

VALUE PARTNERS INTELLIGENT FUNDS
(the “Trust”)
CHINESE MAINLAND FOCUS 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 25 June 2013 in respect of the Sub-Fund (the “Addendum”), and the First and Second Supplements to the Addendum dated 11 November 2013 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 Policy

With effect from 14 March 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 Shanghai-Hong Kong Stock Connect. Accordingly, the Explanatory Memorandum has been revised to reflect the foregoing change and the associated risks.

1. In the Addendum, the third 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 targets of the Sub-Fund may include RMB-denominated corporate and government bonds, listed or unlisted shares issued by companies whose assets and/or revenues are principally denominated in RMB and/or whose costs or liabilities are principally denominated in US dollars. Investment targets may also include 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 (defined below), B Shares and H Shares. It is the Manager’s intention as at the date of this Addendum that between 0 per cent. and 45 per cent. of the Sub-Fund’s latest available Net Asset Value will be invested in A Shares, between 0 per cent. and 35 per cent. in B Shares and between 0 per cent. and 40 per cent. in H Shares ~~although 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.~~ A Shares and B Shares are listed on the Shanghai Securities Exchange and the Shenzhen Stock Exchange in the PRC. A Shares are traded in RMB and B Shares are traded in US dollars and Hong Kong dollars. H Shares are listed on the Hong Kong Stock Exchange and are traded in Hong Kong dollars. Shares of companies listed in Hong Kong or on stock exchanges elsewhere whose shares may not be denominated in RMB but whose business is closely linked with the mainland of the PRC (in that they 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 mainland of the PRC) may also be investment targets.”

2. The following new sentence is inserted immediately after the fifth 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 tenth paragraph under the section headed “Investment Objective and Policy” is deleted in its entirety and replaced with the following paragraphs (with amendments shown as mark-ups) :-

“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).

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.

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.”

4. In the Addendum, the definition “A Shares” under the section headed “Definition” is deleted in its entirety and replaced with the following:-

““A Shares” 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, or invest through the Shanghai-Hong Kong Stock Connect;”

5. 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

6. 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 Addendum has been revised to reflect this update.

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 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.

Business Tax ("BT") and other surtaxes

Capital gains

The revised PRC Provisional Regulations of Business Tax ("**BT Law**") which came into effect on 1 January 2009 stipulates that gains derived by taxpayers from the trading of marketable securities would be subject to BT at 5%.

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.

Where capital gains are derived from trading of offshore PRC Securities (e.g. H Shares) BT in general is not imposed as the purchase and disposal are often concluded and completed outside China.

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 Stock Connect.

No specific exemptions have been announced on whether BT is chargeable in respect of capital gains derived from trading of B Shares by foreign enterprises. In the absence of specific exemptions, foreign enterprises may be subject to BT at the rate of 5% in respect of gains derived from the trading of B Shares in China. In practice, BT has not been actively enforced by PRC tax authorities on capital gains derived by non-PRC tax resident enterprises (including the Sub-Fund) from the trading (i.e. both purchases and sales) of B Shares.

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% BT. However, in practice, some local tax authorities do not actively collect BT on interest from certain government and/or corporate bonds.

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

If BT is applicable, other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) would also be charged at an amount as high as 12% of the 5% BT payable (or an additional 0.6%). In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the location of the PRC companies.

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. Stamp duty is levied on certain taxable documents executed or received in the PRC, including the contracts for the sale of A Shares and B Shares traded on the PRC stock exchanges. In the case of contracts for sale of A Shares and B Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

It is unclear whether stamp duty that is imposed on the transfer of shares of PRC companies under the PRC laws would similarly apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC. That said, stamp duty is generally not imposed for trading of H Shares in practice.

No PRC stamp duty is expected to be imposed on non-tax resident holders of government and corporate bonds, either upon issuance or upon a subsequent transfer of such bonds.

Further, no PRC stamp duty is expected to be imposed on non-tax resident holders of fund units, either upon subscription or upon a subsequent redemption of such fund units.

It appears that for transfer of PRC Securities outside the PRC, PRC stamp duty should not be applicable.

General

It should also be noted that the actual applicable tax rates imposed by the SAT may change from time to time. It should also be noted that the prevailing PRC tax regulations specified that the tax exemption on capital gains derived from the trading of A Shares from 17 November 2014 onwards is temporary. There is a possibility of the PRC tax rules, regulations and practice 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, Unitholders 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 SAT 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 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. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

Unitholders should seek their own tax advice on their tax position with regard to their investment in 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."

7. 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.”

8. 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."

9. 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. 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.

The following changes shall take effect from 14 March 2016:

10. The second paragraph of the sub-section headed “Subscription for Units” under the section headed “Dealing in Units, Subscription and Redemption” of the Addendum is deleted in their 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. 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.**”

11. The second and third paragraphs of the sub-section headed “Redemption of Units” under the section headed “Dealing in Units, Subscription and Redemption” of the Addendum 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 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.”

12. The second paragraph under the section headed “Payment Procedure” of the Addendum 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.”

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

“Payment details are set out in the Subscription Form.”

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

15. 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.”

16. 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 under section VII headed “Procedure for Application” below.”

17. 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 under section I headed "Management and Administration" 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."

18. 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."

19. 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 under section I headed "Management and Administration" 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."

20. 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.”

21. 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.”

22. 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 the sub-section headed “Fax or Electronic Instructions” under section III headed “Subscription and Redemption of Units” 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.”

23. The second 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.”

C. New Issues

24. 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.

D. 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.

25. 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.”

26. 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”

E. Updates to Disclosures relating to QFII

27. In the Addendum, the definition “**QFII Regulations**” under the section headed “Definition” is deleted in its entirety and replaced with the following:-

“**“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 3 February 2016 (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**”).”

28. In the Addendum, the first paragraph of the sub-section headed “QFII Holder” under the section headed “QFII Regime” is deleted in its entirety and replaced with the following paragraph:-

“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 has allocated an amount of US\$20 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.”

29. In the Addendum, 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:-

“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, after the expiry of the lock-up period for the investment capital of a QFII fund which is three months, an open-ended China fund is allowed to remit and repatriate funds on a daily basis based on the net balance of subscriptions or redemptions each day, 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 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. Second, 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 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.”

30. In the Addendum, the second paragraph of the sub-section headed “Risks regarding QFII licence and QFII Quota” under the section headed “QFII Risk” is deleted in its entirety and replaced with the following:

“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 does not provide information or materials relating to its securities investment in the PRC to the SAFE or the PRC QFII Custodian in accordance with the applicable regulations or provides false information or materials to the SAFE or the PRC QFII Custodian; (iii) the QFII Quota filed with or approved by the SAFE is exceeded or the QFII Holder fails to carry out remittance and repatriation of funds, or purchase or payment of foreign exchange in accordance with the applicable regulations; or (iv) the QFII Holder commits such other acts which violate 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\$20 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."

31. In the Addendum, the first paragraph of the sub-section headed "Risks regarding remittance and repatriation of funds" under the section headed "QFII Risk" is deleted in its entirety and replaced with the following sentence:

"Under the QFII Regulations, there are foreign exchange control restrictions imposed on the repatriation of funds by the QFII Holder. 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 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 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 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."

14 March 2016