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Value Partners China A-Share Select Fund

*(A sub-fund of Value Partners Fund Series (the “Trust”), a Hong Kong umbrella unit trust, authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong)
(the “Sub-Fund”)*

Notice to Unitholders Valuation error of Class A HKD Hedged and Class A HKD Unhedged of the Sub-Fund

All capitalised terms in this notice shall have the same meaning as in the Explanatory Memorandum of the Sub-Fund dated October 2014 as amended by the Addendum dated 18 June 2015, unless otherwise stated.

Dear Unitholders,

We, as the Manager of the Sub-Fund, would like to inform you that the Sub-Fund had a valuation error due to the incorrect booking of a redemption entry by HSBC Institutional Trust Services (Asia)

Limited (“HTHK”), acting as the administrator of the Sub-Fund on 3 February 2016 and as a result of such valuation error, the capital allocated to the Class A HKD Hedged was understated by HKD269,528.03 at all time during the period (which was around 0.18% to 0.28% of the Net Asset Value per Class A HKD Hedged unit) from 3 February 2016 to 13 June 2016 (both days inclusive) (the “Relevant Period”), and the capital allocated to the Class A HKD Unhedged was overstated by HKD269,528.03 at all time (which was around 0.97% to 1.12% of the Net Asset Value per Class A HKD Unhedged unit) during the same period. In addition, the valuation error also caused an incorrect allocation of profit and loss of the Sub-Fund due to incorrect capital ratio calculated by the accounting system. No dividend was paid by the Sub-Fund during the Relevant Period.

A. Background

When performing the daily valuation of each class of the Sub-Fund as of 3 February 2016, HTHK incorrectly booked a redemption entry for Class A HKD Unhedged received on 2 February 2016 to Class A HKD Hedged in the accounting system due to human oversight. Since the allocation of profit and loss of the Sub-Fund to class level was based on the incorrect capital ratio calculated by the accounting system, the incorrect booking of redemption entries resulted in the overvaluation in NAV per unit for Class A HKD Unhedged and undervaluation in NAV per unit for Class A HKD Hedged.

The valuation error was subsequently discovered by HTHK on 15 June 2016 when HTHK performed the periodic check on the Net Asset Value per unit on class level. Adjustments were then made to the valuation as of 14 June 2016 to correct the Net Asset Value per unit on class level.

Please refer to Appendix for details of the misstated and corrected NAV per unit during the Relevant Period.

To rectify the valuation error, compensation arrangements for all of the affected investors are set out in sections (B) and (C) below and have been carried out by HTHK.

B. Rectifications to pricing error – Overvaluation in NAV per unit of Class A HKD Unhedged

For investor(s) who subscribed for/switched in Class A HKD Unhedged units during the Relevant Period

As a result of the valuation error, the number of units allocated to the investors who subscribed for/switched in units of Class A HKD Unhedged of the Sub-Fund during the Relevant Period was under-calculated.

For these subscription/switch-in transactions, the shortfall units (in aggregate 2,302.3706 units) have been issued and allocated to the affected investors who received less units based on the overstated Net Asset Value per unit due to the valuation error.

The associated cost of approximately HKD27,000 was borne by HTHK.

For holder(s) of Class A HKD Unhedged units who made redemptions/switched out to other fund(s) managed by the Manager during the Relevant Period

Due to the valuation error, the redemption prices of Class A HKD Unhedged were over-calculated. HTHK has compensated the Sub-Fund the overpaid redemption/switch-out proceeds, which amount

to approximately HKD40,000. Investors who redeemed/switched out at overstated redemption prices retain the overpaid redemption proceeds.

C. Rectifications to pricing error – Undervaluation in NAV per unit of Class A HKD Hedged

For investor(s) who subscribed for/switched in Class A HKD Hedged units during the Relevant Period

As a result of the valuation error, the number of units allocated to the investors who subscribed for/switched in units of Class A HKD Hedged of the Sub-Fund was over-calculated.

For these subscription/switch-in transactions, HTHK has compensated the Sub-Fund for each of the extra units which were issued to investors based on the understated Net Asset Value per unit (which amount to approximately HKD31,000). Investors who were allotted extra units retain such units.

For holder(s) of Class A HKD Hedged units who made redemptions/switched-out to other fund(s) managed by the Manager during the Relevant Period

Due to the valuation error, the redemption prices of Class A HKD Hedged were understated, and hence, unitholder(s) who made redemptions during the Relevant Period received less redemption proceeds. HTHK has compensated all affected redeeming investors for the underpaid redemption proceeds, which amount to approximately HKD41,000 in total.

Due to the valuation error, the redemption price of Class A HKD Hedged was understated, and hence the number of units/shares of the other funds managed by the Manager ("Switch-in Funds") subscribed by holders of Class A HKD Hedged units who switched out of the Class A HKD Hedged units were under-calculated during the Relevant Period. The shortfall units/shares of the relevant Switch-in Fund have been issued and allocated to the affected subscribing investors who received less subscription units/shares of the relevant Switch-in Fund based on the understated Net Asset Value per Class A HKD Hedged unit. The associated cost of approximately HKD21,000 was borne by HTHK. Furthermore, the dividend amounts attributable to the shortfall units/shares of the relevant fund switched in during the Relevant Period have been compensated by HTHK in the form of cash payment as well, which amount to approximately HKD700.

D. Remedial measure

Enhanced internal control procedure, such as increasing the frequency of manual checking of class level Net Asset Value per unit from a periodic basis to a daily basis, has been implemented by HTHK to prevent similar incidents from happening again.

HTHK (in the capacity as trustee of the Sub-Fund) and the Manager confirm that with the above remedial actions taken, interests of the Unitholders of the Sub-Fund are not adversely affected.

We sincerely apologize for any inconvenience caused.

If you have any queries concerning the above, please contact the Manager at (852) 2143 0688 or email us at FIS@vp.com.hk.

Value Partners Hong Kong Limited

12 January 2017

Appendix - Details of the misstated and corrected NAV per unit during the Relevant Period

The table below shows the previously presented incorrect Net Asset Value ("NAV") and the corrected figures for the Relevant Period:

Valuation date	Class A HKD Hedged		Class A HKD Unhedged	
	Incorrect NAV presented (Understated)	Corrected NAV	Incorrect NAV presented (Overstated)	Corrected NAV
3 February 2016	10.34	10.36	10.27	10.16
4 February 2016	10.48	10.50	10.45	10.34
5 February 2016	10.38	10.40	10.40	10.29
15 February 2016	10.27	10.29	10.43	10.32
16 February 2016	10.54	10.56	10.69	10.57
17 February 2016	10.58	10.60	10.71	10.60
18 February 2016	10.55	10.57	10.67	10.56
19 February 2016	10.57	10.59	10.69	10.57
22 February 2016	10.83	10.85	10.95	10.84
23 February 2016	10.77	10.80	10.87	10.76
24 February 2016	10.85	10.88	10.97	10.85
25 February 2016	10.28	10.30	10.38	10.27
26 February 2016	10.35	10.37	10.46	10.35
29 February 2016	10.10	10.12	10.21	10.10
1 March 2016	10.25	10.27	10.36	10.26
2 March 2016	10.70	10.72	10.81	10.70
3 March 2016	10.71	10.73	10.84	10.72
4 March 2016	10.72	10.74	10.88	10.77
7 March 2016	10.73	10.75	10.89	10.78
8 March 2016	10.71	10.74	10.90	10.78
9 March 2016	10.61	10.63	10.77	10.66
10 March 2016	10.44	10.46	10.60	10.49
11 March 2016	10.46	10.48	10.65	10.54
14 March 2016	10.59	10.61	10.80	10.68
15 March 2016	10.69	10.72	10.88	10.77
16 March 2016	10.69	10.72	10.86	10.75
17 March 2016	10.83	10.85	11.05	10.94
18 March 2016	10.94	10.96	11.18	11.06
21 March 2016	11.18	11.20	11.42	11.30
22 March 2016	11.09	11.11	11.30	11.18
23 March 2016	11.13	11.15	11.33	11.22
24 March 2016	11.02	11.04	11.19	11.08
29 March 2016	10.90	10.92	11.09	10.97
30 March 2016	11.14	11.17	11.39	11.27
31 March 2016	11.15	11.18	11.41	11.29
1 April 2016	11.15	11.17	11.41	11.29
5 April 2016	11.27	11.29	11.52	11.40
6 April 2016	11.30	11.32	11.54	11.42
7 April 2016	11.17	11.19	11.42	11.30
8 April 2016	11.10	11.13	11.34	11.22
11 April 2016	11.24	11.26	11.50	11.38
12 April 2016	11.21	11.23	11.48	11.36

Valuation date	Class A HKD Hedged		Class A HKD Unhedged	
	Incorrect NAV presented (Understated)	Corrected NAV	Incorrect NAV presented (Overstated)	Corrected NAV
13 April 2016	11.30	11.32	11.56	11.44
14 April 2016	11.34	11.36	11.57	11.45
15 April 2016	11.30	11.33	11.55	11.43
18 April 2016	11.23	11.26	11.48	11.36
19 April 2016	11.24	11.26	11.51	11.39
20 April 2016	11.04	11.07	11.31	11.19
21 April 2016	10.94	10.97	11.20	11.08
22 April 2016	11.10	11.12	11.34	11.22
25 April 2016	11.05	11.07	11.26	11.14
26 April 2016	11.12	11.14	11.34	11.22
27 April 2016	11.11	11.13	11.34	11.22
28 April 2016	11.08	11.10	11.34	11.22
29 April 2016	11.12	11.15	11.38	11.26
3 May 2016	11.32	11.34	11.60	11.48
4 May 2016	11.28	11.30	11.52	11.40
5 May 2016	11.35	11.38	11.58	11.46
6 May 2016	11.06	11.09	11.28	11.16
9 May 2016	10.85	10.87	11.06	10.94
10 May 2016	10.90	10.92	11.07	10.96
11 May 2016	10.90	10.92	11.08	10.96
12 May 2016	10.95	10.97	11.12	11.01
13 May 2016	10.88	10.91	11.06	10.94
16 May 2016	10.95	10.98	11.12	11.01
17 May 2016	10.89	10.92	11.07	10.96
18 May 2016	10.78	10.80	10.94	10.83
19 May 2016	10.75	10.77	10.90	10.79
20 May 2016	10.81	10.83	10.97	10.85
23 May 2016	10.75	10.78	10.91	10.80
24 May 2016	10.60	10.63	10.75	10.64
25 May 2016	10.59	10.61	10.74	10.63
26 May 2016	10.57	10.60	10.73	10.61
27 May 2016	10.57	10.60	10.72	10.61
30 May 2016	10.58	10.60	10.70	10.58
31 May 2016	10.89	10.91	11.01	10.90
1 June 2016	10.86	10.89	10.98	10.86
2 June 2016	10.91	10.94	11.05	10.94
3 June 2016	11.05	11.08	11.19	11.07
6 June 2016	11.04	11.06	11.20	11.09
7 June 2016	11.02	11.04	11.17	11.06
8 June 2016	10.98	11.01	11.14	11.02
13 June 2016	10.69	10.72	10.79	10.68