

Important

This document is important and requires your immediate attention. If you are in any doubt about the content of this document, you should seek independent professional advice.

23 October 2014

NOTICE TO UNITHOLDERS – VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (the “Trust”)

Summary

The investment policy of the Trust will be revised to allow the Trust to invest directly in China A Shares through the Shanghai-Hong Kong Stock Connect, changes which will be made to the Explanatory Memorandum are as follows:

- to change the investment objective and policy with a maximum exposure to China A Shares (via direct and indirect channels) of not more than 10% of NAV of the Trust;
- to add a new risk factor “Risks associated with Stock Connect”;
- to enhance the risk disclosures on “PRC Tax Risk” and “Liquidity Risk of Investing in China A Shares and China B Shares”; and
- to enhance the disclosures on PRC taxation.

Dear Unitholders,

We are writing to notify you of certain changes which will be reflected in an addendum (the “**Addendum**”) to the Explanatory Memorandum of the Trust dated 25 June 2011, as amended by addenda dated 22 November 2011, 24 August 2012, 20 September 2012, 11 March 2013, 23 August 2013 and 12 October 2014 (“**Explanatory Memorandum**”).

Capitalized terms used herein but not otherwise defined will have the same meaning as defined in the Explanatory Memorandum.

1. Change of Investment Objective and Policy – Direct Exposure to China A Shares through Shanghai-Hong Kong Stock Connect

The investment policy of the Trust will be revised to provide flexibility to invest directly in China A Shares via the Shanghai-Hong Kong Stock Connect. Such amendments are shown as bold and underlined:

Existing investment policy	Revised investment policy
<p>The Trust does not currently have any direct exposure to China A Shares, being domestic shares in the People’s Republic of China (“PRC”) incorporated companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the prices of which are quoted in Renminbi and which are available to domestic investors, qualified foreign institutional investors and foreign strategic investors approved by the China</p>	<p>The Trust does not currently have any direct exposure to <u>may have direct exposure to certain eligible</u> China A Shares, being domestic shares in the People’s Republic of China (“PRC”) incorporated companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the prices of which are quoted in Renminbi and which are available to domestic investors, qualified foreign institutional investors and foreign strategic investors approved by the</p>

Securities Regulatory Commission. However, the Trust may seek indirect exposure to China A Shares in the PRC through China A Shares Access Products (“CAAPs”), such as participatory notes, being listed or unlisted derivative instruments issued by a third party (“CAAP Issuer”) which represents an obligation of the CAAP Issuer to pay to the Trust an economic return equivalent to holding the underlying China A Shares. The investment in CAAPs is subject to a maximum exposure of 10 per cent. of the Trust’s latest available NAV and not more than 10 per cent. of the Trust’s latest available NAV may be invested in CAAPs issued by any single CAAP Issuer. Any change in the Trust’s policy on investment in China A Shares, including but not limited to change in the maximum exposure in CAAPs, will only be made upon prior authorisation by the SFC and by giving Unitholders one month’s prior written notice (or such shorter notice period as approved by the SFC).

~~China Securities Regulatory Commission~~ via the Shanghai-Hong Kong Stock Connect (“Stock Connect”). The Stock Connect is a securities trading and clearing links programme with an aim to achieve mutual stock market access between the People’s Republic of China (“PRC”) and Hong Kong. In the initial phase, the Shanghai Stock Exchange (“SSE”)-listed China A Shares eligible for trading by Hong Kong and overseas investors under the Stock Connect include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on The Stock Exchange of Hong Kong Limited (“SEHK”), except the following:

- (a) SSE-listed shares which are not traded in RMB; and
- (b) SSE-listed shares which are included in the “risk alert board”.

The term “China A Shares” means domestic shares in the PRC incorporated companies listed on either the SSE or the Shenzhen Stock Exchange, the prices of which are quoted in Renminbi and which are available to such investors as approved by the China Securities Regulatory Commission.

~~However, t~~The Trust may also seek indirect exposure to China A Shares in the PRC through China A Shares Access Products (“CAAPs”), such as participatory notes, being listed or unlisted derivative instruments issued by a third party (“CAAP Issuer”) which represents an obligation of the CAAP Issuer to pay to the Trust an economic return equivalent to holding the underlying China A Shares. The investment in China A Shares through the Stock Connect and CAAPs is subject to a maximum exposure of 10 per cent. of the Trust’s latest available NAV and not more than 10 per cent. of the Trust’s latest available NAV may be invested in CAAPs issued by any single CAAP Issuer. ~~Any change in the Trust’s policy on investment in China A Shares, including but not limited to change in the maximum exposure in CAAPs, will only be made upon prior authorisation by the SFC and by giving Unitholders one month’s prior written notice (or such shorter notice period as approved by the SFC).~~

The above change will take effect on the later of (a) 6 November 2014; and (b) the date on which the Shanghai-Hong Kong Stock Connect is officially launched to the public in Hong Kong (“**Effective Date**”).

Given the change of the investment policy of the Trust will only amount to a minimal direct investment in China A Shares (i.e. not more than 10%) and there is no increase in the Trust’s aggregate direct and indirect exposure to China A Shares (i.e. not more than 10%), we believe that the change of the investment policy of the Trust does not amount to a material change to the Trust and there will be no increase in the overall risk profile of the Trust following the change. As such, the SFC’s prior approval is not required for such change.

In view that one month’s prior written notice to Unitholders is not required for any immaterial changes in the Trust’s policy on investment in China A Shares, the relevant disclosure will be removed from the Explanatory Memorandum with effect from the Effective Date. For the avoidance of doubt, any changes in the investment objective and/or policy of the Trust which are not immaterial changes will be subject to the requirements of the Code on Unit Trusts and Mutual Funds issued by the SFC.

2. Amendments to Risk Factors

The risk disclosures in the Explanatory Memorandum will be enhanced by inserting a new risk factor “Risks associated with Stock Connect” and enhancing disclosures under the risk factors “PRC Tax Risk” and “Liquidity Risk of Investing in China A Shares and China B Shares”.

3. Amendments to PRC Taxation

The disclosures in the Explanatory Memorandum on PRC taxation will also be enhanced.

The latest Explanatory Memorandum of the Trust will be available on our website (www.valuepartners.com.hk)¹ and for your inspection at the Manager’s office during normal business hours (except on Saturdays, Sundays and public holidays). The Addendum is expected to be available on or around the Effective Date through the aforementioned means.

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.

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2880-9263 or email us at vppl@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 Limited

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