
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 High-Dividend Stocks Fund (the “**Trust**”) dated 22 April 2016, as amended by the Addendum dated 15 July 2016, the Second Addendum dated 5 December 2016, the Third Addendum dated 28 March 2018, the Fourth Addendum dated 5 October 2018, the Fifth Addendum dated 16 November 2018, the Sixth Addendum dated 10 June 2019 and the Seventh Addendum dated 20 July 2019 (together, the “**Explanatory Memorandum**”).

Value Partners Hong Kong 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 HIGH-DIVIDEND STOCKS FUND (the “Trust”)**

Dear Unitholders,

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

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

The Trust 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 Trust to be imposed by reference to either the total Net Asset Value of the Trust 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 Trust (instead of by reference to total number of Units in issue). In particular, the Manager may limit the total number of Units of the Trust redeemed on any Dealing Period to 10% of the total Net Asset Value of the Trust on the Valuation Day for that Dealing Period.
- (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 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 any securities lending arrangement may be split between the Trust 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 Trust.
 - (v) Collateral policy – enhanced disclosures relating to the collateral policy of the Trust including selection criteria, nature and policy of the collateral held by the Trust 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 Trust

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

- (a) Currently, the Trust may invest in commodities. Under the revised Code, the Trust may not invest in physical commodities unless otherwise approved by the SFC. Consequently, the investment policy of the Trust will be amended for compliance with the revised Code, such that with effect from the Effective Date, the Trust will no longer invest in physical commodities (unless otherwise approved by the SFC). For the avoidance of doubt, the Trust however, will continue to invest in commodity-based investments.
- (b) Currently, the Manager 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 from an internationally recognized rating agency) or unrated. With effect from the Effective Date, the Manager 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 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 Trust may, on an ancillary basis, invest less than 30% of its Net Asset Value in futures contracts, options, depository receipts, warrants, convertible bonds and units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme. For the purposes of hedging market and currency risks, the Trust may invest in index and currency swaps and currency forwards. Enhanced disclosures will be made to provide that the Trust's net derivative exposure may be up to 50% of the Trust's Net Asset Value provided that for so long as the Trust is registered for public distribution in Taiwan, the Trust shall, unless otherwise approved by the Taiwan Financial Supervisory Commission, comply with local Taiwanese regulation in respect of net derivative exposure, which currently requires the total value of the Trust's non-offset position in derivatives held for:
 - (i) any purposes other than hedging, and in any derivatives held for hedging purposes in excess of the position limit stated in the paragraph below, not to exceed 40% of its Net Asset Value (or such other percentage as the Taiwan regulator may stipulate from time to time); and
 - (ii) hedging purposes, not to exceed the total market value of the relevant securities held by the Trust.

C. Change in Registrar of the Trust

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

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

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) 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 are valued in practice;
- (c) updates and enhancement of the tax disclosures;
- (d) notices on declaration of suspension and publication of Net Asset Value per Unit of each Class will be made available on the Manager's website www.valuepartners-group.com¹ instead of publishing the same in newspapers;
- (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 Trust. There will be no increase in the fees payable out of the assets of the Trust as a result of these changes. These changes will also not result in a change in the manner in which the Trust 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 Trust are as follows:

- (a) the aggregate value of the Trust'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 Trust'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 Trust'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 Trust 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 Trust 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 Trust shall be reduced from 25% to 10% of its latest available Net Asset Value. Although the Trust 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 Trust may acquire financial derivative instruments for hedging purposes;
- (h) the Trust may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that the Trust'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 Trust 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 Trust may receive collateral provided that the collateral complies with the requirements in the revised Code.