

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 financial advice.

1 September 2015

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

Summary

(A) Change of Investment Policy

From 2 October 2015, the investment policy of the Trust will be revised to provide the Trust with flexibility to invest indirectly in China A Shares through A Shares CIS and to increase the maximum exposure to China A Shares, changes of which will be made to the Explanatory Memorandum (including the Product Key Facts Statement (“KFS”)) as follows:

- to change the maximum exposure to China A Shares (via direct and indirect channels) from 10% to 20% of Net Asset Value (“NAV”) of the Trust;
- to reduce the maximum exposure to China B Shares from 35% to 20% of NAV of the Trust;
- to add that the aggregate exposure to China A Shares and China B Shares will not exceed 20% of NAV of the Trust;
- to add new risk factors “Risks of Investing in Other Collective Investment Schemes”, “PRC Political, Economic and Social Risks”, “Risks relating to China A Shares Market”, “RMB Depreciation” and “Risks associated with A Shares CIS”;
- to enhance the risk disclosures on “Liquidity Risk of Investing in China A Shares and China B Shares”, “Legal System of the PRC” and “PRC Tax Risk” and “Risks associated with Stock Connect”; and
- to enhance the disclosures on PRC taxation.

(B) Establishment of New Classes of Units

New Classes of Units, namely Class A Acc HKD Hedged, Class A Acc SGD Hedged, Class A2 MDis HKD Hedged and Class A2 MDis SGD Hedged, have been established and will be available for subscription from 2 October 2015.

(C) Change of Telephone Number

The telephone number for contacting the Manager regarding enquiries and complaints relating to the Trust has been changed to (852) 2143 0688.

(D) Flexibility to accept applications or requests made by other written or electronic forms

Disclosures are inserted in the Explanatory Memorandum to clarify the Manager’s discretion to accept subscription, redemption and switching instructions from investors via means other than post or fax.

Dear Unitholders,

We are writing to notify you of certain changes which will be reflected in the revised Explanatory Memorandum of the Trust (“**Explanatory Memorandum**”) and the KFS.

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

1. Change of Investment Policy relating to:

- a. **the Indirect Exposure to China A Shares through A Shares CIS;**
- b. **increase in the Maximum Exposure to China A Shares through Stock Connect, CAAPs and A Shares CIS;**
- c. **reduction in the Maximum Exposure to China B Shares; and**
- d. **aggregate exposure to China A Shares and China B Shares.**

From 2 October 2015, the investment policy of the Trust will be revised to provide flexibility to invest indirectly in China A Shares through A Shares CIS. The maximum exposure to China A Shares will also be increased from 10% to 20% to provide more flexibility to the Trust. Such amendments are shown as bold and underlined:

Existing investment policy	Revised investment policy
<p>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.</p>	<p>The Trust may also seek indirect exposure to China A Shares in the PRC through:</p> <ul style="list-style-type: none"> • 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; <u>and/ or</u> • <u>Collective investment schemes (including those managed or offered by the Manager or its Connected Persons (as defined in the section headed “Conflicts of Interest” of the Explanatory Memorandum) and those that are listed, unlisted, SFC authorised* or SFC unauthorised) directly investing in China A Shares through qualified foreign institutional investors (“QFIIs”) or Renminbi qualified foreign institutional investors (“RQFIIs”) (“A Shares CIS”).</u> <p>The investment in China A Shares through the Stock Connect, and CAAPs <u>and A Shares CIS</u> is subject to a maximum exposure of 10<u>20</u> 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.</p> <p><u>The Trust does not currently have direct access to China A Shares through QFIIs or RQFIIs.</u></p> <p><u>* The SFC’s authorisation is not a recommendation or endorsement of a collective investment scheme nor does it guarantee the commercial merits of such collective investment scheme or its performance. It does not mean the collective investment scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or classes of investors.</u></p>

Separately, the maximum exposures to the China B Shares will be reduced from 35% to 20%. The aggregate exposures to China A Shares and China B Shares will not exceed 20% of the Trust's NAV.

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.

Unitholders who do not wish to remain in the Trust after the above changes take effect may redeem their Units or switch their Units into any other funds which are authorized by Securities and Futures Commission ("**SFC**") and managed by the Manager or any of the Manager's affiliates ("**other available funds**") during any Dealing Period in accordance with the procedures set out in the Explanatory Memorandum. Note that the SFC's authorisation is not a recommendation or endorsement of a collective investment scheme nor does it guarantee the commercial merits of such collective investment scheme or its performance. It does not mean the collective investment scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or classes of investors. No redemption charge shall be payable on the redemption of any Classes of Units. Switching of any Classes of Units of the Trust into any other available funds will be subject to prevailing load structure of such other available funds.

2. Amendments to Risk Factors

The risk disclosures in the Explanatory Memorandum has been enhanced by inserting new risk factors "Risks of Investing in Other Collective Investment Schemes", "PRC Political, Economic and Social Risks", "Risks relating to China A Shares Market", "RMB Depreciation" and "Risks associated with A Shares CIS" and enhancing disclosures under the risk factors "Liquidity Risk of Investing in China A Shares and China B Shares", "Risks Associated with Stock Connect", "Legal System of the PRC" and "PRC Tax Risk".

3. Amendments to PRC Taxation

Investment in China A Shares via CAAPs and A Shares CIS

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 China A Shares linked to the CAAPs issued to the Trust. If no withholding was made by the CAAP Issuers, the Manager has made withholding income tax provisions for PRC sourced capital gains from indirect China 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 China 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 China 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 Trust's unrealized capital gains derived from indirect China A Shares investments through CAAPs. This will have a positive impact on the NAV of the Trust. For the purpose of illustration, as at 17 November 2014, the positive impact on the NAV of the Trust will be approximately 0.06%;
- (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 China A Shares linked to the CAAPs issued to the Trust effective from 17 November 2014. Similarly, for direct investments in China A Shares by A Shares CIS, managers of A Shares CIS may no longer accrue 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 China A Shares investments through CAAPs from 17 November 2014 onwards.

Investment in China 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 Trust) from China A Share investment 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 Trust) on the trading of China A Shares through the Stock Connect. Based on Notice No. 81, no provision for gross realised or unrealised capital gains derived from trading of China A Shares via Stock Connect is made by the Manager on behalf of the Trust.

Risk factors

The PRC tax laws, regulations and practices in relation to QFII, RQFII and Stock Connect, 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 Trust accordingly, taking into account independent professional tax advice. The Manager will act in the best interest of the Trust at all times.

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

4. Establishment of New Class of Units

To provide more currency class choices to investors, we would like to inform you that Class A Acc HKD Hedged, Class A Acc SGD Hedged, Class A2 MDis HKD Hedged and Class A2 MDis SGD Hedged will be available for subscription from 2 October 2015:

Features	Class A Acc HKD Hedged and Class A2 MDis HKD Hedged	Class A Acc SGD Hedged and Class A2 MDis SGD Hedged
Currency of issue of a Class (the "Class Currency")	Hong Kong Dollars ("HKD")	Singapore Dollars ("SGD")
Minimum initial subscription	HKD80,000 (inclusive of any Preliminary Charge)	SGD10,000 (inclusive of any Preliminary Charge)
Minimum subsequent subscription	HKD40,000 (inclusive of any Preliminary Charge)	SGD5,000 (inclusive of any Preliminary Charge)
Minimum redemption	Not applicable	Not applicable
Minimum holding for each Class of the Trust applicable to partial redemption, transfers and switching	HKD80,000	SGD10,000
Preliminary charge on subscription	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price
Switching fee	Currently nil*	Currently nil*
Redemption charge	Currently nil (Max. 5.0 per cent.)	Currently nil (Max. 5.0 per cent.)
Annual management fee	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)
Performance fee	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis

* Certain distributors may impose a charge for each switching of Units acquired through it for Units in another Class, which will be deducted at the time of the switching and paid to the relevant distributor.

Please refer to the Explanatory Memorandum for further details regarding Class A Acc HKD Hedged, Class A Acc SGD Hedged, Class A2 MDis HKD Hedged and Class A2 MDis SGD Hedged.

5. Removal of disclosures relating to New Issues in the Explanatory Memorandum

Given that the Trust does not intend to invest in "new issues", the section headed "3.10 New Issues" of the Explanatory Memorandum (as inserted and amended by the addenda dated 11 March 2013 and 23 August 2013 respectively) has been removed.

6. Change of Telephone Number

With immediate effect, the telephone number for contacting the Manager for any queries and complaints in relation to the Trust has changed to the designated Fund Investor Services hotline (852) 2143 0688.

7. Administrative Changes relating to Subscription, Redemption and Switching

With effect from 2 October 2015, in addition to the current means of submitting requests for subscription, redemption or switching of Units, the Manager may in its discretion, allow any requests for subscription, redemption or switching of Units to be made by other written or electronic forms specified by the Manager.

The latest Explanatory Memorandum and KFS of the Trust will be available in due course 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 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) 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 Limited

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