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

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

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

29 November 2019

NOTICE TO UNITHOLDERS – VALUE PARTNERS CLASSIC FUND (the “FUND”)

Dear Unitholders,

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

A. 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 Trust Deed will be amended and restated by way of supplemental deed (“**Supplemental Deed**”) and the Explanatory Memorandum will be amended by way of a revised Explanatory Memorandum (“**Revised Explanatory Memorandum**”) to reflect the requirements under the revised Code.

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

- (a) 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 the Fund to be imposed by reference to either the total net asset value of the Fund or the total number of units in issue as determined by the Manager, instead of only by reference to the total number of units in issue. With effect from the Effective Date, a redemption gate may be imposed by

the Manager by reference to the total net asset value of the Fund (instead of by reference to total number of units in issue). In particular, the Manager may limit the total number of units of all classes of the Fund redeemed on any Dealing Day to 10% of the total net asset value of the Fund.

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

B. Amendments to the Investment Policy of the Fund

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

- (a) Currently, the Fund may invest in commodities. Under the revised Code, the Fund may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the Fund will be amended for compliance with the revised Code, such that with effect from the Effective Date, the Fund will no longer invest in physical commodities (unless otherwise approved by the SFC). For the avoidance of doubt, the Fund however, may continue to invest in commodity futures contracts.
- (b) Enhanced disclosures that the financial derivative instruments that the Fund may utilise include, but are not limited to, futures, options, swaps (including but not limited to credit and credit-default, equity, interest rate and inflation swaps), forward foreign currency contracts, participation notes and credit linked notes and any other financial derivative instruments, for hedging and/or investment purposes, subject to the limit that the Fund's net derivative exposure does not exceed 50% of its net asset value; and
- (c) Currently, the Manager may make loans out of the assets of the Fund with the prior written consent of the Trustee. In particular, such loans may take the form of an indirect participation or sub-participation in existing bank loans made to non-performing borrowers in countries such as Vietnam and North Korea, with a view to capitalising on

any improvement in the credit standing of the relevant borrower or the implementation of any debt relief programme. With effect from the Effective Date, the Manager shall not make any loans out of the assets of the Fund.

C. Change in Registrar of the Fund

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

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

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

D. Miscellaneous Updates/Amendments

The following changes will also be made:

- (a) updates to the profiles of the directors of the Manager in the Explanatory Memorandum;
- (b) updates to the disclosures relating to Stock Connect;
- (c) clarificatory amendments to the valuation rules set out in the Explanatory Memorandum and the Trust Deed. These clarificatory amendments will not result in any change to the manner in which assets of the Fund are valued in practice;
- (d) updates and enhancement of the tax disclosures;
- (e) enhanced disclosures relating to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong); and
- (f) other consequential amendments and miscellaneous updates, drafting and editorial amendments.

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

E. Implications of Changes

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

F. Availability of Documents

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

G. Enquiries

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

Value Partners Hong Kong Limited

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

ANNEXURE A

Summary of Key Revised Investment and Borrowing Restrictions

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

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

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

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

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

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

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