

**VALUE PARTNERS GREATER CHINA HIGH YIELD INCOME FUND**  
(the “Fund”)

**NOTICE TO SHAREHOLDERS**

**This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should seek advice from your investment consultant, tax adviser and/or legal adviser as appropriate.**

**Capitalised terms used herein shall bear the same meaning as capitalised terms used in the Explanatory Memorandum of the Fund dated March 2012 (“Explanatory Memorandum”).**

**The Directors 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 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.**

Date: 28<sup>th</sup> June 2013

Dear Shareholders,

**Authorisation of Fund by Hong Kong Securities and Futures Commission**  
**Notice of Consequential Amendments to the Explanatory Memorandum**

As set out in the Explanatory Memorandum, the directors of the Fund (the “**Directors**”), after consulting with Value Partners Hong Kong Limited (“**Manager**”), may apply to the Hong Kong Securities and Futures Commission (“**SFC**”) for authorisation of the Fund in Hong Kong without seeking the Shareholders’ consent. The Directors have now applied for, and the SFC has given, authorisation of the Fund in Hong Kong.

The SFC required various clarifications and additional disclosures in the Explanatory Memorandum and various changes to the Articles and the Custodian Agreement as part of the authorisation process. The Directors believe these clarifications, additional disclosures and changes do not affect how the Fund is managed or adversely affect existing Shareholders.

The Directors have approved the revised Explanatory Memorandum (“**Revised EM**”). Starting from ten days from the date of this notice, a copy of the Revised EM will be available upon request free of charge from Value Partners Hong Kong Limited (“**Manager**”). Please read the Revised EM carefully. Material changes contained in the Revised EM are described below.

1. Investment Objective and Policies

The “Investment Objective and Policies” section of the Revised EM has been amended. Amendments made to the investment objective and policies of the Fund are shown as marked-ups in the Appendix annexed to this Notice. In particular, we would like to draw your attention to the following key amendments to investment objective and policies:

- (i) The Fund’s investment objective has been amended to remove the reference to “regular income (monthly)”. The revised investment objective of the Fund reads as follows:

*“The investment objective of the Fund is to provide capital appreciation for investors.”*

There is no change to the investment objective of the Fund in substance. The reference to “regular income (monthly)” was removed as the Fund only aims to provide “regular income (monthly)” to holders of the Distribution Classes and no distribution will be made to holders of the Accumulation Classes. Additional disclosures have been made in the Revised EM to clarify that the Fund intends to pay monthly dividends for each of the Distribution Classes.

- (ii) The investment policies of the Fund have been amended to clarify that:-
- (a) the Fund may invest significantly in below investment grade debt securities however, the Fund will not invest more than 10% of its Net Asset Value in debt securities issued or guaranteed by any single country with a credit rating below investment grade. For the avoidance of doubt, a “single country” shall include a country, its government, a public or local authority or nationalized industry of that country;
  - (b) the Manager will invest in a broadly diversified portfolio of debt securities with no fixed duration, term structure or sector weightings in the allocation of assets in Greater China. Selection of investments will be determined by the availability of attractive investment opportunities;
  - (c) the Fund may invest up to 15% of its latest Net Asset Value in Synthetic RMB Debt Securities;
  - (d) the Fund’s investment in subordinated debt securities issued by special purpose vehicles will not exceed 15% of its latest Net Asset Value. Currently, the Fund intends to invest only in debt securities issued by special purpose vehicles which are fully, unconditionally and irrevocably guaranteed by its parent company or associated company (such parent company or associated company will be of substance and is not a special purpose vehicle itself);
  - (e) the Fund may invest in equity securities and may invest in up to 10% of the Fund’s latest Net Asset Value in China B-Shares. The Fund does not currently intend to invest either directly or indirectly in China A-Shares;
  - (f) 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 for hedging purposes only;
  - (g) the Fund does not intend to (i) invest in structured products and mortgaged-backed securities; and (ii) engage in stock lending arrangements, repurchase and reverse repurchase transactions or other similar over-the-counter transactions; and
  - (h) the Fund does not intend to invest more than 10% of its latest Net Asset Value 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.

These amendments to the investment policies are made for clarification purposes only and do not affect the manner in which the Fund is currently managed.

## 2. Investment Restrictions

The “Investment Restrictions” section of the Revised EM has been amended in the following manner:

- (i) The existing paragraph (k) pertaining to investment into a single collective investment scheme has been deleted - it is not applicable as the Fund is not a feeder fund.

- (ii) For the purpose of the definition of “Government and other public securities”, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

These amendments to the investment restrictions are made for clarification purposes only and do not affect the manner in which the Fund is currently managed.

3. Changes to Class P Shares, Redesignation of Class I Shares and Additional Classes of Participating Shares

The minimum initial subscription, minimum subsequent subscription, minimum redemption and minimum holding amounts in relation to the Class P Shares will be lowered as follows:

<b>Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Subscription Amount</b>	<b>Minimum Redemption Amount</b>	<b>Minimum Holding Amount</b>
Class P USD Acc Share	US\$10,000	US\$5,000	Nil	US\$10,000
Class P USD MDis Share	US\$10,000	US\$5,000	Nil	US\$10,000
Class P HKD Acc Share	HK\$80,000	HK\$40,000	Nil	HK\$80,000
Class P HKD MDis Share	HK\$80,000	HK\$40,000	Nil	HK\$80,000

Class I Shares have been re-designated as Class “z” Shares and the terms and features of Class “z” Shares remain the same as those of Class I Shares.

Additional classes of Participating Shares have been created. Please refer to the Revised EM for further details of the terms, fee structures and other features of the new classes of Participating Shares. Investors should check with the Manager as to which classes are currently available for investment.

4. Subscription Applications, Redemption Notices and Conversion Notices

The “Subsequent Issues”, “Restrictions on Redemptions” and “Conversion of Participating Shares” sections of the Revised EM has been amended to clarify that Subscription Applications, Redemption Notices and Conversion Notices received by the Manager during a period of suspension and not withdrawn shall be treated as if it were received in time to be dealt with on the Subscription Day, Redemption Day or the Redemption Day of the Initial Class (as applicable) next following the end of the said suspension and deal with accordingly.

5. Calculation of Net Asset Value

Additional disclosures have been made under the section headed “Calculation of Net Asset Value” in the Revised EM in relation to the basis on which the Manager may adjust valuations of interests in any collective investment schemes, and the valuation methods used for unlisted investments.

6. Calculation of Subscription Price and Redemption Price

Additional disclosures have been made under the section headed “Calculation of Subscription Price and Redemption Price” in the Revised EM on adjustments to the Subscription Price and Redemption Price by the Directors under exceptional circumstances, and on revaluation of Participating Shares where the Directors consider that the Subscription Price or Redemption Price does not accurately reflect the fair and true value of the Participating Shares.

7. Distributions

The “Distributions” section of the Revised EM has been amended to provide that Shareholders of the Distribution Classes will no longer have the option to apply their dividends to subscribe for additional Participating Shares. All dividends will be paid in cash unless the amount of dividends for the relevant Shareholders is less than the relevant amount as specified in the Revised EM and in such instance, will be applied to subscribe for additional Participating Shares in the relevant Distribution Class.

Shareholders of the Distribution Classes of the Fund who have opted to apply their dividends to subscribe for additional Participating Shares will have one month from the date of this notice to:

- (a) request the redemption of their Participation Shares in the Distribution Class free from any redemption charge; or
- (b) convert their Participating Shares in a Distribution Class for Participating Shares into another Accumulation Class offered by the Fund, on any Redemption Day in relation to the relevant Distribution Class in accordance with the “Conversion of Participating Shares” procedure set out in the Revised EM. Before investing in an Accumulation Class of the Fund, please ensure that you have read and understood the features, terms and fees applicable to the relevant Accumulation Class as described in the Revised EM. No conversion charge will be imposed in respect of a conversion of Participating Shares in a Distribution Class currently held by a Shareholder into another Accumulation Class during this period.

8. Consequential amendments to other Fund documents

There have been consequential amendments to the Articles, the Management Agreement between the Fund and the Manager, the Administration Agreement between the Fund and the Administrator, HSBC Trustee (Cayman) Limited, and the Custodian Agreement between the Fund and the Custodian, HSBC Institutional Trust Services (Asia) Limited. Copies of the Revised EM, the Articles, the Management Agreement, the Administration Agreement and the Custodian Agreement are available for inspection free of charge at any time during normal business hours on any day (excluding Saturday, Sundays and public holidays) at the offices of the Manager.

Please contact our Fund Investors Services at (852) 2880 9263 if you have any queries in relation to the content of this Notice.

The Directors  
**Value Partners Greater China High Yield Income Fund**

**APPENDIX**  
**AMENDMENTS TO INVESTMENT OBJECTIVE AND POLICIES**

**Investment Objective**

The investment objective of the Fund is to provide ~~regular income (monthly)~~ as well as capital appreciation for investors. In addition, in respect of the Distribution Classes (as defined below), the Fund also intends to pay monthly dividends equal to all or substantially all of the net income attributable to each of the Distribution Classes. Please note that there is neither a guarantee that such dividends will be made nor will there be a target level of dividend payout.

**Investment Policies**

**Debt securities in general**

The Fund aims to achieve its investment objective by investing not less than 70% of its non-cash assets in a portfolio of debt securities issued by or fully guaranteed by (i) listed or unlisted corporations as well as special purpose vehicles or trusts, which have their main operations (or majority of assets) in, or have their majority of their income derived from Greater China (the region comprising the PRC, Hong Kong, Macau and Taiwan), and (ii) governments and/or government related entities in Greater China; and where the Manager believes such debt securities are being traded at significant discount to their underlying intrinsic values. For the avoidance of doubt, the issuers of the debt securities who have a majority of their income derived from Greater China as mentioned in (i) above may be based in or outside Greater China.

Selection of debt securities for investment by the Fund will be based on the creditworthiness of the issuer (and the parent company or associated company guarantor, in the case of debt securities issued by a special purpose vehicle which is fully guaranteed by the parent company or associated company) by forecasting the issuer's (and/or parent company or associated company guarantor's) credit profile by at least 2 years with a primary focus on the issuer's (and/or parent company or associated company guarantor's) corporate profile, corporate strategy, forecasted cash flow and financial profile. Investment analysis will also take into account the leverage, liquidity, management and business of the issuer (and the parent company or associated company guarantor, in the case of debt securities issued by a special purpose vehicle which is fully guaranteed by the parent company or associated company).

The debt securities in which the Fund may invest shall include, but are not limited to, convertible and non-convertible debt securities, fixed and floating rate bonds and high-yield bonds. Such debt securities are across all ratings and thus, may be rated or unrated or rated below investment grade— credit rating, such as below Moody's "Baa3" or below Standard & Poor's "BBB-". The Fund may invest significantly in below investment grade debt securities. The Fund however, will not invest more than 10% of its Net Asset Value in debt securities issued or guaranteed by any single country with a credit rating below investment grade. For the avoidance of doubt, a "single country" shall include a country, its government, a public or local authority or nationalized industry of that country.

The Manager will invest in a broadly diversified portfolio of debt securities with no fixed duration, term structure or industry sector weightings in the allocation of assets in Greater China. Selection of investments will be determined by the availability of attractive investment opportunities.

**RMB denominated debt securities issued outside the PRC**

The Fund may also invest up to 30% of its latest Net Asset Value in RMB denominated debt securities issued outside the PRC including RMB denominated debt securities with settlements, coupon payments and principal repayments paid in another currency based on prevailing foreign exchange rates against the RMB. The Fund may invest up to 15% of its latest Net Asset Value in Synthetic RMB Debt Securities.

### Debt securities issued by special purpose vehicles

The Fund's investment in subordinated debt securities issued by special purpose vehicles will not exceed 15% of its latest Net Asset Value. Currently, the Fund intends to invest only in debt securities issued by special purpose vehicles which are fully, unconditionally and irrevocably guaranteed by its parent company or associated company. Such parent company or associated company will be of substance and is not a special purpose vehicle itself.

### Equity securities

The Fund may invest in equity securities and may invest up to 10% of the Fund's latest Net Asset Value in China B-Shares. Currently, the Fund does not intend to invest either directly or indirectly in China A-Shares. Prior approval of the SFC will be sought and not less than one month's prior notice will be given to the Shareholders in the event the Manager wishes to change the investment policy in relation to China A-Shares and China B-Shares as aforesaid. In such circumstance, the Explanatory Memorandum and the Product Key Facts Statement will be updated to reflect such change as soon as reasonably practicable.

### Financial derivative instruments and other investments

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.

Currently, the Fund does not intend to (i) invest in structured products and mortgaged-backed securities; and (ii) engage in stock lending arrangements, repurchase and reverse repurchase transactions or other similar over-the-counter transactions. The Fund also does not intend to engage in any over-the-counter transactions other than index and currency swaps and currency forwards. Prior approval of the SFC will be sought and not less than one month's prior notice will be given to the Shareholders in the event the Manager wishes to invest in the aforesaid instruments or engage in any of the aforesaid transactions. In such circumstance, the Explanatory Memorandum and the Product Key Facts Statement will be updated to reflect such change as soon as reasonably practicable.

Subject to the above investment strategy and the investment restrictions (as set out below under the section headed "Investment Restrictions"), the Fund may also, ~~invest in equity securities,~~ 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 ~~offered~~ 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). ~~For the purposes of hedging market and currency risks, the Fund may invest in index and currency swaps. Notwithstanding the aforesaid, the Fund currently does not intend to use financial derivative instruments extensively. Currently, the Fund does not intend to engage in stock lending arrangements.~~ invest more than 10% of its latest Net Asset Value in such instruments.

There is no guarantee that the investment strategies the Manager adopts will be successful or that the Fund will achieve any particular level of returns.