Value Partners
Investing through discipline

Value Partners Limited
9th Floor, Nexxus Building,
41 Connaught Road Central, Hong Kong
Tel: (852) 2143 0688 Fax: (852) 2564 8487
Email: vpl@vp.com.hk

Important

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

All capitalized terms used herein but not otherwise defined will have the same meanings as defined in the Explanatory Memorandum (as defined below).

6 February 2015

NOTICE TO UNITHOLDERS – VALUE PARTNERS CLASSIC FUND (the "Fund")

Summary

(A) Change of Investment Objective and Policy
The investment policy of the Fund will be revised to allow the Fund to invest directly in 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 A shares (via direct and indirect channels) of not more than 30% of NAV of the Fund;
- to include information relating to the Shanghai-Hong Kong Stock Connect, including the trading quota, settlement and custody arrangement, participation in corporate actions and shareholders' meetings, trading fees and taxes;
- to add new risk factors associated with the Shanghai-Hong Kong Stock Connect, including quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risk, participation in corporate actions and shareholders' meetings, regulatory risk and taxation risk; and
- to update the PRC taxation disclosure.

(B) PRC Taxation
In light of a notice on corporate income tax and capital gains in relation to QFIIs and RQFIIs recently issued by the PRC regulatory authorities, the Manager will not make withholding income tax provision for PRC sourced capital gains from indirect A shares investments through CAAPs realized from 17 November 2014 onwards. The PRC taxation disclosure in the Explanatory Memorandum will be amended to reflect the foregoing change.

(C) Change of Telephone Number
The telephone number for contacting the Manager has been changed to (852) 2143 0688.

Dear Unitholders,

Addendum to Explanatory Memorandum and Product Key Facts Statement

We are writing to inform you that the Explanatory Memorandum of the Fund dated 15 October 2009, as amended by the notices dated 15 December 2009, 22 December 2009, 24 December 2009 and 26 August 2013, and the addenda dated 22 March 2010, 25 June 2011, 22 November 2011 and 7 March 2014 ("**Explanatory Memorandum**") will be updated by way of an addendum ("**Addendum**") to reflect the following changes.

(A) Change of Investment Objective and Policy – Direct Exposure to A Shares through Shanghai-Hong Kong Stock Connect

The investment policy of the Fund will be revised to provide flexibility to invest directly in A shares via the Shanghai-Hong Kong Stock Connect.

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by Hong Kong Exchanges and Clearing Limited ("**HKEx**"), Shanghai Stock Exchange ("**SSE**") and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"), with an aim to achieve mutual stock market access between mainland China and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Fund), through their Hong Kong brokers and a securities trading service company to be established by The Stock Exchange of Hong Kong Limited ("**SEHK**"), may be able to trade eligible A shares listed on SSE by routing orders to SSE.

Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. "**SSE Securities**"). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on 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".

Please note that the A shares traded through Shanghai-Hong Kong Stock Connect are issued in scripless form, so investors will not hold any physical A shares. Hong Kong and overseas investors who have acquired SSE Securities through Northbound trading should maintain the SSE Securities with their brokers' or custodians' stock accounts with CCASS (the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for the clearing of securities listed or traded on SEHK).

It is expected that the Fund will invest not more than 30% of its net asset value in eligible A shares via the Shanghai-Hong Kong Stock Connect.

The amendments which will be made to the investment policy of the Fund are shown as bold and underlined:

Existing investment policy	Revised investment policy
The Fund may indirectly invest in A shares (subject to a maximum exposure of 30 per cent. of the Fund's total net asset value) 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 Fund an economic return equivalent to holding the underlying A shares); and/or • Collective investment schemes (including those managed or offered by the Manager or its Connected Persons) directly investing in A shares through qualified foreign institutional investors ("**QFIIs**") or Renminbi qualified foreign institutional investors ("**RQFIIs**") ("**A Shares CIS**"). A shares are shares listed on the Shanghai	**<u>The Fund may have direct exposure to certain eligible A shares via the Shanghai-Hong Kong Stock Connect ("Stock Connect") (as further described in the section under the heading "Shanghai-Hong Kong Stock Connect" below).</u>** The Fund may **<u>also</u>** indirectly invest in A shares ~~**(subject to a maximum exposure of 30 per cent. of the Fund's total net asset value)**~~ 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 Fund an economic return equivalent to holding the underlying A shares); and/or • Collective investment schemes (including those managed or offered by the Manager or its Connected Persons) directly investing in A shares through qualified

Stock Exchange and the Shenzhen Stock Exchange and traded in Renminbi. The maximum exposure stated above may be changed from time to time; unitholders will be notified one month in advance if the limit is to be changed.	foreign institutional investors ("**QFIIs**") or Renminbi qualified foreign institutional investors ("**RQFIIs**") ("**A Shares CIS**"). A shares are shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and traded in Renminbi. **The exposure to A shares through the Stock Connect, CAAPs and A Shares CIS is subject to a maximum exposure of 30 per cent. of the Fund's total net asset value.** The maximum exposure ~~**stated above**~~ may be changed from time to time~~**; unitholders will be notified one month in advance if the limit is to be changed**~~.

The above change will take effect on 23 February 2015 ("**Effective Date**").

Given the change of the investment policy of the Fund will only amount to an ancillary direct investment in A shares (i.e. not more than 30%) and there is no increase in the Fund's aggregate direct and indirect exposure to A shares (i.e. not more than 30%), we believe that the change of the investment policy of the Fund does not amount to a material change to the Fund and there will be no increase in the overall risk profile of the Fund following the change. As such, the Securities and Futures Commission ("**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 Fund's policy on investment in 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 Fund which are not immaterial changes will be subject to the requirements of the Code on Unit Trusts and Mutual Funds issued by the SFC.

Please refer to the latest Explanatory Memorandum and Addendum for further information relating to the Shanghai-Hong Kong Stock Connect, including the, trading quota, settlement and custody arrangement, participation in corporate actions and shareholders' meetings and trading fees and taxes.

Risks associated with the Shanghai-Hong Kong Stock Connect

Please note that investments through the Shanghai-Hong Kong Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risk, participation in corporate actions and shareholders' meetings, regulatory risk and taxation risk.

Further, the Fund's investments through Northbound trading under Shanghai-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund.

However, since the Fund will invest not more than 30% of its net asset value in eligible A shares via the Shanghai-Hong Kong Stock Connect from the Effective Date, there will not be any material change or increase in the overall risk profile of the Fund following the change.

Please refer to the Addendum and the latest Explanatory Memorandum (including Key Facts Statement) of the Fund for further information on the risks involved.

(B) PRC Taxation

a) A shares except those via Stock Connect

Prior to 17 November 2014, certain CAAP Issuers have indicated their intention to withhold an amount equal to 10% of any gains representing the PRC tax in respect of any capital gains which would be payable on the actual sale of the underlying A shares linked to the CAAPs issued to the Fund. Similarly, for direct investments in A shares by A Shares CIS, managers of A Shares CIS may accrue for the 10% withholding tax. If no withholding was made by the CAAP Issuers, the Manager has made withholding income tax provisions for PRC sourced capital gains from indirect A shares investments realized prior to 17 November 2014 at a rate of 10%. The Manager has also made tax provisions in respect of unrealized capital gains derived from indirect A shares investments through CAAPs prior to 17 November 2014 at a rate of 10%.

The Ministry of Finance of the PRC (the "**MoF**"), the State of Administration of Taxation of the PRC ("**SAT**") and the China Securities Regulatory Commission (the "**CSRC**") issued the "Notice on the issues of temporary exemption from the imposition of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC domestic stocks by QFII and RQFII" Caishui [2014] No. 79 on 14 November 2014 (the "**Notice No.79**"). Notice No.79 states that (a) PRC Corporate Income Tax ("**CIT**") will be imposed on gains obtained by Qualified Foreign Institutional Investors ("**QFII**") and Renminbi Qualified Foreign Institutional Investors ("**RQFII**") from the transfer of PRC equity investment assets (including PRC domestic stocks) realized prior to 17 November 2014 in accordance with laws; and (b) QFIIs and RQFIIs (without an establishment or place in the PRC or having an establishment in the PRC but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from PRC CIT on gains derived from the trading of PRC equity investment (including A shares) effective from 17 November 2014.

In light of the Notice No. 79 -

(a) the Manager has determined to reverse the tax provision made prior to 17 November 2014 on the Fund's unrealized capital gains derived from indirect A shares investments through CAAPs. This will have a positive impact on the net asset value of the Fund. For the purpose of illustration, as at 17 November 2014, the positive impact on the net asset value of the Fund will be approximately 0.13%;

(b) the CAAP Issuers have indicated that no withholding is made by them in respect of any realized gains which would be payable on the actual sale of the underlying A shares linked to the CAAPs issued to the Fund effective from 17 November 2014. Similarly, for direct investments in A shares by certain A Shares CIS, managers of such A Shares CIS may no longer accrue any provision for the 10% withholding tax referred to above from 17 November 2014 onwards; and

(c) the Manager will not make any tax provision for realized and unrealized capital gains derived from indirect A shares investments through CAAPs from 17 November 2014 onwards.

b) A shares via Stock Connect

Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No.81) ("Notice No.81") promulgated by the MoF, the SAT and the CSRC on 14 November 2014, dividends received by Hong Kong and overseas investors (including the Fund) from A shares investments via Stock Connect will be subject to 10% withholding income tax and the company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the tax bureau in-charge of the payer for a refund.

Pursuant to Notice No. 81, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Fund) on the trading of A shares through the Stock Connect. **Based on Notice No. 81, no provision for gross realized or unrealized capital gains derived from trading of A shares via Stock Connect is made by the Manager on behalf of the**

Fund.

Risk factors

The PRC tax laws, regulations and practices in relation to QFII, including the Notices No.79 and No. 81 are constantly changing, and they may be changed with retrospective effect. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding policy of the Fund accordingly, taking into account independent professional tax advice. The Manager will act in the best interest of the Fund at all times.

The disclosures in the Explanatory Memorandum on PRC taxation will be amended to reflect, inter alia, the change in the PRC tax provisioning policy in respect of investment in A shares via CAAPs with effect from 17 November 2014 and the PRC tax treatment of investment in A shares via Stock Connect.

(C) Change of Telephone Number

With immediate effect, the telephone number for contacting the Manager has been changed to (852) 2143 0688.

The latest Explanatory Memorandum and updated Product Key Facts Statement will be available on our website (www.valuepartners.com.hk) [1] and will be available for your inspection at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays) in due course. The Addendum is expected to be available on or around the Effective Date through the aforementioned means.

Thank you for your continued support. If you have any questions relating to the above, please contact our Fund Investor Services team at (852) 2143 0688 or email to FIS@vp.com.hk.

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.

Value Partners Limited

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