole.

3. Extraordinary General Meeting (“EGM”)

3.1. Ordinary Resolution – Proposed Increase of Authorised Share Capital

The Proposed Increase of Authorised Share Capital is required to be approved by an ordinary resolution of the holders of Participating Shares (other than investors to whom Participating Shares have been issued in excess of the Company’s authorised share capital (“**Relevant Investors**”)) according to Article 52 of the Articles.

3.2. Special Resolutions – Proposed M&A Amendments

Pursuant to Clause 7 of the Memorandum, the Memorandum may be amended by a special resolution which special resolution must be passed by holders of the Participating Shares (other than the Relevant Investors).

Further, pursuant to Article 154 of the Articles, the Articles may be altered or added to by special resolution which special resolution must be passed both by holders of the Participating Shares (other than the Relevant Investors) and holders of the Administrative Shares, each voting as a separate class.

3.3. Notice of Extraordinary General Meeting

In order to obtain approval for the Proposed Increase of Authorised Share Capital and the Proposed M&A Amendments by the relevant Shareholders, an EGM of the Company will be convened. Based on legal advice from Cayman counsel, only those Shareholders (i.e. holders of Participating Shares issued within the authorised share capital of the Company and whose names appear on the register of members of the Company as at the close of business on 1 August 2016) are entitled to attend and vote at the EGM.

In addition, in respect of the proposed amendments to the Articles only, holders of Administrative Shares whose names appear on the register of members of the Company as at 1 August 2016 are entitled to attend and vote at the EGM as a separate class.

You will find enclosed a notice of the EGM (the “**EGM Notice**”) which will be held at 9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong at 9:30 a.m. (Hong Kong time) on 15 August 2016.

If you are not able to attend in person, you may appoint a proxy to attend and vote on your behalf at the EGM and at any adjourned meeting to be held thereafter by completing the enclosed proxy form (the “**Proxy Form**”) in accordance with the instructions thereon and returning it to *17/F, Tower 2, HSBC Centre, 1 Sham Mong Road, Kowloon, Hong Kong. Attention: Transfer Agency* as soon as possible and, in any event not later than 5:00 p.m. (Hong Kong time) on 11 August 2016 (i.e. not less than 48 hours before the time appointed for holding the meeting). A proxy is not required to be a Shareholder.

3.4. Quorum and Voting Arrangements

The EGM can only proceed where there is a quorum. A quorum will be met if at least two Shareholders present in person or by proxy who are entitled to vote and hold in aggregate 10% or more in the nominal value of the Participating Shares which have been issued within the authorised share capital of the Company for an ordinary resolution and at least two Shareholders present in person or by proxy who are entitled to vote and hold in aggregate 25% or more in nominal value of the Shares which have been issued within the authorised share capital of the Company for a special resolution. In order to meet the quorum requirement, Shareholders are strongly encouraged to submit a duly completed and signed Proxy Form.

If a quorum is not present within half an hour from the time appointed for the EGM, the EGM will be adjourned to such other day (not being less than 15 nor more than 28 days thereafter) and at such other time or place as the chairman of the EGM may determine (the “**Adjourned Meeting**”) and at such Adjourned Meeting, one Shareholder present in person or by proxy (whatever the number of Administrative Shares or Participating Shares issued within the authorised share capital of the Company and held by him if an ordinary resolution or a special resolution is being proposed) shall be a quorum. Notice of the Adjourned Meeting shall be given in the same manner as for the original meeting except that such notice will state that one Shareholder present in person or by proxy (whatever the number of Administrative Shares or Participating Shares issued within the authorised share capital of the Company and held by him) shall be a quorum.

The resolutions set out in the enclosed EGM Notice will need to be duly passed respectively as an ordinary resolution and special resolutions by the Shareholders. An ordinary resolution means a resolution passed by a simple majority of those Shareholders present and entitled to vote in person or by proxy at a duly convened meeting of the Company. A special resolution means a resolution passed by not less than three-quarters of the votes of those Shareholders present and entitled to vote in person or by proxy at a duly convened meeting of the Company.

According to Article 70 of the Articles, on a poll every Shareholder who is present in person or by proxy shall have one vote (or the corresponding fraction of a vote) for every Share (or fraction thereof) of which he is the holder. According to Article 71 of the Articles, the proposed resolutions put to vote at the EGM shall be decided on a poll. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

3.5. Effective Date

If the resolutions concerning the Proposed Increase of Authorised Share Capital and Proposed M&A Amendments are approved by the relevant Shareholders at the EGM, they will be effective immediately and the Directors will have the legal authority to implement the rectification actions in relation to the Incident by (i) increasing the Company’s authorised share capital; (ii) issuing and allotting Participating Shares to the Relevant Investors; and (iii) authorising HSBC Trustee (Cayman) Limited, the Administrator, to update the books and records of the Company to reflect the increase in authorised share capital and the issuance and allotment of Participating Shares to the Relevant Investors.

A notice of the result of the EGM (or the result of the Adjourned Meeting), whether or not the ordinary resolution and special resolutions are passed, and the effective date of the Proposed

Increase of Authorised Share Capital and Proposed M&A Amendments (if approved), will be given to all investors of the Company as soon as possible.

In the unlikely event the proposed ordinary resolution is not passed at the EGM, the proposed rectification actions in relation to the Proposed Increase of Authorised Share Capital as set out in the notice dated 6 June 2016 cannot be implemented.

In the unlikely event the proposed ordinary resolution and special resolutions are not passed at the EGM, the Proposed M&A Amendments cannot be implemented.

In the unlikely event the proposed ordinary resolution is passed at the EGM, but the special resolutions are not passed at the EGM, the proposed rectification actions in relation to the Proposed Increase of Authorised Share Capital as set out in the notice dated 6 June 2016 can and will be implemented but the Proposed M&A Amendments will not be implemented. Based on legal advice received from Cayman counsel, the proposed ordinary resolution, if passed at the EGM, will be valid and binding even if the special resolutions are not passed at the EGM, and the Directors will have the legal authority to implement the rectification actions in relation to the Incident by (i) increasing the Company's authorised share capital; (ii) issuing and allotting Participating Shares to the Relevant Investors; and (iii) authorising HSBC Trustee (Cayman) Limited, the Administrator, to update the books and records of the Company to reflect the increase in authorised share capital and the issuance and allotment of Participating Shares to the Relevant Investors.

Where the proposed ordinary resolution is not passed at the EGM, the Company will in such circumstance promptly notify investors of alternative action(s) to be undertaken.

3.6. Directors' Recommendation

The Directors consider that the Proposed Increase of Authorised Share Capital and Proposed M&A Amendments are in the best interests of the Shareholders of the Company as a whole and recommend that you either attend the EGM and vote in favour of the resolutions to be proposed at the EGM, or appoint a proxy or, in the absence of appointment of a proxy, the chairman of the EGM to vote on your behalf in favour of the resolutions to be proposed at the EGM.

4. **Costs and Expenses**

The expenses, costs, fees and charges incurred in connection with the Proposed Increase of Authorised Share Capital as well as the Proposed M&A Amendments (including the holding of the EGM and any Adjourned Meeting) will be borne by the Manager.

5. **Documents Available**

Copies of the following documents are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager at 9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong and copies thereof may be obtained from the Manager at that address on payment of reasonable fees:—

- (i) the M&A;
- (ii) the agreements referred to in the section headed "Material Contracts" in the Explanatory Memorandum;

- (iii) the Companies Law (as amended) of the Cayman Islands; and
- (iv) the Mutual Funds Law (as amended) of the Cayman Islands.

Copies of the Explanatory Memorandum, Product Key Facts Statement and latest financial reports of the Company may be obtained from the offices of the Manager free of charge.

The Explanatory Memorandum will be updated to reflect the Proposed Increase of Authorised Share Capital once the ordinary resolution and special resolutions are passed.

6. Enquiry

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 GREATER CHINA HIGH YIELD INCOME FUND

Schedule

Proposed Amendments to the Memorandum and Articles of Association of the Company

Please find below the relevant extracts from the Memorandum and Articles of Association of the Company highlighting the proposed amendments thereto.

Legend:
<u>Insertion</u>
Deletion

Memorandum of Association

1. Amendment to Clause 5 of the Memorandum of Association of the Company:

The authorised share capital of the Company is US\$~~50,000~~5,000,000 divided into ~~one hundred (100)~~ administrative shares of a nominal or par value of US\$1.00 each and ~~forty nine million nine hundred thousand (49,900,000)~~4,999,900,000 participating shares of a nominal or par value of US\$0.001 each with power for the Company insofar as is permitted by law, to redeem any of its Shares and to increase or reduce the said capital subject to the Companies Law and the articles of association of the Company and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of Shares whether declared to be preference or otherwise shall be subject to the powers contained in this memorandum of association.

Articles of Association

2. Amendment to Article 8 of the Articles of Association of the Company:

The authorised share ~~share~~ capital of the Company is US\$~~50,000~~5,000,000 divided into 100 Administrative Shares of a nominal or par value of US\$1.00 each and ~~49,900,000~~4,999,900,000 Participating Shares of a nominal or par value of US\$0.001 each, in each case having the rights and being subject to the restrictions provided by or in accordance with these Articles.