

No copy of this Addendum shall be distributed without the latest Explanatory Memorandum (and the latest financial reports of the China Convergence Fund) and the two documents shall be read, and together construed, as one document.

**CHINA CONVERGENCE FUND**  
**(formerly known as China ABH Shares Fund)**

**a class of units in**

**VALUE PARTNERS INTELLIGENT FUNDS (the “Trust”)**

**Addendum to Explanatory Memorandum**

**FOR CAYMAN ISLANDS INVESTORS**

No offer or invitation to subscribe for Units may be made to the public in the Cayman Islands.

**FOR SINGAPORE PROSPECTIVE INVESTORS**

The Explanatory Memorandum, together with this Addendum, has not and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”) as the Trust will be invoking the exemptions from compliance with prospectus requirements pursuant to the exemptions under Section 304 and Section 305 of the Securities and Futures Act (Cap. 289) of Singapore (“SFA”). The MAS assumes no responsibility for the contents of the Explanatory Memorandum and this Addendum.

The offer which is the subject of the Explanatory Memorandum and this Addendum does not relate to a collective investment scheme which is authorised under Section 286 of the SFA or recognised under Section 287 of the SFA. Neither the Trust nor the Sub-Fund is authorised or recognised by the MAS and the Units are not allowed to be offered to the retail public. Each of the Explanatory Memorandum, this Addendum, and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA. Accordingly, statutory liability under that Act in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

Recipients of the Explanatory Memorandum, together with this Addendum, in Singapore should note that the offering of the Units is subject to the terms of the Explanatory Memorandum, this Addendum and the SFA. Accordingly, the Units may not be offered or sold, nor may the Explanatory Memorandum, this Addendum or any other document or material in connection with the offer or sale of such Units be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A(1)(c) of the SFA) (each an “**Institutional Investor**”); (ii) to a relevant person as defined in Section 305 of the SFA or any person pursuant to an offer referred to in Section 305(2) of the SFA (each a “**Relevant Investor**”) and in accordance with the conditions specified in Section 305 of the SFA; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Subject to all other restrictions on transferability imposed by the Trust and the Sub-Fund, recipients of the Explanatory Memorandum, together with this Addendum represent and warrant that where the Units are initially acquired pursuant to an offer made in reliance on an exemption under:

- (a) Section 304 of the SFA by an Institutional Investor, subsequent sales of the Units may only be made to another Institutional Investor; and
- (b) Section 305 of the SFA by a Relevant Investor, subsequent sales of the Units may only be made to an Institutional Investor or another Relevant Investor,

In addition, it should be noted that where the Units are initially acquired pursuant to an offer made in reliance on an exemption under Section 305 of the SFA by:

- (1) a corporation referred to in Section 305A(2) of the SFA (a “**Relevant Corporation**”), the securities of the Relevant Corporation shall not be transferred within 6 months after the Relevant Corporation has acquired any Units unless the transfer is in accordance with the conditions of Section 305A(2) of the SFA; and
- (2) a trust referred to in Section 305A(3) of the SFA (a “**Relevant Trust**”), the rights and interest (howsoever described) of the beneficiaries thereof in the Relevant Trust shall not be transferred within 6 months after any Units have been acquired for the Relevant Trust unless the transfer is in accordance with the conditions of Section 305A(3) of the SFA.

Investors should therefore ensure that their own transfer arrangements comply with the restrictions. Investors should seek legal advice to ensure compliance with the above arrangement.

The Explanatory Memorandum, together with this Addendum, does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

**China Convergence Fund** (formerly known as China ABH Shares Fund) (the “**Sub-Fund**”) is constituted as a sub-fund of Value Partners Intelligent Funds (the “**Trust**”). Investment in the Sub-Fund is subject to the provisions herein as well as the provisions of the Trust Deed dated 21 June 2000, as amended from time to time (collectively the “**Trust Deed**”) constituting the Trust and the latest Explanatory Memorandum relating to the Trust. Investors should, therefore, review the information relating to both the Trust and the Sub-Fund before applying to invest in the Sub-Fund. Copies of the Trust Deed are available for inspection at the office of the Manager during normal business hours free of charge and copies may be purchased at a reasonable charge.

The Sub-Fund has been authorised by the Securities and Futures Commission in Hong Kong, whose current address is at 35th Floor, Cheung Kong Center, 2 Queen’s Road Central (the “**SFC**”) under Section 104 of the Hong Kong Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. In giving such authorisation the SFC does not take responsibility for the financial soundness of the Sub-Fund or for the correctness of any statements made or opinions expressed in this regard.

## **Definitions**

The defined terms used in this Addendum have the following meanings:

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| “ <b>A Shares</b> ” | means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by domestic (Chinese) investors and foreign investors that have obtained the QFII licence or the Renminbi qualified foreign institutional investors (RQFII) licence; |
| “ <b>B Shares</b> ” | means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors;   |
| “ <b>CSRC</b> ”     | means the China Securities Regulatory Commission;   |

<b>“Eligible Securities”</b>	means RMB financial instruments which are permitted for investment by QFIIs from time to time under the QFII Regulations and which for the time being include: <ul style="list-style-type: none"> <li>(a) shares (excluding B Shares), bonds and warrants traded or transferred on the Shanghai Stock Exchange or the Shenzhen Stock Exchange;</li> <li>(b) fixed income instruments traded on the interbank bond market;</li> <li>(c) securities investment funds;</li> <li>(d) stock index futures; and</li> <li>(e) any other financial instruments from time to time approved by the CSRC for the purposes of the QFII scheme;</li> </ul>
<b>“H Shares”</b>	means shares issued by companies incorporated in the PRC and listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;
<b>“Participation Agreement”</b>	means an agreement entered into between the Trustee, the QFII Holder, the Manager, the QFII Custodian and the PRC QFII Custodian, as amended from time to time;
<b>“PRC”</b>	means the People’s Republic of China, excluding Hong Kong and Macau Special Administrative Regions and Taiwan;
<b>“PRC Brokers”</b>	means brokers appointed by the QFII Holder acting on its behalf to deal with the Eligible Securities in the PRC for the account of the Sub-Fund;
<b>“PRC QFII Custodian”</b>	means HSBC Bank (China) Company Limited;
<b>“QFII”</b>	means Qualified Foreign Institutional Investor;
<b>“QFII Custodian”</b>	means The Hongkong and Shanghai Banking Corporation Limited who will act through the PRC QFII Custodian as the local custodian of the assets of the Sub-Fund acquired through and/or in connection with the QFII Quota of the QFII Holder under the QFII scheme in the PRC;
<b>“QFII Custodian Agreement”</b>	means an agreement entered into between the QFII Custodian and the QFII Holder pursuant to which the QFII Custodian was appointed to act through the PRC QFII Custodian as the custodian of the assets acquired through and/or in connection with the QFII Quota of the QFII Holder within the PRC under the QFII scheme;
<b>“QFII Holder”</b>	means Value Partners Hong Kong Limited;
<b>“QFII Quota”</b>	means an investment quota granted by the SAFE to the QFII Holder to remit foreign freely convertible currencies into the PRC and convert into RMB for the purpose of investing in the PRC’s securities market;

**“QFII Regulations”**

means the rules and regulations governing the establishment and the operation of the QFII regime in the PRC, as may be promulgated and/or amended from time to time, including but not limited to:

- (a) The Measures on the Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors jointly promulgated by the CSRC, the People’s Bank of China and the SAFE on 24 August 2006 which came into effect on 1 September 2006 (the “Measures”) and The Provisions on Relevant Issues Concerning the Implementation of the Measures on the Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors promulgated by the CSRC on 27 July 2012 which came into effect on 27 July 2012 (the “Provisions”);
- (b) The Regulations on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors issued by the SAFE on 7 December 2012 (the “Regulations”);
- (c) The Circular on the Issues concerning the Qualified Foreign Institutional Investors Investing in the Inter-bank Bond Market issued by The People’s Bank of China on 10 March 2013; and
- (d) The Notice on the Issues concerning the Depository and Settlement of Domestic Securities Investment of QFII issued by the CSRC on 4 July 2003 (the “Notice”).

**“RMB”**

means renminbi, the lawful currency of the PRC;

**“SAFE”**

means the State Administration of Foreign Exchange; and

**“US dollars”, “US\$” or “USD”**

means the lawful currency of the United States of America.

**Units**

As from 10 July 2013, the Manager has determined to name the existing class of Units as “Class A” (“Class A”) and to create and establish a new class of Units known as Class Z (“Class Z”).

**Units in Class Z:**

- (a) are being offered initially during the Initial Offer Period at an issue price of US\$10 per Unit, and thereafter Units in Class Z will be available at their prevailing issue price (which will not necessarily be the same as the issue price of Units in Class A),
- (b) are only available for subscription by institutional and/or professional investors, and
- (c) are subject to an initial charge of up to 5.0 per cent. of the issue price.

The “Initial Offer Period” for Units in Class Z shall be the period from 9:00 a.m. (Hong Kong time) on 11 July 2013 to 5:00 p.m. (Hong Kong time) on 11 July 2013 or such earlier or later time or date as the Trustee and the Manager may agree.

During the Initial Offer Period, applications for subscription (whether by post or by fax) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Valid applications for subscription received (whether by post or by fax) by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period will be deemed to have been received, and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

Payment of subscription monies can be made in US dollars or HK dollars and must be received in full and in cleared funds by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Details are set out in section V of this Explanatory Memorandum.

The main features of the following classes of Units in the Sub-Fund are summarised in the table below:

	<b>Class A</b>	<b>Class Z</b>
Minimum Initial Subscription	US\$10,000 (inclusive of the initial charge)	US\$10,000,000 (inclusive of the initial charge)
Minimum Subsequent Subscription	US\$5,000 (inclusive of the initial charge)	US\$100,000 (inclusive of the initial charge)
Minimum Redemption	Not applicable	US\$100,000 (inclusive of any redemption charge)
Minimum Holding	US\$10,000	US\$5,000,000
Initial Charge on Subscription of Units	Up to 5 per cent. of the issue price	Up to 5 per cent. of the issue price
Switching Fee	Currently Nil*	Currently Nil*
Redemption Charge on Redemption of Units	Currently Nil (Max 5.0 per cent.)	Currently Nil (Max 5.0 per cent.)
Annual Management Fee	1.25 per cent. per annum of the Net Asset Value of the Sub-Fund (which may be increased up to a maximum of 2 per cent. per annum of the Net Asset Value of the Sub-Fund by giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC))	0.75 per cent. per annum of the Net Asset Value of the Sub-Fund (which may be increased up to a maximum of 2 per cent. per annum of the Net Asset Value of the Sub-Fund by giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC))
Annual Performance Fee	15 per cent. of the increase in Net Asset Value per Unit in the relevant class in the relevant accounting period over the relevant hurdle, calculated on a "high-on-high basis" and more particularly described on page 19	15 per cent. of the increase in Net Asset Value per Unit in the relevant class in the relevant accounting period over the relevant hurdle, calculated on a "high-on-high basis" and more particularly described on page 19

\* *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.*

## **Investment Objective and Policy**

The investment objective of the Sub-Fund is to provide Unitholders with long-term capital appreciation (in US dollar terms) by investing primarily in A, B and H shares. A Shares and B Shares are shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange in the PRC. A Shares are traded in Renminbi and B Shares are traded in US dollars and Hong Kong dollars. H Shares are shares listed on the Hong Kong Stock Exchange and are denominated in Hong Kong dollars.

The investment in A Shares whether directly through the QFII Holder's QFII Quota or indirectly through CAAPs (as defined below) is subject to a maximum exposure of 35 per cent. of the Sub-Fund's non-cash assets and between 0 per cent. and 35 per cent. of the Sub-Fund's latest available Net Asset Value will be invested in B Shares. This may change after the date of this Addendum from time to time. Unitholders will be notified one month in advance if any of these limits is to be changed. Apart from A, B and H Shares, the Manager may also invest (to a lesser extent) in shares of China-related companies listed on the Hong Kong Stock Exchange or on recognised stock exchanges in other jurisdictions and in China-related fixed income securities. China related companies are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, the PRC, Hong Kong and/or elsewhere in the Greater China region (including the PRC, Hong Kong, Macau Special Administrative Region and Taiwan).

Subject to the investment restrictions set out in the Explanatory Memorandum in respect of the Trust, the Manager may apply any investment strategy (including hedging, leveraging, short-selling and other strategies for risk management) it deems appropriate under the prevailing economic and market conditions in order to achieve the investment objective of the Sub-Fund.

The Sub-Fund will directly invest in A Shares and other Eligible Securities through the QFII Quota of the QFII Holder.

The Sub-Fund may indirectly invest in A Shares 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 Sub-Fund an economic return equivalent to holding the underlying A Shares. Notwithstanding that the QFII Holder will allocate a certain amount of the QFII Quota to the Sub-Fund for its exclusive use in order to provide the Sub-Fund with direct access to A Shares, the Sub-Fund may still seek indirect exposure to A Shares through CAAPs from time to time. Please refer to the section headed "QFII Regime" for details of the QFII Quota allocated to the Sub-Fund.

Investors should note that the Sub-Fund may not be allocated a sufficient portion of the QFII Quota or CAAPs to meet all applications for subscription.

In order to achieve the investment objective of the Sub-Fund, investing directly or indirectly in A Shares and directly in other Eligible Securities in the PRC is considered by the Manager to be in the best interest of Unitholders.

In addition, the Manager may hold cash, deposits, short-term papers such as Treasury Bills, certificates of deposit, bankers' acceptances, short-term commercial papers and other fixed income instruments for the account of the Sub-Fund. The Manager may also, on an ancillary basis, invest in commodities, futures, options, warrants, units in any unit trusts, shares in any mutual fund corporations, or any other collective interest schemes (including those offered by the Manager or its Connected Persons (as defined in section VI of the Explanatory Memorandum)). For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps. All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to section II of the Explanatory Memorandum for details of the investment restrictions under the Trust Deed.

## **QFII Regime**

Under prevailing regulations in the PRC, foreign investors who wish to invest directly in the PRC domestic securities market generally need to apply for a QFII licence or a RQFII licence.

### ***QFII Holder***

The QFII Holder is the holding company of the Manager and has obtained the QFII licence and a total amount of US\$100 million of the QFII Quota in the PRC which may be changed in future. Pursuant to the SAFE's approval, the QFII Holder will allocate an amount of US\$35 million of the QFII Quota to the Sub-Fund for its exclusive use which may be changed in future. Should there be any change in the QFII Quota granted to the Sub-Fund in future, the Manager will give notice to Unitholders of such change.

It is currently intended that the Sub-Fund will obtain exposure to A Shares and other Eligible Securities issued within the PRC by using the QFII Holder's QFII Quota (a portion of which will be allocated to the Sub-Fund) and the CAAPs issued by CAAP Issuers.

### ***QFII Custodian and PRC QFII Custodian***

The Hongkong and Shanghai Banking Corporation Limited has been appointed by the QFII Holder as the QFII Custodian to act through the PRC QFII Custodian pursuant to the QFII Custodian Agreement. Such appointment was made with the consent in writing of the Trustee. The QFII Custodian through the PRC QFII Custodian will be responsible for the safe custody of the assets acquired through and/or in connection with the QFII Quota of the QFII Holder within the PRC under the QFII scheme in accordance with the QFII Custodian Agreement. As at the date of this Addendum, no function of the PRC QFII Custodian in connection with custody of assets under the QFII regime is currently delegated to its associates within the group companies of the Trustee or any other person(s).

According to the QFII Custodian Agreement, the QFII Custodian is entitled to utilise its local subsidiary which as of the date hereof is the PRC QFII Custodian (being currently appointed by QFII Custodian) or its other associates within the HSBC group of companies as its delegate for the performance of services under the QFII Custodian Agreement. The PRC QFII Custodian is incorporated in the PRC and is a wholly-owned subsidiary of the QFII Custodian. The PRC QFII Custodian possesses the applicable qualification to provide custody services to QFIIs.

According to the terms of the QFII Custodian Agreement, the QFII Custodian shall remain responsible for any negligence or wilful default of the PRC QFII Custodian, as if no such appointment had been made.

Subject to the applicable regulatory requirements, any change in the QFII Custodian or the PRC QFII Custodian will be subject to not less than one (1) month's prior notice to Unitholders.

Please refer to the section "Trustee, Registrar, Administrator and Custodian and Registrar's Agent" under "I. Management and Administration" of the Explanatory Memorandum in regard to the extent of the Trustee's responsibility for the acts or omissions of the PRC QFII Custodian.

### ***QFII Quota and Assets of the Sub-Fund***

The Sub-Fund's assets in the PRC in connection with the portion of the QFII Holder's QFII Quota allocated to the Sub-Fund under the QFII scheme will be held by the QFII Custodian through the PRC QFII Custodian. In other words, the PRC QFII Custodian will provide custody services in respect of the Sub-Fund's assets in the PRC in connection with the portion of the QFII Holder's QFII Quota allocated to the Sub-Fund under the QFII scheme. Both the QFII Custodian and the PRC QFII Custodian are Connected Persons of the Trustee. The Trustee shall be responsible for the acts and omissions of the QFII Custodian and the PRC QFII Custodian which is appointed by the QFII Custodian, as if the same were the acts or omissions of the Trustee.

The PRC QFII Custodian may open one or more securities account(s) in the name of "Value Partners Hong Kong Limited – China Convergence Fund" ("**Securities Account(s)**") with the relevant depositories including but not limited to the China Securities Depository and Clearing Corporation Limited ("**CSDCC**"), China Central Depository & Clearing Co., Ltd ("**CCDC**"), Shanghai Clearing House Co., Ltd. ("**SCH**") and China Financial Futures Exchange ("**CFFEX**") for the Sub-Fund in accordance with the QFII Regulations (the "**Relevant Depositories**"). Foreign exchange account and RMB special

deposit account in the name of “Value Partners Hong Kong Limited – China Convergence Fund” (“**Cash Account(s)**”) shall also be established and maintained with the PRC QFII Custodian. The PRC QFII Custodian shall, in turn, have a cash clearing account with the CSDCC for trade settlement according to the QFII Regulations.

It should be noted that the Sub-Fund does not intend to, and will not, qualify as an open-ended China fund under the QFII Regulations. Accordingly, certain rules under the QFII Regulations which apply to an open-ended China fund are not applicable to the Sub-Fund. As a result, the Sub-Fund may be subject to liquidity risks and please refer to the risk factor “Liquidity risks” below in relation to the QFII Regulations on repatriation of funds in respect of investments held through the QFII Holder. First, the lock-up period for the investment capital of an open-ended China fund is three months, whereas the lock-up period for the QFII Holder’s investment capital which constitutes the Sub-Fund’s assets in the PRC is expected to be one year, expiring on 26 June 2014 (the “**Lock-up Period**”), unless otherwise notified to Unitholders by the Manager. Second, after the lock-up period, an open-ended China fund is allowed to remit and repatriate funds on a weekly basis based on the net balance of subscriptions or redemptions each week, whereas the Sub-Fund’s assets may be repatriated out of the PRC subject to a monthly cumulative limit of 20 per cent. of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the preceding year, as stipulated by SAFE. SAFE’s prior approval is required where the investment capital of the Sub-Fund is to be repatriated out of the PRC and net realised profits generated from investments via the QFII Quota for the account of the Sub-Fund may be repatriated out of the PRC after the completion of the audit of such net realised profits by a PRC registered accountant and the issuance of the tax payment certificate. Third, repatriation of assets of an open-ended China fund is subject to a monthly cumulative limit which is 20 per cent. of the total onshore assets of that fund as at the end of the previous year, whereas repatriation of the Sub-Fund’s assets is subject to a monthly cumulative limit of 20 per cent. of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the preceding year, as stipulated by SAFE. It is currently expected that such repatriation limit will be applied across all the assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII, including without limitation the assets attributable to the Sub-Fund, and the assets attributable to other sub-funds, other clients of or other investment funds managed by the QFII Holder (or managed through its group companies including the Manager), and the proprietary assets of the QFII Holder, and thus repatriation requests made by such other entities may have an impact on the repatriation of the Sub-Fund’s assets. As a result, the restriction or delay in repatriation of investment capital and net profits may impact the Sub-Fund’s ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month, of receipt of all required and duly completed redemption documentation. Please refer to the sub-section headed “Redemption of Units” in the Explanatory Memorandum and this Addendum for further details.

The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

- (a) the securities account(s) (“**Securities Account(s)**”) with the Relevant Depositories and opened by the PRC QFII Custodian as authorized by the QFII Holder have been opened in the name “Value Partners Hong Kong Limited – China Convergence Fund” and for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;
- (b) foreign exchange account and RMB special deposit account(s) (i.e. “Cash Account(s)”) have been opened with the PRC QFII Custodian and in the name “Value Partners Hong Kong Limited – China Convergence Fund” and for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approvals from all competent authorities in the PRC;



- (c) the assets held/credited in the Securities Account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian and the PRC Brokers;
- (d) the assets held/credited in the Cash Account(s) (i) become an unsecured debt owing from the PRC QFII Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QFII Holder and the PRC Brokers, and from the assets of other clients of the Manager, the QFII Holder and the PRC Brokers;
- (e) the Trustee acting for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the Securities Accounts and the debt in the amount deposited in the Cash Account(s) of the Sub-Fund;
- (f) if the Manager, the QFII Holder or any PRC Broker is liquidated, the assets contained in the Securities Account(s) or the Cash Account(s) will not form part of the liquidation assets of the Manager, the QFII Holder or the PRC Broker in liquidation under the PRC laws; and
- (g) If the PRC QFII Custodian is liquidated, (i) the assets contained in the Securities Account(s) of the Sub-Fund will not form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC, and (ii) the assets contained in the Cash Account(s) of the Sub-Fund will form part of the liquidation assets of the PRC QFII Custodian in liquidation in the PRC and the Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Account(s).

Further, since the Sub-Fund may invest in A Shares directly through the QFII Holder's QFII Quota, the Trustee has put in place proper arrangements to ensure that:

- (i) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including assets maintained by the PRC QFII Custodian in the Securities Account(s) and Cash Account(s), and holds the same in trust for the Unitholders;
- (ii) cash and registrable assets of the Sub-Fund, including assets deposited in the Securities Account(s) and Cash Account(s), are registered in the name of or to the order of the Trustee; and
- (iii) the PRC QFII Custodian will look to the Trustee for instructions and solely act in accordance with the instructions of the Trustee, as provided in the Participation Agreement.

## **RISK MANAGEMENT POLICY**

To manage the risks arising from the use of derivative instruments, the Manager intends to monitor participation and positions in such derivative instruments closely and will ensure that a suitable risk management process is employed which is commensurate with the relevant Sub-Fund's risk profile.

Investments in derivative instruments would normally be monitored and controlled by the Manager with regular marked-to-market valuations, careful research prior to investment and compliance monitoring. A risk management team of the Manager will undertake risk management control functions.

## **ADDITIONAL INVESTMENT RESTRICTIONS OF THE SUB-FUND**

In addition to the investment restrictions set out in section II of the Explanatory Memorandum and the section headed "Investment Objective and Policy" above, the Sub-Fund is also subject to the following restrictions:

- (1) not more than 10 per cent. of the Sub-Fund's latest available Net Asset Value may be directly or indirectly (through investment in CAAPs) invested in A Shares issued by any single issuer;
- (2) not more than 10 per cent. of the Sub-Fund's latest available Net Asset Value based on the Sub-Fund's gross exposure may be invested in CAAPs issued by any single CAAP Issuer; and

- (3) not more than 15 per cent. of the Sub-Fund's latest available Net Asset Value may be invested in CAAPs which are neither listed, quoted nor dealt on a stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which such CAAPs are regularly traded.

## **PRC Taxation**

The income (including dividends, interest income and capital gains) derived from the Sub-Fund's investments in PRC securities including A Shares, B Shares, H Shares and RMB denominated debt securities issued by PRC issuers, whether issued or listed onshore or listed offshore ("**PRC Securities**") may be subject to PRC taxes.

The income (including interest income and capital gains) derived from the Sub-Fund's investments in RMB denominated debt securities issued by non-PRC issuers should not be subject to PRC taxes.

### ***PRC Corporate Income Tax ("CIT")***

#### *Dividend income or interest income*

If the Sub-Fund is considered as a tax resident enterprise of the PRC, it should be subject to CIT at 25 per cent. on its worldwide taxable income. If the Sub-Fund is considered a non-tax resident enterprise with an establishment or place of business ("**PE**") in the PRC, the profits and gains attributable to that PE should also be subject to CIT at 25 per cent.

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a PE in the PRC for CIT purposes, although this cannot be guaranteed.

Interest derived from government bonds is exempt from CIT (or CIT on a withholding basis ("**WIT**") under the CIT Law.

Unless a specific exemption or reduction is available under current PRC CIT law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10 per cent., on dividend income or interest income arising from investments in the PRC Securities. The entity distributing such dividends or interest is required to withhold such tax on behalf of the recipients.

Under current regulations in the PRC, foreign investors (such as the Sub-Fund) may invest in onshore PRC Securities (i.e. A Shares and RMB denominated bonds issued or listed in the PRC), generally, only through a QFII or a RQFII (in this section referred to as the "relevant QFII"). Since only the relevant QFII's interests in onshore PRC Securities are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII. However under the terms of the arrangement between the relevant QFII and the Sub-Fund, the relevant QFII will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from onshore PRC Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

#### *Capital gains*

For B Shares and offshore PRC Securities (including H Shares and RMB denominated debt securities issued by PRC issuers and listed offshore) invested by the Sub-Fund directly and not via the relevant QFII, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains.

Specific rules governing taxes on the relevant QFII's capital gains derived from the trading of onshore PRC Securities have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. For an enterprise that is a

non-tax resident enterprise without PE in the PRC, a 10 per cent. WIT should be imposed on the capital gains derived from the disposal of onshore PRC Securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Any tax on capital gains levied on onshore PRC Securities and payable by the relevant QFII may be passed on to the Sub-Fund to the extent that the tax is attributable to the QFII's trading gains on the onshore PRC Securities purchased by the Sub-Fund. Certain CAAP Issuers have indicated their intention to withhold an amount equal to 10 per cent. of any gains representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A Shares. Similarly for direct investments in onshore PRC Securities, the Manager will accrue for the 10 per cent. withholding tax referred to above. The amounts withheld should generally be retained for a period of 5 years, pending further clarification of the tax rules and tax collection measures adopted by the PRC authorities. If the tax withheld by CAAP Issuers or the Manager is inadequate to meet final PRC tax liabilities on capital gains, the CAAP Issuers or the Manager may pass on the additional tax liabilities to the Sub-Fund, and may therefore result in a decrease in the value of the Sub-Fund. There is also a possibility of the tax rules being changed from time to time, possibly with retrospective effect. If the applicable tax rates change, the tax withheld by CAAP Issuers or the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains on onshore PRC Securities. Consequently, Unitholders may be advantaged or disadvantaged depending on the final tax outcome, the level of provision and when they subscribed and/or redeemed their Units in or from the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for the WIT on such gains or income and withhold the tax for the account of the Sub-Fund. Upon any future resolution of the above-mentioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders should refer to the latest financial report of the Trust for details of the amounts currently withheld as provision for taxation liabilities (if any).

### ***Business Tax ("BT") and other surtaxes***

#### *Dividend income or interest income*

The new BT law does not specifically exempt BT on interest earned by non-financial institutions. Hence, interest on both government and corporate bonds in theory should be subject to 5 per cent. BT. If BT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12 per cent. of BT payable.

Dividends on A Shares, B Shares and H Shares will not be subject to BT in China.

#### *Capital gains*

Caishui [2005] No. 155 states that gains derived by QFIIs from the trading of PRC Securities are exempt from BT. The new BT law has not changed this exemption treatment at the time of this Addendum. However, it is not clear whether a similar exemption would be extended to RQFIIs. BT if applicable, shall be imposed on the difference between the selling price and buying price of the PRC Securities. If BT is applicable, there are also other surtaxes (up to 12 per cent. of BT payable) being levied.

Where capital gains are derived from trading of B Shares and offshore PRC Securities by the Sub-Fund, BT in general should not be imposed as the purchase and disposal are often concluded and completed outside China.

### *Stamp duty*

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. In the case of contracts for sale of A Shares and B Shares, such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1 per cent.

In practice, it appears that stamp duty may not be imposed on RMB denominated debt securities transfer. For offshore PRC Securities transfer, PRC stamp duty should not be applicable.

It should also be noted that the actual applicable tax rates imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual applicable tax rate levied by the PRC tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the State Administration for Taxation ("SAT") is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof.

Non-PRC tax resident Unitholders will not be subject to PRC tax on distributions received from the Sub-Fund (through the Sub-Fund), or on gains derived from the disposal of Units. PRC tax resident Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund (through the Sub-Fund).

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than currently contemplated.

### **ADDITIONAL RISKS OF THE SUB-FUND**

**It should be appreciated that since the value of Units, and income from them (if any), is based on investments in underlying securities, their value may fall as well as rise.**

In addition to the general risk factors set out in the Explanatory Memorandum, investors should also note the following:

#### **(a) Political, Economic and Social Risks**

Political changes, social instability and unfavourable diplomatic developments in the PRC could result in the imposition of additional governmental restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the Sub-Fund in the PRC.

Investors should also note that any change in the policies of the PRC may impose an adverse impact on the securities market in the PRC as well as the underlying securities of the Sub-Fund. Furthermore, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may have an adverse impact on the performance of the Sub-Fund.

**(b) Legal System of the PRC**

The legal system of the PRC is based on written laws and regulations. The PRC government is continuously making improvements on its commercial laws and regulations. However, many of these laws and regulations are still at an experimental stage and the enforceability of such laws and regulations remains unclear.

**(c) Potential Market Volatility**

Investors should note that the stock exchanges in the PRC on which A Shares and B Shares are traded are at a developing stage and the market capitalization and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the A Share and B Share markets may result in prices of securities traded on such markets fluctuating significantly resulting in substantial changes in the Unit price of the Sub-Fund.

**(d) Currency Exchange Risk**

As the Sub-Fund is denominated in US dollars, the performance of the assets of the Sub-Fund will be affected by movements in the exchange rates between the currencies in which the assets are held and US dollars, and any changes in exchange control regulations which may cause difficulties in the repatriation of funds. The Sub-Fund may, but is not obliged to seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective and may even be counter-productive due to the foreign exchange controls in the PRC. On the other hand, failure to hedge foreign currency risks may result in the Sub-Fund suffering from exchange rate fluctuations.

**(e) Accounting and Reporting Standards**

Accounting, auditing and financial reporting standards and practices applicable to companies in the PRC may differ from those in countries that have more developed financial markets. These differences lie in areas such as different valuation methods of the properties and assets, and the requirements for disclosure of information to investors.

**(f) PRC Tax Risk**

Under the PRC CIT Law and its detailed implementation rules, dividends, interest and capital gains derived from onshore PRC Securities (i.e. A Shares and RMB denominated debt securities issued or listed in the PRC) invested directly/indirectly (via QFIIs) by the Sub-Fund are subject to CIT on a withholding basis (“WIT”) at a rate of 10 per cent., unless a specific exemption or reduction is available.

Specific rules governing taxes on capital gains derived from the trading of onshore PRC Securities have yet to be announced. It is possible that the relevant tax authorities may in the future clarify the tax position on capital gains realised by the Sub-Fund or by a relevant QFII dealing in onshore PRC Securities. In the absence of such specific rules, the income tax treatment should be governed by the general tax provisions of the PRC CIT Law. If the Sub-Fund is a non-tax resident enterprise without PE in the PRC, a 10 per cent. WIT should be imposed on the PRC-sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. Currently, the Manager has decided to provide for WIT at the rate of 10 per cent. on capital gains derived from onshore PRC Securities. In light of the uncertainty on income tax treatment on capital gains derived from the trading of onshore PRC Securities, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from onshore PRC Securities. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Sub-Fund during the period of such excessive or inadequate provision.

Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how capital gains from onshore PRC Securities will be taxed, the level of tax provision and when the investors subscribed and/or redeemed their Units in/from the Sub-Fund.

**(g) QFII Risk**

***Risks associated with CAAP***

The QFII policy and regulations imposed by the PRC government are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Sub-Fund. Under the QFII system, each QFII is subject to an investment quota for A Shares. If the QFII status of any CAAP Issuer is revoked or if any CAAP Issuer has insufficient investment quota, the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Sub-Fund may be required to dispose of its existing CAAPs.

***Risks associated with QFIIs rules and restrictions***

Investors should note that the Sub-Fund's investments made through a QFII are subject to the then prevailing exchange controls and other prevailing requirements of the PRC including rules on investment restrictions, lock-up period and repatriation and remittance of principal and profits.

In particular, the Sub-Fund, by obtaining exposure to the Eligible Securities via the QFII Quota of the QFII Holder, is subject to the following restrictions:

- (a) shares held by a single foreign investor (such as the Sub-Fund) investing through a QFII in a listed company should not exceed 10 per cent. of the total outstanding shares of such listed company; and
- (b) total A Shares held by all foreign investors who make investment through QFIIs in a listed company should not exceed 30 per cent. of the total outstanding shares of such listed company.

As there are limits on the total A Shares held by all foreign investors in one listed company in the PRC, the capacity of the Sub-Fund to make investments in A Shares will be affected by the activities of all other foreign investors investing through QFIIs.

The current QFII policy and QFII Regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFII Regulations will not be abolished. The Sub-Fund, which invests in the PRC markets through the QFII Quota of the QFII Holder and CAAPs, may be adversely affected as a result of such changes.

***Risks regarding QFII licence and QFII Quota***

The QFII Holder's QFII licence may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFII Holder or for any other reasons. In such event, all the assets held by the PRC QFII Custodian for the account of the Sub-Fund will be liquidated and repatriated to a bank account maintained for and on behalf of the Sub-Fund outside of the PRC in accordance with applicable laws and regulations. The Sub-Fund may suffer significant loss as a result of such liquidation and repatriation.

Investors should note that pursuant to the QFII Regulations, the size of the QFII Quota may be reduced or cancelled entirely by the SAFE under the following circumstances: (i) the QFII Holder commits an illegal act of using foreign exchange, such as transferring or selling its investment quota; (ii) the QFII Holder provides false information or materials to the PRC QFII Custodian or the SAFE; (iii) the QFII Holder fails to carry out investment-related conversion, purchase or payment of foreign exchange in accordance with the applicable provisions; (iv) the QFII Holder fails to provide relevant information or materials on its fund conversion or securities investments in the PRC as requested by the SAFE; or (v) the QFII Holder otherwise violates foreign exchange

control provisions. There are rules and restrictions under QFII Regulations, including rules on remittance of principal, investment restrictions, lock-up periods, and repatriation of funds which will apply to the QFII Holder as a whole and not simply apply to the investment made for the account of the Sub-Fund. As the QFII Holder's remaining portion of the total amount of US\$100 million of the QFII Quota (other than the US\$35 million of the QFII Quota allocated to the Sub-Fund for its exclusive use) is also utilised by parties other than the Sub-Fund, investors should be aware that violations of the QFII Regulations on investments arising out of activities related to portions of the QFII Quota through which the Sub-Fund invests other than those which are utilised by the Sub-Fund could result in the revocation of or other regulatory action in respect of the QFII Quota of the QFII Holder as a whole, including any portion utilised by the Sub-Fund.

Investors should note that there can be no assurance that the QFII Holder will continue to make available its QFII Quota, or the Sub-Fund will be allocated a sufficient portion of QFII Quota or CAAPs to meet all applications for subscription to the Sub-Fund, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may result in suspension of dealings of the Sub-Fund. In extreme circumstances, the Sub-Fund may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFII investment restrictions, illiquidity of the PRC securities market, and/or delay or disruption in execution of trades or in settlement of trades.

#### ***Risks regarding remittance and repatriation of funds***

Under the QFII Regulations, there are foreign exchange control restrictions imposed on the repatriation of funds by the QFII Holder. The Sub-Fund will be restricted from withdrawing investment capital from the Cash Accounts during the Lock-up Period. After the Lock-up Period, the Sub-Fund may repatriate capital, dividends, interest and income from the PRC, however any such repatriation is subject to a monthly cumulative limit of 20 per cent. of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the previous year, as stipulated by SAFE. It is currently expected that such repatriation limit will be applied across all the assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII, including without limitation the assets attributable to the Sub-Fund, and the assets attributable to other Sub-Funds of the Trust, other clients of or other investment funds managed by the QFII Holder (or managed through its group companies including the Manager), and the proprietary assets of the QFII Holder, and thus repatriation requests made by such other entities may have an impact on the repatriation of the Sub-Fund's assets. In respect of any repatriation of the Sub-Fund's assets out of the PRC, SAFE's prior approval is required where the investment capital of the Sub-Fund is to be repatriated out of the PRC and net realised profits generated from investments via the QFII Quota for the account of the Sub-Fund may be repatriated out of the PRC after the completion of the audit of such net realised profits by a PRC registered accountant and the issuance of the tax payment certificate. Process of repatriations of investment capital and net realised profits may be delayed due to any delay in the approval process of the SAFE or any delay in completion of such audit by the PRC registered accountant which may be beyond the control of the Manager. Further, as RMB is not a freely convertible currency, the Sub-Fund may be exposed to potential loss from any restriction or delay in the QFII Holder's ability to convert USD from or into RMB. In such cases, the restriction or delay in repatriation of investment capital and net realised profits may impact the Sub-Fund's ability to meet redemption requests and payment of the redemption proceeds may be delayed notwithstanding that it is the current intention of the Manager that redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month, of receipt of all required and duly completed redemption documentation.

The restrictions on repatriation of funds may have an impact on the Sub-Fund's ability to meet the redemption requests of its Unitholders. In the event that redemption requests for a large number of Units are received, the Sub-Fund may need to make borrowings or realise other investments instead of the investments held through the QFII Quota for the purposes of meeting such redemption requests and/or to limit the number of Units of any class in the Sub-Fund redeemed subject to the provisions of the Trust Deed and the applicable legal and regulatory requirements

including but not limited to those in the Code on Unit Trusts and Mutual Funds issued by the SFC. It is likely that such an impact will increase as the investment of the Sub-Fund in the PRC's securities market increases.

### ***Not an open-ended China fund***

It should be noted that the Sub-Fund does not intend to, and will not, qualify as an open-ended China fund under the QFII Regulations. Accordingly, it will not be benefited from certain rules under the QFII Regulations that will only apply to an open-ended China fund. Please refer to the section headed "QFII Regime".

### ***Liquidity risks***

The liquidity of the Sub-Fund will be affected by the liquidity of its investments and may be subject to restrictions imposed under the QFII Regulations on lock-up period for the investment capital and repatriation of investment capital or profits in respect of investments held through the QFII Holder. Transaction sizes for QFIIs are relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities). If the size of the disposals is sufficiently large, or the market is illiquid, then there is a risk that either the investments might not be sold or the price at which they are sold may adversely affect the Net Asset Value of the Sub-Fund. Further, there is no assurance that the liquidity of the Sub-Fund will always be sufficient to meet redemption requests as and when made. In the event that redemption requests for a large number of Units are received, the Sub-Fund may need to make borrowings or realise other investments instead of the investments held through the QFII Quota for the purposes of meeting such redemption requests and/or to limit the number of Units in the Sub-Fund redeemed subject to the provisions of the Trust Deed and the applicable legal and regulatory requirements including but not limited to those in the Code on Unit Trusts and Mutual Funds issued by the SFC.

### ***Custodial risk***

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets of the Sub-Fund in those markets.

Where the Sub-Fund invests in Eligible Securities through the QFII Holder's QFII Quota, such securities will be maintained by the PRC QFII Custodian through one or more Securities Account(s) in the name of "Value Partners Hong Kong Limited – China Convergence Fund" in accordance with PRC law and the Sub-Fund may be subject to custodial risk. If the PRC QFII Custodian defaults, the Sub-Fund may suffer substantial losses.

The assets, including cash, held by the PRC QFII Custodian belong to the Sub-Fund as the ultimate beneficial owner, and they are segregated from the assets of the Manager, the QFII Holder, the QFII Custodian, the PRC QFII Custodian, the PRC Brokers, and their respective clients. If any of the QFII Holder, the Manager or the PRC Brokers is liquidated, the assets (including cash) which belong to the Sub-Fund do not form part of the liquidation assets of the QFII Holder, the Manager, or the PRC Brokers. If the PRC QFII Custodian is liquidated, the assets held within the Securities Account(s) will not form part of its liquidation assets, however, cash held in the Cash Accounts will form part of its liquidation assets in the PRC and the Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Accounts. The Sub-Fund may incur losses due to a default, act or omission of the PRC QFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

### ***Brokerage risk***

The Sub-Fund may incur losses due to the acts or omissions of the PRC Brokers or the PRC QFII Custodian or disqualification of the same from acting as a broker or the local custodian, and will be exposed to the risk involved in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC settlement system.



When selecting PRC Brokers, the QFII Holder will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. If the QFII Holder considers appropriate, it is possible that a single PRC Broker will be appointed and the Sub-Fund may not necessarily pay the lowest commission available in the market.

**(h) Renminbi depreciation**

The Sub-Fund invests primarily in investments which are related to the PRC and investments whose value the Manager believes would be boosted by a Renminbi appreciation. Conversely, the value of the Sub-Fund may be adversely affected in the event of Renminbi depreciation. Investors may lose money in such circumstances.

**(i) Currency conversion risk**

The Sub-Fund invests primarily in A, B and H Shares and financial instruments issued by China-related companies. The Sub-Fund is denominated in US dollars, whilst its investments are primarily denominated in other currencies such as Hong Kong dollars and RMB. Accordingly, the Sub-Fund will need to convert USD-denominated subscription proceeds to Hong Kong dollars or RMB in order to invest. To meet redemption requests, the Sub-Fund may need to convert the Hong Kong dollars or RMB sale proceeds back to USD. The Sub-Fund may incur costs as a result of the conversion and is subject to currency conversion risk. Investment in the Sub-Fund or distribution payments from the Sub-Fund, if any, will be subject to fluctuations in the exchange rates, as well as prices of the Sub-Fund's assets. In general, the performance of the Sub-Fund will be affected by such exchange rate movements. Further, RMB is not freely convertible and is subject to policies of exchange controls and repatriation restrictions. There is no guarantee that the RMB will not depreciate. There is no assurance that RMB will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency will not develop.

**Dealing in Units, Subscription and Redemption**

Applicants should refer to the details relating to the dealing periods, subscription and redemption of Units and the application and payment procedures, all as set out in the Explanatory Memorandum of the Trust.

***Dealing Periods and Valuation Days***

Valuation Days for the Sub-Fund shall fall on each Business Day. At present, each Dealing Period shall commence at the end of the preceding Dealing Period and shall end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day. The Manager may determine that different Valuation Days and Dealing Periods will apply, as it considers appropriate.

***Subscription for Units***

Currently, Class A Units are offered in the manner set out below. Class Z Units are also offered in the manner set out below following the close of the Initial Offer Period.

The minimum initial subscription for Units (inclusive of initial charge) will be US\$10,000 in the case of Class A Units and US\$10,000,000 in the case of Class Z Units. The minimum subsequent subscription (inclusive of the initial charge) will be US\$5,000 in the case of Class A Units and US\$100,000 in the case of Class Z Units. The Manager may, at its discretion, waive the minimum subsequent subscription amount in respect of Class Z units, whether generally or in a particular case. An initial charge of up to 5 per cent. in respect of the relevant issue price per Unit of each class may be made and retained by the Manager for its own use and benefit.

Applications for subscription (whether by post or by fax) must be received by the Registrar's Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day which coincides with the last Business Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. Valid applications for subscription received (whether by post or by fax) by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on the Business Day coinciding with such Valuation Day will be deemed to have been received,

and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period. **All applications by prospective investors for an initial subscription of Units which are sent by fax to the Registrar's Agent must be followed by the duly signed original application.**

**No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance.** Payment of subscription monies can be made in US dollars or HK dollars and must be received in full and in cleared funds together with such applications or within such period as the Manager may, in its absolute discretion, determine. Please note that, for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to 5:00 p.m. on the closing date of the Initial Offer Period or on the relevant Valuation Day, as the case may be, payment by telegraphic transfer must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for Hong Kong dollars) before such close or such Valuation Day, as the case may be.

Units of the Sub-Fund are denominated in US dollars. Prospective investors may wish to refer to the section in the Explanatory Memorandum headed "Voting Rights" before applying for Units.

### ***Redemption of Units***

Applicants should refer to the details on the redemption procedures set out in the Explanatory Memorandum. However, where these procedures differ from those set out below, the provisions of this Addendum will apply and will prevail in the event of any conflict.

The minimum redemption for Class Z Units (inclusive of the redemption charge) will be US\$100,000. The Manager may on any Valuation Day differentiate between applicants as to the amount of the redemption charge to be added to the redemption price of Units to be redeemed by them respectively on that day. For further details of the Redemption Charge, please refer to the section in the Explanatory Memorandum headed "Initial, Switching and Redemption Charges".

Applications for redemption of Units in the Sub-Fund (whether by post or by fax) must be received by the Registrar's Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. The redemption price per Unit will be the Net Asset Value per Unit calculated as at that Valuation Day.

All redemption requests sent by fax to the Registrar's Agent must be followed by the duly signed original requests, unless an original fax indemnity was already previously provided to the Manager. Unitholders should note that redemption monies will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Manager) and all other supporting documents, if any are required, have been received by the Registrar's Agent; and (b) if the redemption proceeds are to be paid by telegraphic transfer to a bank account in the state of New York in the United States of America or in Hong Kong, the signature of the Unitholder (or the relevant joint Unitholder or Unitholders) on the redemption request form must be verified by a banker or some other person acceptable to the Registrar's Agent. No redemption proceeds will be paid to third parties.

A redemption charge of up to 5 per cent. of the redemption proceeds for Units of the Sub-Fund may be imposed and retained by the Manager for its own use and benefit. The Manager has currently waived the redemption charge for the redemption of Units in the Sub-Fund. Unitholders will be notified if the Manager imposes a redemption charge in future.

Partial redemptions of Units of the relevant class are permitted provided that they do not result in the relevant Unitholder holding Units valued, in aggregate, at less than US\$10,000 in the case of Class A Units and US\$5,000,000 in the case of Class Z Units, or such other minimum amount which the Manager may prescribe from time to time.

Without prejudice to the disclosure provided under the sub-section headed "Redemption of Units" in the Explanatory Memorandum, redemption proceeds will normally be paid within 5 Business Days after the relevant Dealing Period, and in any event not more than one calendar month, of receipt of all required and duly completed redemption documentation.

Applicants should refer to the suspension of valuations and dealings details set out in the Explanatory Memorandum. Furthermore, the Manager may, with prior notice to the Trustee, declare a suspension of dealings if the remittance of funds which will or may be involved in the realisation of, or in the payment for, the investments of the Sub-Fund (including, without limitation, in relation to the repatriation of capital and profit of the Sub-Fund in the PRC) or the subscription or realisation of Units in the Sub-Fund cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange, or in relation to the repatriation of capital and profit of the Sub-Fund in the PRC, be carried out promptly.

Redemption is subject to the repatriation restrictions imposed by the PRC State Administration of Foreign Exchange from time to time. Currently, repatriation of the Sub-Fund's assets is subject to a monthly cumulative limit of 20 per cent. of the total onshore assets managed by the QFII Holder (or its group companies including the Manager) as a QFII as at the end of the previous year, as stipulated by SAFE. As disclosed under the sub-section headed "Redemption of Units" in the Explanatory Memorandum, the Manager may limit the number of Units of the Sub-Fund redeemed during any Dealing Period to 10 per cent. in aggregate of the total number of Units in issue of the Sub-Fund. If the redemption requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient redemptions which, in aggregate, amount to 10 per cent. of the Units in issue of the Sub-Fund at the relevant time. Redemption requests for Units which are not redeemed but which would otherwise have been redeemed will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10 per cent. of the Units in issue of the relevant Sub-Fund) in priority to later redemption requests.

### **Switching of Units between Sub-Funds**

Unitholders may apply to switch all or part of their holding in the Sub-Fund to Units of another sub-fund in the Trust that is SFC authorised during any Dealing Period in accordance with the terms of the Explanatory Memorandum. Details of whether or not switching is permitted in respect of any sub-fund will be set out in the Addendum to the Explanatory Memorandum relating to that sub-fund.

### **Transfers**

No transfer will be accepted if, as a result thereof, either the transferor or the transferee holds less than (i) US\$10,000 in the case of Class A; (ii) US\$5,000,000 in the case of Class Z; or (iii) such other minimum holding specified by the Manager from time to time or, Units are acquired or held by a non-qualified person as described under the section headed "Restrictions on Unitholders" on page 48.

### **Fees**

#### ***Management Fee***

The Manager is entitled to receive an annual management fee of 1.25 per cent. per annum based on the Net Asset Value of the Sub-Fund as at each Valuation Day in the case of Class A Units and 0.75 per cent. per annum based on the Net Asset Value of the Sub-Fund as at each Valuation Day in the case of Class Z Units. This fee will be accrued daily and calculated as at each Valuation Day and is payable monthly in arrears out of the Trust. The management fee payable may be increased up to a maximum of 2 per cent. per annum of the Net Asset Value of the Sub-Fund by the Manager giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC) of such proposed increase to the Trustee and the relevant Unitholders.

#### ***Performance Fee***

The Manager is also entitled to receive an annual performance fee, calculated on a high-on-high basis, in respect of Units of the Sub-Fund if the Net Asset Value per Unit as at the last Valuation Day of an accounting period (prior to the accrual of any performance fee for that accounting period) exceeds the higher of (a) US\$10; and (b) the Net Asset Value per Unit as at the last Valuation Day of the last accounting period in respect of which a performance fee was paid to the Manager (taking into account the performance fee paid for that accounting period). The rate of performance fee payable is 15 per cent.

and is calculated by multiplying this fee rate by the product of such excess of the Net Asset Value per Unit and the average of the number of Units of the Sub-Fund in issue immediately after each Valuation Day in the relevant accounting period.

The performance fee shall be accrued on each Valuation Day throughout the relevant accounting period. The accrual is made based on the Net Asset Value per Unit on each Valuation Day. If it exceeds the higher of (a) US\$10; and (b) the Net Asset Value per Unit as at the last Valuation Day of the last accounting period in respect of which a performance fee was paid to the Manager, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above.

The price of Units being subscribed or redeemed during the relevant accounting period will be based on the Net Asset Value per Unit (after accrual of the performance fee as calculated in accordance with the above) and there will be no adjustment (i.e. there will be no refund or additional charge by reference to the performance of the Sub-Fund over the accounting period during which such subscription or redemption occurs). Depending on the performance of the Sub-Fund during an accounting period, the price at which Unitholders subscribe or redeem units at different times during such accounting period will be affected by the performance of the Sub-Fund and this could have a positive or negative effect on the performance fee borne by them.

The issue price per Unit of US\$10 was set as the initial high watermark for the Units. Where a performance fee is payable to the Manager for an accounting period, and if the Net Asset Value per Unit on the last Valuation Day of such accounting period is higher than the high watermark currently used in the formula for determining the performance fee, such Net Asset Value per Unit will be set as the high watermark for the next accounting period. Where, however, no performance fee is payable to the Manager for such accounting period or where the Net Asset Value per Unit on the last Valuation Day of such accounting period is lower than the high watermark currently used, there will not be any resetting of high watermark and the high watermark currently used will continue to be the high watermark to be used for the next accounting period.

Where there has already been accumulated a performance fee accrual during a period of positive performance for Units which then attracts significant new subscription for Units, followed by a period of negative performance, all Units will be subject to the reduction of the total amount of performance fee accrual, regardless of the time at which the Units is issued. Also, if the Net Asset Value per Unit is rising but is still below the high watermark, no performance fee will accrue and be payable to the Manager until the Net Asset Value per Unit rises above the high watermark. The Manager reserves the right, in such situations, to immediately close the Sub-Fund for subscription although redemption will continue according to the then current redemption procedures.

There is no equalisation arrangement in respect of the calculation of the performance fees. That means, there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis based on the timing the relevant Unitholder subscribes or redeems the relevant Units during the course of a performance period. The Unitholder may be advantaged or disadvantaged as a result of this method of calculating the performance fee.

A charge of performance fee may have been borne by a Unitholder notwithstanding the Unitholder concerned may have suffered a loss in investment in the Units. On the other hand, a Unitholder may not be subject to any performance fee notwithstanding the Unitholder concerned may have realised a gain in investment in the Units.

The Manager may, in its absolute discretion, waive or reduce, or share with or rebate to any person(s) including those by or through whom the Units are offered for subscription, the payment of all or any portion of the initial charge and/or redemption charge received by the Manager for its own use and benefit, and may share with or rebate to any person(s) including those by or through whom the Units are offered for subscription, the payment of all or any portion of the management fee and/or performance fee received by the Manager for its own use and benefit subject to applicable regulation. Such persons may retain such charges for their own use and benefit by agreement between the Manager and such persons.

### ***Trustee Fees***

The Trustee is entitled to receive a monthly Trustee's fee out of the assets of the Sub-Fund calculated as a percentage of the Net Asset Value as at each Valuation Day of the Sub-Fund at the following rates:

- 0.18 per cent. per annum on the first US\$20 million of the Net Asset Value of the Sub-Fund
- 0.17 per cent. per annum on the next US\$20 million of the Net Asset Value of the Sub-Fund
- 0.15 per cent. per annum of the Net Asset Value of the Sub-Fund in excess of US\$40 million.

The Trustee's fees are accrued daily, calculated as at each Valuation Day and payable monthly in arrears, out of the Sub-Fund provided that the aggregate Trustee's fees payable to the Trustee in respect of the Sub-Fund for any month shall be no less than US\$3,000.

Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund a fixed annual fee of US\$3,000 payable quarterly in arrears, as well as transaction fees at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time relating to the investment transactions of the Trust. The Sub-Fund will be responsible for the relevant proportion of fixed annual fee of the Trustee which will be pro-rated and calculated based on the ratio of the Net Asset Value of the Sub-Fund to the Net Asset Value of the Trust Fund.

Applicants should refer to the Explanatory Memorandum for further details on charges and fees payable by the Sub-Fund.

### **Reports and Accounts**

Audited accounts of the Sub-Fund will normally be sent to Unitholders of such Sub-Fund within four months of the financial year and unaudited semi-annual reports for the first six calendar months ending on 30 June in each financial year will also be sent to Unitholders within two months after the end of such period. The English and Chinese versions of such reports provide details of the assets of the Sub-Fund and the Manager's statement on transactions during the period under review and will be posted on the Manager's website, [www.valuepartners.com.hk](http://www.valuepartners.com.hk).

### **Distribution Policy**

The primary objective of the Sub-Fund is capital growth and dividends are of secondary importance. In respect of Class A Units, any distributable profits of the Sub-Fund may be accumulated or distributed by the Manager, in its absolute discretion. Where distributions are made, unless Unitholders indicate otherwise to the Manager, any such distributions will automatically be reinvested in further Units in the Sub-Fund to be issued to such Unitholders in proportion to the number of Units held by them on the Distribution Date defined below. In respect of Class Z Units, the Manager currently does not intend to pay dividends to Unitholders. Therefore, any net income and net realized profits attributable to the Class Z Units will be reinvested and reflected in their respective Net Asset Values.

The amount of any distribution will be calculated once a year on the distribution date ("**Distribution Date**"), which will fall on the Valuation Day which coincides with last Business Day of the fourth quarter in each calendar year, with any such distribution being made to Unitholders as soon as practicable thereafter. In respect of Class A Units, Unitholders may specify, either on subscription or at a later stage, by giving notice in writing to the Manager, that if a distribution is declared by the Manager they wish to receive a cash dividend. Such a notice must be received by the Manager on a Business Day which is at least 14 days prior to a Distribution Date in order for a cash dividend, if any, to be payable on that Distribution Date. If such a notice is received less than 14 days prior to the Distribution Date, and a distribution is declared by the Manager, no cash dividend will be paid in respect of that Distribution Date and the notice shall be dealt with by reference to the Valuation Day coinciding with the next Distribution Date. If Unitholders do not request cash dividends, either on subscription or by notice prior to the Distribution Date as aforesaid, the dividend to which they are entitled will be reinvested in further Units in the Sub-Fund to be issued to such Unitholders.

The exact amount of any such cash dividend payable to a Unitholder will be determined by the Manager and will equal, in relation to an individual Unitholder, the relevant portion of the distributable profits attributable to the number of Units in the Sub-Fund held by that Unitholder on the Distribution Date, net of all fees and expenses which relate to 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.

The Manager currently does not intend to pay dividends out of capital of the Sub-Fund or effectively out of capital of the Sub-Fund. 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.

Other than as varied by the provisions of this Addendum, the provisions of the Explanatory Memorandum shall remain unchanged.

### **Payment Procedure**

**No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance. Third party cheques and cash are not accepted.**

Units will not usually be issued unless and until the signed application for subscription of Units has been received (whether by fax or by post), and subscription monies have been received in full in cleared funds by or on behalf of the Trustee, in which case the relevant Units will be issued by reference to the Net Asset Value of the relevant class of Units of the Sub-Fund determined as at the close of the Dealing Period during which monies are actually received.

The Manager may, however, exercise its discretion to accept late payment of subscription monies, provisionally allot Units by reference to the issue price of the Units in the Sub-Fund at the close of the relevant Dealing Period and charge interest for the benefit of the Sub-Fund on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies is not received within such period as determined by the Manager (which shall not be more than 3 Business Days after the close of the relevant Dealing Period), the Manager may, or the Trustee may require the Manager to, cancel such issue of Units. Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee. The Manager shall be entitled to claim from the applicant and retain for its own account a cancellation fee of up to HK\$500, representing any administrative, foreign exchange or other costs involved in processing and cancelling such application. The Manager may also require the applicant to pay to the Manager for the account of the Trust in respect of each Unit so cancelled the amount (if any) by which the issue price of each such Unit exceeds the redemption price which would have applied in relation to each such Unit if the Manager had received on such day a request from such applicant for the redemption of the Units.

*Please note that payment must be made in one of the following ways:*

1. (a) *US dollars by telegraphic transfer (net of bank charges) to:*

HSBC Bank USA  
(SWIFT Address: MRMDUS33)  
452 Fifth Avenue  
New York, NY 10018  
U.S.A.

A/C Name:	HSBC Institutional Trust Services (Asia) Limited – Value Partners Subscription Account
A/C No:	000-14165-8
For credit to:	VPIF-CCF
DDA No:	00546267

(b) *in HK dollars by telegraphic transfer (net of bank charges) to:*

The Hongkong and Shanghai Banking Corporation Limited  
(SWIFT Address: HSBCHKHKKH)  
1 Queen's Road Central  
Hong Kong

A/C Name: HSBC Institutional Trust Services (Asia) Limited –  
Value Partners Subscription Account  
A/C No: 502-657802-001  
For credit to: VPIF-CCF  
DDA No: 00546267

In each case the remitter should instruct the remitting bank to send a SWIFT advice (format MT103) to HSBC Institutional Trust Services (Asia) Limited (SWIFT Address: BTFEHKHH) advising details of remittance, **including the full name of the applicant and the name of the Sub-Fund to which the application relates.**

*Please note that for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Period, payment must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for Hong Kong dollars) before the last day of such Dealing Period.*

OR

2. *by cheque or banker's draft:*

The cheque or banker's draft has to be in Hong Kong dollars\*, issued from a bank account in the name of the applicant, made payable to "HSBC Institutional Trust Services (Asia) Limited", crossed "Not Negotiable & A/C Payee Only," and sent to:

Value Partners Limited  
9th Floor  
Nexus Building  
41 Connaught Road Central  
Hong Kong

**bearing the name of the applicant and the name of the Sub-Fund to which the application relates on the reverse.**

*Please note that for cleared funds to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Period, the cheque or banker's draft has to be received by Value Partners Limited at least two Business Days in Hong Kong before the last day of such Dealing Period.*

\* *Please note that any cheque or banker's draft in currencies other than Hong Kong dollars is not accepted.*

OR

3. *via RTGS CHATS payment Bank Code: 004-local USD clearing system to:*

The Hongkong and Shanghai Banking Corporation Limited  
(SWIFT Address: HSBCHKHKKH)  
1 Queen's Road Central  
Hong Kong

A/C Name: HSBC Institutional Trust Services (Asia) Limited –  
Value Partners Subscription Account  
A/C No: 502-657802-201  
For credit to: VPIF-CCF  
DDA No: 00546267

The remitter should instruct the remitting bank to send a SWIFT advice (format MT 103) to HSBC Institutional Trust Services (Asia) Limited (SWIFT Address: BTFEHHKHH) advising details of the remittance, **including the full name of the applicant and the name of the Sub-Fund to which the application relates.**

*Please note that for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Period, payment must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for Hong Kong dollars) before the last day of such Dealing Period.*

Payment in other freely convertible currencies may be accepted subject to the prior consent of the Trustee and/or the Manager. If such applications in other freely convertible currencies are accepted, the number of Units to be issued in such circumstances will be determined by the Manager calculating the equivalent of the subscription amount in the currency of account of the relevant Sub-Fund at an exchange rate which the Trustee deems appropriate and after deducting the cost of foreign exchange. Any bank charges incurred from payment will be for the account of the investor. The cost of any currency conversion and other related administrative expenses will also be borne by the investor. Conversion of currencies may involve some delay.

Units issued by the Trust will be held for investors in registered form. Certificates will not be issued. A contract note will normally be issued by the Registrar's Agent as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching of Units, as the case may be, and will be forwarded by ordinary post (at the risk of the person(s) entitled thereto).

10 July 2013



## MANAGEMENT AND ADMINISTRATION

**TRUSTEE, ADMINISTRATOR,  
REGISTRAR AND PRINCIPAL OFFICE  
Bank of Bermuda (Cayman) Limited**

P.O. Box 513  
HSBC House  
68 West Bay Road  
Grand Cayman KY1-1106  
Cayman Islands

**QFII CUSTODIAN  
The Hongkong and Shanghai Banking  
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1 Queen's Road Central  
Central  
Hong Kong

**MANAGER  
Value Partners Limited**

*Registered Address:*  
Romasco Place, Wickhams Cay 1  
P.O. Box 3140  
Road Town, Tortola  
British Virgin Islands  
VG 1110

*Business Address:*

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41 Connaught Road Central  
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**LEGAL ADVISERS TO THE MANAGER**

*as to matters of Hong Kong law*

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Hong Kong

**AUDITOR**

**KPMG**  
P.O. Box 493 GT  
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Cayman Islands

**CUSTODIAN AND REGISTRAR'S AGENT  
HSBC Institutional Trust Services  
(Asia) Limited**

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Hong Kong

**QFII HOLDER  
Value Partners Hong Kong Limited**

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**DIRECTORS OF THE MANAGER**

Cheah Cheng Hye  
Ho Man Kei  
So Chun Ki Louis

**PRC QFII CUSTODIAN  
HSBC Bank (China) Company Limited**

33/F, HSBC Building, Shanghai IFC  
8 Century Avenue  
Pudong, Shanghai  
China (200120)

*as to matters of Cayman Islands law*

**Maples and Calder**  
53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

**VALUE PARTNERS INTELLIGENT FUNDS**  
(the “Trust”)  
**CHINA CONVERGENCE FUND**  
(the “Sub-Fund”)

**FIRST SUPPLEMENT**

**Important**

*If you are in doubt about the contents of this Supplement, you should seek independent professional advice. This Supplement forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated 10 July 2013 in respect of the Sub-Fund (including the Addendum to the Explanatory Memorandum dated 10 July 2013 in respect of the Sub-Fund (the “Addendum”)) (together, the “Explanatory Memorandum”).*

*All capitalized terms herein contained shall have the same meaning in this Supplement as in the Explanatory Memorandum. Value Partners Limited, the manager of the Trust (the “Manager”), accepts full responsibility for the accuracy of the information contained in this Supplement 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 publication.*

**1. Change in Investment Objective and Policy**

With effect from 13 February 2014, the Manager will increase the Sub-Fund’s maximum exposure to A Shares from 35 per cent. of the Sub-Fund’s non-cash assets to 45 per cent. of the Sub-Fund’s latest available Net Asset Value.

Accordingly, in the Addendum, the second paragraph under the section headed “Investment Objective and Policy” will be deleted in their entirety and replaced with the following paragraphs:-

“The investment in A Shares whether directly through the QFII Holder’s QFII Quota or indirectly through CAAPs (as defined below) is subject to a maximum exposure of 45 per cent. of the Sub-Fund’s latest available Net Asset Value and between 0 per cent. and 35 per cent. of the Sub-Fund’s latest available Net Asset Value will be invested in B Shares. This may change after the date of this Addendum from time to time. Unitholders will be notified one month in advance if any of these limits is to be changed. Apart from A, B and H Shares, the Manager may also invest (to a lesser extent) in shares of China-related companies listed on the Hong Kong Stock Exchange or on recognised stock exchanges in other jurisdictions and in China-related fixed income securities. China related companies are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, the PRC, Hong Kong and/or elsewhere in the Greater China region (including the PRC, Hong Kong, Macau Special Administrative Region and Taiwan).”

**2. Reduction of Trustee Fees**

With effect from the date of this Supplement, in the Addendum, the first paragraph under the sub-section headed “Trustee Fees” is deleted in its entirety and replaced with the following:-

“The Trustee is entitled to receive a monthly Trustee’s fee out of the assets of the Sub-Fund calculated as a percentage of the Net Asset Value of the Sub-Fund as at each Valuation Day of the Sub-Fund at the following rates:

- 0.15 per cent. per annum on the first US\$400 million of the Net Asset Value of the Sub-Fund
- 0.12 per cent. per annum on the balance of the Net Asset Value of the Sub-Fund in excess of US\$400 million.”

**13 January 2014**

**VALUE PARTNERS INTELLIGENT FUNDS**  
**(the “Trust”)**  
**CHINA CONVERGENCE FUND**  
**(the “Sub-Fund”)**

**SECOND SUPPLEMENT**

**Important**

*If you are in doubt about the contents of this Supplement, you should seek independent professional advice. This Supplement forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated 10 July 2013 in respect of the Sub-Fund (including the Addendum to the Explanatory Memorandum dated 10 July 2013 in respect of the Sub-Fund (the “Addendum”) and the First Supplement to the Addendum dated 13 January 2014) (together, the “Explanatory Memorandum”).*

*All capitalized terms herein contained shall have the same meaning in this Supplement as in the Explanatory Memorandum. Value Partners Limited, the manager of the Trust (the “Manager”), accepts full responsibility for the accuracy of the information contained in this Supplement 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 publication.*

**Clarifications to Investment Policy**

With immediate effect, the investment policy of the Sub-Fund is clarified by amending the Sub-Fund’s investments in urban investment bonds, lower rated securities, unrated securities and asset backed securities. Accordingly, the Addendum has been revised to reflect the foregoing changes.

1. The eighth paragraph under the section headed “Investment Objective and Policy” will be deleted in its entirety and replaced with the following paragraphs:-

“In addition, the Manager may hold cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers’ acceptances, short-term commercial papers and other fixed income instruments for the account of the Sub-Fund. The Manager may also, on an ancillary basis, invest in commodities, futures, options, warrants, units in any unit trusts, shares in any mutual fund corporations, or any other collective interest schemes (including those offered by the Manager or its Connected Persons (as defined in section VI of the Explanatory Memorandum)). For the purposes of hedging market and currency risks, the Sub-Fund may invest in index and currency swaps. However, the Sub-Fund will not invest more than 10 per cent. of its latest available Net Asset Value in asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

Where the Manager considers appropriate, the Sub-Fund will invest not more than 10 per cent. of its latest available Net Asset Value in urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles (“LGFVs”) and traded on the PRC exchange-traded bond market and interbank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

When investing in lower rated securities, the Sub-Fund will not invest more than 10 per cent. of its latest available Net Asset Value in bonds which are rated BB+/Ba1 or below (in the case where the credit rating is designated or assigned by an internationally recognized credit rating

agency) or rated BB+ or below (in the case where the credit rating is designated or assigned by a PRC credit rating agency). Nor will the Sub-Fund invest more than 10 per cent. of its latest available Net Asset Value in unrated bonds. Before investing in a bond, the Manager will first consider its credit rating and if the bond is not rated, the Manager will consider the credit rating of the issuer of the bond, which will be deemed as its credit rating. A bond where neither itself nor its issuer has a credit rating is considered to be unrated.

All investments of the Sub-Fund are subject to the investment restrictions under the Trust Deed. Please refer to section II of the Explanatory Memorandum for details of the investment restrictions under the Trust Deed.”

2. The first paragraph of the risk factor “Credit Risk” under the section headed “Risk Factors (Continued)” in section II of the Explanatory Memorandum will be amended as underlined below:-

“A Sub-Fund may invest in securities which are lower rated. A Sub-Fund may be subject to additional risks due to the speculative nature of investing in securities with a lower rating. Accordingly, an investment in these securities may be accompanied by a higher degree of credit risk (as defined below) than is present with investment in higher rated, lower yielding securities. Lower rated securities such as, for example, high yield debt securities, may be considered speculative and can include securities that are unrated and/or in default.”

**30 June 2014**

**VALUE PARTNERS INTELLIGENT FUNDS**  
**(the “Trust”)**  
**CHINA CONVERGENCE FUND**  
**(the “Sub-Fund”)**

**THIRD SUPPLEMENT**

***Important***

*If you are in doubt about the contents of this Supplement, you should seek independent professional advice. This Supplement forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated 10 July 2013 in respect of the Sub-Fund (including the Addendum to the Explanatory Memorandum dated 10 July 2013 in respect of the Sub-Fund (the “Addendum”), and the First and Second Supplements to the Addendum dated 13 January 2014 and 30 June 2014 respectively) (together, the “Explanatory Memorandum”).*

*All capitalized terms herein contained shall have the same meaning in this Supplement as in the Explanatory Memorandum. Value Partners Limited, the manager of the Trust (the “Manager”), accepts full responsibility for the accuracy of the information contained in this Supplement 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 publication.*

**A. Change in Investment Objectives and Policies**

With effect from 25 September 2015, the investment policy of the Sub-Fund has been amended to allow the Sub-Fund to have direct exposure to certain eligible A Shares via the Shanghai-Hong Kong Stock Connect. Accordingly, the Explanatory Memorandum has been revised to reflect the foregoing change and the associated risks.

1. The second paragraph under the section headed “Investment Objective and Policy” is deleted in its entirety and replaced with the following paragraph (with amendments shown as mark-ups):-

“The investment in A Shares whether directly through the QFII Holder’s QFII Quota and the Shanghai-Hong Kong Stock Connect (“Stock Connect”) (as further described in the section under the heading “Shanghai-Hong Kong Stock Connect” below), or indirectly through CAAPs (as defined below), is subject to a maximum exposure of 45 per cent. of the Sub-Fund’s latest available Net Asset Value and between 0 per cent. and 35 per cent. of the Sub-Fund’s latest available Net Asset Value will be invested in B Shares. This may change after the date of this Addendum from time to time. Unitholders will be notified one month in advance if any of these limits is to be changed. Apart from A, B and H Shares, the Manager may also invest (to a lesser extent) in shares of China-related companies listed on the Hong Kong Stock Exchange or on recognised stock exchanges in other jurisdictions and in China-related fixed income securities. China related companies are considered by the Manager to be companies which have the majority of their assets situated in, or the majority of their income derived from operations in, the PRC, Hong Kong and/or elsewhere in the Greater China region (including the PRC, Hong Kong, Macau Special Administrative Region and Taiwan).”

2. The following new sentence is inserted immediately after the fourth paragraph under the section headed “Investment Objective and Policy”:-

“The Sub-Fund may also have direct exposure to certain eligible A Shares via the Stock Connect.”

3. The following paragraph is inserted immediately after the tenth paragraph under the section headed “Investment Objective and Policy”:-

“Assets of the Sub-Fund acquired through the QFII Holder’s QFII Quota and denominated in RMB are valued with reference to the CNY rate, whereas all other assets denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the “CNH” rate) may be different from the exchange rate within the PRC (the “CNY” rate). While the CNH rate and the CNY rate represent the same currency, they are traded in different and separate markets which operate independently. As such, the CNH rate does not necessarily have the same exchange rate and may not move in the same direction as the CNY rate.”

4. The following new section is inserted after the sub-section under the heading “QFII Quota and Assets of the Sub-Fund”: -

#### **“Shanghai-Hong Kong Stock Connect**

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

The Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company as 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.

#### ***Eligible securities***

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:

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

It is expected that the list of eligible securities will be subject to review.

#### ***Trading Days***

Investors (including the Sub-Fund) will only be allowed to trade on the SSE market on days where both PRC and Hong Kong stock markets are open for trading and banking services are available in both markets on the corresponding settlement days.

#### ***Trading quota***

Trading under Stock Connect will be subject to a maximum cross-boundary investment quota (“**Aggregate Quota**”) together with a daily quota (“**Daily Quota**”). Northbound trading will be subject to a separate set of Aggregate and Daily Quota.

The Aggregate Quota caps the absolute amount of fund inflow into the PRC under Northbound trading. The Northbound Aggregate Quota is currently set at RMB300 billion.

The Daily Quota limits the maximum net buy value of cross-boundary trades under Shanghai-Hong Kong Stock Connect each day. The Northbound Daily Quota is currently set at RMB13 billion.

SEHK will monitor the quota and publish the remaining balance of the Northbound Aggregate Quota and Daily Quota at scheduled times on the HKEx's website.

#### ***Settlement and custody***

The Hong Kong Securities Clearing Company Limited (“**HKSCC**”), a wholly-owned subsidiary of HKEx, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The A Shares traded through 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 HKSCC for the clearing securities listed or traded on SEHK).

#### ***Corporate actions and shareholders' meetings***

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities held in its omnibus stock account in CSDCC, CSDCC as the share registrar for SSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities.

HKSCC will monitor the corporate actions affecting SSE Securities and keep the relevant brokers or custodians participating in CCASS (“**CCASS participants**”) informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE-listed companies usually announce their annual general meeting / extraordinary general meeting information about one month before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

#### ***Foreign shareholding restrictions***

The CSRC stipulates that, when holding A Shares through the Stock Connect, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the Sub-Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and
- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30% of the total issued shares of such listed company.

If the shareholding of a single investor in an A Share listed company exceeds the above restrictions, the investor would be required to unwind his position on the excessive shareholding according to a last-in-first-out basis within a specific period. The SSE and the



SEHK will issue warnings or restrict the buy orders for the related A Shares if the percentage of total shareholding is approaching the upper limit.

### ***Currency***

Hong Kong and overseas investors will trade and settle SSE Securities in RMB only. Hence, the Sub-Fund will need to use RMB to trade and settle SSE Securities.

### ***Trading fees***

In addition to paying trading fees and stamp duties in connection with A Share trading, the Sub-Fund may be subject to new fees arising from trading of A Shares via the Stock Connect which are yet to be determined and announced by the relevant authorities.

### ***Investor compensation***

The Sub-Fund's investments through Northbound trading under Stock Connect will not be covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund.

On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, therefore they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC.

Further information about the Stock Connect is available online at the website:  
[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

5. The section headed "PRC Taxation" is deleted in its entirety and replaced with the following:-

#### **"PRC Taxation"**

The income (including dividends, interest income and capital gains) derived from the Sub-Fund's investments in PRC securities including A Shares, B Shares, H Shares and RMB denominated debt securities issued by PRC issuers, whether issued or listed onshore or listed offshore ("**PRC Securities**") may be subject to PRC taxes.

The income (including interest income and capital gains) derived from the Sub-Fund's investments in RMB denominated debt securities issued by non-PRC issuers should not be subject to PRC taxes.

#### ***PRC Corporate Income Tax ("CIT")***

If the Sub-Fund is considered as a tax resident enterprise of the PRC, it should be subject to CIT at 25 per cent. on its worldwide taxable income. If the Sub-Fund is considered a non-tax resident enterprise with an establishment or place of business ("**PE**") in the PRC, the profits and gains attributable to that PE should also be subject to CIT at 25 per cent.

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a PE in the PRC for CIT purposes, although this cannot be guaranteed.

*Dividend income or interest income*

Interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council is exempt from CIT (or CIT on a withholding basis (“**WIT**”)) under the CIT Law.

Unless a specific exemption or reduction is available under current CIT law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10 per cent., on dividend income or interest income arising from investments in the PRC Securities. The entity distributing such dividends or interest is required to withhold such tax on behalf of the recipients.

Under current regulations in the PRC, foreign investors (such as the Sub-Fund) may invest in onshore PRC Securities (i.e. A Shares and RMB denominated bonds issued or listed in the PRC), generally, only through a QFII or a RQFII (in this section referred to as the “**relevant QFII**”) and Shanghai-Hong Kong Stock Connect. For onshore PRC Securities invested via relevant QFII, since only the relevant QFII’s interests in onshore PRC Securities are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant QFII (i.e. the QFII Holder or the CAAP Issuers) and the Sub-Fund, the relevant QFII will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from onshore PRC Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

*Capital gains*

(i) B Shares and H Shares

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities. Hence, the tax treatment for investment in B Shares and H Shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, the Sub-Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

However, for B Shares and H Shares invested by the Sub-Fund directly and not via the relevant QFII, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-PRC tax resident enterprises from the trading of these securities.

(ii) RMB denominated debt securities issued by PRC issuers

Specific rules governing taxes on the relevant QFII’s capital gains derived from the trading of RMB denominated debt securities issued by PRC issuers have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. It is possible that an enterprise that is a non-tax resident enterprise without PE in the PRC would be potentially subject to a 10 per cent. WIT on the

capital gains derived from the disposal of onshore RMB denominated debt securities issued by PRC issuers, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

It is uncertain as to the PRC tax authorities' position on whether gain on disposal of debt instruments is PRC sourced and hence subject to WIT. However, in practice, the PRC tax authorities have not enforced the collection of WIT in respect of gains derived by non-PRC tax resident enterprises from the trading of RMB denominated debt instruments issued by PRC tax resident enterprises.

(iii) A Shares and A Shares via CAAPs

Direct A Shares investment via QFII

The Ministry of Finance of the PRC (the “**MoF**”), the State Administration of Taxation of the PRC (“**SAT**”) and the CSRC issued the “Notice on the temporary exemption 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) CIT will be imposed on gains obtained by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including PRC domestic stocks such as A Shares) realised 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 the PRC is not effectively connected with such establishment) will be temporarily exempt from CIT on gains derived from the trading of PRC equity investment (including A Shares) effective from 17 November 2014.

The Manager has made provisions at the rate of 10 per cent. for any PRC taxes payable by the Sub-Fund on the gross realised gains derived from the disposal of A Shares prior to 17 November 2014.

No WIT provision will be made on the gross realized and unrealized capital gains derived from the Sub-Fund's investments in A Shares starting from 17 November 2014.

Direct A Shares investment 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, CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A Shares through the Stock Connect.

Based on Notice No. 81, no provision for gross realised or unrealised capital gains derived from trading of A Shares via Stock Connect is made by the Manager on behalf of the Sub-Fund.

Indirect A Shares investment via CAAPs

In addition to the above, any tax payable by the relevant QFII (i.e. the QFII Holder or the CAAP Issuers) may be passed on to the Sub-Fund to the extent that the tax is attributable to the QFII's trading gains on the A Shares. **Prior to 17 November 2014, certain CAAP Issuers**

**have indicated their intention to withhold an amount equal to 10 per cent. of any gains representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A Shares linked to the CAAPs issued to the Sub-Fund.** The amounts withheld should generally be retained for a period of 5 years by the CAAP Issuers, pending further clarification of the tax rules and tax collection measures adopted by the PRC authorities. If the tax withheld by the CAAP Issuers is inadequate to meet final PRC tax liabilities on capital gains, the CAAP Issuers may pass on the additional tax liabilities to the Sub-Fund, and may therefore result in a decrease in the value of the Sub-Fund.

**No withholding is made by the CAAP Issuers 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 Sub-Fund effective from 17 November 2014.**

**If no withholding was made by the CAAP Issuers, the Manager has made WIT provisions for PRC sourced capital gains from indirect A Shares investments through CAAPs realized prior to 17 November 2014 at a rate of 10 per cent. 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.**

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. In addition, written specific administrative rules governing taxes on capital gains derived by QFIIs or RQFIIs from the trading of A Shares prior to 17 November 2014 have yet to be announced. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from direct A Shares investments or indirect A Shares investments through CAAPs. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Sub-Fund during the period of such excessive or inadequate provision. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final outcome of how capital gains from direct A Shares investments and indirect A Shares investments through CAAPs will be taxed, the level of tax provision and when the Unitholders subscribed and/or redeemed their Units in/from the Sub-Fund.

If no provision for potential withholding income tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding income tax in respect of the Sub-Fund's investment in the A Shares and the A Shares via CAAPs, the Net Asset Value of the Sub-Fund may be adversely affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of the tax that may be suffered by the Sub-Fund, which tax will subsequently be borne by the Sub-Fund and affect the Net Asset Value of the Sub-Fund and the remaining Units in the Sub-Fund.

Unitholders should refer to the latest financial report of the Sub-Fund for details of the amounts currently withheld as provision for taxation liabilities (if any) by the Manager and CAAP Issuers with respect to the taxes on capital gains.

### ***Business Tax ("BT") and other surtaxes***

#### *Dividend income and interest income*

The new BT law does not specifically exempt BT on interest earned by non-financial institutions. Hence, interest on both government and corporate bonds in theory should be subject to 5 per cent. BT, unless there is an applicable exemption. In practice, the PRC tax authorities have not actively enforced the collection of BT on such interest. If BT is applicable,

there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12 per cent. of BT payable.

Dividends on A Shares, B Shares and H Shares will not be subject to BT in China.

#### *Capital gains*

Caishui [2005] No. 155 states that gains derived by QFIIs from the trading of PRC Securities are exempt from BT. The new BT law which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Addendum. BT, if applicable, shall be imposed on the difference between the selling price and buying price of the PRC Securities. If BT is applicable, there are also other surtaxes (up to 12 per cent. of BT payable) being levied.

The Notice No. 81 stipulates that BT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A Shares through the Stock Connect.

Where capital gains are derived from trading of B Shares and offshore PRC Securities by the Sub-Fund, BT in general should not be imposed as the purchase and disposal are often concluded and completed outside China.

#### *Stamp duty*

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. In the case of contracts for sale of A Shares and B Shares, such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1 per cent.

In practice, it appears that stamp duty may not be imposed on RMB denominated debt securities transfer. For offshore PRC Securities transfer, PRC stamp duty should not be applicable.

#### *General*

It should also be noted that the actual applicable tax rates imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual applicable tax rate levied by the PRC tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof.

Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund (through the Trust).

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than currently contemplated.”

6. The paragraphs under the risk factor “(f) PRC Tax Risk” are deleted in its entirety and replaced with the following:-

*“Dividend income or interest income*

Under current PRC tax laws and regulations, the relevant QFII (if considered as a non-tax resident enterprise without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from PRC Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

*Capital gains*

- (i) B Shares and H Shares

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities. Hence, the tax treatment for investment in B Shares and H Shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, the Sub-Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

However, for B Shares and H Shares invested by the Sub-Fund directly and not via the relevant QFII, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-PRC tax resident enterprises from the trading of these securities.

The Manager will not make provisions for any WIT payable by the Sub-Fund on PRC sourced capital gains from B Shares and H Shares. The implication of this is that if the Trust and/or the Sub-Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Trust and/or the Sub-Fund.

- (ii) RMB denominated debt securities

Specific rules governing taxes on the relevant QFII’s capital gains derived from the trading of RMB denominated debt securities issued by PRC issuers have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. It is possible that an enterprise that is a non-tax resident enterprise without PE in the PRC would be potentially subject to a 10 per cent. WIT on the capital gains derived from the disposal of onshore RMB denominated debt securities issued by PRC issuers, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

It is uncertain as to the PRC tax authorities’ position on whether gain on disposal of debt instruments is PRC sourced and hence subject to WIT. However, in practice, the PRC tax authorities have not enforced the collection of WIT in respect of gains derived by non-PRC tax resident enterprises from the trading of RMB denominated debt instruments issued by PRC tax resident enterprises.

The Manager will not make provisions for any WIT payable by the Sub-Fund on PRC sourced capital gains from RMB denominated debt securities issued or listed offshore by PRC issuers. The implication of this is that if the Trust and/or the Sub-Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Trust and/or the Sub-Fund.

(iii) A Shares and A Shares via CAAPs and Stock Connect

In light of Notice No. 79 (see the section headed “PRC Taxation” for details), the Manager has made provisions at the rate of 10 per cent. for any PRC taxes payable by the Sub-Fund on the gross realised gains derived from the disposal of A Shares prior to 17 November 2014.

In light of Notice No. 79 and Notice No. 81, no WIT provision will be made on the gross realized and unrealized capital gains derived from the Sub-Fund’s investments in A Shares starting from 17 November 2014.

In addition to the above, any tax payable by the relevant QFII (i.e. the QFII Holder or the CAAP Issuers) may be passed on to the Sub-Fund to the extent that the tax is attributable to the QFII’s trading gains on the A Shares. **Prior to 17 November 2014, certain CAAP Issuers have indicated their intention to withhold an amount equal to 10 per cent. of any gains representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A Shares linked to the CAAPs issued to the Sub-Fund.** The amounts withheld should generally be retained for a period of 5 years by the CAAP Issuers, pending further clarification of the tax rules and tax collection measures adopted by the PRC authorities. If the tax withheld by the CAAP Issuers is inadequate to meet final PRC tax liabilities on capital gains, the CAAP Issuers may pass on the additional tax liabilities to the Sub-Fund, and may therefore result in a decrease in the value of the Sub-Fund.

**No withholding is made by the CAAP Issuers 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 Sub-Fund effective from 17 November 2014.**

**If no withholding was made by the CAAP Issuers, the Manager has made WIT provisions for PRC sourced capital gains from indirect A Shares investments through CAAPs realized prior to 17 November 2014 at a rate of 10 per cent. 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.**

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. In addition, written specific administrative rules governing taxes on capital gains derived by QFIIs or RQFIIs from the trading of A Shares prior to 17 November 2014 have yet to be announced. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from direct A Shares investments or indirect A Shares investments through CAAPs. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Sub-Fund during the period of such excessive or inadequate provision. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final outcome of how capital gains from direct A Shares investments and indirect A Shares investments through CAAPs will be taxed, the level of tax provision and when the Unitholders subscribed and/or redeemed their Units in/from the Sub-Fund.

If no provision for potential withholding income tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding income tax in respect of the Sub-Fund's investment in the A Shares and the A Shares via CAAPs, the Net Asset Value of the Sub-Fund may be adversely affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of the tax that may be suffered by the Sub-Fund, which tax will subsequently be borne by the Sub-Fund and affect the Net Asset Value of the Sub-Fund and the remaining Units in the Sub-Fund.

Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund (through the Trust).

For further details on the effects of PRC taxation on the Sub-Fund, please refer to the section headed "PRC Taxation" in this Addendum."

7. The following additional new risk factor is inserted after the risk factor "(g) QFII Risk" under the section headed "Additional Risks of the Sub-Fund":-

“(h) **Risks associated with Stock Connect**

The Sub-Fund may invest through the Stock Connect. In addition to the risk factors headed "Political, Economic and Social Risks", "Legal System of the PRC", "Potential Market Volatility", "PRC Tax Risk" and "Renminbi depreciation", it is also subject to the following additional risks:

*Quota limitations* - The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Fund's ability to invest in A Shares through the Stock Connect on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategies.

*Suspension risk* - It is contemplated that both SEHK and SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through the Stock Connect is effected, the Sub-Fund's ability to access the PRC market will be adversely affected.

*Differences in trading days* – Stock Connect will only operate on days when both the PRC and Hong Kong stock markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC stock market but Hong Kong investors (such as the Sub-Fund) cannot carry out any A Shares trading. Due to the differences in trading days, the Sub-Fund may be subject to a risk of price fluctuations in A Shares on a day that the PRC stock market is open for trading but the Hong Kong stock market is closed.

*Operational risk* - The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the China stock market directly.



The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading A Shares through the Stock Connect. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system (“**China Stock Connect System**”) to be set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The Sub-Fund’s ability to access the A Shares market (and hence to pursue its investment strategy) will be adversely affected.

*Restrictions on selling imposed by front-end monitoring* - PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE will reject the sell order concerned. SEHK will carry out pre-trade checking on A Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if the Sub-Fund desires to sell certain A Shares it holds, it must transfer those A Shares to the respective accounts of its brokers before the market opens on the day of selling (“**trading day**”). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of A Shares in a timely manner.

However, the Sub-Fund may request a custodian to open a special segregated account (“**SPSA**”) in CCASS to maintain its holdings in A Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique Investor ID by CCASS for the purpose of facilitating China Stock Connect System to verify the holdings of an investor such as the Sub-Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Sub-Fund’s sell order, the Sub-Fund will be able to dispose of its holdings of A Shares (as opposed to the practice of transferring A shares to the broker’s account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the Sub-Fund will enable it to dispose of its holdings of A Shares in a timely manner.

*Recalling of eligible stocks* - When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Sub-Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

*Clearing and settlement risk* - The HKSCC and CSDCC have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

Should the remote event of CSDCC default occur and CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against CSDCC. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from CSDCC through available legal channels or through CSDCC's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from CSDCC.

*Participation in corporate actions and shareholders' meetings* - The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities (as defined in the section headed "Shanghai-Hong Kong Stock Connect" in this Addendum). Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities traded via the Stock Connect through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities may be very short. Therefore, it is possible that the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

*Currency risk* - As the Sub-Fund is denominated in US dollars, the performance of the Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities are traded and settled) and US dollars. The Sub-Fund may, but is not obliged to, seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective. On the other hand, failure to hedge foreign currency risks may result in the Sub-Fund suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor "Currency Exchange Risk" above).

*No Protection by Investor Compensation Fund* - Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations.

As disclosed in the section under the heading "**Shanghai-Hong Kong Stock Connect**", the Sub-Fund's investments through Northbound trading under the Stock Connect is not covered by the Hong Kong's Investor Compensation Fund. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A Shares through the programme.

*Regulatory risk* - The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Sub-Fund, which may invest in the PRC markets through the Stock Connect, may be adversely affected as a result of such changes.”

8. After the last sentence in point (g) under the section headed “Additional Risks of the Sub-Fund”, the numbering of the remaining points is re-numbered accordingly upon the insertion of the risk factor “(h) Risks associated with Stock Connect”.

**B. Establishment of New Classes of Units**

The following changes shall be effected from 25 September 2015:

9. The paragraphs under the section headed “Units” are deleted in their entirety and replaced with the following:-

“The following classes of Units are currently available for subscription:

1. Class A
2. Class Z

Units in Class Z:

- (a) are only available for subscription by institutional and/or professional investors, and
- (b) are subject to an initial charge of up to 5.0 per cent. of the issue price.

As from 25 September 2015, the Manager has determined to create and establish the following new classes of Units which are now available for subscription:

1. Class A AUD Hedged
2. Class A CAD Hedged
3. Class A NZD Hedged

The above classes of Units are collectively referred to as “Class A Hedged”.

For the purpose of this Addendum, class currencies of Class A AUD Hedged, Class A CAD Hedged and Class A NZD Hedged are Australian dollars, Canadian dollars and New Zealand Dollars respectively.

Class A Hedged Units will be offered initially during the Initial Offer Period at the following initial issue prices:

<b>Class</b>	<b>Initial Issue Price</b>
Class A AUD Hedged	AUD10
Class A CAD Hedged	CAD10
Class A NZD Hedged	NZD10

The “Initial Offer Period” for Units in Class A Hedged shall be the period from 9:00 a.m. (Hong Kong time) on 25 September 2015 to 5:00 p.m. (Hong Kong time) on 25 September 2015 or such earlier or later time or date as the Trustee and the Manager may agree.

During the Initial Offer Period, applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Valid applications for subscription received (whether by post, fax or other written or electronic forms specified by the Manager) by the Registrar’s Agent after 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period will be deemed to have been received, and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

Payment of subscription monies can be made in the relevant class currency and must be received in full and in cleared funds by 5:00 p.m. (Hong Kong time) on the closing date of the Initial Offer Period.

Details are set out in section V of this Explanatory Memorandum.

The main features of the following classes of Units in the Sub-Fund are summarised in the table:

	<b>Class A</b>	<b>Class A Hedged</b>	<b>Class Z</b>
Minimum Initial Subscription	US\$10,000 (inclusive of the initial charge)	US\$10,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge)	US\$10,000,000 (inclusive of the initial charge)
Minimum Subsequent Subscription	US\$5,000 (inclusive of the initial charge)	US\$5,000 (or its equivalent in the relevant class currency) (inclusive of the initial charge)	US\$100,000 (inclusive of the initial charge)
Minimum Redemption	Not applicable	Not applicable	US\$100,000 (inclusive of any redemption charge)
Minimum Holding	US\$10,000	US\$10,000 (or its equivalent in the relevant class currency)	US\$5,000,000
Initial Charge on Subscription of Units	Up to 5 per cent. of the issue price	Up to 5 per cent. of the issue price	Up to 5 per cent. of the issue price
Switching Fee	Currently Nil*	Currently Nil*	Currently Nil*

Redemption Charge on Redemption of Units	Currently Nil (Max 5.0 per cent.)	Currently Nil (Max 5.0 per cent.)	Currently Nil (Max 5.0 per cent.)
Annual Management Fee	1.25 per cent. per annum of the Net Asset Value of the Sub-Fund (which may be increased up to a maximum of 2 per cent. per annum of the Net Asset Value of the Sub-Fund by giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC))	1.25 per cent. per annum of the Net Asset Value of the Sub-Fund (which may be increased up to a maximum of 2 per cent. per annum of the Net Asset Value of the Sub-Fund by giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC))	0.75 per cent. per annum of the Net Asset Value of the Sub-Fund (which may be increased up to a maximum of 2 per cent. per annum of the Net Asset Value of the Sub-Fund by giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC))
Annual Performance Fee	15 per cent. of the increase in Net Asset Value per Unit in the relevant class in the relevant accounting period over the relevant hurdle, calculated on a "high-on-high basis" and more particularly described on page 19	15 per cent. of the increase in Net Asset Value per Unit in the relevant class in the relevant accounting period over the relevant hurdle, calculated on a "high-on-high basis" and more particularly described on page 19	15 per cent. of the increase in Net Asset Value per Unit in the relevant class in the relevant accounting period over the relevant hurdle, calculated on a "high-on-high basis" and more particularly described on page 19

\* *Certain distributors may impose a charge for each switching of Units acquired through them for Units in another class of the Sub-Fund or other Sub-Funds, which will be deducted at the time of the switching and paid to the relevant distributor.*

10. The following risk factor headed "Currency Hedging Risk" is inserted after the risk factor headed "Currency conversion risk" under the section headed "Additional Risks of the Sub-Fund":-

**“(k) Currency Hedging Risk**

The Sub-Fund may issue currency hedged classes of Units designated in currencies other than the Sub-Fund's base currency. Adverse exchange rate fluctuations between the base currency of the Sub-Fund and the class currency of the relevant currency hedged class may result in a decrease in return and/or loss of capital for Unitholders. The Manager will try to mitigate this usually by hedging the foreign currency exposure of the currency hedged class Units into the base currency of the Sub-Fund or into the currency or currencies in which the assets of the Sub-Fund are denominated.

However, over-hedged or under-hedged positions may arise and there can be no assurance that these currency hedged class units will be hedged at all times or that the Manager will be successful in employing the hedge.”

11. The first to fifth paragraphs of the sub-section headed “Subscription for Units” under the section headed “Dealing in Units, Subscription and Redemption” are deleted in their entirety and replaced with the following:-

“Currently, Class A, Class A Hedged and Class Z Units are offered in the manner set out below.

In respect of Class A Units, the minimum initial subscription for Units (inclusive of initial charge) is US\$10,000 and the minimum subsequent subscription (inclusive of the initial charge) is US\$5,000. In respect of Class A Hedged Units, the minimum initial subscription for Units (inclusive of initial charge) will be US\$10,000 (or its equivalent in the relevant class currency) and the minimum subsequent subscription (inclusive of the initial charge) is US\$5,000 (or its equivalent in the relevant class currency). In respect of Class Z Units, the minimum initial subscription for Units (inclusive of initial charge) is US\$10,000,000 and the minimum subsequent subscription (inclusive of the initial charge) is US\$100,000. The Manager may, at its discretion, waive the minimum subsequent subscription amount in respect of Class Z units, whether generally or in a particular case. An initial charge of up to 5 per cent. in respect of the relevant issue price per Unit of each class may be made and retained by the Manager for its own use and benefit.

Applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day which coincides with the last Business Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. Valid applications for subscription received (whether by post, fax or other written or electronic forms specified by the Manager) by the Registrar’s Agent after 5:00 p.m. (Hong Kong time) on the Business Day coinciding with such Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period. **All applications by prospective investors for an initial subscription of Units which are sent by fax or any electronic means to the Registrar’s Agent must be followed by the duly signed original application.**

**No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance.** Payment of subscription monies can be made in US dollars or HK dollars or the class currency of the relevant class of Units and must be received in full and in cleared funds together with such applications or within such period as the Manager may, in its absolute discretion, determine.

Prospective investors may wish to refer to the section in the Explanatory Memorandum headed “Voting Rights” before applying for Units.”

12. The third and fourth paragraphs of the sub-section headed “Redemption of Units” under the section headed “Dealing in Units, Subscription and Redemption” are deleted in its entirety and replaced with the following:-

“Applications for redemption of Units in the Sub-Fund (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day of any Dealing Period in order to be dealt with by

reference to that Valuation Day. The redemption price per Unit will be the Net Asset Value per Unit calculated as at that Valuation Day.

All redemption requests sent by fax or any electronic means to the Registrar's Agent must be followed by the duly signed original requests, unless an original fax indemnity was already previously provided to the Manager. Unitholders should note that redemption monies will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Manager) and all other supporting documents, if any are required, have been received by the Registrar's Agent; and (b) if the redemption proceeds are to be paid by telegraphic transfer to a bank account in the state of New York in the United States of America, Hong Kong, Australia, Canada and New Zealand, the signature of the Unitholder (or the relevant joint Unitholder or Unitholders) on the redemption request form must be verified by a banker or some other person acceptable to the Registrar's Agent. No redemption proceeds will be paid to third parties."

13. The following new paragraph is inserted after the fifth paragraph of the sub-section headed "Redemption of Units" under the section headed "Dealing in Units, Subscription and Redemption":-

"If at any time during the period from the time as at which the redemption price is calculated and the time at which redemption proceeds are converted out of any other currency into the class currency of the relevant class of Units there is an officially announced devaluation or depreciation of that other currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation."

14. The sixth paragraph of the sub-section headed "Redemption of Units" under the section headed "Dealing in Units, Subscription and Redemption" is deleted in its entirety and replaced with the following:-

"Partial redemptions of Units of the relevant class are permitted provided that they do not result in the relevant Unitholder holding Units valued, in aggregate, at less than US\$10,000 in the case of Class A Units, US\$10,000 (or its equivalent in the relevant class currency) in the case of Class A Hedged Units and US\$5,000,000 in the case of Class Z Units, or such other minimum amount which the Manager may prescribe from time to time."

15. The last paragraph of the sub-section headed "Initial, Switching and Redemption Charges" under the section headed "Fees and Expenses" in section V of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

"No switching charge will apply to switching of Units between Sub-Funds or classes within the Sub-Fund. However, certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund or other Sub-Funds, which will be deducted at the time of the switching and paid to the relevant distributor. Unitholder who intends to switch their Units in one class to Units in another class of the Sub-Fund or other Sub-Funds should check with their respective distributors for the charge on switching."

16. The paragraph of the sub-section headed "Transfers" under the section headed "Dealing in Units, Subscription and Redemption" is deleted in its entirety and replaced with the following:-

"No transfer will be accepted if, as a result thereof, either the transferor or the transferee holds less than (i) US\$10,000 in the case of Class A; (ii) US\$10,000 (or its equivalent in the relevant

class currency) in the case of Class A Hedged; (iii) US\$5,000,000 in the case of Class Z; or (iv) such other minimum holding specified by the Manager from time to time or, Units are acquired or held by a nonqualified person as described under the section headed “Restrictions on Unitholders” on page 48.”

17. Reference to “Class A Units” in the paragraph under the sub-section headed “Management Fee” under the section headed “Fees” is deleted and replaced with “each of Class A Units and Class A Hedged Units”.

18. The first and second paragraphs of the sub-section headed “Performance Fee” under the section headed “Fees” are deleted in its entirety and replaced with the following:-

“The Manager is also entitled to receive an annual performance fee, calculated on a high-on-high basis, in respect of Units of the Sub-Fund if the Net Asset Value per Unit as at the last Valuation Day of an accounting period (prior to the accrual of any performance fee for that accounting period) exceeds the higher of (a) US\$10 (for Class A and Class Z Units) or AUD10 (for Class A AUD Hedged Units) or CAD10 (for Class A CAD Hedged Units) or NZD10 (for Class A NZD Hedged Units); and (b) the Net Asset Value per Unit as at the last Valuation Day of the last accounting period in respect of which a performance fee was paid to the Manager (taking into account the performance fee paid for that accounting period). The rate of performance fee payable is 15 per cent. and is calculated by multiplying this fee rate by the product of such excess of the Net Asset Value per Unit and the average of the number of Units of the Sub-Fund in issue immediately after each Valuation Day in the relevant accounting period.

The performance fee shall be accrued on each Valuation Day throughout the relevant accounting period. The accrual is made based on the Net Asset Value per Unit on each Valuation Day. If it exceeds the higher of (a) US\$10 (for Class A and Class Z Units) or AUD10 (for Class A AUD Hedged Units) or CAD10 (for Class A CAD Hedged Units) or NZD10 (for Class A NZD Hedged Units); and (b) the Net Asset Value per Unit as at the last Valuation Day of the last accounting period in respect of which a performance fee was paid to the Manager, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above.”

19. The fourth paragraph of the sub-section headed “Performance Fee” under the section headed “Fees” is deleted in its entirety and replaced with the following:-

“The issue price per Unit of US\$10 (for Class A and Class Z Units) or AUD10 (for Class A AUD Hedged Units) or CAD10 (for Class A CAD Hedged Units) or NZD10 (for Class A NZD Hedged Units) was set as the initial high watermark for the Units. Where a performance fee is payable to the Manager for an accounting period, and if the Net Asset Value per Unit on the last Valuation Day of such accounting period is higher than the high watermark currently used in the formula for determining the performance fee, such Net Asset Value per Unit will be set as the high watermark for the next accounting period. Where, however, no performance fee is payable to the Manager for such accounting period or where the Net Asset Value per Unit on the last Valuation Day of such accounting period is lower than the high watermark currently used, there will not be any resetting of high watermark and the high watermark currently used will continue to be the high watermark to be used for the next accounting period.”

20. References to “Class A Units” in the paragraphs under the section headed “Distribution Policy” are deleted and replaced with “each of Class A Units and Class A Hedged Units”.



21. The second paragraph under the section headed “Payment Procedure” is deleted in its entirety and replaced with the following:-

“Units will not usually be issued unless and until the signed application for subscription of Units has been received (whether by post, fax or other written or electronic forms specified by the Manager), and subscription monies have been received in full in cleared funds by or on behalf of the Trustee, in which case the relevant Units will be issued by reference to the Net Asset Value of the relevant class of Units of the Sub-Fund determined as at the close of the Dealing Period during which monies are actually received.”

22. The following new paragraph is inserted after the second paragraph under the section headed “Payment Procedure”:-

“Payment will normally be made in the relevant class currency unless the applicant has made arrangements with the Manager to make payment in some other currency. Payment details are set out in the Subscription Form.”

23. The fourth paragraph of the section headed “Payment Procedure” (including items 1. to 3. on payment details) is deleted in its entirety.

**C. Administrative Changes relating to Subscription, Redemption and Switching**

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.

24. The second paragraph of the sub-section headed “Subscription of Units” under the section headed “Subscription and Redemption of Units” in section III of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

“Applications for subscription of Units may be made to the Registrar’s Agent during any Dealing Period in writing and sent by post to the business address or, if the applicant has provided the Manager with an original fax indemnity in the Subscription Form provided by the Manager, by fax to the fax number shown on the Subscription Form which accompanies this Explanatory Memorandum, unless an original fax indemnity was already previously provided to the Manager. The Manager may also, in its discretion, allow any applications for subscription of Units to be made by other written or electronic forms.”

25. The fourth paragraph of the sub-section headed “Subscription of Units” under the section headed “Subscription and Redemption of Units” in section III of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

“Applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day which coincides with the last Business Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. However, the Manager may, in respect of any Sub-Fund, stipulate that such an application shall be subject to the expiration of a period of notice whereupon it shall be treated as having been received during the relevant Dealing Period current upon the expiration of such notice. The issue price per Unit will be the Net Asset Value per Unit of the relevant class of Units of the relevant Sub-Fund calculated as at that Valuation Day. Valid applications for subscription received (whether by post, fax or other written or electronic forms specified by the Manager) by the Registrar’s Agent after 5:00 p.m. (Hong Kong time) on the Business Day coinciding with such Valuation Day will be deemed to

have been received, and will be dealt with, in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period. Full details of the application and payment procedures for Units are set out on pages 65 to 78 below.”

26. The second paragraph of the sub-section headed “Redemption of Units” under the section headed “Subscription and Redemption of Units” in section III of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

“Requests to redeem Units may be made to the Registrar’s Agent during any Dealing Period in writing and sent by post to the business address or, if the relevant Unitholder has provided the Manager with an original fax indemnity in the redemption request provided by the Manager, by fax to the fax number shown on page 6 of this Explanatory Memorandum, unless an original fax indemnity was already previously provided to the Manager. The Manager may also, in its discretion, allow any requests for redemption to be made by other written or electronic forms. Redemption requests should specify the name of the Sub-Fund, the number and the class of Units of the relevant Sub-Fund to be redeemed, the name in which such Units are registered and details of the bank account (if any) to which the redemption monies are to be transferred.”

27. The fourth to sixth paragraphs of the sub-section headed “Redemption of Units” under the section headed “Subscription and Redemption of Units” in section III of the Explanatory Memorandum are deleted in its entirety and replaced with the following:-

“Applications for redemption of Units in a Sub-Fund (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Registrar’s Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. The redemption price per Unit in the relevant class of a Sub-Fund will be the Net Asset Value per Unit of that class in the Sub-Fund calculated as at that Valuation Day.

Valid applications for redemption received (whether by post, fax or other written or electronic forms specified by the Manager) by the Registrar’s Agent after 5:00 p.m. (Hong Kong time) on a Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

All redemption requests sent by fax or electronic means to the Registrar’s Agent must be followed by the duly signed original requests, unless an original fax indemnity was already previously provided to the Manager. Unitholders should note that redemption monies will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Manager) and all other supporting documents, if any are required, have been received by the Registrar’s Agent; and (b) if the redemption proceeds are to be paid by telegraphic transfer to a bank account in the state of New York in the United States of America or in Hong Kong, Australia, Canada and New Zealand, the signature of the Unitholder (or the relevant joint Unitholder or Unitholders) on the redemption request form must be verified by a banker or some other person acceptable to the Registrar’s Agent. No redemption proceeds will be paid to third parties.”

28. The second paragraph of the sub-section headed “Switching of Units between Sub-Funds” under the section headed “Subscription and Redemption of Units” in section III of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

“Applications for switching of Units may be made to the Registrar’s Agent during any Dealing Period in writing and sent by post to the business address or by fax to the fax number shown on

page 6 of this Explanatory Memorandum. In respect of any faxed instructions, the duly signed original applications must follow such faxed instructions, unless an original fax indemnity was already previously provided to the Manager. The Manager may also, in its discretion, allow any requests for switching to be made by other written or electronic forms.”

29. The sub-section headed “Fax Instructions” under the section headed “Subscription and Redemption of Units” in section III of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

**“Fax or Electronic Instructions**

All instructions received by fax or any electronic means from investors or Unitholders in respect of the subscription, switching, transfer and redemption of Units (whether or not the duly signed original written applications or requests, as the case may be, of which are also required by the Manager to follow such faxed or electronic instructions) will generally be acted upon by the Manager subject to its absolute discretion not to, and instructing the Trustee not to, do so until the original written instructions are received. All initial applications for subscription of Units sent by fax or any electronic means must be followed by duly signed original applications for subscription.

All Unitholders who wish to give instructions relating to subscription or redemption of Units by fax or any electronic means must provide to the Manager an original fax indemnity in the form prescribed by the Manager from time to time (with the consent of the Trustee as to the contents of the fax indemnity), unless an original fax indemnity was already previously provided to the Manager. Neither the Manager nor the Trustee is obliged to verify the identity of the person sending the instructions.

Neither the Manager, the Trustee nor any of their agents, employees or delegates will be liable for any loss which the relevant investor or Unitholder may suffer arising from (a) either the Manager or the Trustee or any of their agents, employees or delegates acting on any faxed or electronic instructions which they believe in good faith to have originated from properly authorised persons; or (b) the Manager exercising its absolute discretion not to, and instructing the Trustee or any of their agents, employees or delegates not to, act on such faxed or electronic instructions; or (c) any faxed or electronic instructions which are illegible or not received by the Manager or the Trustee or any of their agents, employees or delegates. The relevant investor or Unitholder will keep the Trust, the Manager and the Trustee fully indemnified on demand against all actions, losses and expenses brought against, or incurred by, the Manager or the Trustee or any of their agents, employees or delegates resulting from the Manager or the Trustee or any of their agents, employees or delegates acting, or failing to act, on such instructions or from the illegibility or non-receipt of faxed or electronic instructions.

**Moreover, without written confirmation of receipt by the Manager or the Trustee or any of their agents, employees or delegates, a transmission report produced by the originator of the facsimile or electronic transmission disclosing the transmission was sent shall not be sufficient proof of receipt thereof by the Manager or the Trustee or any of their agents, employees or delegates.”**

30. The first paragraph of the sub-section headed “Method of Application” under the section headed “Procedure for Application” in section VII of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

“Applications for Units may be made on the Subscription Form which accompanies this Explanatory Memorandum or is otherwise available from the Manager. Subsequent

applications for subscription of Units must be made on the Subsequent Subscription Form available from the Manager. Applications should be sent by post or by fax to the Registrar's Agent at the business address or fax number shown on the Subscription Form. Please refer to page 42 of this Explanatory Memorandum for details relating to subscriptions made by fax instructions. The Manager may also, in its discretion, allow any applications for subscription of Units to be made by other written or electronic forms."

31. The first paragraph of the sub-section headed "Payment Procedure" under the section headed "Procedure for Application" in section VII of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

"Units will not usually be issued unless and until the signed application for subscription of Units has been received (whether by post, fax or other written or electronic forms specified by the Manager), and subscription monies have been received in full in cleared funds by or on behalf of the Trustee, in which case the relevant Units will be issued by reference to the Net Asset Value of the relevant class of Units of the Sub-Fund determined as at the close of the Dealing Period during which monies are actually received."

**D. New Issues**

32. The sub-section headed "New Issues" under the section headed "Subscription and Redemption of Units (Continued)" in section III of the Explanatory Memorandum is deleted in its entirety.

**E. 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 been changed to (852) 2143 0688. Accordingly, the Explanatory Memorandum has been revised to reflect the foregoing change.

33. The last paragraph on enquiries or complaints on page 5 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

**"Enquiries or complaints**

Investors may contact the Manager for any queries or complaints in relation to the Trust or any Sub-Fund. To contact the Manager, investors may either write to the Manager's address at 9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong, or contact the Fund Investor Services team of the Manager by telephone on (852) 2143 0688. The Manager will respond to the enquiry or complaint as soon as practicable."

34. The following new telephone number and email of the Fund Investor Services team of the Manager are inserted under the sub-heading "Website" on page 6 of the Explanatory Memorandum:

"Fund Investor Services hotline: (852) 2143 0688  
Fund Investor Services email: fis@vp.com.hk"

**F. Updates to Disclosures relating to QFII**

35. The fourth sentence in the third paragraph of the sub-section headed "QFII Quota and Assets of the Sub-Fund" under the section headed "QFII Regime" is deleted in its entirety and replaced with the following sentence:

“First, the lock-up period for the investment capital of an open-ended China fund is three months, whereas the lock-up period for the QFII Holder’s investment capital which constitutes the Sub-Fund’s assets in the PRC is one year and had expired on 26 June 2014.”

36. The second and third sentences in the first paragraph of the sub-section headed “Risks regarding remittance and repatriation of funds” under the section headed “QFII Regime” is deleted in its entirety and replaced with the following sentence:

“The Sub-Fund may only repatriate capital, dividends, interest and income from the PRC, however any such repatriation is subject to a monthly cumulative limit of 20 per cent. of the total onshore assets managed by the QFII Holder (or managed through its group companies including the Manager) as a QFII as at the end of the previous year, as stipulated by SAFE.”

**25 September 2015**

**VALUE PARTNERS INTELLIGENT FUNDS  
(the “Trust”)  
CHINA CONVERGENCE FUND  
(the “Sub-Fund”)**

**FOURTH SUPPLEMENT**

**Important**

*If you are in doubt about the contents of this Supplement, you should seek independent professional advice. This Supplement forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated 10 July 2013 in respect of the Sub-Fund (including the Addendum to the Explanatory Memorandum dated 10 July 2013 in respect of the Sub-Fund (the “Addendum”), and the First, Second and Third Supplements to the Addendum dated 13 January 2014, 30 June 2014 and 25 September 2015 respectively) (together, the “Explanatory Memorandum”).*

*All capitalized terms herein contained shall have the same meaning in this Supplement as in the Explanatory Memorandum. Value Partners Limited, the manager of the Trust (the “Manager”), accepts full responsibility for the accuracy of the information contained in this Supplement 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 publication.*

**A. Updates to tax position**

The Sub-Fund has made payment for PRC taxes on the gross realised gains derived from the disposal of A Shares prior to 17 November 2014. Accordingly, the Explanatory Memorandum has been revised to reflect this update.

1. The sub-section headed “**PRC Corporate Income Tax (“CIT”)**” under the section headed “**PRC Taxation**” is deleted in its entirety and replaced with the following:-

**“PRC Corporate Income Tax (“CIT”)**

If the Sub-Fund is considered as a tax resident enterprise of the PRC, it should be subject to CIT at 25 per cent. on its worldwide taxable income. If the Sub-Fund is considered a non-tax resident enterprise with an establishment or place of business (“**PE**”) in the PRC, the profits and gains attributable to that PE should also be subject to CIT at 25 per cent.

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a PE in the PRC for CIT purposes, although this cannot be guaranteed.

*Dividend income or interest income*

Interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council is exempt from CIT (or CIT on a withholding basis (“**WIT**”)) under the CIT Law.

Unless a specific exemption or reduction is available under current CIT law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10 per cent. on dividend income or interest income arising from investments in the PRC Securities. The entity distributing such dividends or interest is required to withhold such tax on behalf of the recipients.

Under current regulations in the PRC, foreign investors (such as the Sub-Fund) may invest in onshore PRC Securities (i.e. A Shares and RMB denominated bonds issued or listed in the PRC), generally, only through a QFII or a RQFII (in this section referred to as the “**relevant QFII**”) and Shanghai-Hong Kong Stock Connect. For onshore PRC Securities invested via relevant QFII, since only the relevant QFII’s interests in onshore PRC Securities are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant QFII (i.e. the QFII Holder or the CAAP Issuers) and the Sub-Fund, the relevant QFII will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from onshore PRC Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

#### *Capital gains*

##### (i) B Shares and H Shares

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities. Hence, the tax treatment for investment in B Shares and H Shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, the Sub-Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

However, for B Shares and H Shares invested by the Sub-Fund directly and not via the relevant QFII, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-PRC tax resident enterprises from the trading of these securities.

##### (ii) RMB denominated debt securities issued by PRC issuers

Specific rules governing taxes on the relevant QFII’s capital gains derived from the trading of RMB denominated debt securities issued by PRC issuers have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. It is possible that an enterprise that is a non-tax resident enterprise without PE in the PRC would be potentially subject to a 10 per cent. WIT on the PRC sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

There is no specific written tax regulations issued by the PRC tax authorities to confirm that gain on disposal of debt instruments is non-PRC sourced and hence not subject to WIT. However, the PRC tax authorities have verbally indicated that capital gains derived from trading of debt instruments issued by PRC tax resident enterprises are not subject to PRC WIT. In practice, the PRC tax authorities have not actively enforced the collection of WIT in respect of gains derived by non-PRC tax resident enterprises from the trading of RMB denominated debt instruments issued by PRC tax resident enterprises.

(iii) A Shares and A Shares via CAAPs

#### Direct A Shares investment via QFII

The Ministry of Finance of the PRC (the “**MoF**”), the State Administration of Taxation of the PRC (“**SAT**”) and the CSRC issued the “Notice on the temporary exemption 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) CIT will be imposed on gains obtained by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including PRC domestic stocks such as A Shares) realised 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 the PRC is not effectively connected with such establishment) will be temporarily exempt from CIT on gains derived from the trading of PRC equity investment (including A Shares) effective from 17 November 2014.

Based on Notice No. 79 and having consulted professional and independent tax adviser, no WIT provision will be made on the gross realized and unrealized capital gains derived from the Sub-Fund’s investments in A Shares from 17 November 2014 onwards.

#### Direct A Shares investment 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, CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A Shares through the Stock Connect.

Based on Notice No. 81 and having consulted professional and independent tax adviser, no provision for gross realised or unrealised capital gains derived from trading of A Shares via Stock Connect is made by the Manager on behalf of the Sub-Fund.

#### Indirect A Shares investment via CAAPs

In addition to the above, any tax payable by the relevant QFII (i.e. the QFII Holder or the CAAP Issuers) may be passed on to the Sub-Fund to the extent that the tax is attributable to the QFII’s trading gains on the A Shares.

**No withholding is made by the CAAP Issuers 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 Sub-Fund effective from 17 November 2014.**

**Having consulted professional and independent tax adviser, 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.**

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. Since there is no provision for taxation made by the Manager on capital gains derived from direct A Shares investments or indirect A Shares investments



through CAAPs, any inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Sub-Fund during the period of such inadequate provision. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub-Fund's Net Asset Value. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax.

If no provision for potential withholding income tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding income tax in respect of the Sub-Fund's investment in the A Shares and the A Shares via CAAPs, the Net Asset Value of the Sub-Fund may be adversely affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of the tax that may be suffered by the Sub-Fund, which tax will subsequently be borne by the Sub-Fund and affect the Net Asset Value of the Sub-Fund and the remaining Units in the Sub-Fund.

If no tax provision is made, Unitholders may be disadvantaged depending upon the final outcome of how capital gains will be taxed, and when the Unitholders subscribed and/or redeemed their Units in/from the Sub-Fund.

Unitholders should refer to the latest financial report of the Sub-Fund for details of the amounts currently withheld as provision for taxation liabilities (if any) by the Manager and CAAP Issuers with respect to the taxes on capital gains.”

2. The paragraphs under the risk factor “(f) PRC Tax Risk” are deleted in its entirety and replaced with the following:-

*“Dividend income or interest income*

Under current PRC tax laws and regulations, the relevant QFII (if considered as a non-tax resident enterprise without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from PRC Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

*Capital gains*

- (i) B Shares and H Shares

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities. Hence, the tax treatment for investment in B Shares and H Shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, the Sub-Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

However, for B Shares and H Shares invested by the Sub-Fund directly and not via the relevant QFII, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-PRC tax resident enterprises from the trading of these securities.

Having consulted professional and independent tax adviser, the Manager will not make provisions for any WIT payable by the Sub-Fund on PRC sourced capital gains from B Shares and H Shares. The implication of this is that if the Trust and/or the Sub-Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Trust and/or the Sub-Fund.

(ii) RMB denominated debt securities

Specific rules governing taxes on the relevant QFII's capital gains derived from the trading of RMB denominated debt securities issued by PRC issuers have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. It is possible that an enterprise that is a non-tax resident enterprise without PE in the PRC would be potentially subject to a 10 per cent. WIT on the PRC-sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

There is no specific written tax regulations issued by the PRC tax authorities to confirm that gain on disposal of debt instruments is non-PRC sourced and hence not subject to WIT. However, the PRC tax authorities have verbally indicated that capital gains derived from trading of debt instruments issued by PRC tax resident enterprises are not subject to PRC WIT. In practice, the PRC tax authorities have not actively enforced the collection of WIT in respect of gains derived by non-PRC tax resident enterprises from the trading of RMB denominated debt instruments issued by PRC tax resident enterprises.

Having consulted professional and independent tax adviser, the Manager will not make provisions for capital gains realised from trading of RMB denominated debt securities issued or listed offshore by PRC issuers. The implication of this is that if the Trust and/or the Sub-Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Trust and/or the Sub-Fund.

(iii) A Shares and A Shares via CAAPs and Stock Connect

In light of Notice No. 79 and Notice No. 81 and having consulted professional and independent tax adviser, the Manager will not make WIT provision on the gross realized and unrealized capital gains derived from the Sub-Fund's investments in A Shares starting from 17 November 2014.

In addition to the above, any tax payable by the relevant QFII (i.e. the QFII Holder or the CAAP Issuers) may be passed on to the Sub-Fund to the extent that the tax is attributable to the QFII's trading gains on the A Shares.

**No withholding is made by the CAAP Issuers 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 Sub-Fund effective from 17 November 2014.**

**Having consulted professional and independent tax adviser, 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.**

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. Since there is no provision for taxation made by the Manager on capital gains derived from direct A Shares investments or indirect A Shares investments through CAAPs, any inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Sub-Fund during the period of such inadequate provision. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub-Fund's Net Asset Value. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision.

If no provision for potential withholding income tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding income tax in respect of the Sub-Fund's investment in the A Shares and the A Shares via CAAPs, the Net Asset Value of the Sub-Fund may be adversely affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of the tax that may be suffered by the Sub-Fund, which tax will subsequently be borne by the Sub-Fund and affect the Net Asset Value of the Sub-Fund and the remaining Units in the Sub-Fund.

If no tax provision is made, Unitholders may be disadvantaged depending upon the final outcome of how capital gains will be taxed and when the Unitholders subscribed and/or redeemed their Units in/from the Sub-Fund.

Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund (through the Trust).

For further details on the effects of PRC taxation on the Sub-Fund, please refer to the section headed "PRC Taxation" in this Addendum."

**15 February 2016**

**VALUE PARTNERS INTELLIGENT FUNDS  
(the “Trust”)  
CHINA CONVERGENCE FUND  
(the “Sub-Fund”)**

**FIFTH SUPPLEMENT**

**Important**

*If you are in doubt about the contents of this Supplement, you should seek independent professional advice. This Supplement forms part of and should be read in conjunction with 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 and Fourth Supplements to the Addendum dated 13 January 2014, 30 June 2014, 25 September 2015 and 15 February 2016 respectively) (together, the “Explanatory Memorandum”).*

*All capitalized terms herein contained shall have the same meaning in this Supplement as in the Explanatory Memorandum. Value Partners Limited, the manager of the Trust (the “Manager”), accepts full responsibility for the accuracy of the information contained in this Supplement 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 publication.*

**A. Change in Investment Policy**

With effect from 30 December 2016, the investment policy of the Sub-Fund has been amended to allow the Sub-Fund to have direct exposure to certain eligible A Shares via the Shenzhen-Hong Kong Stock Connect. Accordingly, the Addendum has been revised to reflect the foregoing change and the associated risks.

1. The definition of “**A Shares**” under the heading entitled “**Definition**” is deleted in its entirety and replaced by the following:-

“**A Shares**” means domestic shares in the 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 such investors as approved by the CSRC;”

2. The second paragraph under the section headed “**Investment Objective and Policy**” as amended by the Third Supplement dated 25 September 2015, is deleted in its entirety and replaced with the following paragraph:-

“The investment in A Shares whether directly through the QFII Holder’s QFII Quota and the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the “**Stock Connects**”) (as further described in the section under the heading “**Stock Connects**” below), or indirectly through CAAPs (as defined below), is subject to a maximum exposure of 45 per cent. of the Sub-Fund’s latest available Net Asset Value and between 0 per cent. and 35 per cent. of the Sub-Fund’s latest available Net Asset Value will be invested in B Shares. Apart from A, B and H Shares, the Manager may also invest (to a lesser extent) in shares of China-related companies listed on the Hong Kong Stock Exchange or on recognised stock exchanges in other jurisdictions and in China-related fixed income securities. China-related companies are considered by the Manager to be companies which have the majority of their assets situated in, or

the majority of their income derived from operations in, the PRC, Hong Kong and/or elsewhere in the Greater China region (including the PRC, Hong Kong, Macau Special Administrative Region and Taiwan).”

3. The sentence immediately after the fourth paragraph under the section headed “**Investment Objective and Policy**” which was inserted by the Third Supplement dated 25 September 2015, is deleted in its entirety and replaced with the following sentence:-

“The Sub - Fund may also have direct exposure to certain eligible A Shares via the Stock Connects.”

4. The section headed “**Shanghai-Hong Kong Stock Connect**” which was inserted by the Third Supplement dated 25 September 2015, is deleted in its entirety and replaced with the following:-

#### **“Stock Connects**

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited (“**HKEX**”), Shanghai Stock Exchange (“**SSE**”) and CSDCC and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEX, Shenzhen Stock Exchange (“**SZSE**”) and CSDCC. The aim of the Stock Connects is to achieve mutual stock market access between the PRC and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company as 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.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible A Shares listed on the SZSE by routing orders to SZSE.

#### ***Eligible Securities***

##### **(i) Shanghai-Hong Kong Stock Connect**

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Fund) are 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:

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

It is expected that the list of eligible securities will be subject to review.

##### **(ii) Shenzhen-Hong Kong Stock Connect**

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Fund) are able to trade certain eligible shares listed on the SZSE market (i.e. “**SZSE Securities**”). These include all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A Shares which have corresponding H Shares listed on SEHK, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the “risk alert board” or under delisting arrangement.

At the initial stage of the Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Board of the SZSE (“**ChiNext Board**”) under Northbound trading will be limited to institutional professional investors (which the Sub-Fund will qualify as such) as defined in the relevant Hong Kong rules and regulations.

It is expected that the list of eligible securities will be subject to review.

### ***Trading Days***

Investors (including the Sub-Fund) will only be allowed to trade on the SSE market and the SZSE market on days where both the PRC and Hong Kong stock markets are open for trading and banking services are available in both markets on the corresponding settlement days.

### ***Trading Quota***

Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota (“**Daily Quota**”). Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day. The Northbound Daily Quota is currently set at RMB13 billion for each of the Stock Connects.

SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX’s website.

### ***Settlement and Custody***

The Hong Kong Securities Clearing Company Limited (“**HKSCC**”), a wholly-owned subsidiary of HKEX, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The A Shares traded through the Stock Connects are issued in scripless form, so investors will not hold any physical A Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK).

### ***Corporate Actions and Shareholders' Meetings***

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities and SZSE Securities held in its omnibus stock account in CSDCC, CSDCC as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities and SZSE Securities.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS (“**CCASS participants**”) informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce information regarding their annual general meetings/extraordinary general meetings about two to three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

### ***Foreign Shareholding Restrictions***

CSRC stipulates that, when holding A Shares through the Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the Sub-Fund) investing in a listed company must not exceed 10 per cent. of the total issued shares of such listed company; and
- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30 per cent. of the total issued shares of such listed company.

When the aggregate foreign shareholding of an individual A Share reaches 26 per cent., SSE or SZSE, as the case may be, will publish a notice on its website (<http://www.sse.com.cn/disclosure/disclosure/qfii> for SSE and <http://www.szse.cn/main/disclosure/news/qfii/> for SZSE). If the aggregate foreign shareholding exceeds the 30 per cent. threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

### ***Currency***

Hong Kong and overseas investors will trade and settle SSE Securities and SZSE Securities in RMB only. Hence, the Sub-Fund will need to use RMB to trade and settle SSE Securities and SZSE Securities.

### ***Trading Fees***

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, CSDCC, HKSCC or the relevant PRC authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

### ***Investor Compensation***

The Sub-Fund's investments through Northbound trading under the Stock Connects will not be covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connects do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund.

On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not the PRC brokers, therefore it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

Further information about the Stock Connects is available online at the website:  
[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)<sup>^</sup>

<sup>^</sup> This website has not been reviewed / authorized by the SFC."

5. The third paragraph under the heading "*Dividend income or interest income*" under the sub-section headed "**PRC Corporate Income Tax ("CIT")**" under the section headed "**PRC Taxation**" as amended by the Third Supplement dated 25 September 2015, and the Fourth Supplement dated 15 February 2016, is deleted in its entirety and replaced with the following:

"Under current regulations in the PRC, foreign investors (such as the Sub-Fund) may invest in onshore PRC Securities (i.e. A Shares and RMB denominated bonds issued or listed in the PRC), generally, only through a QFII or a RQFII (in this section referred to as the "relevant QFII") and the Stock Connects. For onshore PRC Securities invested via relevant QFII, since only the relevant QFII's interests in onshore PRC Securities are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant QFII (i.e. the QFII Holder or the CAAP Issuers) and the Sub-Fund, the relevant QFII will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from onshore PRC Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) ("**Notice No. 81**") and "Notice about the tax policies related to the Shenzhen-Hong Kong Stock Connect" (Caishui [2016] No. 127) ("**Notice No. 127**") promulgated by the MoF (as defined below), the SAT (as defined below) and the CSRC, the Sub-Fund is subject to WIT at 10 per cent. on dividends received from A Shares traded via the Stock Connects."

6. The sub-heading "Direct A Shares investment via Stock Connect" under "(iii) A Shares and A Shares via CAAPs" under the heading entitled "*Capital gains*" under the sub-section headed "**PRC Corporate Income Tax ("CIT")**" under the section headed "**PRC Taxation**" as amended by the Third Supplement dated 25 September 2015, and the Fourth Supplement dated 15 February 2016, is deleted in its entirety and replaced with the following:



“Direct A Shares investment via Stock Connects

Pursuant to the Notice No. 81 and Notice No. 127, CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A Shares through the Stock Connects.

Based on Notice No. 81 and Notice No. 127 and having consulted professional and independent tax adviser, no provision for gross realised or unrealised capital gains derived from trading of A Shares via the Stock Connects is made by the Manager on behalf of the Sub-Fund.”

7. The sub-section headed “**Business Tax (“BT”) and other surtaxes**” in the section headed “**PRC Taxation**” as amended by the Third Supplement dated 25 September 2015, is deleted in its entirety and replaced with the following:

**“Value Added Tax (“VAT”) and other surtaxes**

The MoF and SAT issued the “Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program (the “B2V Pilot Program”)” (Caishui [2016] No. 36) (the “**Notice No. 36**”) on 23 March 2016. The Notice No. 36 sets out that the B2V Pilot Program covers all the remaining industries of the program, including financial services. The Notice No. 36 has taken effect from 1 May 2016, unless otherwise stipulated therein.

The Notice No. 36 provides that VAT at 6 per cent. shall be levied on the difference between the selling and buying prices of those marketable securities, e.g. A Shares. The Notice No. 36 also provides that gains derived by QFIIs from trading of marketable securities are exempt from VAT. Pursuant to the “Supplementary Notice on the VAT Policy on Interbank Transactions and Other Financial Institutions” (Caishui [2016] No. 70) jointly issued by MoF and SAT on 30 June 2016 and which took effect retrospectively on 1 May 2016, income derived by RQFIIs from the purchase and sale of marketable securities are also exempt from VAT. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

Based on the prevailing VAT regulations, capital gains derived by (i) QFIIs / RQFIIs on trading of marketable securities and (ii) investors via the Stock Connects are exempted from VAT. Therefore, to the extent that the Sub-Fund’s key investments (such as A Shares through the Stock Connects, CAAPs) are conducted through these channels, either by the Sub-Fund directly or via CAAP issuers, the capital gains should be exempted from VAT.

The current VAT regulations do not provide VAT exemption on capital gains derived from trading of B Shares. Having said that, the PRC tax authorities have not actively collected VAT from non-PRC tax resident enterprises on gains realized from B Shares in practice. Where capital gains are derived from trading of H Shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

The prevailing VAT regulations do not specifically exempt VAT on interest received by QFIIs and RQFIIs. Interest income on non-government bonds (including corporate bonds) should be subject to 6 per cent. VAT.

Dividend income or profit distributions on equity investment derived from the PRC are not included in the taxable scope of VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1 per cent. to 7 per cent.), educational surcharge (currently at the rate of 3 per cent.) and local educational surcharge (currently at the rate of 2 per cent.) are imposed based on the VAT liabilities. The applicable levies depend on the location where VAT filing (if required) is done. For example, Shanghai imposes river maintenance levy at 1 per cent. on VAT payable; while Beijing does not currently impose any local levy.”

8. The heading “*Dividend income or interest income*” under the risk factor headed “**(f) PRC Tax Risk**” as amended by the Third Supplement dated 25 September 2015, and the Fourth Supplement dated 15 February 2016, is deleted in its entirety and replaced with the following:-

*“Dividend income or interest income*

Under current PRC tax laws and regulations, the relevant QFII (if considered as a non-tax resident enterprise without a PE in China) is subject to WIT of 10 per cent. on dividends and interest from PRC Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Pursuant to the Notice No. 81 and Notice No. 127, the Sub-Fund is subject to WIT at 10 per cent. on dividends received from A Shares traded via the Stock Connects.”

9. The sub-heading entitled “(iii) A Shares and A Shares via CAAPs and Stock Connect” and the first paragraph thereunder under the heading entitled “*Capital gains*” under the risk factor headed “**(f) PRC Tax Risk**” as amended by the Third Supplement dated 25 September 2015, and the Fourth Supplement dated 15 February 2016, are deleted in their entirety and replaced with the following:-

“(iii) A Shares and A Shares via CAAPs and Stock Connects

In light of Notice No. 79 and Notice No. 81 and having consulted professional and independent tax adviser, the Manager will not make WIT provision on the gross realized and unrealized capital gains derived from the Sub-Fund’s investments in A Shares via QFII, RQFII and Shanghai-Hong Kong Stock Connect starting from 17 November 2014. In addition, pursuant to Notice No. 127 and having consulted professional and independent tax adviser, the Manager will not make WIT provision on the gross realized and unrealized capital gains derived from the Sub-Fund’s investments in A Shares via Shenzhen-Hong Kong Stock Connect.”

10. The risk factor headed “**(h) Risks associated with Stock Connect**” which was inserted by way of the Third Supplement dated 25 September 2015, under the section headed “**ADDITIONAL RISKS OF THE SUB-FUND**” is deleted in its entirety and replaced with the following:-

“**(h) Risks associated with Stock Connects**

The Sub-Fund may invest through the Stock Connects. In addition to the risk factors headed “Political, Economic and Social Risks”, “Legal System of the PRC”, “Potential Market Volatility”, “PRC Tax Risk” and “Renminbi depreciation”, it is also subject to the following additional risks:

*Quota limitations* - The Stock Connects are subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Fund’s ability to invest in A Shares through the Stock

Connects on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategies.

*Suspension risk* - Each of the SEHK, SSE and SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through the Stock Connects is effected, the Sub-Fund's ability to access the PRC market will be adversely affected.

*Differences in trading days* – The Stock Connects only operate on days when both the PRC and Hong Kong stock markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC stock markets but Hong Kong investors (such as the Sub-Fund) cannot carry out any A Shares trading. Due to the differences in trading days, the Sub-Fund may be subject to a risk of price fluctuations in A Shares on a day that the PRC stock markets are open for trading but the Hong Kong stock market is closed.

*Operational risk* - The Stock Connects provide a channel for investors from Hong Kong and overseas to access the PRC stock markets directly.

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading A Shares through the Stock Connects. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connects requires routing of orders across the border. SEHK has set up an order routing system (“**China Stock Connects System**”) to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The Sub-Fund's ability to access the A Shares market (and hence to pursue its investment strategy) will be adversely affected.

*Restrictions on selling imposed by front-end monitoring* - PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on A Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if the Sub-Fund desires to sell certain A Shares it holds, it must transfer those A Shares to the respective accounts of its brokers before the market opens on the day of selling (“**trading day**”). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of A Shares in a timely manner.

However, the Sub-Fund may request a custodian to open a special segregated account (“**SPSA**”) in CCASS to maintain its holdings in A Shares under the enhanced pre-trade checking model.

Each SPSA will be assigned a unique “Investor ID” by CCASS for the purpose of facilitating China Stock Connects System to verify the holdings of an investor such as the Sub-Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Sub-Fund’s sell order, the Sub-Fund will be able to dispose of its holdings of A Shares (as opposed to the practice of transferring A Shares to the broker’s account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the Sub-Fund will enable it to dispose of its holdings of A Shares in a timely manner.

*Recalling of eligible stocks* - When a stock is recalled from the scope of eligible stocks for trading via the Stock Connects, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Sub-Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

*Clearing and settlement risk* - The HKSCC and CSDCC have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

Should the remote event of CSDCC default occur and CSDCC be declared as a defaulter, HKSCC’s liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against CSDCC. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from CSDCC through available legal channels or through CSDCC’s liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from CSDCC.

*Participation in corporate actions and shareholders’ meetings* - The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities (as defined in the section headed “**Stock Connects**” in this Addendum). Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders’ meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

*Currency risk* - As the Sub-Fund is denominated in US dollars, the performance of the Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and US dollars. The Sub-Fund may, but is not obliged to, seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective. On the other hand, failure to hedge foreign currency risks may result in the Sub-Fund suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor “**Currency Exchange Risk**” above).

*No Protection by Investor Compensation Fund* - Investment through the Stock Connects is conducted through brokers, and is subject to the risks of default by such brokers' in their obligations.

As disclosed in the section under the heading “**Stock Connects**”, the Sub-Fund's investments through Northbound trading under the Stock Connects are not covered by the Hong Kong's Investor Compensation Fund. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A Shares through the Stock Connects. Further, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

*Regulatory risk* - The Stock Connects will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connects.

It should be noted that the current regulations and rules on Stock Connects are subject to change which may have potential retrospective effect. There can be no assurance that the Stock Connects will not be abolished. The Sub-Fund, which may invest in the PRC markets through the Stock Connects, may be adversely affected as a result of such changes.”

11. The following additional new risk factor is inserted after the risk factor headed “**(h) Risks associated with Stock Connect**” under the section headed “**ADDITIONAL RISKS OF THE SUB-FUND**”:-

“(i) **Risks associated with the Small and Medium Enterprise Board of the SZSE (“SME Board”) and/or ChiNext Board**

The Sub-Fund may have exposure to stocks listed on SME Board and/or ChiNext Board.

*Higher fluctuation on stock prices* - Listed companies on the SME Board and/or ChiNext Board are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE (“**Main Board**”).

*Over-valuation risk* - Stocks listed on SME Board and/or ChiNext Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

*Differences in regulation* - The rules and regulations regarding companies listed on ChiNext Board are less stringent in terms of profitability and share capital than those in the Main Board and SME Board.

*Delisting risk* - It may be more common and faster for companies listed on the SME Board and/or ChiNext Board to delist. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

Investments in the SME Board and/or ChiNext Board may result in significant losses for the Sub-Fund and its investors.”

12. The existing items (i) to (k) under the section headed “**ADDITIONAL RISKS OF THE SUB-FUND**”, are re-numbered accordingly upon the insertion of the risk factor headed “**(i) Risks associated with the Small and Medium Enterprise Board of the SZSE (“SME Board”) and/or ChiNext Board**”.

## **B. Liquidity Risk Management**

1. The following section headed “**LIQUIDITY RISK MANAGEMENT**” is inserted immediately after the sub-section headed “**Security Lending**” under the section headed “**INFORMATION ON THE TRUST**” in section II of the Explanatory Memorandum:-

### **“LIQUIDITY RISK MANAGEMENT**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Sub-Funds and to ensure that the liquidity profile of the investments of the Sub-Funds will facilitate compliance with the relevant Sub-Fund’s obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager’s liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the relevant Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by the relevant Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the heading entitled “**Redemption of Units**” in the section headed “**SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)**” in section III of the Explanatory Memorandum, and will facilitate compliance with the relevant Sub-Fund’s obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the relevant Sub-Fund under normal and exceptional market conditions.

The following tool(s) may be employed by the Manager to manage liquidity risks:

- the Manager may limit the total number of Units of the relevant Sub-Fund redeemed during any Dealing Period to 10 per cent. in aggregate of the total number of Units in issue of the relevant Sub-Fund (subject to the conditions under the heading entitled “**Redemption of Units**” in the section headed “**SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)**” in section III of the Explanatory Memorandum).”

## **C. AEOI Disclosures**

1. The following sub-section headed “**Automatic Exchange of Financial Account Information**” is inserted immediately after the sub-section headed “**Hong Kong**” of the section headed “**TAXATION**” in section IV of the Explanatory Memorandum:-

### **“Automatic Exchange of Financial Account Information**

The Cayman Islands has signed two inter-governmental agreements to improve international tax compliance and the exchange of information - one with the United States and one with the United Kingdom (the “**US IGA**” and the “**UK IGA**”, respectively). The Cayman Islands has

also signed, along with over 80 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the “CRS” and together with the US IGA and the UK IGA, “AEOI”).

Cayman Islands regulations were issued on 4 July 2014 to give effect to the US IGA and the UK IGA, and on 16 October 2015 to give effect to the CRS (collectively, the “AEOI Regulations”). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (the “TIA”) has published guidance notes on the application of the US and UK IGAs and the CRS.

All Cayman Islands “Financial Institutions” will be required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, except to the extent that they can rely on an exemption that allows them to become a “Non-Reporting Financial Institution” (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes. The Trust and each applicable Sub-Fund do not propose to rely on any reporting exemption and therefore intends to comply with the requirements of the AEOI Regulations.

The AEOI Regulations require the Trust and each applicable Sub-Fund, as a Reporting Financial Institution to, amongst other things (i) register with the United States Internal Revenue Service (the “IRS”) to obtain a Global Intermediary Identification Number (“GIIN”) (in the context of the US IGA only), (ii) register with the TIA, and thereby notify the TIA of its status as a “Reporting Financial Institution”; (iii) conduct due diligence on its accounts to identify whether any such accounts are considered “Reportable Accounts”, and (iv) report information on such Reportable Accounts to the TIA. The TIA will transmit the information reported to it to the overseas fiscal authority relevant to a reportable account (i.e. the IRS in the case of a US Reportable Account, HMRC in the case of a UK Reportable Account, etc.) annually on an automatic basis.

For information on any potential withholding tax that may be levied against the Trust and each applicable Sub-Fund, see also the risk factor “*Foreign Account Tax Compliance*”.

By investing in the Trust and the applicable Sub-Fund and/or continuing to invest in the Trust and the applicable Sub-Fund, investors shall be deemed to acknowledge that further information may need to be provided to the Trust and/or the applicable Sub-Fund, the Trust’s compliance with the AEOI Regulations may result in the disclosure of investor information, and investor information may be exchanged with overseas fiscal authorities. Where an investor fails to provide any requested information (regardless of the consequences), the Trust and the applicable Sub-Fund may reserve the right to take any action and/or pursue all remedies at its disposal including, without limitation, compulsory redemption or withdrawal of the investor concerned, to the extent permitted by applicable laws and the Trust’s constitutive documents.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Trust and the applicable Sub-Fund through financial institutions in Hong Kong.”

#### **D. FATCA disclosures**

1. The risk factor “*Foreign Account Tax Compliance*” under the heading “**Risk Factors (Continued)**” under the section headed “**INFORMATION ON THE TRUST (Continued)**” in section II of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

***“Foreign Account Tax Compliance***

Sections 1471 – 1474 (referred to as “**FATCA**”) of the United States (“**US**”) Internal Revenue Code of 1986, as amended (“**IRS Code**”) impose rules with respect to certain payments to non-United States persons, such as the Trust and each applicable Sub-Fund, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a 30 per cent. rate (currently applicable to payments of US source dividends and interest, and beginning on or after 1st January 2019 with respect to gross proceeds), unless the recipient of the payment satisfies certain requirements intended to enable the United States Internal Revenue Service (the “**IRS**”) to identify United States persons (within the meaning of the IRS Code) with interests in such payments.

Pursuant to the US IGA, the Trust and each applicable Sub-Fund will generally be relieved from FATCA withholding tax on payments they receive, as well as the obligation to withhold tax on payments made to their investors, provided that they comply with the AEOI Regulations (discussed below), which give effect to the US IGA. Pursuant to the AEOI Regulations, reporting is made annually in respect of the previous calendar year.

Each applicable Sub-Fund has been registered with the IRS. The Trust and each applicable Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the US IGA and the AEOI Regulations to avoid any withholding tax. In the event that the Trust or any applicable Sub-Fund is not able to comply with the requirements imposed by FATCA, the US IGA or related Cayman Islands law, and the Trust or any applicable Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Trust or any applicable Sub-Fund may be adversely affected and the Trust or any applicable Sub-Fund may suffer significant losses as a result.

To the extent that the Trust or any applicable Sub-Fund suffers withholding tax on its investments as a result of FATCA, the Trust and/or any applicable Sub-Fund may, after completing due process to ascertain and confirm that a Unitholder has failed to cooperate and provide the required information, bring legal action against such Unitholder for losses suffered by the Trust and/or any applicable Sub-Fund as a result of such withholding tax.

Each prospective investor should consult with its own tax advisor as to the potential impact of FATCA on his own tax situation.”

2. The following sub-sections are inserted immediately after the sub-section “**Material Agreements**” under the section headed “**GENERAL INFORMATION (Continued)**” in section VI of the Explanatory Memorandum:-

**“Certification for Compliance with FATCA or Other Applicable Laws**

Each Unitholder (i) shall be required to, upon demand by the Trust, any applicable Sub-Fund, the Manager or the Trustee, provide any form, certification or other information reasonably requested by and acceptable to the Trust, any applicable Sub-Fund, the Manager or the Trustee that is necessary for the Trust and/or any applicable Sub-Fund, (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust or any applicable Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form,



certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong, the Cayman Islands or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation.

#### **Power to Disclose Information to Authorities**

Subject to applicable laws and regulations in the Cayman Islands and Hong Kong, the Trust, applicable Sub-Fund, the Manager, the Trustee or any of their authorised persons (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS, the TIA and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Trust and any applicable Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA)."

#### **E. Risks relating to Currency Hedging and the Currency Hedged Classes**

1. The risk factor headed "**Currency Hedging Risk**" under the section headed "**ADDITIONAL RISKS OF THE SUB-FUND**" which was inserted by way of the Third Supplement dated 25 September 2015 and relates to risks relating to currency hedging and the currency hedged classes of Units is deleted in its entirety and replaced by the following:-

##### **"Risks relating to Currency Hedging and the Currency Hedged Classes**

The Manager may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of the Sub-Fund attributable to a particular class into the class currency of the relevant class. Any financial instruments used to implement such strategies with respect to one or more classes shall be assets/liabilities of the Sub-Fund as a whole but will be attributable to the relevant class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant class. Where a class of Units is to be hedged ("**Currency Hedged Class**") this will be disclosed in this Addendum. Any currency exposure of a class may not be combined with, or offset against, that of any other class of the Sub-Fund. The currency exposure of the assets attributable to a class may not be allocated to other classes.

Where the Manager seeks to hedge against currency fluctuations, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Manager. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of that Currency Hedged Class. Investors should also be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the class currency, if the Currency Hedged Class' denominating currency falls against the base currency of the Sub-Fund.

The Manager may also, at its absolute discretion, seek to fully or partially hedge currency exposures arising from some or all of the Sub-Fund's underlying assets to its base currency. Investors whose base currency is different (or not in a currency linked to the Sub-Fund's base currency or the currency of that Currency Hedged Class) may be exposed to additional currency risk.

The precise hedging strategy applied to a particular Currency Hedged Class may vary. In addition, there is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis (which means that, for example, if the hedging strategy in respect of the Class A AUD Hedged Units is ineffective, depending on the exchange rate movements of AUD relative to the base currency of the Sub-Fund, and/or other currency(ies) of the non-AUD denominated underlying investments of the Sub-Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-AUD denominated underlying investments; or (ii) investors may suffer additional losses if the non-AUD denominated underlying investments of the Sub-Fund fall in value).

If the counterparties of the instruments used for hedging purposes default, investors of the Currency Hedged Classes may be exposed to the currency exchange risk on an unhedged basis and may therefore suffer further losses.

A Sub-Fund may offer different Currency Hedged Classes as disclosed in this Addendum which are primarily targeted for investors whose base currencies of investment are the currencies of the Currency Hedged Classes.

Each Currency Hedged Class may hedge the Sub-Fund's denominated currency back to its currency of denomination, with an aim to provide a return on investment which correlates with the return of the class which is denominated in the base currency of the Sub-Fund by reducing the effect of exchange rate fluctuations between the base currency of the Sub-Fund and the Currency Hedged Classes whilst taking into account practical considerations such as transaction costs. However, the return of the Currency Hedged Classes will never correlate perfectly to the class which is denominated in the base currency of the Sub-Fund due to various factors, including but not limited to short-term interest rate differentials, unrealized gains/losses on currency forward positions not being invested until the gains/losses are realised and transaction costs attributable to the hedging activity. Investors should also note that the distribution amount and/or rate of the Currency Hedged Classes may be more than or less than such amount and/or rate of the class which is denominated in the base currency of the Sub-Fund due to various factors, including but not limited to short-term interest rate differentials. Where the Currency Hedged Class is subject to a performance fee, it should be noted that any divergence in the performance of different classes (for the reasons stated above), or different launch dates of different classes, could result in any such performance fees becoming chargeable at different points in time, as different classes reach their high watermark at different points in time. Accordingly the performance fee may adversely impact the correlation between different classes.

Consequently, a Currency Hedged Class is not recommended for investors whose base currency of investment is not in the same currency of such Currency Hedged Class. Investors who choose to convert other currencies into such base currency to invest in such Currency Hedged Class should understand that they may be exposed to higher currency risks and may suffer a higher loss as a result of exchange rate fluctuations than an investor whose base currency of investment is in the same currency of the Currency Hedged Class.

To the extent that hedging is successful for a particular Currency Hedged Class, the performance of the Currency Hedged Class is likely to move in line with the performance of the underlying assets of the Sub-Fund with the result that investors in that Currency Hedged Class will not gain if the class currency falls against the base currency of the Sub-Fund.

It is intended that the currency hedging strategy which will be employed will be based on the most up-to-date information in relation to the Net Asset Value of the Sub-Fund, and will also take into account future transactions relating to Unitholder activity that will be processed through each class

of Units in the Sub-Fund as at the relevant valuation point. The currency hedging strategy will be monitored and adjusted in line with the valuation cycle at which investors are able to subscribe to and redeem from the Sub-Fund.

Futures, forwards, options and contracts for difference may be used to hedge against downward movements in the value of the Sub-Fund's portfolio, either by reference to specific securities or markets to which the Sub-Fund may be exposed.

Forward foreign exchange contracts are also used more specifically to hedge the value of certain classes of Units in the Sub-Fund against changes in the exchange rate between the currency of denomination of the class of Units and the base currency of the Sub-Fund.”

**F. Change of the Manager's website**

All references to the Manager's website “[www.valuepartners.com.hk](http://www.valuepartners.com.hk)” shall be deleted in their entirety and replaced with “[www.valuepartners-group.com](http://www.valuepartners-group.com)”.

**30 December 2016**