
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 Greater China High Yield Income Fund (the “**Fund**”) dated 8 July 2013, as amended by the First Addendum dated 13 September 2013, the Second Addendum dated 11 November 2013, the Third Addendum dated 30 June 2014, the Fourth Addendum dated 26 August 2016, the Fifth Addendum dated 17 March 2017, the Sixth Addendum dated 23 April 2018 and the Seventh Addendum dated 16 November 2018 (together, the “**Explanatory Memorandum**”).

The Directors of the Fund and Value Partners Hong Kong Limited, the Manager of the Fund (the “**Manager**”), accept full responsibility for the accuracy of the information contained in this notice 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 in this notice misleading as at the date of issuance.

29 November 2019

**NOTICE TO SHAREHOLDERS – VALUE PARTNERS GREATER CHINA HIGH YIELD INCOME
FUND (the “Fund”)**

Dear Shareholders,

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

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

The Fund is subject to the Code on Unit Trusts and Mutual Funds (“**Code**”) issued by the Securities and Futures Commission in Hong Kong (“**SFC**”). The Code has been revised. The articles of association of the Fund (“**Articles**”) will be amended and restated by way of an amended and restated articles of association (“**Revised Articles**”) 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 Articles and/or the Explanatory Memorandum (where applicable) to reflect the requirements and/or flexibility accorded under the revised Code:

- (a) Custodian and Manager - additional obligations of the Custodian 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 Articles will be amended to allow the redemption gate in respect of the Fund to be imposed by reference to either the total Net Asset Value of the Fund or the total number of Participating Shares in issue as determined by the Directors of the Fund, instead of only by reference to the total number of Participating Shares in issue. With effect from the Effective Date, a redemption gate may be imposed by the Directors of the Fund by reference to the total Net Asset Value of the Fund (instead of by reference to total number of Participating Shares in issue). In particular, the Fund's obligation to redeem Participating Shares is subject to postponement if requests are received in respect of any one Redemption Day for redemptions aggregating more than 10% of the total Net Asset Value of the Fund as at such Redemption 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 Shareholders where the Fund is terminated.
 - (iii) Transactions with connected persons – amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements.
 - (iv) Collateral policy – enhanced disclosures relating to the collateral policy of the Fund including selection criteria, nature and policy of the collateral held by the Fund and description of the holdings of collateral including nature and quality of collateral, haircut policy, policies on re-investment of cash collateral, safekeeping arrangement and risks associated with collateral management.

B. Amendments to the Investment Policies of the Fund

The following amendments / enhanced disclosures will be made to the investment policies of the Fund to reflect the changes in the investment restrictions under the revised Code and/or the SFC disclosure requirements:

- (a) Currently, the Fund may invest in commodities. Under the revised Code, the Fund may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the Fund will be amended for compliance with the revised Code, such that with effect from the Effective Date, the Fund will no longer invest in physical commodities (unless otherwise approved by the SFC). For the avoidance of doubt, the Fund however, may invest in commodity-based investments.
- (b) Currently, the debt securities in which the Fund may invest are across all ratings and thus, such debt securities may be rated or unrated or rated below investment grade credit rating, such as below Moody's "Baa3" or below Standard & Poor's "BBB-". With effect from the Effective Date, the debt securities (or the issuers of such debt securities) in which the Fund may invest are across all ratings and thus, such debt securities (or the issuers of such debt securities) may be rated or unrated or rated below investment grade credit rating, such as below Moody's "Baa3" or below Standard & Poor's "BBB-".
- (c) Enhanced disclosures that the Fund may invest less than 30% of its Net Asset Value in instruments with loss-absorption features ("**LAPs**") such as contingent convertible bonds issued by financial institutions, non-preferred senior debt instruments, certain Additional Tier 1 and Tier 2 capital instruments, and external loss-absorbing capacity ("**LAC**") debt instruments. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). Additional disclosures are also made on the risks associated with investments in LAPs.

- (d) The Fund currently does not intend to use financial derivative instruments extensively for hedging or investment purposes. The Fund may invest in index and currency swaps and currency forwards (which are normally traded over-the-counter) for hedging purposes only. Further, the Fund may also, invest in, commodities, futures contracts, options, depository receipts, warrants, units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those managed by the Manager or its Connected Persons), currencies and interest rates and may hold cash, short-term deposits, and other money instruments (as considered appropriate by the Manager). Currently, the Fund does not intend to invest more than 10% of its latest Net Asset Value in such instruments. With effect from the Effective Date, the investment policies of the Fund will be amended to provide that the Fund may use financial derivative instruments (such as futures contracts, options and warrants) for hedging and investment purposes. Consequently, futures contracts, options and warrants will be removed from the aforesaid 10% limit. Enhanced disclosures will be made to provide that the Fund's net derivative exposure may be up to 50% of the Fund's Net Asset Value.

C. Miscellaneous Updates /Amendments

The following changes will also be made:-

- (a) updates to the profiles of the directors of the Fund and the Manager in the Explanatory Memorandum;
- (b) clarificatory amendments to the valuation rules set out in the Explanatory Memorandum and the Articles. These clarificatory amendments will not result in any change to the manner in which assets of the Fund are valued in practice;
- (c) updates and enhancement of the tax disclosures in the Explanatory Memorandum;
- (d) updates on disclosures on the anti-money laundering regulations in the Cayman Islands in the Explanatory Memorandum;
- (e) enhanced disclosures relating to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong);
- (f) updates and enhancements of the Cayman Islands related disclosures including enhanced disclosures relating to the Cayman Islands Data Protection Law 2017; and
- (g) the change of registered address of the Fund to c/o HSBC Trustee (Cayman) Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal office of the Fund remains unchanged at Strathvale House, 90 North Church Street, George Town, Grand Cayman, Cayman Islands;
- (h) 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 Revised Articles (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 will not result in any material change to the investment objective and risk profile of the Fund. There will be no increase in the fees payable out of the assets of the Fund as a result of these changes. These changes will also not result in a change in the manner in which the Fund currently operates or is being managed.

E. Availability of Documents

The latest Articles are available for inspection free of charge during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager and copies thereof may be obtained from the Manager at that address on payment of reasonable fees.

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 during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the Manager's office.

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 Hong Kong Limited

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

ANNEXURE A

Summary of Key Revised Investment and Borrowing Restrictions

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

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

exceed 50% of its latest available net asset value and the qualifications under paragraph B.(c) in the notice above.

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

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

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

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