
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.

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

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 omissions of which would make any statement misleading as at the date of issuance.

28 August 2018

NOTICE TO UNITHOLDERS –

CHINA CONVERGENCE FUND (the “Sub-Fund”), a sub-fund of VALUE PARTNERS INTELLIGENT FUNDS (the “Trust”)

Dear Unitholders,

We are writing to notify you of the following changes which are made to the Explanatory Memorandum of the Trust dated 10 July 2013 (including the Addendum to the Explanatory Memorandum dated 10 July 2013 in respect of the Sub-Fund (the “**Addendum**”), and the First, Second, Third, Fourth and Fifth Supplements dated 13 January 2014, 30 June 2014, 25 September 2015, 15 February 2016 and 30 December 2016 respectively (together, the “**Explanatory Memorandum**”). However, please note that all information provided herein is qualified in its entirety by the Explanatory Memorandum and other related documents and you should carefully read the same which are available upon request.

Unless otherwise specified, the relevant changes will take effect from 28 September 2018.

A. Change in Trustee, Registrar, Administrator and Principal Office

The existing trustee of the Trust and the Sub-Fund is Bank of Bermuda (Cayman) Limited (“**Retiring Trustee**”), which is a subsidiary of the Hongkong and Shanghai Banking Corporation Limited group (“**HSBC Group**”). As part of HSBC Group’s re-alignment of corporate strategy, the Retiring Trustee wishes to retire as trustee of the Trust and the Sub-Fund in favour of another subsidiary of the HSBC Group, namely, HSBC Trustee (Cayman) Limited (“**New Trustee**”). The retirement of the Retiring Trustee and the appointment of the New Trustee as replacement trustee of the Retiring Trustee will take effect at the same time i.e. on and from 28 September 2018 (the “**Effective Date**”).

The Retiring Trustee is currently also performing the functions of the administrator and registrar of the Trust and the Sub-Fund, and providing the principal office of the Trust and the Sub-Fund in the Cayman Islands. These functions will be carried out by the New Trustee from the Effective Date in accordance with the trust deed of the Trust, as amended and supplemented (“**Trust Deed**”). The New Trustee may delegate any or all of these functions to its delegate in accordance with the Trust Deed.

The retirement of the Retiring Trustee will be in accordance with Clause 33 of the Trust Deed, which provides that subject to the prior approval of the Hong Kong Securities and Futures Commission (the “SFC”), the Retiring Trustee may retire upon the appointment of a new Trustee.

Pursuant to Clause 33.1.1 of the Trust Deed, the Manager may appoint a replacement trustee in place of a retiring trustee. The Manager agrees to appoint the New Trustee as replacement trustee in place of the Retiring Trustee with effect on and from the Effective Date.

Accordingly, with effect on and from the Effective Date, the Retiring Trustee will be released and absolved from, and the New Trustee will assume, all the duties, powers, liabilities, obligations and responsibilities conferred on the trustee of the Trust and the Sub-Fund pursuant to the Trust Deed but without prejudice to the rights of the Manager or Unitholders or other person in respect of any act or omission of the Retiring Trustee under the Trust Deed prior to the Effective Date.

HSBC Trustee (Cayman) Limited was incorporated in the Cayman Islands in 1981 and is regulated by the Cayman Islands Monetary Authority. It holds an unrestricted trust license under the Banks and Trust Companies Law of the laws of the Cayman Islands and a Mutual Fund Administrator’s Licence which allows it to engage in and carry out mutual fund administration activities under the Cayman Islands Mutual Funds Law. The majority of the HSBC trustee appointments for Cayman established trusts are with HSBC Trustee (Cayman) Limited. The New Trustee is currently acting as a trustee of existing funds authorised by the SFC.

The address of the New Trustee is P.O. Box 484, Strathvale House, Ground Floor, 90 North Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands. The Principal Office will also be changed to HSBC Trustee (Cayman) Limited at P.O. Box 484, Strathvale House, Ground Floor, 90 North Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands with effect on and from the Effective Date.

The Trust Deed will be amended by a deed of retirement and appointment of trustee and variation (“**Deed of Retirement and Appointment**”) to reflect the retirement of the Retiring Trustee and the appointment of the New Trustee and other consequential amendments.

In addition, the Participation Agreement will also be amended by a deed of novation and amendments to reflect the retirement of the Retiring Trustee and the appointment of the New Trustee.

B. Swing Pricing

Currently, the Unit price of the Sub-Fund equals to the Net Asset Value per Unit of a Class as at the valuation time on a Valuation Day.

In order to better protect Unitholders’ interests and provide the Manager with flexibility in adjusting the subscription price and redemption price, with effect from the Effective Date, the Manager will apply “swing pricing” as part of its valuation policy.

This will mean that in determining the subscription price, the Manager is entitled to add an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class) it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the Sub-Fund, (b) fiscal and purchase charges, including but not limited to stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Units or the remittance of money to the Trustee. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the remaining Unitholders. Any such additional amount will be paid to the Trust and will form part of the assets of the Sub-Fund.

Similarly, in determining the redemption price, the Manager is entitled to deduct an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class) which it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the Sub-Fund, (b) fiscal and sale charges, including but not limited to stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred by the Sub-Fund in realising assets to provide funds to meet any redemption request. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the remaining Unitholders. Any such deducted amount will be retained by and form part of the assets of the Sub-Fund.

The Manager (after consultation with the Trustee) will only adjust the subscription price or redemption price under exceptional circumstances and if it considers it in the best interest of the Unitholders. Examples of such exceptional circumstances may include (a) the aggregate net subscriptions or redemptions in Units (as the case may be) exceeding a pre-determined threshold set by the Manager from time to time; or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders.

The Trust Deed will be amended to reflect the introduction of swing pricing in relation to the Sub-Fund.

C. Change of Distribution Policy

Currently, the Manager may, in its absolute discretion, distribute any distributable profits of the Sub-Fund in accordance with the distribution policy set out in the Explanatory Memorandum. For the purpose of the Sub-Fund, distributable profits shall include any income received in respect of the underlying investments by way of interest or dividend, but shall not include any capital gain realised on their sale.

With effect from the Effective Date, in order to provide more flexibility to the Manager in distributing dividends, the distribution policy of the Sub-Fund will be amended to provide that in circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, pay dividend out of capital of the Sub-Fund. Payment of dividends out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant class.

For the avoidance of doubt, any net distributable income of the Sub-Fund may be accumulated or distributed by the Manager in its absolute discretion.

The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months will be available from the Manager on request and on the website of the Manager at www.valuepartners-group.com¹.

Should there be any change in the distribution policy in future, the Manager will seek the SFC's prior approval and not less than one month's prior written notice (or such shorter notice period as approved by the SFC) will be provided to Unitholders.

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

D. Changes to the Objective and Investment Strategy

With effect from the Effective Date, to increase the Sub-Fund's flexibility to invest, the investment objective and strategy of the Sub-Fund will be revised.

- (i) It is stated in the current investment objective that the Sub-Fund aims to provide Unitholders with long-term capital appreciation, currently by investing primarily in A and B Shares listed on the stock exchanges of Shanghai and Shenzhen, as well as H Shares listed in Hong Kong.

With effect from the Effective Date, the investment objective will be changed to investing primarily (i.e. not less than 70% of the Sub-Fund's Net Asset Value) in equity securities of China-related companies listed on a stock exchange in mainland China, the Hong Kong Stock Exchange or on major/recognised stock exchanges in other jurisdictions (including but not limited to A, B and H Shares and American Depositary Receipts ("**ADRs**")).

For the purpose of the Sub-Fund, China-related companies are considered by the Manager to be companies which are based in or have their principal operation in China or have the majority of their assets situated in, or the majority of their revenue, income or profits derived from China.

As a result of this change, the Sub-Fund may be exposed to risks associated with ADRs. Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

- (ii) The Sub-Fund may currently invest not more than 10% of its Net Asset Value in asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

With effect from the Effective Date, the Sub-Fund's exposure to collateralized and/or securitized products will be increased and as a result, the Sub-Fund may invest less than 30% of its Net Asset Value in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) and/or mortgage backed securities for hedging or non-hedging purposes.

- (iii) In addition, the investment objective and strategy of the Sub-Fund will be revised or enhanced for compliance with the SFC's minimum disclosure requirements.

E. Other Amendments

The Explanatory Memorandum will be amended to reflect the changes set out in sections A, B, C and D above.

The Explanatory Memorandum will also be amended to reflect additional disclosures and updates as summarised below:–

- (i) consolidation of the Addendum, the First, Second, Third, Fourth and Fifth Supplements of the Sub-Fund to the Explanatory Memorandum, including (a) consolidation of the Addendum of the Sub-Fund as Appendix I to the Explanatory Memorandum, and (b) updates to and incorporation of disclosures on the Addendum, inter alia disclosures under the sections headed "**Definitions**", "**QFII Custodian and PRC QFII Custodian**", "**Stock Connects**", "**PRC Taxation**", "**Additional Risks of the Sub-Fund**", "**Subscription for Units**", "**Redemption of Units**", "**Reports and Accounts**" and "**Payment Procedure**", to the main part of the Explanatory Memorandum;

- (ii) clarificatory update to the definition of “**PRC**” and consequential updates to such references;
- (iii) updates to the profiles of the Directors of the Manager on the Explanatory Memorandum;
- (iv) enhanced disclosures in the sections headed “**Risk Factors**”, “**Additional Risks of the Sub-Fund**” and “**Performance Fees**” for compliance with the SFC’s minimum disclosure requirements;
- (v) updates to disclosures relating to QFII;
- (vi) updates to disclosures relating to the notice of declaration of suspension and publication of Unit prices of the Sub-Fund;
- (vii) updates to disclosures relating to the application procedures for subscription and redemption (including the Manager’s discretion, with the approval of the Trustee, to accept late applications for subscription/redemption of Units). The Trust Deed will also be amended to reflect the Manager’s discretion to accept late applications for subscription/redemption of Units;
- (viii) enhanced disclosures on the Manager’s right to reject applications for subscriptions or switching of Units which are suspected to be practices connected to market timing or related excessive, short-term trading practices deployed by any investors;
- (ix) clarificatory changes regarding (a) applications for subscription/redemption made by fax to be followed by the original signed subscription/redemption forms and (b) applications for subscription, redemption and switching of Units to be made by other written or electronic forms if so agreed by the Manager and the Trustee. The Trust Deed will also be amended to reflect the relevant changes;
- (x) enhanced disclosures in light of certain disclosure obligations on companies licensed by the SFC for type 9 regulated activity (such as the Manager) in relation to funds they manage under the revised Fund Manager Code of Conduct (the “**Fund Manager Code**”). Such disclosures include disclosures relating to leverage, potential conflicts of interest, custody risk and liquidity risk;
- (xi) updates to reflect certain regulatory updates in the Cayman Islands, including but not limited to the latest legislation and regulations in relation to the prevention of money laundering (including the designation of a natural person to carry out the roles of Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer); and
- (xii) other miscellaneous and editorial updates.

The Product Key Facts Statements of the Sub-Fund (“**KFS**”) will also be amended to reflect the applicable changes.

The changes described above are in summary form only and are not meant to be an exhaustive list of the amendments made to the Explanatory Memorandum. Unitholders should note that there are other ancillary changes and updates to the Explanatory Memorandum and as such, should review the updated Explanatory Memorandum (which will be available on or after the Effective Date) for further details on the changes made.

In addition, the Trust Deed will be amended to comply with the SFC’s minimum disclosure requirements and the SFC’s Code on Unit Trusts and Mutual Funds, as well as the anti-money laundering regulations in the Cayman Islands.

F. Impact on the Trust, the Sub-Fund and its Unitholders

The changes set out in sections A, B, C and D(i) above will not result in (i) any change in the type of fees, or the level of fees including trustee fees, payable by the Trust, the Sub-Fund or by the Unitholders; (ii) any material change to the risk profile of the Trust and the Sub-Fund and (iii) will not materially prejudice the existing Unitholders' rights or interests.

(i) Change in Trustee

The change of Trustee described under section A above will not result in the Trust or the Sub-Fund incurring any liability to taxation or suffering any other pecuniary disadvantage and will not subject the Trust or the Sub-Fund to additional regulations or requirements. After the Effective Date, the governing law of the Trust and the Sub-Fund remains unchanged.

Also, the change of Trustee will not result in (i) any change in the dealing procedure of the Trust and the Sub-Fund; or (ii) any material change in the features of the Trust and the Sub-Fund. Apart from the changes set out in section A above, there is no other change in the operation and/or manner in which the Trust and the Sub-Fund are being managed.

(ii) Swing Pricing and Change of Distribution Policy

The introduction of swing pricing and change in distribution policy described in sections B and C above (i) will not result in any material change to the features of the Sub-Fund; and (ii) will not result in any material change in the operation and/or manner in which the Sub-Fund is being managed.

(iii) Changes to Investment Objective

Other than the changes to the investment objective of the Sub-Fund described in section D(i) above, there will be no change in the operation and/or manner in which the Sub-Fund is being managed.

(iv) Other Changes

The other changes as described in sections D(ii), D(iii), and E above do not amount to material changes to the Trust and the Sub-Fund, and will not result in any change in the risk profile of the Trust and the Sub-Fund.

G. Costs

All the costs and expenses associated with the change of Trustee, Registrar, Administrator and Principal Office set out in section A of this notice will be borne by the Retiring Trustee and will not be borne by the Trust, the Sub-Fund or the Unitholders.

All the costs and expenses associated with the introduction of swing pricing and distribution out of capital, the changes to the investment objective and strategy, and other changes to the Explanatory Memorandum as set out respectively in sections B, C, D and E above will be borne by the Sub-Fund. These costs and expenses will only have an insignificant impact on the fees and charges incurred by the Sub-Fund.

Please note that there is no action required of you in order to implement the changes set out in this notice.

H. Enquiry

The Deed of Retirement and Appointment will be available on or after the Effective Date. Copies of the Trust Deed together with all supplemental deeds (including the Deed of Retirement and Appointment) can be inspected free of charge at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays).

The current Explanatory Memorandum and Product Key Facts Statement in respect of the Sub-Fund are available on our website (www.valuepartners-group.com)¹ and for your inspection free of charge at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays). The updated Explanatory Memorandum and the revised Product Key Facts Statement incorporating the above amendments will be available on or after the Effective Date.

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.