

Issuer: Value Partners Hong Kong Limited

April 2024

- This statement provides you with key information about the Value Partners Taiwan Fund (the “Fund”).
- This statement is a part of the offering document.
- You should not invest in this product based on this statement alone.

### Quick facts

|   |  |
|---|--|
| <b>Manager:</b>                                 | Value Partners Hong Kong Limited   |
| <b>Trustee:</b>                                 | HSBC Trustee (Cayman) Limited  |
| <b>Custodian:</b>                               | HSBC Institutional Trust Services (Asia) Limited   |
| <b>Ongoing charges over a year<sup>#</sup>:</b> | Class A Units: 1.67% <sup>β</sup> exclusive of performance fees<br>Class A Units: 1.67% <sup>β</sup> inclusive of performance fees |
| <b>Dealing frequency:</b>                       | Daily dealing (Hong Kong and Taiwan business days)   |
| <b>Base currency:</b>                           | US dollars (US\$)  |
| <b>Dividend policy:</b>                         | The Manager generally does not intend to make distributions from the Fund  |
| <b>Minimum investment:</b>                      | US\$10,000 initial, and US\$5,000 subsequent   |
| <b>Financial year-end of this Fund:</b>         | 30 June  |

<sup>#</sup> The ongoing charges figure is expressed as a percentage of the sum of expenses over the average net asset value of the Fund for the corresponding period as described below. This figure may vary from year to year. The performance fees to be paid as at year end, where applicable, may vary subject to market conditions. Information is updated as at 27 March 2024.

<sup>β</sup> This figure is an annualized figure based on the expenses for the interim period ended 31 December 2023. The actual ongoing charges figure may be different and may vary from year to year.

### What is this product?

The Fund is a unit trust constituted under the laws of the Cayman Islands.

### Objectives and Investment Strategy

#### Objectives

The Fund aims to achieve long term capital growth through primarily (i.e. not less than 70% of the Fund's Net Asset Value (“NAV”)) investing in equity and equity linked securities of companies that are listed on (a) the Taiwan Stock Exchange; or (b) the GRE Tai Securities Market; or (c) any stock exchange but which have their main operations or majority of assets in or derive the majority of their income from Taiwan. This includes companies incorporated and/or quoted outside Taiwan.

## Strategy

Equity and equity linked securities of companies that the Fund may invest in include but are not limited to listed equities, depositary receipts, real estate investment trusts (“REITs”) and Exchange Traded Funds (“ETFs”). The Fund may invest less than 30% of its NAV in each of the following types of securities, namely REITs and ETFs, in accordance with the requirements under the Code on Unit Trusts and Mutual Funds (“Code”).

When investing the assets of the Fund, the Manager does not intend to have an investment focus in terms of sector or industry. Also, the Fund may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate.

In addition to the aforementioned investments, 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. The Manager may also invest in collective investment schemes (including units in unit trusts, shares in mutual fund corporations and interests in other collective investment schemes offered by the Manager, its investment delegate (if any) or any of their connected persons) and debt securities (including but not limited to convertible debt securities and commercial loans) – however, the Fund’s exposure to each type of these investments will be less than 30% of its NAV. Further, the Fund will not invest more than 10% of its NAV in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade. The Manager may also place a substantial portion of the portfolio in cash or cash equivalents, any of which uninvested may be invested into money market funds. Under exceptional circumstances (e.g. market crash or major crisis), the Fund may be invested temporarily up to 100% in liquid assets such as deposits, treasury bills, certificates of deposit, short-term commercial papers for cash flow management.

The Fund may also invest up to 10% of its NAV in China A-Shares directly through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect or indirectly via China A-Share access products (i.e. participatory notes).

The Fund may invest in commodity-based investments and financial derivative instruments such as futures, forwards, swaps, options, warrants and any other financial instruments for hedging or investment purposes to the extent permitted by the Code and the provisions set out under the section “Investment Restrictions” in the Explanatory Memorandum.

Currently, the Fund does not invest in collateralized and/or securitized products such as asset backed securities, nor does the Fund intend to engage in sale and repurchase and reverse repurchase transactions. However, the Fund may enter into securities lending transactions provided that the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Fund does not exceed 10% of its latest available NAV.

## Use of Derivatives / Investment in Derivatives

The Fund’s net derivative exposure may be up to 50% of the Fund’s NAV.

## What are the key risks?

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

### 1. Investment risk

- The Fund is an investment fund. There is no guarantee of the repayment of principal. The Fund’s investment portfolio may fall in value due to any of the key risk factors below and you may lose a substantial proportion or all of your investment in the Fund.

**2. Equity market risk**

- The Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

**3. Risk of investing in Taiwan / emerging market**

- Taiwan is an emerging market. Investing in Taiwan-related companies involves certain increased risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange risks/controls, liquidity, settlement, custody, legal and regulatory risk, and the likelihood of higher degree of volatility.
- High market volatility and potential settlement difficulties in the Taiwan market may also result in significant fluctuations in the prices of the securities traded in such market and thereby may adversely affect the value of the Fund.
- Securities exchanges in Taiwan typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.

**4. Concentration risk**

- The Fund's investments are concentrated in the Taiwan market. The concentration of the Fund's investments in Taiwan-related companies may result in greater volatility than portfolios which comprise broad-based global investments or have a more diverse portfolio of investments.
- The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Taiwan market.

**5. Risks associated with small/mid-capitalisation companies**

- The Fund may invest in stocks of small/mid-capitalisation companies which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalization companies in general.

**6. Risks of investing in derivative products**

- The Fund may invest through equity linked notes and other derivative instruments, including those that are not listed or quoted on a market for up to 15% of its NAV. The Fund will be exposed to the counterparty/credit risk of the issuers of derivative products. Apart from counterparty/credit risk, risks associated with derivative products include liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative product can result in a loss significantly greater than the amount invested in the derivative product by the Fund. Exposure to derivative products may lead to a high risk of significant loss by the Fund. If an issuer of a derivative product were to become insolvent, the Fund would lose its investment up to the full value of that product.

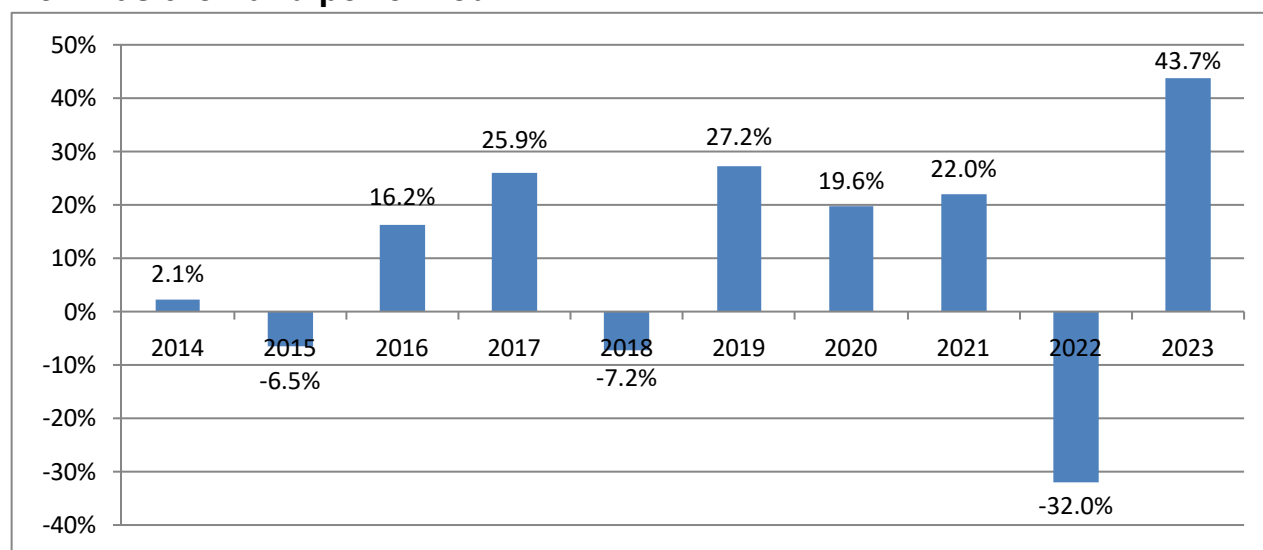
**7. Currency exchange risk**

- The Fund is denominated in US dollars. Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. The Fund's performance may be affected unfavourably 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.
- In addition, the Fund may have exposure to investments which are denominated in Renminbi (RMB). Assets of the Fund denominated in RMB are valued with reference to the CNH rate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

## 8. Performance fee risk

- The performance fee payable to the Manager may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.
- There is no adjustment of equalisation credit or equalisation losses on an individual unitholder basis for the calculation of the performance fee. A unitholder redeeming units may still incur performance fee in respect of the units, even though a loss in investment capital has been suffered by the redeeming unitholder.
- In addition, performance fees may be paid on unrealized gains which may never be realized by the Fund.

## How has the Fund performed?



### Note:

- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- These figures show by how much Class A Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in US\$ including ongoing charges and excluding subscription fee and redemption fee you might have to pay,
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 3 March 2008
- Class A Units launch date: 3 March 2008
- Class A Units have the longest history and are broadly indicative of the Fund's performance characteristics.

## Is there any guarantee?

This Fund does not have any guarantees. You may not get back the full amount of money you invest.

## What are the fees and charges?

### Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Fund.

| Fee                                   | What you pay                        |
|---------------------------------------|-------------------------------------|
| Subscription fee (Preliminary Charge) | Up to 5% of the subscription monies |
| Switching fee                         | Not Applicable                      |
| Redemption fee (Realisation Charge)   | Nil                                 |

\* 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. Unitholders who intend to switch their units from one class to units in another class should check with their respective distributors for the charge on switching.

## Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.

|  | Annual rate (as a % of the Fund's net asset value ("NAV"))  |
|--|---|
| <b>Management fee</b>  | 1.25%*  |
| <b>Trustee fees</b>  | First US\$150 million of the Fund's NAV.....0.135%*   |
| <b>(including fees of the Custodian and Registrar's Agent)</b> | Next US\$650 million of the Fund's NAV.....0.13%*   |
|  | US\$800 million and thereafter.....0.125%*  |
|  | The trustee fees are subject to a monthly minimum of US\$4,500.   |
| <b>Performance fee</b>   | 15% of the outperformance in the NAV per unit (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of the relevant performance period(s) since the last performance fee is crystallised and paid) as at the last valuation day of a performance period above the high water mark per unit.   |
|  | <ul style="list-style-type: none"> <li>• Outperformance means the amount by which the increase in NAV per unit during the relevant performance period exceeds the high water mark.</li> <li>• The high water mark is the higher of (i) the initial offer price and (ii) the NAV per unit as at the end of the performance period in respect of which a performance fee was last paid.</li> <li>• Each performance period corresponds to the financial year of the Fund.</li> <li>• Where a performance fee is payable to the Manager for a performance period, the NAV per unit (after deduction of performance fee) on the last valuation day of that performance period will be set as the high watermark for the next performance period.</li> </ul> |

- Performance fee accrues on each valuation day if the NAV per unit exceeds the high water mark. On each valuation day, the performance fee accrual made (if any) on the previous valuation day will be reversed and a new performance fee accrual will be calculated. If the NAV per unit is lower than or equal to the high water mark, any performance fee accrual will be reversed and no performance fee will be accrued.
- For details and illustrative examples of the performance fee calculation please refer to the section headed "Performance Fee" in the Fund's offering document.

**Other fees**

You may have to pay other fees when dealing in the units of the Fund.

- \* *Please note that some fees may be increased up to a specified permitted maximum on giving unitholders at least three months' prior notice. Please refer to the section of the Explanatory Memorandum entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees, as well as other ongoing expenses that may be borne by the Fund.*

**Additional Information**

- You generally buy and redeem units at the Fund's next-determined NAV after the Registrar's Agent receives your request, directly or via a distributor, in good order at or before 5:00 p.m. (Hong Kong time), being the Fund's dealing cut-off time on each dealing day of the Fund. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Fund's dealing cut-off time).
- The NAV of the Fund is calculated and the price of units is published each business day and are available on the Manager's website [www.valuepartners-group.com](http://www.valuepartners-group.com) (this website has not been reviewed or authorized by the SFC).
- Investors may obtain information on the distributor(s) appointed in respect of the Fund by making a telephone enquiry with the Manager on (852) 2143 0688.

**Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

VALUE PARTNERS TAIWAN FUND  
**EXPLANATORY MEMORANDUM**



## Contents

|  | <i>Page</i> |
|--|-------------|
| <b>1. MANAGEMENT AND ADMINISTRATION</b>  | <b>19</b>   |
| 1.1 Manager  | 19          |
| 1.2 Trustee, Registrar, Administrator and Custodian and Registrar's Agent                | 22          |
| 1.3 Auditor  | 24          |
| <b>2. INFORMATION ON THE TRUST</b>   | <b>25</b>   |
| 2.1 Trust Structure  | 25          |
| 2.2 Investment Objective and Policy  | 25          |
| 2.3 Investment and Borrowing Restrictions and Prohibitions                               | 27          |
| 2.4 Securities Financing Transactions  | 36          |
| 2.5 Other Provisions relating to Investment, Borrowing and Security Lending Transactions | 42          |
| 2.6 Risk Management Policy   | 43          |
| 2.7 Liquidity Risk Management  | 43          |
| <b>3. RISK FACTORS</b>   | <b>45</b>   |
| 3.1 Investment Risk  | 45          |
| 3.2 Active Investment Management   | 46          |
| 3.3 Risk of Investing In Taiwan / Emerging Market  | 46          |
| 3.4 Equity Risk  | 47          |
| 3.5 Concentration Risk   | 47          |
| 3.6 Currency Exchange Risk   | 48          |
| 3.7 Repatriation Limitation  | 48          |
| 3.8 Accounting and Reporting Standards   | 48          |
| 3.9 Political, Economic and Social Risks   | 49          |
| 3.10 Regulatory Changes  | 50          |
| 3.11 Foreign Investment Regulations  | 50          |
| 3.12 Performance of underlying investments   | 50          |
| 3.13 Risks relating to investment in ETFs  | 52          |
| 3.14 Risks relating to REITs   | 52          |
| 3.15 Risks associated with the Stock Connect   | 53          |
| 3.16 Risks associated with CAAPs   | 53          |
| 3.17 Risks relating to securities lending transactions                                   | 53          |
| 3.18 Equity Linked Notes and other Financial Derivative Instruments                      | 55          |
| 3.19 Valuation and Accounting  | 56          |



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

|           |   |           |
|-----------|---|-----------|
| 3.20      | Performance Fee                                     | 56        |
| 3.21      | Foreign Account Tax Compliance Act                  | 57        |
| 3.22      | Custody Risk  | 58        |
| 3.23      | Liquidity Risk                                      | 58        |
| <b>4.</b> | <b>SUBSCRIPTION AND REALISATION OF UNITS</b>        | <b>59</b> |
| 4.1       | Summary of Features                                 | 59        |
| 4.2       | Dealing Periods                                     | 60        |
| 4.3       | Subscription for Units                              | 61        |
| 4.4       | Payment Procedure                                   | 64        |
| 4.5       | Realisation of Units                                | 65        |
| 4.6       | Transfers   | 68        |
| 4.7       | Switching between funds                             | 68        |
| 4.8       | Fax or Electronic Instructions                      | 69        |
| 4.9       | Suspension of the Determination of Net Asset Value  | 70        |
| 4.10      | Calculation and Publication of Net Asset Value      | 71        |
| 4.11      | Form of Units                                       | 75        |
| <b>5.</b> | <b>TAXATION</b>                                     | <b>76</b> |
| 5.1       | Cayman Islands                                      | 76        |
| 5.2       | Hong Kong   | 76        |
| 5.3       | Taiwan  | 77        |
| 5.4       | Automatic Exchange of Financial Account Information | 78        |
| <b>6.</b> | <b>FEES AND EXPENSES</b>                            | <b>80</b> |
| 6.1       | Preliminary and Realisation Charges                 | 80        |
| 6.2       | Trustee Fees  | 80        |
| 6.3       | Management Fee                                      | 81        |
| 6.4       | Performance Fee                                     | 81        |
| 6.5       | Distributor Fees                                    | 85        |
| 6.6       | Other Expenses                                      | 86        |
| <b>7.</b> | <b>GENERAL INFORMATION</b>                          | <b>87</b> |
| 7.1       | Distribution Policy                                 | 87        |
| 7.2       | Trust Deed  | 88        |
| 7.3       | Financial reports and Statements                    | 88        |
| 7.4       | Duration and Termination of the Trust               | 89        |
| 7.5       | Conflicts of Interest                               | 90        |
| 7.6       | Restrictions on Unitholders                         | 94        |

VALUE PARTNERS TAIWAN FUND  
(A Cayman Islands Unit Trust)

|      |  |     |
|------|--|-----|
| 7.7  | Voting Rights  | 95  |
| 7.8  | Anti-Money Laundering Regulations                                | 96  |
| 7.9  | Regulation of the Trust in the Cayman Islands                    | 98  |
| 7.10 | Sanctions  | 99  |
| 7.11 | Material Agreements  | 100 |
| 7.12 | Market Timing  | 100 |
| 7.13 | Certification for Compliance with FATCA or Other Applicable Laws | 101 |
| 7.14 | Power to Disclose Information to Authorities                     | 102 |
| 7.15 | Requests for Information   | 102 |
| 7.16 | Personal Data  | 102 |
| 7.17 | Cayman Islands Data Protection                                   | 103 |

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

**Important: If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional advice.**

The information contained in this Explanatory Memorandum has been prepared to assist potential investors in making an informed decision in relation to investing in the Trust. It contains important facts about the Trust whose units are offered in accordance with this Explanatory Memorandum. A product key facts statement which contains the key features and risks of the Trust is also issued by the Manager and such product key facts statement shall form part of this Explanatory Memorandum, and shall be read in conjunction with this Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. The Manager also confirms that this Explanatory Memorandum includes particulars given in compliance with the Code on Unit Trusts and Mutual Funds and the “Overarching Principles” of the SFC Handbook for the Unit Trusts and Mutual Funds, Investment-Linked Assurances Schemes and Unlisted Structured Investment Products for the purposes of giving information with regard to the units of the Trust. Unless otherwise indicated herein, the opinions expressed in this Explanatory Memorandum are only those of the Manager.

Value Partners Taiwan Fund is an open-ended unit trust constituted under the laws of Cayman Islands by a trust deed dated 30 January 2008, as amended from time to time (the “**Trust Deed**”) entered into between the Trustee and the Manager. The Trust has been registered as a regulated mutual fund with the Cayman Islands Monetary Authority (the “**Monetary Authority**”) under the Mutual Funds Law (as amended from time to time) of the Cayman Islands (the “**Mutual Funds Law**”).

The Trust has been authorised by the Securities and Futures Commission in Hong Kong under Section 104 of the Hong Kong Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Trust nor does it guarantee the commercial merits of the Trust or its performance. It does not mean the Trust is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

## **Selling Restrictions**

This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Persons interested in acquiring Units in the Trust should inform themselves as to:

- (i) the legal requirements within the jurisdictions of their nationality, residence, ordinary residence or domicile for such acquisition;
- (ii) any foreign exchange restrictions or exchange control requirements which they might encounter on the acquisition or sale of Units; and
- (iii) any taxation consequences which might be relevant to the acquisition, holding or disposal of Units.

Distribution of this Explanatory Memorandum is not authorised unless it is accompanied by a copy of the latest published annual report of the Trust and, if later, a copy of its most recent interim report, each of which will be deemed to form part of this Explanatory Memorandum.

The Units of the Trust are offered on the basis of the information and representations contained in this Explanatory Memorandum and any accompanying financial information. Any further information given or representations made by any dealer, salesman or other person must not be relied upon as being authorised by the Trustee or the Manager. No person has been authorised to give any information or to make any representation other than those contained in this Explanatory Memorandum and in the documents mentioned in it. Neither the delivery of this Explanatory Memorandum nor the issue of Units will under any circumstances create any implication that there has been no change in the affairs of the Trust since the date of this Explanatory Memorandum.

### ***Cayman Islands***

This Explanatory Memorandum does not constitute, and will not be construed as, an offer or invitation to members of the public in the Cayman Islands to subscribe for Units in the Trust. No offer or invitation to subscribe for Units may be made to the public in the Cayman Islands.

### ***Taiwan***

The Units are not permitted to be offered or sold in Taiwan.

### ***United States of America***

The offering of Units is being made outside the United States in accordance with Regulation S under the Securities Act. In this Explanatory Memorandum, the expressions “U.S. Person” and “United States” shall have the meanings given in Regulation S under the Securities Act.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

The Trust is not and will not be registered under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”), and the Units are being placed in a manner designed to preclude the Trust from having to register thereunder. The Trust reserves the right to refuse to permit a transfer of the Units to U.S. Persons or to repurchase or require the sale to non-U.S. Persons of the Units held by U.S. Persons in circumstances where such transfer or ownership might require the Trust to be registered under the Investment Company Act. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or under the securities laws of any state or other political subdivision of the United States, and are not being offered in the United States, nor may they be directly or indirectly offered, sold, transferred or delivered in the United States or areas subject to its jurisdiction or to or for the benefit of nationals or residents thereof or persons who are normally resident therein (including the estate of such person and corporations or partnerships created or organised therein) (“**U.S. Persons**”), except pursuant to an exemption available under the Securities Act.

Neither the United States Securities and Exchange Commission nor any other regulatory agency in the United States or any State has passed upon the Units or the adequacy or accuracy of this Explanatory Memorandum.

Purchasers and subscribers of Units will be required to give certificates as to, among other things, their status as U.S. Persons and to give undertakings as to the persons and manner in which they may sell or transfer their interests.

The Manager is exempt from registration with the United States Commodity Futures Trading Commission (“**CFTC**”), and is not registered with the U.S. CFTC as a commodity pool operator (“**CPO**”), in respect of the Trust pursuant to an exemption under U.S. CFTC rule 4.13(a)(3) and the Manager is not registered with the CFTC as a commodity trading adviser (“**CTA**”) pursuant to rule 4.14(a)(8) for pools (a) whose interests are exempt from registration under the Securities Act and are offered and sold without marketing to the public in the United States, (b) whose participants are limited to certain qualified eligible persons including Qualified Purchasers and Accredited Investors and (c) satisfy the other criteria in CFTC Rule 4.14(a)(8). To maintain the exemptions provided by CFTC Rule 4.13(a)(3), the Manager will not (x) commit more than 5% of the Trust’s liquidation value, taking into account unrealised profits or loss on such positions to establish commodity interest positions or (y) permit the net notional value of the Trust’s commodity interests positions to exceed 100% of the Trust’s liquidation value, taking into account unrealised profits or loss on such positions. Therefore, unlike a commodity pool operated by a registered CPO, there is no obligation imposed by the CFTC on the Manager to deliver a disclosure document (as defined in the CFTC Rules) or a certified annual report to investors. The CFTC does not pass upon the merits of participating in a pool or upon the adequacy or accuracy of an offering memorandum. Consequently, the CFTC has not reviewed or approved this offering or this Explanatory Memorandum.

**The attention of all prospective investors is drawn to section headed “Restrictions on Unitholders” and the compulsory realisation powers of the Manager referred to therein.**

Each prospective investor should carefully review the summary statements on tax matters under the section headed “Taxation” and is advised to consult its own tax adviser as to the tax consequences of an investment in the Trust. These summary statements are based on advice received by the Trust, but, as individual investors may be affected differently in different situations, these statements are necessarily general in nature and are not definitive of any particular investor’s tax position in relation to the Trust. The Manager strongly recommends that prospective investors consult their own professional advisers in respect of the tax implications of holding the Units. The Trust, the Manager and other parties involved in this offering do not accept any responsibility for any adverse tax liabilities which may accrue to holders of the Units as a result of this offering. The attention of investors is also drawn to the section headed “Risk Factors”.

**Prospective investors should also inform themselves as to: (a) the legal requirements within their own countries for the subscription of or purchase or holding of the Units; and (b) any foreign exchange restrictions which may be relevant to them personally. The attention of investors is drawn to the section headed “Risk Factors”.**

**It should be appreciated that the value of the Units and the income, if any, from them may fall as well as rise and that, accordingly, the amount realised by an investor on the realisation of Units may be less than the original investment made. It should also be appreciated that changes in the rates of exchange between currencies may cause the value of Units to diminish or increase in terms of the currencies of the countries in which the Unitholder may be located.**

### **Enquiries or complaints**

Investors may contact the Fund Investor Services team of the Manager for any queries or complaints in relation to the Trust by writing to the Manager’s address at 43rd Floor, The Center, 99 Queen’s Road Central, Hong Kong, or by telephone at (852) 2143 0688. The Manager will respond to the enquiry or complaint as soon as practicable.

**January 2020**

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## DIRECTORY

### Manager

#### **Value Partners Hong Kong Limited**

*Registered and Business Address:*

43rd Floor, The Center  
99 Queen's Road Central  
Hong Kong  
Telephone: (852) 2880 9263  
Fax: (852) 2565 7975  
Website: [www.valuepartners-group.com](http://www.valuepartners-group.com)\*

### Trustee, Registrar and Administrator

#### **HSBC Trustee (Cayman) Limited**

*Principal address:*

Strathvale House,  
90 North Church Street,  
George Town,  
Grand Cayman,  
Cayman Islands

*Registered address:*

P.O. Box 309,  
Ugland House,  
Grand Cayman, KY1-1104,  
Cayman Islands

### Custodian and Registrar's Agent

#### **HSBC Institutional Trust Services (Asia) Limited**

1 Queen's Road Central  
Hong Kong  
Facsimile: (852) 3409 2687 (Dealing & Enquiries)  
(852) 3409 2693 (Enquiries)  
Attention: Transfer Agency (Alternative Product)

### Auditor

#### **PricewaterhouseCoopers**

P.O. Box 258 GT  
Strathvale House  
South Church Street  
George Town  
Grand Cayman KY1-1104  
Cayman Islands  
British West Indies

---

\* This website has not been reviewed or authorised by the SFC.

**Legal Advisers**

*To the Manager with respect to Taiwan law*

**Russin & Vecchi**

Bank Tower, 9th Floor  
205 Tun Hwa North Road  
Taipei, Taiwan, R.O.C.

*To the Manager with respect to Hong Kong law*

**Deacons**

5/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

*To the Manager with respect to Cayman Islands law*

**Maples and Calder**

PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## DEFINITIONS

*In this Explanatory Memorandum, unless the context otherwise requires, the following expressions have the meanings set out below.*

|                     |   |
|---------------------|---|
| “Accounting Date”   | 30 June in each year, or such other day as may from time to time be determined by the Manager with the approval of the Trustee (not to be unreasonably withheld)  |
| “Accounting Period” | (a) the period commencing on the date of the Trust Deed and ending on the first Accounting Date; and<br><br>(b) each period commencing on the date immediately after an Accounting Date and ending on the following Accounting Date   |
| “Administrator”     | HSBC Trustee (Cayman) Limited or its successors   |
| “Business Day”      | a day (other than a Saturday and Sunday) on which banks in Hong Kong and Taiwan are open for general business provided that, where as a result of a Number 8 Typhoon Signal being hoisted or a Black Rainstorm warning being issued or other similar event, the period during which banks in Hong Kong or Taiwan are open on any day is reduced, such day shall not be a Business Day unless the Manager, with the consent of the Trustee, otherwise determines or such other day or days as may be determined by the Manager from time to time with the consent of the Trustee |
| “Class”             | any one of the classes of Units which may be issued in respect of the Trust pursuant to the Trust Deed  |
| “Code”              | means the Code on Unit Trusts and Mutual Funds issued by the SFC  |

“Connected Person”

in relation to the Manager, the Trustee, the Successor Trustee, or any person appointed as an Investment Delegate to the Manager or any person appointed as the distribution company for Units (for the purpose of this definition, referred to individually as a “Principal” and collectively as the “Principals”) means:-

- (a) any person or company (i) beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of any Principal or (ii) able to exercise, directly or indirectly, 20% or more of the total voting rights attributable to the voting share capital of any Principal;
- (b) any company controlled by any person within (a) above, for which purpose “control” of a company means:-
  - (i) control (either direct or indirect) of the composition of the board of directors of that company;
  - (ii) control (either direct or indirect) of more than half the voting rights attributable to the voting share capital of that company; or
  - (iii) the holding (either directly or indirectly) of more than half of the issued share capital of that company (excluding any part of it which confers no right to participate beyond a specified amount in a distribution of either profits or capital),

provided always that if the Trustee and the Manager agree some other meaning for the expression “control”, such meaning shall be substituted for the meaning set out in this paragraph;

- (c) any member of the group of which any Principal forms part; or
- (d) any director or other officer of any Principal or of any company which is a Connected Person pursuant to (a), (b) or (c) above

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

|                            |  |
|----------------------------|--|
| “Custodian”                | HSBC Institutional Trust Services (Asia) Limited or its successors   |
| “Dealing Day”              | the Business Day immediately following the end of a Dealing Period   |
| “Dealing Period”           | with respect to each place at which applications for the subscription, realisation or conversion of Units may be submitted, such period of time as may be determined by the Manager from time to time to be the period within which such applications may be received in that jurisdiction in order to be dealt with at the Issue Price or Realisation Price (as the case may be) determined by reference to a particular Valuation Day in accordance with the Trust Deed  |
| “Director(s)”              | the director(s) of the Manager   |
| “Distribution Account”     | the bank account or account(s) (if any) opened by the Trustee in accordance with the Trust Deed  |
| “Distribution Date”        | a date as defined in section headed “Distribution Policy” below  |
| “Extraordinary Resolution” | either: <ul style="list-style-type: none"><li>(a) a resolution proposed as such at a meeting of Unitholders in a particular Class, or (as the case may be) at a meeting of all the Unitholders, duly convened and held in accordance with the Trust Deed and passed as such by a majority consisting of 75% or more of the total number of votes cast for and against such resolution; or</li><li>(b) a resolution in writing signed by all the Unitholders for the time being in issue in a particular Class, or (as the case may be) of Units for the time being in issue in all the Classes</li></ul> |

|  |  |
|--|--|
| “entities within the same group”         | means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards  |
| “Government and other public securities” | has the meaning as set out in the Code which, at the date of the main body of this Explanatory Memorandum, means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies |
| “Greater China Region”                   | the PRC, and includes Hong Kong, Macau and Taiwan  |
| “Hong Kong”                              | the Hong Kong Special Administrative Region of the PRC   |
| “Hong Kong dollars” or “HK\$”            | the lawful currency for the time being and from time to time of Hong Kong  |
| “Hong Kong Stock Exchange”               | the Stock Exchange of Hong Kong Limited  |
| “IFRS”                                   | International Financial Reporting Standards  |
| “Investment Company Act”                 | the United States Investment Company Act of 1940, as amended   |
| “Investment Delegate”                    | means an entity that has been delegated the investment management function of all or part of the assets of the Trust   |
| “IRS”                                    | the United States Internal Revenue Service;  |
| “IRS Code”                               | the United States Internal Revenue Code of 1986, as amended;   |
| “Issue Price”                            | in respect of each Class, the price at which Units in that Class may be issued, determined in accordance with the Trust Deed   |
| “Macau”                                  | the Macau Special Administrative Region of the PRC   |

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

|                       |  |
|-----------------------|--|
| “Manager”             | Value Partners Hong Kong Limited or its successors   |
| “Monetary Authority”  | the Cayman Islands Monetary Authority  |
| “Mutual Funds Law”    | the Mutual Funds Law (2019 Revision), as amended from time to time   |
| “Net Asset Value”     | the net asset value of the Trust or, as the context may require, in respect of a Class, the net asset value of a Unit, calculated pursuant to the Trust Deed   |
| Non-Qualified Person” | <p>(a) any individual under the age of 18; or</p> <p>(b) any person in breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which in the opinion of the Manager might result in the Trust suffering any hardship which the Trust might not otherwise have suffered; or</p> <p>(c) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which in the opinion of the Manager might result in the Trust Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Trust or other Unitholder might not otherwise have incurred or suffered; or</p> <p>(d) any person who is resident or domiciled in the Cayman Islands (other than an exempted company or an ordinary non-resident company); or</p> <p>(e) PRC nationals or residents or entities incorporated, established or formed in the PRC; or</p> |

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (f) any person in breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including, but not limited to, the issue of any warranty or supporting document required to be given to the Registrar or the Manager; or
- (g) U.S. Person; unless accepted by the Manager; or
- (h) any Restricted Person; or
- (i) such other Non-Qualified Persons as may be determined by the Manager from time to time

|                                 |   |
|---------------------------------|---|
| “Performance Fee Valuation Day” | the last Valuation Day of each Accounting Period or such other Business Day or Business Days as may from time to time be determined by the Manager with the approval of the Trustee (not to be unreasonably withheld) |
| “PRC”                           | the People’s Republic of China (excludes Taiwan, Macau and Hong Kong)   |
| “Preliminary Charge”            | the charge (or an amount equivalent thereto) which may be made by the Manager pursuant to the Trust Deed upon the issue of Units  |
| “Principal Office”              | HSBC Trustee (Cayman) Limited or its successors   |
| “Realisation Charge”            | the charge (or an amount equivalent thereto) which may be made by the Manager pursuant to the Trust Deed upon the realisation upon the request of a Unitholder other than the Manager                                 |
| “Realisation Price”             | in respect of any Class, the price at which Units in that Class shall be realised, determined in accordance with the Trust Deed   |
| “Register”                      | the register of Unitholders to be kept in accordance with the Trust Deed  |

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

|                                     |  |
|-------------------------------------|--|
| “Registrar”                         | HSBC Trustee (Cayman) Limited or its successors  |
| “Registrar’s Agent”                 | HSBC Institutional Trust Services (Asia) Limited or its successors   |
| “Regulation S”                      | Regulation S under the Securities Act  |
| “REITs”                             | means real estate investment trusts  |
| “Restricted Person”                 | has the meaning given to it under the Rule and any account in which a Restricted Person has a “beneficial interest” (as such term is defined in the Rule)  |
| “reverse repurchase transactions”   | means transactions whereby the Trust purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future                   |
| “sale and repurchase transactions”  | means transactions whereby the Trust sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future |
| “Securities Act”                    | United States Securities Act of 1933, as amended   |
| “Securities and Futures Ordinance”  | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified, re-enacted or replaced from time to time  |
| “securities financing transactions” | means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions   |
| “securities lending transactions”   | means transactions whereby the Trust lends its securities to a security-borrowing counterparty for an agreed fee   |
| “SFC”                               | the Securities and Futures Commission of Hong Kong   |

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

|                                     |   |
|-------------------------------------|---|
| “substantial financial institution” | means an authorised institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HKD2 billion or its equivalent in foreign currency                         |
| “Successor Trustee”                 | the person or persons for the time being duly appointed successor trustee or trustees under the Trust Deed  |
| “Taiwan”                            | Taiwan, the Republic of China   |
| “Trust”                             | the unit trust constituted by the Trust Deed and to be called Value Partners Taiwan Fund or such other name as the Trustee and the Manager may from time to time determine  |
| “Trust Deed”                        | the trust deed dated 30 January 2008, as amended and/or restated and/or supplemented from time to time, entered into between the Trustee and the Manager  |
| “Trust Fund”                        | the sum of US\$10 initially declared by the Trustee to be held upon the trusts hereof together with all the property for the time being held or deemed to be held upon the trusts pursuant and subject to the terms and provisions of the Trust Deed, except any amount for the time being standing to the credit of any Distribution Account |
| “Trustee”                           | HSBC Trustee (Cayman) Limited or its successors   |
| “Trustee Ordinance”                 | the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), as amended, modified, re-enacted or replaced from time to time   |
| “Unit”                              | a unit in a Class representing a certain number or fraction (including irregular fractions) of undivided shares in the Trust which number shall be capable of variation (as between the Classes) in accordance with the Trust Deed  |



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

|                           |   |
|---------------------------|---|
| “United Kingdom”          | United Kingdom of Great Britain and Northern Ireland  |
| “United States” or “U.S.” | the United States of America, as defined in Regulation S  |
| “Unitholder”              | the person for the time being entered on the Register as the holder of Units (including fractions of Units) including, where the context so admits, persons jointly so registered   |
| “US dollars” or “US\$”    | the lawful currency for the time being and from time to time of the United States   |
| “US IGA”                  | the intergovernmental agreement between the United States and the Cayman Islands to improve international tax compliance and the exchange of information  |
| “U.S. Person”             | has the meaning given to it in Regulation S   |
| “Valuation Day”           | currently means every Business Day and/or such other day or days as the Manager may from time to time determine to be a valuation day with the approval of the Trustee and one month’s prior written notice to Unitholders (in the event the Trust is authorised pursuant to Section 104 of the Securities and Futures Ordinance) |

## 1. MANAGEMENT AND ADMINISTRATION

### 1.1 Manager

The Manager was incorporated in Hong Kong on 10 May 1999 and commenced its current operations in January 2008. It is dedicated to the philosophy of investing in “value” securities and concentrates its investment expertise in Asian markets, particularly the Greater China region. Using a disciplined, bottom-up approach, the Manager applies fundamental analysis to seek under-valued positions.

Value Partners Hong Kong Limited is licensed by the SFC for type 1 (dealing in securities), type 2 (dealing with futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance with CE number AFJ002. The contact details of the SFC are set out below:

35/F, Cheung Kong Center,  
2 Queen’s Road Central,  
Hong Kong

The Manager may, at its discretion and subject to the prior approval of the SFC, appoint one or more Investment Delegates, investment advisers and other agents to manage and invest the Trust on a discretionary basis.

The Directors of the Manager are:

***Dato’ Seri CHEAH Cheng Hye***

Dato’ Seri CHEAH Cheng Hye is Co-Chairman and Co-Chief Investment Officer (“Co-CIO”) of Value Partners Group Limited (“Value Partners”). He is in charge of Value Partners’ fund management and investment research, business operations, product development and corporate management. He sets Value Partners’ overall business and portfolio strategy.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Dato' Seri CHEAH has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm's funds and business operation. He led Value Partners to a successful listing on the Main Board of The Hong Kong Stock Exchange in 2007. The firm became the first asset management company listed in Hong Kong. Dato' Seri CHEAH has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards – a total of more than 200 professional awards and prizes since the firm's inception in 1993.

Dato' Seri CHEAH currently serves as an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited (“**HKEX**”), a member of The Hong Kong University of Science and Technology (“**HKUST**”) Business School Advisory Council, as well as Co-Chairman of The Malaysian Chamber of Commerce (Hong Kong and Macau). He was previously a member of the Financial Services Development Council (“**FSDC**”) (from February 2015 to January 2019), and a member of the New Business Committee of FSDC (from 2013 to 2018). FSDC is a high-level, cross-sector advisory body established by the Hong Kong Special Administrative Region Government.

In August 2016, Dato' Seri CHEAH was conferred Darjah Gemilang Pangkuan Negeri (“**DGPN**”), one of the highest civil honours granted by the state of Penang in Malaysia to recognize exceptional individuals. The DGPN award comes with the title of “Dato' Seri”. In 2013, he was conferred Darjah Setia Pangkuan Negeri (“**DSPN**”) with the title of “Dato' ”. In the same year, he was named an Honorary Fellow of the HKUST for outstanding achievements.

Dato' Seri CHEAH was named “Outstanding Manager of the Year – Greater China equity category” in the Fund of the Year Awards 2017 by Benchmark, and the co-winner of “CIO of the Year in Asia” along with Mr. Louis SO in the 2011 Best of the Best Awards by Asia Asset Management. In 2010, he was named by AsianInvestor as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by AsianInvestor as one of the 25 Most Influential People in Asian Asset Management. He was also named “Capital Markets Person of the Year” by FinanceAsia in 2007, and in 2003, he was voted the “Most Astute Investor” in the Asset Benchmark Survey.

Prior to starting Value Partners, Dato' Seri CHEAH worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the company's Hong Kong/China equities research department as the Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the Asian Wall Street Journal and Far Eastern Economic Review, where he reported on business and financial news across East and Southeast Asia markets. Dato' Seri CHEAH served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading microfinance company (a subsidiary of Public Bank Malaysia renamed from 2006 as Public Financial Holdings).

***SO Chun Ki Louis***

Mr. Louis SO is Co-Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners. He works closely with Dato' Seri CHEAH Cheng Hye on all aspects of providing leadership to Value Partners, including overseeing all group affairs and activities, daily operations and management of the firm's investment management team. Mr. SO holds a leadership role in Value Partners' investment process, including a high degree of responsibility over portfolio management.

Mr. SO has 20 years of experience in the financial industry, with a solid track record in research and portfolio management. He joined Value Partners in May 1999 and was promoted to take up various research and fund management roles since then. He was appointed Co-Chairman of Value Partners with effect from 26 April 2019. His extensive management capability and on-the-ground experience helped the group establish an unparalleled research and investment team.

Mr. SO was named "Outstanding Manager of the Year – Greater China equity category" in the Fund of the Year Awards 2017 by Benchmark. In the 2011 Best of the Best Awards by Asia Asset Management, he was the co-winner of "CIO of the Year in Asia" award alongside Dato' Seri CHEAH Cheng Hye.

Mr. SO graduated from the University of Auckland in New Zealand with a Bachelor's degree in Commerce and obtained a Master's degree in Commerce from the University of New South Wales in Australia.

***HO Man Kei, Norman***

Mr. Norman HO is a Senior Investment Director of Value Partners, where he is a leader in Value Partners' investment process, with a high degree of responsibility over portfolio management. Mr. HO is a member of the Board of Directors of Value Partners Group, and is also a director of certain subsidiaries of the Group.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Mr. HO has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr. HO joined Value Partners in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively. Prior to joining Value Partners, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

## 1.2 Trustee, Registrar, Administrator and Custodian and Registrar's Agent

### *The Trustee*

**HSBC Trustee (Cayman) Limited** was incorporated in the Cayman Islands on 10 November 1981 and is regulated by the Cayman Islands Monetary Authority. It is licensed as an unrestricted trust company under the Banks and Trust Companies Law (2018 Revision) of the Cayman Islands, as well as being licensed as a mutual fund administrator under the Mutual Funds Law.

**HSBC Institutional Trust Services (Asia) Limited** was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong. Both HSBC Trustee (Cayman) Limited and HSBC Institutional Trust Services (Asia) Limited are indirect wholly-owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisations in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

Under the terms of the Trust Deed, the Trustee is responsible for the safe keeping of the assets of the Trust, and must take into its custody or under its control all the investments, cash and other properties of the Trust and hold them in trust for the Unitholders in accordance with the provisions of the Trust Deed. All such investments, monies and other properties from time to time comprised in the assets of the Trust (and whether in bearer or registered form) shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping of such Investments, monies and other properties. Subject as otherwise provided in the Trust Deed, the Trustee, to the extent permitted by law, shall register all cash and registrable assets from time to time comprised in the assets of the Trust in the name of or to the order of the Trustee. The Trustee shall in respect of any Investments or other properties of the Trust which by nature cannot be held in custody, maintain a proper record of such Investments or properties in its books under the name of the Trust.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, itself or the Successor Trustee or any Connected Person) as custodian or co-custodian of the investments comprised in the Trust Fund and may empower any such custodian or co-custodian to appoint, with the prior consent in writing of the Trustee, sub-custodians on such terms as may be agreed between the parties which shall comply with the requirements (if any) of any regulatory authority having jurisdiction over the Trust.

The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any agent, nominee, delegate, custodian, co custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments or other properties of the Trust (each a “Correspondent”) and (b) be satisfied that such Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Trust. The Trustee shall remain liable for any act or omission of any Correspondent that is a Connected Person of the Trustee in relation to assets forming part of the property of the Trust as if the same were the act or omission of the Trustee, but, provided that if the Trustee has discharged its obligation set out in (a) and (b) above in this paragraph, the Trustee shall not be liable to any acts or omissions of any Correspondent that is not a Connected Person of the Trustee.

The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed. For its services, the Trustee is entitled to the fees set out below under the section headed “Fees and Expenses”.

Nothing in any of the provisions of the Trust Deed may provide that the Trustee or the Manager (as the case may be) can be exempted from any liability to Unitholders imposed under the laws of Hong Kong and/or the laws of Cayman Islands or breaches of trust through fraud and negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders’ expense. The Trustee shall however not be under any liability except such liability as may be expressly imposed by the Trust Deed, nor shall it (save as the Trust Deed otherwise appears) be liable for any act or omission of the Manager. Subject as provided in the Trust Deed, the Trustee shall be entitled for the purpose of indemnity against any action, costs, claims, damages, expenses or demands (other than those arising out of any liability or obligation to the Unitholders imposed on the Trustee pursuant to the laws of the Cayman Islands or the Trust Deed) to which it may be put as Trustee to have recourse to the Trust Fund or any part thereof.

The Trustee is a service provider to the Trust and is not responsible for the preparation of this document or for the activities of the Trust and therefore accepts no responsibility for any information contained in this document.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## **1.3 Auditor**

PricewaterhouseCoopers has been retained as the independent auditors of the Trust and will file the Trust's audited accounts with the Cayman Islands Monetary Authority. The terms of engagement of the auditors provide that, except where finally determined to have resulted from the wilful or intentional neglect or misconduct or fraudulent behaviour of the auditors, the auditors' maximum liability to the Trust for any reason relating to their services is limited to three times the fees paid by the Trust to the auditors for the services or work product giving rise to liability.

## 2. INFORMATION ON THE TRUST

**All information on the Trust herein is subject to any further information, terms, conditions and restrictions as set out in any Addenda to this Explanatory Memorandum relating to each Class of Units or any other aspect of the Trust. Unless otherwise provided, words and expressions defined in the Trust Deed shall (where the context so requires or admits) have the same respective meanings in this Explanatory Memorandum.**

### 2.1 Trust Structure

The Trust is an open-ended unit trust established under the laws of the Cayman Islands in the name of Value Partners Taiwan Fund pursuant to the Trust Deed. The Trust may offer Units to investors on a continuing basis at the Issue Price of the relevant Class of Units of the Trust. Units may be issued in different Classes. Each Class of Units may be subject to different terms, including but not limited to, the amount of minimum subscription, the minimum holding, the charges payable on subscription, realisation or conversion of Units, the fees payable to the various service providers of the Trust, and the distributions and other benefits (if any) payable to Unitholders. Except as otherwise provided for in this Explanatory Memorandum or in the Trust Deed, Unitholders have the right to have their Units realised at the Realisation Price of the relevant Class of Units.

The Trust will initially offer one Class of Units. Units in additional new Classes may be offered for investment from time to time and prospective investors should check with the Manager as to which Classes are currently available for investment.

### 2.2 Investment Objective and Policy

The Trust aims to achieve long term capital growth through primarily (i.e. not less than 70% of the Trust's Net Asset Value investing in equity and equity linked securities of companies that are listed on (a) the Taiwan Stock Exchange; or (b) the GRE Tai Securities Market; or (c) any stock exchange but which have their main operations or majority of assets in or derive the majority of their income from Taiwan. This includes companies incorporated and/or quoted outside Taiwan.

Equity and equity linked securities of companies that the Trust may invest in include but are not limited to listed equities, depositary receipts, REITs and Exchange Traded Funds ("ETFs"). The Trust may invest less than 30% of its Net Asset Value in each of the following types of securities, namely REITs and ETFs, in accordance with the requirements under the Code.



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

When investing the assets of the Trust, the Manager does not intend to have an investment focus in terms of sector or industry. Also, the Trust may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate.

In addition to the aforementioned investments, 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. The Manager may also invest in collective investment schemes (including units in unit trusts, shares in mutual fund corporations and interests in other collective investment schemes offered by the Manager, its Investment Delegate (if any) or any of their Connected Persons) and debt securities (including but not limited to convertible debt securities and commercial loans) – however, the Trust's exposure to each of these types of investments will be less than 30% of its Net Asset Value. Further, the Trust will not invest more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade. The Manager may also place a substantial portion of the portfolio in cash or cash equivalents, any of which uninvested may be invested into money market funds. Under exceptional circumstances (e.g. market crash or major crisis), the Trust may be invested temporarily up to 100% in liquid assets such as deposits, treasury bills, certificates of deposit, short-term commercial papers for cash flow management.

The Trust may also invest up to 10% of its Net Asset Value in China A-Shares directly through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect or indirectly via China A-Share access products (“CAAPs”) (i.e. participatory notes).

The Trust may invest in commodity-based investments, financial derivative instruments (“FDIs”) such as futures, forwards, swaps, options, warrants and any other financial instruments for hedging or investment purposes to the extent permitted by the Code and the provisions set out under the section headed “Investment and Borrowing Restrictions and Prohibitions” in the Explanatory Memorandum.

Currently, the Trust does not invest in collateralized and/or securitized products such as asset backed securities, nor does the Trust intend to engage in sale and repurchase transactions and reverse repurchase transactions. However, the Trust may enter into securities lending transactions provided that the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Trust does not exceed 10% of its latest available Net Asset Value.

The Manager believes that the investment policy will be effective but there is no guarantee that the Trust's investment objective will be achieved. Investors should understand that all investment carries risk. **The value of Units and the income from them, if any, may fall as well as rise and investors might not get back the amount originally invested.** Investors are also reminded that in certain circumstances described in section headed "Suspension of the Determination of Net Asset Value", dealing in the Units may be temporarily suspended.

### *Use of Derivatives / Investment in Derivatives*

The Trust's net derivative exposure may be up to 50% of its Net Asset Value.

## **2.3 Investment and Borrowing Restrictions and Prohibitions**

### *Investment Restrictions*

Unless otherwise approved by the SFC, the following principal investment restrictions apply to the Trust:

- (a) the aggregate value of the Trust's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of the latest available Net Asset Value of the Trust:
  - (1) investments in securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
  
- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of the Trust's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the latest available Net Asset Value of the Trust:
  - (1) investments in securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (c) unless otherwise approved by the SFC, the value of the Trust's cash deposits made with the same entity or entities within the same group may not exceed 20% of the latest available Net Asset Value of the Trust, unless:
- (1) the cash is held before the launch of the Trust and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested, or
  - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of the Trust, whereby the placing of cash deposits with various financial institutions would not be in the best interest of investors; or
  - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of realisation and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests

For the purposes of this paragraph, "cash deposits" generally refers to those that are repayable on demand or have the right to be withdrawn by the Trust and not referable to provision of property or services.

- (d) ordinary shares issued by a single entity held for the account of the Trust may not exceed 10% of the nominal amount of the ordinary shares issued by the same entity;
- (e) not more than 15% of the latest available Net Asset Value of the Trust may be invested in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such securities are regularly traded;
- (f) notwithstanding (a), (b) and (d), not more than 30% of the latest available Net Asset Value of the Trust may be invested in Government and other public securities of the same issue;
- (g) subject to (f), the Trust may fully invest in Government and other public securities in at least six different issues; Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise;

- (h) unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary, the Trust may not invest in physical commodities;
- (i) unless otherwise provided under the Code, the spread requirements under paragraphs (a), (b), (d) and (e) do not apply to investments in other collective investment schemes by the Trust and for the avoidance of doubt, exchange traded funds that are:
- (1) authorised by the SFC under Chapter 8.6 or 8.10 of the Code; or
  - (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and:
    - the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or
    - the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

may either be considered and treated as (i) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in paragraph (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and, unless otherwise specified in this Explanatory Memorandum, investment by the Trust in exchange traded funds is considered and treated as listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above;

- (j) where the Trust invests in shares or units of other collective investment schemes (“underlying schemes”),
- (1) the value of the Trust’s investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC, may not in aggregate exceed 10% of the latest available Net Asset Value of the Trust; and

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (2) The Trust may invest in one or more underlying schemes which are either authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Trust's investment in units or shares in each such underlying scheme may not exceed 30% of the latest available Net Asset Value of the Trust, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Explanatory Memorandum,

provided that in respect of (1) and (2) above:

- (i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, the Trust may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its latest available net asset value, and exchange traded funds satisfying the requirements in paragraph (i) above in compliance with paragraph (j)(1) and (j)(2);
- (ii) where the underlying schemes are managed by the Manager or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;
- (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
- (iv) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme (s) must be waived; and
- (v) the Manager or any person acting on behalf of the Trust or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of a underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;

- (k) in the case of investments in shares in real estate companies and interests in REITs, the Trust shall comply with the requirements under paragraphs (a), (b), (d), (e) and (j)(1) above where applicable. Where investments are made in listed REITs, the requirements under paragraphs (a), (b) and (d) above apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under paragraphs (e) and (j)(1) above apply respectively.
  
- (l) if the name of the Trust indicates a particular objective, investment strategy, geographic region or market, the Trust should, under normal market circumstances, invest at least 70% of its latest available Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Trust represents; and
  
- (m) notwithstanding paragraphs (a), (b), (d) and (e) above, where direct investment by the Trust in a market is not in the best interests of investors, the Trust may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
  - (1) the underlying investments of the subsidiary, together with the direct investments made by the Trust, must in aggregate comply with the requirements of Chapter 7 of the Code;
  - (2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Trust as a result must be clearly disclosed in this Explanatory Memorandum; and
  - (3) the Trust must produce the reports required by Chapter 5.10(b) of the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Trust.

The Trust shall not:

- (A) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively the directors and officers of the Manager own more than 5% of those securities;
  
- (B) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in REITs);

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (C) make short sales if as a result the Trust would be required to deliver securities exceeding 10% of the latest available Net Asset Value of the Trust (and for this purpose (i) securities sold short must be actively traded on a market where short selling is permitted; and (ii) short selling is carried out in accordance with all applicable laws and regulations);
- (D) carry out any naked or uncovered short sale of securities;
- (E) lend or make a loan out of the assets of the Trust, except to the extent that, in either case, the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (F) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;
- (G) enter into any obligation in respect of the Trust or acquire any asset or engage in any transaction for the account of the Trust which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders must be limited to their investments in the Trust; or
- (H) apply any part of the Trust in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of the Trust whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapter 7.29 and 7.30 of the Code.

## ***Borrowing restrictions***

The maximum borrowing of the Trust shall not exceed 10% of its latest available Net Asset Value. Where the Manager so determines, the Trust's permitted borrowing level may be a lower percentage. In determining for the purpose of these borrowing limits, back-to-back loans do not count as borrowing. The assets of the Trust may be charged or pledged as security for any such borrowings in accordance with the provisions of the Trust Deed.

For the avoidance of doubt, securities lending transactions and sale and repurchase transactions (subject to section “2.2 Investment Objective and Policy” above), in compliance with the requirements set out in the section headed “Securities financing transactions” are not subject to the limitations in this section.

***Financial derivative instruments***

Subject always to the provisions of the Trust Deed, the Code, and section “2.2 Investment Objective and Policy” above, the Manager may on behalf of the Trust enter into any transactions in relation to swaps or other FDIs, for hedging or non-hedging (investment) purposes:

*Hedging purposes*

The Trust may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purposes if they meet all of the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss of risks arising from the investments being hedged;
- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned with due consideration on the fees, expenses and costs, to enable the Trust to meet its hedging objective in stressed or extreme market conditions.

*Non-hedging (investment) purposes*

The Trust may acquire FDIs for non-hedging purposes (“investment purposes”), subject to the limit that the Trust’s net exposure relating to these FDIs (“net derivative exposure”) does not exceed 50% of its latest available Net Asset Value, provided that this limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. In this regard:



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by the Trust for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) for the avoidance of doubt, FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

## *Restrictions applicable to FDIs*

The FDIs invested by the Trust shall be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies or other asset classes acceptable to the SFC, in which the Trust may invest according to its investment objectives and policies;
- (b) where the Trust invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions set out in paragraphs (a), (b), (c) and (f) of the section headed “Investment Restrictions” above provided that the index is in compliance with the relevant requirements under Chapter 8.6 of the Code;
- (c) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;

- (d) subject to paragraphs (a) and (b) under the section entitled “Investment Restrictions” above, the Trust’s net counterparty exposure to a single entity arising from transactions of the over-the-counter FDI’s may not exceed 10% of the latest available Net Asset Value of the Trust, provided that the exposure of the Trust to a counterparty of over-the-counter FDI’s may be lowered by the collateral received (if applicable) by the Trust and shall be calculated with reference to the value of collateral and positive marked-to-market value of the over-the-counter FDI’s with that counterparty, if applicable; and
- (e) the valuation of the FDI’s is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominees, agents or delegates independent of the issuer of the FDI’s through measures such as the establishment of a valuation committee or engagement of third party services. The FDI’s can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Trust. Further, the Administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDI’s on a regular basis.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in paragraphs (a) and (b) under the section entitled “Investment Restrictions” above and paragraph (d) of this section will not apply to FDI’s that are:

- (A) transacted on an exchange where the clearing house performs a central counterparty role; and
- (B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

Subject to the above, the Trust may invest in FDI’s provided that the exposure to the underlying assets of the FDI’s, together with the other investments of the Trust, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in the paragraphs (a), (b), (c), (f), (g), (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j), (k) and (B) under the section entitled “Investment Restrictions” above.

The Trust shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDI’s (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDI’s are adequately covered on an ongoing basis. For such purposes, assets that are used to cover the Trust’s payment and delivery obligations incurred under transactions in FDI’s should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

A transaction in FDIs which gives rise to a future commitment or contingent commitment of the Trust should also be covered as follows:

- (a) in the case of FDIs transactions which will, or may at the discretion of the Trustee or the Manager, be cash settled, the Trust should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- (b) in the case of FDIs transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Trust should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Trust may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation.

In the case of holding alternative assets as cover, the Trust shall apply safeguard measures, such as to apply haircut where appropriate, to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well.

## **2.4 Securities Financing Transactions**

Subject to the section headed "Investment Objective and Policy" above, the Trustee may enter into securities financing transactions, provided that they are in the best interests of Unitholders and the associated risks have been properly mitigated and addressed.

Securities lending transactions will only be entered into:-

- (a) if the Manager is satisfied that the borrower will provide sufficient assets as collateral for the borrowed securities of a value equivalent to or in excess of the borrowed securities and such collateral to be quality, liquid collateral;
- (b) through the agency of a recognised clearing system or a financial institution acceptable to the Manager which engages in this type of transaction;
- (c) the relevant securities lent must be fully paid-up shares listed on any stock exchange, over-the-counter market or other organised securities market that is open to the international public on which such securities are regularly traded; and

- (d) the amount of consideration (including the value of any collateral) given for the relevant securities must exceed the value of such securities at any one time on daily marked to market values.

Further, details of the policy regarding securities financing transactions are as follows:-

- (i) all revenue arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of such transactions, will be credited to the account of the Trust;
- (ii) each counterparty for such transactions (including a borrower for a securities lending transaction) and the issuer of collateral will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision. There is no criteria for country of origin of the counterparty. Each counterparty is expected to be (x) incorporated in countries of high credit quality, (y) have a minimum credit rating of A2/P2 or equivalent assigned by reputable credit rating agencies or in the reasonable opinion of the Manager, or deemed to have an implied rating of A2/P2 or equivalent; alternatively, an unrated counterparty will be acceptable where the Trust is indemnified against losses caused by the counterparty, by an entity which has a minimum credit rating of A2/P2 or equivalent, or (z) be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;
- (iii) the Trust should have at least 100% collateralization in respect of securities financing transactions. The Trustee, upon the instruction of the Manager, will take collateral, which will be cash or liquid securities with value greater than or equal to the value of the securities lent, and the collateral agent (who may be the Trustee or a third party to be appointed by the Trustee at the direction of the Manager or by the Manager directly, as may from time to time be agreed between them) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described below;
- (iv) the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Trust does not exceed 10% of the latest available Net Asset Value of the Trust; and

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (v) no more than 50% of the securities of the same issue, or of the same kind (by value), held in respect of the Trust is the subject of security lending transactions at any one time;
- (vi) the Manager will ensure that it is able to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transactions or terminate such transactions into which it has entered;
- (vii) where any securities lending transaction is arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the securities lending fee will be disclosed in the connected party transaction section of the Trust's annual financial reports).

In particular, The HongKong and Shanghai Banking Corporation Limited, which is a Connected Person of the Trustee, may engage in securities financing transactions with the Trust. In acting as securities lending agent, The HongKong and Shanghai Banking Corporation Limited will receive remuneration for its activities; and

- (viii) custody/safekeeping arrangements, which details are set out in the section entitled "Collateral Valuation and Management Policy" below, are in place in respect of the assets subject to the securities financing transactions.

## ***Collateral Valuation and Management Policy***

The Manager employs a collateral management policy in relation to collateral received in respect of over-the-counter (OTC) FDI transactions and securities financing transactions entered into in respect of the Trust.

The Trust may receive collateral from a counterparty to an OTC FDI transaction or a securities financing transaction, so as to reduce its counterparty risk exposure as set out in paragraph (d) under the section entitled "Restrictions applicable to FDIs" above and paragraph (iii) under the section entitled "Securities Financing Transactions" above, provided that the collateral complies with the requirements set out below:

- Nature and quality of collateral – unless otherwise agreed by the Manager, eligible collateral include:

- o cash, in the same currency denomination as the securities lent, or in Hong Kong or US dollars if the securities lent are denominated in a foreign currency;
- o government or other public securities including debt securities;
- o certificates of deposit;
- o letters of credit which are unconditional and irrevocable and which have a credit rating of A1/P1 or better; and
- o certificates issued by securities exchange clearing systems;
- Selection of counterparties - The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of OTC FDI transactions and securities financing transactions and will be subject to the requirements under paragraph (ii) under the section entitled “Securities Financing Transactions” above. In particular:
  - o the counterparties for OTC FDI transactions will be entities with legal personality typically located in Organisation for Economic Co-operation and Development (OECD) jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority; and
  - o the counterparties for securities financing transactions (including a borrower for a securities lending transaction) will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision;
- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing. Regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- Issuer credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut – a haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. Collateral should be subject to prudent haircut policy, which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets:
  - o the haircut policy takes into account the price volatility of the asset used as collateral and, where appropriate, other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions; and
  - o the haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the Trust. Further details of the applicable haircut arrangement for each asset class is available from the Manager upon request;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and the Trust’s exposure to issuer(s) of the collateral should be taken into account in compliance with the corresponding investment restrictions and limitations set out in the paragraphs (a), (b), (c), (f), (g), (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j), (k) and (B) under the section entitled “Investment Restrictions” above;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;

- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee of the Trust;
- Safe-keeping of collateral and assets subject to securities financing transactions –
  - o any non-cash assets received by the Trust from a counterparty on a title transfer basis (whether in respect of a securities lending transaction or an OTC FDI transaction) shall be held by the Trustee, or a nominee, agent or delegate appointed in relation the assets of the Trust. This is not applicable in the event that there is no title transfer and, in which case, the collateral will be held by a third party custodian which is unrelated to the provider of the collateral; and
  - o assets provided by the Trust on a title transfer basis (in respect of a sale and repurchase transaction) shall no longer belong to the Trust. The counterparty may use those assets at its absolute discretion. Assets provided to a counter party other than on a title transfer basis shall be held by the Trustee or a nominee, agent or delegate appointed in relation the assets of the Trust;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs, or the counterparty of securities financing transactions;
- Re-investment of collateral - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and the following restrictions:
  - o non-cash collateral received may not be sold, re-invested or pledged;
  - o the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.2 (f) and 8.2(n) of the Code;
  - o cash collateral received is not allowed to be further engaged in any securities financing transactions;



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- o when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions; and
- o up to 100% of the cash collateral received by the Trust may be reinvested.

For the purposes of re-investment of cash collateral received, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments will be taken into account;

- Encumbrances - collateral should be free of prior encumbrances; and
- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

The requirements under paragraphs (a) and (b) under the section entitled “Investment Restrictions” above will also apply in the case of the “Diversification” and “Re-investment of collateral” requirements of this section.

A description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Trust (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Trust’s annual and interim reports for the relevant period.

## **2.5 Other Provisions relating to Investment, Borrowing and Security Lending Transactions**

The Manager may also (although it will not be under any obligation to do so), from time to time, formulate such other investment, borrowing and security lending limitations and prohibitions in accordance with the provisions of the Trust Deed.

Any limitation on investment, borrowing or security lending to be measured by reference to the latest available Net Asset Value of the Trust shall be measured by reference to the latest available Net Asset Value of the Trust before the time the relevant investment, borrowing or security lending is made.

If any of the restrictions or limitations set out above is breached in respect of the Trust, the Manager will, as a priority objective, take all necessary steps within a reasonable period of time to remedy such breach, taking due account of the interests of the Unitholders of the Trust.

## **2.6 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 Trust'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.

## **2.7 Liquidity Risk Management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Trust and to ensure that the liquidity profile of the investments of the Trust will facilitate compliance with the Trust's obligation to meet realisation 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 realisations.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the realisation policy, the dealing frequency, the ability to enforce realisation limitations and the fair valuation policies of the Trust. These measures seek to ensure fair treatment and transparency for all investors.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

The liquidity management policy involves monitoring the profile of investments held by the Trust on an on-going basis to ensure that such investments are appropriate to the realisation policy as stated under the section headed “**SUBSCRIPTION AND REALISATION OF UNITS**”, and will facilitate compliance with the Trust’s obligation to meet realisation requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Trust 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 which Unitholders are entitled to realise in any Dealing Period to 10% of the total Net Asset Value of the Trust on the Valuation Day for that Dealing Period (subject to the conditions under the heading entitled “**Realisation of Units**” in the section headed “**SUBSCRIPTION AND REALISATION OF UNITS**”);
- the Manager is entitled to add to the Net Asset Value per Unit, for the account of the Trust, an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Unit) for fiscal and purchase charges incurred or which would be incurred by the Trust in investing subscription monies, but it is not the present intention of the Manager to add any such amount except in the case of applications for an unusually large number of Units where the subscription amount is in excess of US\$2,000,000 (or its equivalent); and
- the Manager is entitled to deduct from the Net Asset Value per Unit for the account of the relevant Class, an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Unit) for fiscal and sale charges incurred or which would be incurred by the Trust in realising assets to provide sufficient realisation proceeds, but it is not the present intention of the Manager to make any deduction except in the case of abnormally large realisations of Units where the realisation proceeds are in excess of US\$2,000,000.

### 3. RISK FACTORS

**Investors should consult their own financial advisers regarding the risks associated with investment in the Trust, the suitability of the Trust as a vehicle to meet their investment requirements, and the amount which they should invest. However, investors should be aware, at the very least, of the following general risk factors (set out solely for their assistance) before deciding whether or not to invest in the Trust:**

#### 3.1 Investment Risk

The Trust is an investment fund. There is no guarantee of the repayment of principal. The Trust's investment portfolio may fall in value due to any of the key risk factors below and you may lose a substantial proportion or all of your investment in the Trust.

There is no guarantee that in any time period, particularly in the short term, the Trust's portfolio will achieve any capital growth or even to maintain its current value. Investors should be aware that the value of Units may fall as well as rise.

Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in the Trust. As a result, each investor should carefully consider whether it can afford to bear the risks of investing in the Trust.

The Trust may invest in companies which are less well-established or in their early stages of development. These companies may often experience significant price volatility and potential lack of liquidity due to low trading volume of their securities.

#### *Risks associated with small/mid-capitalisation companies*

The Trust may invest in stocks of small/mid-capitalisation companies or small and medium sized companies which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalization companies in general. Investing in such stocks can involve greater risk than is customarily associated with investments in larger and more established companies. In particular, smaller companies often have limited product lines, markets and/or financial resources and management may be dependent on a few key individuals.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## **3.2 Active Investment Management**

The Trust will rely upon the Manager in formulating the investment strategies and its performance is largely dependent on the continuation of an agreement with the Manager and the services and skills of their respective officers and employees. The Trust's investments will not track a particular share index or other predetermined benchmarks. Instead, the Trust's assets will be actively managed by the Manager, based on the expertise of individual fund managers, who will have discretion (subject to the Trust's investment restrictions) to invest the Trust's assets in investments that it considers will enable the Trust to achieve its investment objective. There is no guarantee that the Trust's investment objective will be achieved based on the investments selected. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case the insolvency of the Manager, the Trust may not find successor managers quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Trust's performance and investors may lose money in those circumstances.

## **3.3 Risk of Investing In Taiwan / Emerging Market**

The investments of the Trust are subject to risks inherent in all securities (including settlement and counterparty risks). The value of holdings may fall as well as rise. Taiwan is an emerging market. Since emerging markets tend to be more volatile than developed markets, holdings in emerging markets are exposed to higher levels of market risk and general commercial risks. Investing in Taiwan-related companies involves certain increased risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange risks/controls, liquidity, settlement, custody, legal and regulatory risk, and the likelihood of higher degree of volatility.

High market volatility and potential settlement difficulties in the Taiwan market may also result in significant fluctuations in the prices of the securities traded in such market and thereby may adversely affect the value of the Trust.

The Taiwanese stock market has experienced a high degree of stock price volatility in recent years. The liquidity of Taiwanese stocks is inhibited by price constraints imposed by the Taiwan Stock Exchange and smaller market capitalisation and thereby may adversely affect the value of the Trust.

Securities exchanges in Taiwan typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Trust.

### **3.4 Equity Risk**

Investing in equity securities may offer a higher rate of return than those in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might decrease in value. The Trust's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

### **3.5 Concentration Risk**

The Trust's investments are concentrated in the Taiwan market.

The Trust may likely be more volatile than a broad-based fund, such as a global equity fund or a fund having a more diverse portfolio of investments, as it is more susceptible to fluctuations in value resulting from adverse conditions in the region or country in which it invests such as adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Taiwan market.

The securities market in which the Trust will principally invest is undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 3.6 Currency Exchange Risk

The assets of the Trust will be invested in Taiwanese securities and some of the income of the Trust will be received in Taiwanese Dollars. As the Trust is denominated in US dollars and underlying investments of the Trust may be denominated in currencies other than the base currency of the Trust, the performance of the assets of the Trust may be affected unfavourably by movements in the exchange rates between the currencies in which the assets are held (including Taiwanese Dollars) and US dollars, and any changes in exchange control regulations which may cause difficulties in the repatriation of funds. The Trust may, but is not obliged to seek to hedge foreign currency risks. On the other hand, failure to hedge foreign currency risks may result in the Trust suffering from exchange rate fluctuations.

In addition, the Trust may have exposure to investments which are denominated in Renminbi (RMB). Assets of the Trust denominated in RMB are valued with reference to the CNH rate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

## 3.7 Repatriation Limitation

Some countries may impose restrictions on foreign exchange, especially in relation to the repatriation of foreign funds. Such markets may prohibit the repatriation of foreign funds for a fixed time horizon and limit the percentage of invested funds to be repatriated at each time.

Prospective investors should refer to “Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals” and relevant foreign exchange settlement procedures in Taiwan for details and note the risks under such regulations, together with their subsequent changes. Any changes to such regulations, or the imposition of restrictions on repatriation of the invested capital and net profits may impact on the Trust’s ability to meet the realisation requests of its Unitholders.

## 3.8 Accounting and Reporting Standards

The accounting standards and regulatory requirements of financial reporting and information disclosure in some markets in which the Trust may invest may not follow international standards as there are differences between international standards and reporting practices in such markets. These differences may lie in areas such as different valuation methods of the properties or the assets, and the requirements for disclosure of information to investors.

### **3.9 Political, Economic and Social Risks**

Political changes, social instability and unfavourable diplomatic development which may take place in any region or country in which the issuers are incorporated and/or carry on business could result in the imposition of additional governmental restrictions including the expropriation of assets, confiscatory taxes or nationalization of some or all of the investments held by the Trust in such region or country.

Investors should note that any change in the policies of any region or country in which investments are issued, may impose an adverse impact on the securities markets in these countries as well as on the underlying securities of the Trust. The Trust's assets may be affected by other political or diplomatic uncertainty or developments, social and religious instability, higher inflation and other considerations.

There may be more substantial government intervention in the economy, including restrictions on investing in companies or industries deemed sensitive to relevant national interests.

The Government of the PRC claims to be the only legitimate government for the whole of China. There can be no guarantee that the PRC government will not use forcible means, which it has refused to forego, to gain control of Taiwan.

In addition to the economic impact of the PRC's internal political uncertainties, the potential effect of the PRC's actions, not only on the PRC itself, but on Hong Kong, Macau and Taiwan as well, could also be significant. In particular, the PRC is heavily dependent on foreign trade with Taiwan and Hong Kong. Although the PRC's long sought admission to the World Trade Organisation, which became effective on 1 January 2002, has enhanced the PRC's status in the international community, political developments adverse to its trading partners, as well as political and social repression, could cause the U.S. and others to alter their trading policy towards the PRC. With much of the PRC's trading activity being funnelled through Hong Kong and with trade through Taiwan becoming increasingly significant, any sizeable reduction in demand for goods from the PRC would have negative implications for both regions. The PRC is believed to be the largest investor in Hong Kong and its markets and an economic downturn in the PRC would be expected to reverberate through Hong Kong's markets as well.

### **3.10 Regulatory Changes**

There may be a lower level of government supervision and enforcement activity in the regulation of Taiwanese securities markets and the participants in those markets than in comparable markets in the United Kingdom and the United States securities markets.



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Investors should note that the political and legal environments in Taiwan are still developing and in many areas are neither entirely transparent nor entirely stable. Relevant foreign investment and taxation regulations, such as withholding tax and investment prohibitions, in these markets may change suddenly without prior notice.

The value of the Trust's assets may be affected by uncertainties such as changes in the Government in Taiwan or its policies regarding inward investment, taxation and the restrictions on currency repatriation and other developments in the laws and regulations of Taiwan.

## **3.11 Foreign Investment Regulations**

Foreign investment made directly into Taiwan is permitted under the “Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals” and relevant foreign exchange settlement procedures (the “Regulations”). Foreign institutional investors are required to register with the Taiwan Stock Exchange and obtain an investment ID as Foreign Institutional Investors (“FINI”). Investment by FINIs is subject to various limitations, restrictions and other requirements, including without limitation, on engaging in securities borrowing and lending transactions, hedging transactions and the like. The Trust will not invest in unlisted securities in Taiwan as it has not obtained the relevant foreign investment approval. Should the Manager decide to invest in such securities in the future, it would need to obtain the approval from the Investment Commission of the Ministry of Economic Affairs in Taiwan.

## **3.12 Performance of underlying investments**

It should be appreciated that because the value of Units, and income from them (if any), is primarily based on investments in the underlying securities of Taiwan-related companies, the value of the Units will rise or fall as a result of fluctuations in the value or performance of such underlying securities and companies.

## **3.13 Risks relating to investment in ETFs**

### *Passive investments*

The ETFs that the Trust invests in may not be “actively managed” and the managers of such ETFs do not have the discretion to adapt to market changes due to the inherent investment nature of such ETFs. Therefore, when there is a decline in the underlying index of the ETFs, the ETFs will also decrease in value, which may adversely affect the value of the Trust.

### ***Tracking error risk***

Due to fees and expenses of an ETF that the Trust invests in, liquidity of the market and different investment strategies adopted by the manager of the ETF, the ETF's return may deviate from that of the underlying index. Although the manager of the ETF will monitor and seek to manage such risk in minimising tracking error, there can be no assurance of exact or identical replication at any time of the performance of the underlying index.

### ***Trading risk***

Generally, the Trust can only buy or sell units/shares of an ETF on any securities exchange. The trading price of units/shares of an ETF on a securities exchange is driven by market factors such as the demand and supply of such units/shares. Therefore, such units/shares may trade at a substantial premium or discount to the relevant ETF's net asset value.

As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units/shares of an ETF on a securities exchange, the Trust may pay more than the net asset value per unit/share when buying units/shares of an ETF on a securities exchange, and may receive less than the net asset value per unit/share when selling units/shares of an ETF on a securities exchange.

### ***Trading differences risks***

As the relevant stock exchanges may be open when units/shares in an ETF that the Trust invests in are not priced, the value of the securities in the relevant ETF's portfolio may change on days when investors like the Trust will not be able to purchase or sell the ETF's units/shares.

Differences in trading hours between the relevant stock exchanges and the stock exchange on which an ETF is listed may also increase the level of premium or discount of the unit/share price to the net asset value of an ETF, which in turn, may affect the value of the Trust.

### ***Termination risk***

The ETFs that the Trust invests in may be terminated early under certain circumstances, for example, where the underlying index is no longer available for benchmarking or if the size of the relevant ETF falls below a pre-determined threshold as set out in the constitutive documents and offering documents. Investors like the Trust may not be able to recover its investments and suffer a loss when the relevant ETF is terminated.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## *Reliance on market maker risks*

Although the manager of an ETF that the Trust invests in will ensure that there will be market making arrangement in place, there is no guarantee that any market making activity will be effective. Also, liquidity in the market for the units/shares of the relevant ETF may be adversely affected if there is no or only one market maker for the relevant ETFs.

## **3.14 Risks relating to REITs**

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs and may subject the Trust to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions.

Returns from REITs are dependent on management skills in managing the underlying properties. REITs are subject to risk of defaults by borrowers or tenants. In the event of a default, a REIT may experience delays in enforcing its rights and may suffer losses as a result.

## **3.15 Risks associated with the Stock Connect**

The relevant rules and regulations on Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, the “**Stock Connect**”) are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Trust’s ability to invest in China A-Shares or access the PRC market through the programme will be adversely affected. In such event, the Trust’s ability to achieve its investment objective could be negatively affected.

### **3.16 Risks associated with CAAPs**

The policy and regulations imposed by the PRC government on the access into the China A-Shares markets are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Trust. Investors should note that there can be no assurance that the Trust may be able to maintain or obtain a sufficient investment in CAAPs. This may have an impact on the investors' investment in the Trust. If an issuer of CAAPs (“CAAP Issuer”) has insufficient investment quota (if applicable), the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Trust may be required to dispose of its existing CAAPs.

Further, the Trust will be exposed to the counterparty risk associated with each CAAP Issuer. Because a CAAP is a payment obligation of the CAAP Issuer, rather than a direct investment in China A-Shares, the Trust may suffer losses potentially equal to the full value of the CAAP if the CAAP Issuer were to become insolvent or fails to perform its payment obligations under the CAAPs.

### **3.17 Risks relating to securities lending transactions**

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

#### **3.17a Risks associated with Collateral Management and Re-investment of Cash Collateral**

Where the Trust enters into a securities financing transaction or an OTC derivative transaction, collateral may be received from or provided to the relevant counterparty. Notwithstanding that the Trust may only accept non-cash collateral which is highly liquid, the Trust is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The Trust is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Trust may re-invest its cash collateral. Investors should note that there are risks associated with the re-investment of cash collateral. If the Trust reinvests cash collateral, such re-investment is subject to investment risks including the potential loss of principal.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Where collateral is provided by the Trust to the relevant counterparty, in the event of the insolvency of the counterparty, the Trust may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Finance charges received by the Trust under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by the Trust may also be reinvested in order to generate additional income. In both circumstances, the Trust will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the Trust to the securities lending counterparty at the conclusion of the securities lending contract. The Trust would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Trust.

## **3.17b Risks of Investing in Other Collective Investment Schemes**

The Trust may invest in other collective investment schemes. The underlying investment schemes in which the Trust may invest may not be regulated by the SFC. The Trust does not have control of the investments of the underlying schemes. Investment decisions of the underlying schemes are made at the level of such schemes. There can be no assurance that (i) the selection of the managers of the underlying schemes will result in an effective diversification of investment styles and that positions taken by the underlying schemes will always be consistent; and (ii) the investment objective and strategy of the underlying schemes will be successfully achieved. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the Trust's realisation requests as and when made. As a result, the foregoing may have a negative impact on the Net Asset Value of the Trust.

There may be additional costs involved when investing into the underlying schemes. The Trust bears the fees payable to the Manager and its other service providers, as well as, indirectly, a proportionate share of the fees paid by the underlying schemes to their managers and the service providers of the underlying schemes (such as subscription fee, realisation fee, management fee and other costs and charges payable to the managers and service providers of the underlying schemes). For the avoidance of doubt, where the Trust invests into an underlying scheme managed by the Manager, the Investment Delegates (if any) or any of their respective Connected Persons, all initial charges and realisation charges on such underlying scheme will be waived. Further, the Manager or any person acting on behalf of the Trust or the Manager will not obtain a rebate on any fees or charges levied by the underlying scheme or its management company or any quantifiable monetary benefits in connection with investments in any underlying scheme.

The Trust may invest in shares or units of a collective investment scheme managed by the Manager, the Investment Delegates (if any), or any of their respective Connected Persons. It is possible that any of the Manager, the Investment Delegates (if any) or any of their respective Connected Persons may, in the course of business, have potential conflicts of interest with the Trust. In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Trust and any of them are on an arm's length basis. Please refer to the section headed "Conflicts of Interest" of this Explanatory Memorandum for further details.

### **3.18 Equity Linked Notes and other Financial Derivative Instruments**

The Trust may invest in the investment targets of the Trust through equity linked notes and other FDIs, including investments in participation notes. Such FDIs which are not listed or quoted or dealt in on a market may account for up to 15% of the Trust's Net Asset Value.

The Trust will be exposed to the counterparty/credit risk of the issuers of these FDIs. Apart from counterparty/credit risk, risks associated with FDIs include liquidity risk, valuation risk, volatility risk and over-the-counter ("OTC") transaction risk. The leverage element/component of a FDIs can result in a loss significantly greater than the amount invested in the FDIs by the Trust. Exposure to FDIs may lead to a high risk of significant loss by the Trust. If an issuer of a FDIs were to become insolvent, the Trust would lose its investment up to the full value of that product.

The Trust may also use FDIs for hedging purposes. FDIs may not be listed and are subject to the terms and conditions imposed by their issuer. There is no active market in FDIs and therefore investment in FDIs can be illiquid. In order to meet realisation requests, the Trust relies upon the issuer of the FDIs to quote a price to unwind any part of the FDIs that will reflect the market liquidity conditions and the size of the transaction. There is a risk that the issuer of the FDIs will not settle a transaction due to a credit or liquidity problem and the Trust may suffer a total loss of the Trust's interest in the FDIs.

An investment in the FDIs does not entitle the FDIs holder to the beneficial interest in the shares underlying the FDIs nor to make any claim against the company issuing the shares. There can be no assurance that the price of the FDIs will equal the underlying value of the company or securities market that it may seek to replicate.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Compared to conventional securities, such as shares and debt securities, FDIs with leveraging effect (such as futures and warrants) can be more sensitive to changes in interest rates or to sudden fluctuations in market prices. As a result, a relatively small price movement in the value of the underlying asset of such FDIs may result in immediate and substantial loss (or gain) to the Trust. Therefore, the Trust's losses may be greater if it invests in such FDIs than if it invests only in conventional securities such as shares and debt securities. The exposure of the Trust to FDIs is subject to the applicable investment restrictions set out in this Explanatory Memorandum.

## **3.19 Valuation and Accounting**

The Manager adopts IFRS in drawing up the annual reports of the Trust, and interim reports will apply the same accounting policies and method of computation as are applied in the annual reports of the Trust. However, investors should note that the calculation of the Net Asset Value in the manner described in the section headed "Calculation and Publication of Net Asset Value" which the Trust intends to adopt for the purpose of determining the Net Asset Value per Unit for subscription and realisation and for the purpose of the calculation of various fees as described in this document (the "Valuation NAV") may not necessarily be in compliance with the IFRS. Accordingly, investors should note that the Valuation NAV may not necessarily be the same as the net asset value to be reported in the annual reports as the Manager may make necessary adjustments in the audited annual reports to comply with IFRS.

## **3.20 Performance Fee**

The performance fee payable to the Manager may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Prospective investors should note that the management fee and performance fee payable to the Manager are based in part upon unrealised gains (as well as unrealised losses), and that such unrealised gains and losses may never be realised by the Trust (i.e. performance fees may be paid on unrealized gains which may never be realized by the Trust).

There is no equalisation arrangement in respect of the calculation of the performance fees. As there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis, a Unitholder may incur a performance fee notwithstanding the Unitholder may have suffered a loss in investment in the Units (e.g. a Unitholder will be disadvantaged if he subscribes to the Trust during a performance period when the Net Asset Value per Unit is above the High Water Mark and realises prior to or at the end of such performance period when the Net Asset Value per Unit at the time of realisation has decreased but remains above High Water Mark. Under such circumstances, he has paid the performance fee despite of a loss). 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.

### 3.21 Foreign Account Tax Compliance Act

Under Sections 1471 – 1474 of the IRS Code (referred to as “FATCA”), unless a “foreign financial institution” as defined in the IRS Code and U.S. Treasury Regulations, timely agrees to collect and disclose to the U.S. Treasury certain information with respect to its investors and its investors’ investments, or collects and discloses such information to a foreign government pursuant to an applicable intergovernmental agreement between the U.S. and that foreign government, and meets certain other conditions, certain payments to that foreign financial institution of dividends, interest, and certain other categories of investment income from sources within the U.S. will generally, assuming certain other conditions are met, be subject to a 30% U.S. federal withholding tax. While such withholding would have applied also to payments of gross proceeds from the sale or other disposition on or after 1 January 2019 of property of a type which can produce U.S. source dividends and interest, recently proposed U.S. Treasury regulations eliminate such withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed U.S. Treasury regulations until final U.S. Treasury regulations are issued.

Pursuant to the US IGA, the Trust will generally be relieved from FATCA withholding tax on payments it receives, as well as the obligation to withhold tax on payments made to its investors, provided that it complies 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.

The Trust will endeavour to satisfy the requirements imposed under FATCA, the US IGA and the AEOI Regulations to avoid any withholding tax. In particular, the Trust been registered with the IRS with Global Intermediary Identification Number RI6H6V.99999.SL.136. In the event that the Trust is not able to comply with the requirements imposed by FATCA, the US IGA or related Cayman Islands law, and the Trust does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Trust may be adversely affected and the Trust may suffer significant losses as a result. In addition, prospective investors should note that underlying collective investment schemes in which the Trust invests may be required to satisfy their own FATCA compliance obligations, and failure by any underlying collective investment scheme to fully comply with its FATCA obligations may have an adverse impact on the Net Asset Value of the Trust.

To the extent that the Trust suffers withholding tax on its investments as a result of FATCA, the Trustee on behalf of the Trust 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 as a result of such withholding tax.



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Each Unitholder and prospective investor should consult with his/her own tax adviser as to the potential impact of FATCA in his/her own tax situation.

## **3.22 Custody Risk**

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where the Trust invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Trust may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Trust may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Trust may even be unable to recover all of its assets. The costs borne by the Trust in investing and holding investments in such markets will be generally higher than in organised securities markets.

## **3.23 Liquidity Risk**

It is possible that there may be no liquidity or no bid or offer prices or no reliable bid or offer prices quoted for certain securities that the Trust may invest in, in particular debt securities and other securities that are not listed on a recognised stock exchange. It may be difficult to determine the appropriate valuation of such investments and the Trust's ability to sell or liquidate investments at favourable times or for favourable prices may be restricted.

Liquidity risk exists if sizeable realisation requests are received as the Trust may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Trust may suffer losses in trading such investments.

## 4. SUBSCRIPTION AND REALISATION OF UNITS

### 4.1 Summary of Features

The Trust currently has the following Classes of Units which are available to investors, key features of which are summarised below:

| <b>Class</b>  | <b>Class A</b>   | <b>Class X</b> |
|---|--|----------------|
| Base currency   | US dollars   | US dollars     |
| Minimum initial subscription                                    | US\$10,000 (inclusive of any Preliminary Charge)   | Nil            |
| Minimum subsequent subscription                                 | US\$5,000 (inclusive of any Preliminary Charge)  | Nil            |
| Minimum holding applicable to partial realisation and transfers | US\$10,000   | Nil            |
| Preliminary charge on subscription                              | Up to 5% of the Issue Price  | Nil            |
| Realisation charge  | Currently Nil (Max. 5%)  | Nil            |
| Annual management fee   | 1.25% per annum (Max. 2%)  | Nil            |
| Performance fee   | 15% of the increase in Net Asset Value per Unit in the relevant performance period calculated annually on a high-on-high basis | Nil            |

Each Class A Units are available for subscription by investors in Hong Kong who make an investment of not less than the minimum initial subscription amount or the minimum subsequent subscription amount as set out above.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are “professional investors” as defined in the Securities and Futures Ordinance or offered on a private placement basis.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 4.2 Dealing Periods

The Trust is valued as at the close of business in the last market to close of all relevant markets in which the Trust is invested (or at such other time as the Manager may, with the consent of the Trustee, determine) on each Valuation Day. Unless otherwise determined, Valuation Day means every Business Day and/or such other day or days as the Manager may from time to time determine to be a valuation day with the approval of the Trustee and one month's prior written notice to Unitholders (in the event the Trust is authorised pursuant to Section 104 of the Securities and Futures Ordinance), provided always that there will be at least one Valuation Day in each calendar month and any change in the Valuation Day will only be implemented with the approval of the Trustee and upon giving one month's prior notice to the Unitholders (in the event the Trust is authorised pursuant to Section 104 of the Securities and Futures Ordinance). The Manager has determined that a Business Day is a day (other than a Saturday and Sunday) on which banks in Hong Kong and Taiwan are open for general business provided that, where as a result of a Number 8 Typhoon Signal being hoisted or a Black Rainstorm warning being issued or other similar event, the period during which banks in Hong Kong or Taiwan are open on any day is reduced, such day shall not be a Business Day unless the Manager, with the consent of the Trustee, otherwise determines.

Investors may apply to subscribe for, or realise, Class A Units at their Issue Price and Realisation Price respectively during any Dealing Period based on the Net Asset Value per Unit as determined on a Valuation Day referable to such Dealing Period, in the manner described under section headed "Calculation and Publication of Net Asset Value".

Class X Units will initially be issued at US\$10. Subsequently, the Issue Price per Unit for Class X Units during any Dealing Period will be calculated by reference to the Net Asset Value per Unit of Class X Units as determined on a Valuation Day referable to such Dealing Period, in the manner described under section headed "Calculation and Publication of Net Asset Value".

Units of the Trust are denominated in US dollars. A Preliminary Charge of up to 5% of the respective Issue Price (payable to the Manager, or to the person or persons by or through whom the Units are offered for subscription by agreement between the Manager and such person(s)) may, at the discretion of the Manager, be levied on top of the Issue Price of Units subscribed for.

A Realisation Charge of up to 5% of the Realisation Price may, at the discretion of the Manager, be deducted from the Realisation Price of Units realised. Currently, the Manager has waived the realisation charge applicable to the realisation of Units. However, the Manager may re-introduce the realisation charge at any time up to the maximum level of 5% of the Realisation Price with 1 month's prior written notice to Unitholders.

At present, Dealing Periods are periods which commence at the end of the preceding Dealing Period and end at 5:00 p.m. (Hong Kong time) on each Valuation Day. Units will be issued on a Dealing Day (i.e. the Business Day immediately following the end of a Dealing Period).

Dealing Periods for other jurisdictions may be determined as the need arises but, in all cases, the principle will be maintained that the Dealing Period must end at or prior to 5:00 p.m. (Hong Kong time) on the Valuation Day as determined by the Manager.

The Manager has power to alter the Dealing Periods in any jurisdiction, to determine that Dealing Periods should be referable to a different Valuation Day, and to change the time at which the Trust is valued on each Valuation Day provided that any permanent alterations will be made with one month's prior written notice to Unitholders. The Manager may, at its discretion, make one or more of these alterations on a temporary basis but does not intend to do so unless under the circumstances (including, but not limited to, future operational requirements or the acquisition of investments on different markets) make it desirable.

### **4.3 Subscription for Units**

All applications to subscribe for Units are subject to the terms, conditions and restrictions of this Explanatory Memorandum and the Trust Deed.

The minimum initial subscription for Units for each investor (inclusive of any Preliminary Charge) and the minimum subsequent subscription (inclusive of the Preliminary Charge) are set out in the section headed "Summary of Features". The Manager may, in its absolute discretion, agree to a lower amount for any prescribed minimum initial and subsequent subscription (inclusive of Preliminary Charge, if any). A Preliminary Charge of up to 5% of the respective Issue Price per Unit may be made and retained by the Manager for its own use and benefit or, by the person or persons by and through whom the Units are offered for subscription for their own use and benefit by agreement between the Manager and such person(s). The Manager or, where the Preliminary Charge is to be retained by the person or persons by or through whom the Units are offered for subscription, that person or those persons, may on any Valuation Day differentiate between applicants as to the amount of the Preliminary Charge (if any) to be levied.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

In determining the Issue Price of Units, the Manager is entitled to add to the Net Asset Value per Unit, for the account of the Trust, an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Unit) for fiscal and purchase charges incurred or which would be incurred by the Trust in investing subscription monies, but it is not the present intention of the Manager to add any such amount except in the case of applications for an unusually large number of Units where the subscription amount is in excess of US\$2,000,000 (or its equivalent).

Applications for subscription for Units must be sent to the Registrar's Agent 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 or other written or electronic means specified by the Manager and Registrar's Agent. All initial applications for subscription of Units must be made on the subscription form which accompanies this Explanatory Memorandum and if sent by fax or other written or electronic means, must be followed by duly signed original applications for subscription. Neither the Manager, the Registrar's Agent nor the Trustee accept any responsibility for any loss resulting from the non-receipt or illegibility of any subscription sent by facsimile or other written or electronic means or for any loss caused in respect of any action taken as a consequence of such facsimile or other written or electronic instructions believed in good faith to have originated from properly authorised persons. The Manager may, in its absolute discretion, determine whether or not duly signed original applications are also required in respect of subsequent applications for subscription sent by fax or other written or electronic means.

The Manager has the absolute discretion to decide whether to accept or reject in whole or in part any application for subscription. If any subscription is not accepted in whole or in part, the subscription monies (or where the subscription is accepted in part only, the balance thereof) will be returned (without interest), to the bank account from which the monies were originally transferred, at the expense and risk of the applicant. Units will not be issued if such issue would result in the violation of any applicable law. The Manager may also, in its absolute discretion, determine that Units or any Class of Units may be issued only to certain applicants who have agreed to subscribe for a number of Units over a specified period of time.

Applications for subscription (whether by post, fax or other written or electronic means specified by the Manager and Registrar's Agent) 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. However, the Manager may in the future stipulate that such an application shall be subject to the expiration of a period of notice. Where such minimum notice period is stipulated by the Manager, any application for subscription of Units shall be treated as having been received in the Dealing Period in which the minimum notice period expires. The Issue Price per Unit will be the Net Asset Value per Unit calculated as at that Valuation Day subject to, at the Manager's discretion, an allowance of up to 1% for fiscal and purchase charges (if any). Valid applications for subscription received (whether by post, fax or other written or electronic means specified by the Manager and Registrar's Agent) 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. The Manager, with the approval of the Trustee, has the discretion to accept late application for subscription received by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on a Valuation Day in exceptional circumstances (such as system breakdown) and the Manager is satisfied that the application was placed before the dealing cut-off time (i.e. 5:00 p.m. (Hong Kong time)) and the valuation point on the relevant Valuation Day. The Manager may agree to reserve capacity for subscriptions in an agreed amount in the Trust for a certain period of time.

The Trustee may, after prior consultation with the Manager, refuse to process any application for subscription if, in the reasonable opinion of the Trustee, it would be contrary to the interests of the Unitholders as a whole to permit such subscription.

No Units will be issued unless and until the subscription monies have been received in full in cleared funds by or on behalf of the Trustee on the relevant Dealing Periods, or within such period as the Manager may, in its absolute discretion determine (which shall not be more than 3 Business Days).

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 4.4 Payment Procedure

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on the regulated activity of dealing in securities under Part V of the Securities and Futures Ordinance or who does not fall within any statutory exemption from the requirement to be licensed or registered to carry on the regulated activity of dealing in securities under Part V of the Securities and Futures Ordinance. All subscription monies must originate from an account held in the name of the applicant. Third party payment will not be accepted.

Payment details are set out in the subscription form.

Payment in other freely convertible currencies may be accepted subject to the prior consent of 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 Trust at an exchange rate which the Manager and/or 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 and will be forwarded by ordinary post (at the risk of the person(s) entitled to such contract note).

The Manager may exercise its discretion to accept late payment of subscription money, provisionally allots Units by reference to the Net Asset Value of the relevant class of Units in the Trust and charge interest on such overdue money until payment is received in full, at such rate as the Manager thinks appropriate. However if payment of subscription money is not made within such period as determined by the Manager (which shall not be more than 3 Business Days), the Manager or Trustee may cancel such issue of Units.

#### **4.5 Realisation of Units**

All applications to realise Units are subject to the terms, conditions and restrictions of this Explanatory Memorandum and the Trust Deed.

Requests to realise Units may be made to the Registrar's Agent during any Dealing Period in writing by completing the prescribed form as provided by the Manager and sent by post to the business address or, if the relevant Unitholder has provided the Manager with an original fax indemnity in the realisation form provided by the Manager, by fax to the fax number shown on the realisation form, or other written or electronic means specified by the Manager and Registrar's Agent. Realisation requests should specify the number of Units to be realised, the name in which such Units are registered and details of the bank account (if any) to which the realisation monies are to be transferred. All initial requests for realisation of Units sent by fax or other written or electronic means must be followed by duly signed original requests for realisation. Unitholders are reminded that if they choose to send a request by facsimile or other written or electronic means, they bear their own risk of it not being received. Neither the Manager, the Trustee nor the Registrar's Agent accepts any responsibility for any loss resulting from the non-receipt or illegibility of any facsimile or by other electronic means or for any loss caused in respect of any action taken as a consequence of such facsimile or other written or electronic instructions believed in good faith to have originated from properly authorised person. The Manager may, in its absolute discretion, determine whether or not duly signed original requests are also required in respect of subsequent requests for realisations sent by fax or other written or electronic means.

All realisation requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorised to sign such requests on behalf of the other joint Unitholders (where such authorisation has been notified in writing to the Manager) or, in the absence of such notification, by all joint Unitholders.



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Applications for realisation (whether by post, fax or other written or electronic means specified by the Manager and/ Registrar's Agent) 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 Realisation Price per Unit will be the Net Asset Value per Unit calculated as at that Valuation Day. Valid applications for realisation received (whether by post, fax or other written or electronic means specified by the Manager and Registrar's Agent) 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 Date coinciding with the close of such succeeding Dealing Period. The Manager, with the approval of the Trustee, has the discretion to accept late application for realisation received by the Registrar's Agent after 5:00 p.m. (Hong Kong time) on a Valuation Day, in exceptional circumstances (such as system breakdown) and the Manager is satisfied that the application was placed before the dealing cut-off time (i.e. 5:00 p.m. (Hong Kong time)) and the valuation point on the relevant Valuation Day. Unitholders should note that realisation monies will not be paid to any Unitholder until the duly signed original written realisation 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. No realisation proceeds will be paid to any third party.

Realisation proceeds will normally be paid in US dollars by telegraphic transfer according to instructions given by the relevant Unitholder(s) to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled to such proceeds to the registered address of the Unitholder or (in the case of joint Unitholders) the first named joint Unitholder appearing on the register of Unitholders. If there is no delay in submitting all duly completed realisation documentation and the Manager is not exercising any of its powers described in section headed "Suspension of Determination of Net Asset Value", the maximum interval between the receipt of a properly documented request for realisation of Units and payment of realisation proceeds to the Unitholders may not exceed one calendar month.

All bank charges and administrative costs incurred in settling realisation proceeds to the Unitholder(s) will be borne by the relevant Unitholder(s) and deducted from the realisation proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Unitholders. A Realisation Charge of up to 5% of the Realisation Price per Unit may also be deducted. Currently, the Manager has waived the Realisation Charge applicable to the realisation of Units. However, the Manager may re-introduce a Realisation Charge at any time up to the maximum level of 5% of the Realisation Price per Unit with 1 month's prior written notice to Unitholders. In determining the Realisation Price of any Class of Units, the Manager is entitled to deduct from the Net Asset Value per Unit for the account of the relevant Class, an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Unit) for fiscal and sale charges incurred or which would be incurred by the Trust in realising assets to provide sufficient realisation proceeds, but it is not the present intention of the Manager to make any deduction except in the case of abnormally large realisations of Units where the realisation proceeds are in excess of US\$2,000,000.

With the prior consent of the Manager, arrangements can be made for realisation proceeds to be paid in any major currency other than US dollars. Such alternative settlement instructions should be specified in the realisation request. The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Unitholder(s). Such currency conversion will be carried out at arm's length and executed on the best available terms.

With a view to protecting the interests of Unitholders, the Manager may limit the total number of Units which Unitholders are entitled to realise in any Dealing Period to 10% of the total Net Asset Value of the Trust on the Valuation Day for that Dealing Period. Such limitation will be applied pro rata to all Unitholders who have requested such realisation. Realisation requests for Units which are not realised will be carried forward to the next Dealing Period to be realised by reference to the next Valuation Day (subject to being further deferred if the carried forward requests themselves exceed 10% of the total Net Asset Value of the Trust on such Valuation Day) provided that realisation requests carried forward from an earlier Valuation Day shall be dealt with in priority to later requests.

Partial realisations may be effected. However, if a realisation request will result in a Unitholder having a residual holding which is less than any minimum holding prescribed by the Manager from time to time, by reference to the Valuation Day on which the relevant realisation request is effected, the Manager may deem such realisation request to have been made in respect of all the Units of that Class held by that Unitholder.

The Trust will not pay realisation proceeds to any third party. Realisation requests will not be dealt with if the resulting realisation will amount to a violation of any applicable law.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

The Trustee may, after prior consultation with the Manager, suspend the right of realisation requests by Unitholders and/or may delay the payment of any monies in respect of any such realisations during any period when, in the reasonable opinion of the Trustee, it would be contrary to the interests of the Unitholders as a whole to continue to allow such realisation.

## **4.6 Transfers**

Unitholders are entitled to transfer Units by an instrument in writing in such form as the Manager may from time to time prescribe signed by both the transferor and the transferee and left with the Registrar's Agent for registration. All forms for the transfer of Units sent by fax or other written or electronic means specified by the Manager and Registrar's Agent to the Registrar's Agent must be followed by the duly signed original forms and the transfer of Units will only be effected upon receipt of the original executed transfer forms. The Manager may, at its absolute discretion, charge the transferor a processing fee of up to HK\$500 in respect of the transfer application, to be retained for the benefit of the Manager.

No transfer will be accepted if, as a result of such transfer, the value of Units held by either the transferor or the transferee is less than any minimum holding specified by the Manager from time to time in respect of that Class of Units or Units are acquired or held by a Non-Qualified Person or the proposed transfer would result in a violation of any applicable law as described under section headed "Restrictions on Unitholders".

## **4.7 Switching between funds**

Unitholders have the option to switch all or part of their investments from the Trust to other unit trusts or mutual funds managed by the Manager and/or its fellow subsidiaries which is authorized by the SFC and available for subscription at that time, subject to prevailing load structure of such unit trust/ mutual fund the Unitholders want to switch in ("other available fund"). The switch will be effected by (i) realisation of Units in the Trust, (ii) application of the net realisation proceeds to subscribe units or shares in other available fund on the first following applicable valuation day and (iii) the issue of units or shares of the other available fund provided the provisions on realisation and subscription for the Trust and the other available fund generally apply.

Valid request for switching out Units from the Trust shall be treated as realisation of such Units and for switching into units or shares of the other available fund shall be treated as subscriptions of units or shares of the other available fund. Unitholders shall note that the Valuation Day and the applicable valuation day of the other available fund may differ as cleared funds are needed before units or shares of the other available fund can be issued. The time of issue of such units or shares will thus depend on the time of receipt of the applicable net realisation proceeds in cleared funds by the other available fund. No interest is payable to any Unitholder for the period required to effect a switching.

Partial switches must not result in either the Unitholder's balance holding in the Units or his holding in the units or shares of the other available fund to which he is switching being less than any minimum holding of units or shares prescribed by the Manager from time to time in respect of the Trust and the other available fund. If a request for partial switching will result in either of those holdings being less than any such prescribed minimum holding, the switching request will be deemed to be in respect of the Unitholder's entire holding in the Units and the Units will be realised accordingly in their entirety.

Switches can only be effected to funds authorised by the SFC. Information on other available fund can be obtained from the Manager and/or its fellow subsidiaries. Investors are reminded to read and understand the offering document of the other available funds they wish to switch into (available on request from the Manager and/or its fellow subsidiaries) before investing in such funds.

#### **4.8 Fax or Electronic Instructions**

All instructions received by fax or any electronic means from investors or Unitholders in respect of the subscription or realisation of Units (whether or not the duly signed original applications or requests 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 Unitholders who wish to give instructions relating to subscription or realisation of Units by fax or any electronic means must provide to the Manager an original fax indemnity in the subscription form or realisation form provided by the Manager.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Neither the Manager, the Registrar's Agent nor 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 purport to be (and which they believe in good faith to be) from the relevant Unitholder; 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 not received by the Manager or the Trustee or any of their agents, employees or delegates. 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.

## **4.9 Suspension of the Determination of Net Asset Value**

The Manager may, in consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of the Trust for the whole or any part of any period during which:

- (a) there is in existence any state of affairs prohibiting the normal disposal of the investments of the Trust;
- (b) (other than ordinary holiday or customary weekend closings) there is a closure of or the suspension or restriction of trading on any market to which a material part of the investments of the Trust is exposed;
- (c) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the Trust or the Net Asset Value per Unit of any Class or when, for any other reason, the value of any securities or other property for the time being comprised in the Trust Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (d) for any other reason the prices of investments comprised in the Trust Fund or which the Manager shall have agreed to acquire for the account of the Trust cannot, in the opinion of the Manager, be ascertained promptly and accurately;
- (e) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any securities held or contracted for the account of the Trust or it is not possible to do so without seriously prejudicing the interest of the Unitholders;

- (f) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the securities of the Trust or the subscription or realisation of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or
- (g) the issue, realisation or transfer of Units would result in the violation of any applicable law.

A suspension of the determination of the Net Asset Value shall take effect immediately upon the declaration by the Manager, following which there shall be no determination of the Net Asset Value of the Trust or the Net Asset Value per Unit of any Class or the Issue Price or the Realisation Price per Unit of any Class until the Manager shall after giving notice to the Trustee declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which:-

- (i) the condition giving rise to the suspension shall have ceased to exist; and
- (ii) no other condition under which suspension is authorised under this sub-clause shall exist.

No Units will be issued or realised during any period of suspension.

If the Manager declares a suspension, the Manager shall, as soon as may be practicable after any such declaration notify the SFC of such suspension and procure the notice of the suspension be published immediately following the decision to suspend and at least once a month during the period of suspension on the Manager's website [www.valuepartners-group.com](http://www.valuepartners-group.com)\*.

#### **4.10 Calculation and Publication of Net Asset Value**

The Net Asset Value of the Trust will be calculated by valuing the assets of the Trust and deducting the liabilities attributable to the Trust in accordance with the terms of the Trust Deed.

The value of the assets of the Trust will be determined by the Manager, in consultation with the Trustee, as at each valuation point in accordance with the Trust Deed. The Trust Deed provides (inter alia) that:

---

\* This website has not been reviewed or authorised by the SFC.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (a) investments (other than a commodity, futures contract or an interest in an unlisted collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by reference to the price appearing to the Trustee to be the last traded price or “exchange close” price as calculated and published by the relevant exchange of that market in accordance with its local rules and customs, provided that:
  - (i) if an investment is quoted, listed, traded or dealt in on more than one such market, the price adopted shall be the last traded price or the exchange close price as published by the market in accordance with its local rules and customs which, in the opinion of the Manager, provides the principal market for such investment, provided that if the Manager considers that the prices published on a securities market other than the principal market for such investment provides, in all circumstances, a fairer criterion of value in relation to any such investment, such prices may be adopted;
  - (ii) if prices on such market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment or, if the Trustee so requires, by the Manager after consultation with the Trustee;
  - (iii) interest accrued on any interest-bearing investments shall be taken into account up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price;
  - and (iv) the Trustee and the Manager shall be entitled to use and rely on electronically transmitted data from such source or sources or pricing systems as they may from time to time think fit with regard to the valuation of investments and the prices provided by any such source or pricing system shall be deemed to be the last traded prices for the purposes of valuation;
  
- (b) the value of any investment (other than a commodity, futures contract or an interest in a collective investment scheme) which is not quoted, listed, traded or ordinarily dealt in on any securities market shall initially be the value equal to the amount expended on behalf of the Trust in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses), and thereafter the value as assessed by the Trustee on the latest revaluation thereof, provided that a revaluation shall be made on each Valuation Day by reference to the latest bid price, asked price or mean thereof, as the Trustee and the Manager consider appropriate, quoted by a person, firm or institution making a market in such investments or otherwise approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);
  
- (c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager in consultation with the Trustee, any adjustment should be made to reflect the value thereof;

- (d) the value of any commodity or futures contract shall be ascertained in such manner as the Manager, in consultation with the Trustee, shall think fit, but so that:
- (i) if a commodity or futures contract is dealt in any recognised commodities market, then regard shall be had to the latest ascertainable price ruling or officially fixed on such recognised commodities market or (if there shall be more than one such recognised commodities market) on such recognised commodities market as the Manager, in consultation with the Trustee, shall consider appropriate;
  - (ii) if any such price as referred to in (i) is not, in the opinion of the Manager, reasonably up-to-date or is not ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such commodity or futures contract provided by a firm or institution making a market in such commodity or futures contract;
  - (iii) the value of any futures contract (the “relevant Contract”), to the extent that it is not determined in accordance with (i) or (ii), shall be valued (1) where the relevant Contract is for the sale of a commodity, by subtracting, from the contract value of the relevant Contract, the sum of the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Trust in order to close the relevant Contract and the amount expended out of the Trust in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Trust in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended out of the Trust in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and
  - (iv) if the provisions of (i) and (ii) do not apply to the relevant commodity or futures contract, then the value shall be determined in accordance with (b) above as if such commodity or futures contract were an unquoted investment;



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (e) the value of each unit, share or interest in any collective investment scheme (other than an interest in a listed collective investment scheme) which is valued as at the same day as the Trust shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Manager so determines, if such collective investment scheme is not valued as at the same day as the Trust, shall be the last published net asset value per unit, share or other interest in such collective investment scheme, provided that if no net asset value is available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the Trustee;
- (f) notwithstanding paragraphs (a) to (e) above, the Manager may, in consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment; and
- (g) the value of any investment (whether of a borrowing or other liability or an investment or cash) in a currency other than the base currency of the Trust or the currency of denomination of the relevant class will be converted into the base currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

The Net Asset Value per Unit of the Trust will be calculated by dividing the Net Asset Value of the Trust on the relevant Valuation Day by the total number of Units which are then in issue.

If there is, at the relevant time, more than one Class of Units in issue in respect of the Trust, the Manager, in consultation with the Trustee, shall determine:

- (i) the Net Asset Value of each Class (prior to the accrual of fees pursuant to paragraph (ii)) by apportioning the Net Asset Value of the Trust between the Classes in accordance with the aggregate number of undivided shares represented by each Class;
- (ii) deducting therefrom the fees, costs, expenses or other liabilities attributable to that Class in order to arrive at the actual Net Asset Value of each Class; and
- (iii) thereafter calculating the Net Asset Value per Unit of each Class by taking the Net Asset Value of the relevant Class calculated under paragraph (ii) and dividing by the number of Units in issue in the relevant Classes,

all such calculations being with the intent that, by virtue of the adjustment of the number of undivided shares which each Class represents in the Trust the comparative differences in the fees, costs, expenses or other liabilities which, by their terms of issue, are to be borne differently between the Classes, shall be properly reflected in the respective Net Asset Values per Units of each Class.

The Manager is entitled (when determining the Issue Price of Units) to add the fiscal and purchase charges described in section headed “Other Expenses” to, and (when determining the Realisation Price of Units) to deduct the fiscal and sale charges also described in section headed “Other Expenses” from, the Net Asset Value per Unit before rounding the resultant amount to the nearest two decimal places and monies representing any difference between the resultant amount and the amount arrived at after the rounding exercise shall be absorbed by the Trust.

The latest available Net Asset Value per Unit will be available on each Valuation Day on the Manager’s website [www.valuepartners-group.com](http://www.valuepartners-group.com)\*.

#### **4.11 Form of Units**

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 of Units. Certificates for Units will, however, not normally be issued. The number of Units to be issued pursuant to any application for subscription will be rounded down to two decimal places and any monies representing any lesser fraction of a Unit shall be retained for the benefit of the Trust.

---

\* This website has not been reviewed or authorised by the SFC.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 5. TAXATION

**The following comments are based on advice received by the Manager regarding current law and practice and are intended to assist investors. Investors should appreciate that as a result of changing law or practice, or unfulfilled expectations as to how the Trust or Unitholders will be regarded by revenue authorities in different jurisdictions, the taxation consequences for Unitholders may be otherwise than as stated below.**

Investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or realising Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

### 5.1 Cayman Islands

The Government of the Cayman Islands will not, under existing legislation, impose any income or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Trust or the Unitholders. The Cayman Islands are not party to any double taxation treaties.

The Trust has received an undertaking from the Financial Secretary of the Cayman Islands that, in accordance with section 81 of the Trusts Law (2018 Revision) of the Cayman Islands, for a period of 50 years from the date of creation of the Trust, no law which is thereafter enacted in the Cayman Islands imposing any tax or duty to be levied on income or on capital assets, gains or appreciations or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or any income arising under the Trust or to the trustees or the Unitholders in respect of any such property or income.

Although the Trust is not subject to tax in the Cayman Islands, the Trust may be liable for any taxes which may be withheld at source in other countries in respect of income or gains derived from its investments.

### 5.2 Hong Kong

#### *The Trust*

#### *Profits Tax*

The Trust has been authorised by the SFC pursuant to Section 104 of the Securities and Futures Ordinance. Accordingly profits of the Trust arising from the sale or disposal of securities, net investment income received by or accruing to the Trust and other profits of the Trust are exempted from Hong Kong profits tax for so long as the Trust is so authorised.

*Stamp Duty*

The sale or purchase of Hong Kong stocks by the Trust will be subject to stamp duty in Hong Kong at the current rate of HK\$1 per HK\$1,000 or part thereof of the price or market value of the stocks, whichever is higher, unless specific exemptions apply.

***The Unitholders***

*Profits Tax*

No tax will be payable by Unitholders in Hong Kong in respect of income distributions from the Trust or in respect of any gains arising on a sale, realisation or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

*Stamp Duty*

If the register of Unitholders of the Trust is maintained outside Hong Kong, no Hong Kong stamp duty will be payable by the Unitholders on the issue or transfer of Units in the Trust.

If the register of Unitholders of the Trust is maintained in Hong Kong, no Hong Kong stamp duty will be payable by the Unitholders on the issue of Units in the Trust. However, the transfer by Unitholders of Units in the Trust may be subject to stamp duty in Hong Kong, depending on the mode and circumstances of the transfer. The current rate of Hong Kong stamp duty if applicable is HK\$1 per HK\$1,000 or part thereof of the price or market value of the Units, whichever is higher.

Currently, the register of the Trust is located outside of Hong Kong.

**5.3 Taiwan**

Absent a tax treaty, the rate of Taiwan withholding tax on cash, stock dividends and interest (including that paid on overseas convertible bonds) paid to a FINI is 20%. Taiwan does not currently tax non-residents on capital gains derived from securities transactions.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 5.4 Automatic Exchange of Financial Account Information

### *Cayman Islands*

In addition to the US IGA, the Cayman Islands has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the “CRS”).

Cayman Islands regulations were issued on 4 July 2014 to give effect to the US 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 IGA and the CRS.

All Cayman Islands “Financial Institutions” (as defined in the relevant AEOI Regulations) are 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, in which case only the registration requirement would apply under CRS. The Trust does 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, 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” (as defined in the relevant AEOI Regulations), (iii) adopt and implement written policies and procedures setting out how it will address its obligations under CRS, (iv) conduct due diligence on its accounts to identify whether any such accounts are considered “Reportable Accounts” (as defined in the relevant AEOI Regulations), and (v) 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 (e.g. the IRS in the case of a US Reportable Account) annually on an automatic basis.

The US IGA provides that Cayman Islands Financial Institutions which comply with the AEOI Regulations that implement the US IGA, will be treated as satisfying the due diligence and reporting requirements of FATCA and accordingly will be “deemed compliant” with the requirements of FATCA, will not be subject to the FATCA withholding tax (currently at the rate of 30%), and will not be required to close recalcitrant accounts. Cayman Islands Reporting Financial Institutions may need to provide self-certification, on US tax forms, as to their FATCA status to US withholding agents to avoid the imposition of the FATCA withholding tax. Under the terms of the US IGA, FATCA withholding tax will not be imposed on payments made to the Trust unless it is deemed to be a Non-participating Financial Institution (as defined in the US IGA) as a result of “significant non-compliance”. The AEOI Regulations that implement the US IGA do not require Cayman Islands Financial Institutions to withhold tax on payments made by to an account holder on account of FATCA or otherwise.

For information on any potential withholding tax that may be levied against the Trust, see also the risk factor “**Foreign Account Tax Compliance Act**”.

By investing in the Trust and/or continuing to invest in the Trust, investors shall be deemed to acknowledge that further information may need to be provided to the Trust, 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 Manager on behalf of the Trust may be obliged, and/or reserves the right, to take any action and/or pursue all remedies at its disposal, in good faith and on reasonable grounds, including, without limitation, compulsory redemption of the investor concerned, to the extent permitted by applicable laws and the Trust’s constitutive documents and/or closure of the investor’s account. In accordance with TIA issued guidance, the Fund is required to close an investor’s account if a self-certification is not obtained within 90 days of account opening.

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

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 6. FEES AND EXPENSES

### 6.1 Preliminary and Realisation Charges

A Preliminary Charge of up to 5% of the relevant Issue Price of Units of the Trust may be made by the Manager on the issue of Units subscribed for and retained for its own use and benefit or, be made and retained by person or persons by or through whom the Units are offered for subscription for their own use and benefit by agreement between the Manager and such person(s). A Realisation Charge of up to 5% of the Realisation Price of Units of the Trust may also be made by the Manager on the realisation of Units, and retained for its own use and benefit.

Currently, the Manager has waived the Realisation Charge applicable to the realisation of Units. However, the Manager may re-introduce a Realisation Charge at any time up to the permitted maximum of 5% with one month's prior written notice to Unitholders.

For the purposes of calculating the amount of Realisation Charge, if any, payable by a realising Unitholder realising all or some of his Units, (a) a Unitholder effecting a partial realisation of Units will be deemed to be realising those Units subscribed for earlier in time prior to realising Units which were subsequently subscribed for; and (b) where a Unitholder is realising Units which had been transferred to him, the relevant date to determine any such charge will be the date of transfer, and not of subscription, of such Units.

### 6.2 Trustee Fees

The Trustee is entitled to receive a Trustee fee out of the assets of the Trust calculated as a percentage of the Net Asset Value as at each Valuation Day at the following rates:

- 0.17% per annum on the first US\$400 million of the Net Asset Value;
- 0.15% per annum on the next US\$400 million of the Net Asset Value;
- 0.13% per annum of the Net Asset Value in excess of US\$800 million;

subject to a minimum of US\$5,000 per month.

The Trustee fee may be increased up to a permitted maximum of 1% per annum on giving the Manager and the Unitholders three months' prior written notice. The Trustee fee accrues daily and is calculated as at each Valuation Day and payable monthly in arrears, out of the Trust.

The Trustee is also entitled to be paid out of the Trust a fixed annual fee of US\$3,000 payable monthly in arrears, as well as transaction fees and distribution handling fee 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.

The Trustee is responsible for the fees of the Custodian, Registrar and Registrar's Agent. All other fees of co-custodians and/or sub-custodians will be paid out of the Trust Fund at such commercial rates prevailing in the relevant market as may be agreed by the relevant sub-custodian and the Trustee and/or its custodian at the relevant time when such future appointment(s), if any, are made.

### **6.3 Management Fee**

The Manager is entitled to receive a management fee of up to 2% per annum of the Net Asset Value of the Trust and may also be entitled (under certain circumstances) to a performance fee as set out below.

The current management fee for Class A Units is 1.25% per annum based on the Net Asset Value of the Trust as at each Valuation Day. No management fee is charged for Class X Units. This fee accrues daily and will be 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 annum of the Net Asset Value of the Trust by the Manager giving not less than three months' prior written notice of such proposed increase to the Trustee and the Unitholders.

The Manager may appoint investment delegates and investment advisers, on terms and conditions determined by the Manager and subject to the prior approval of the SFC, to provide sub-investment management services or investment advice in respect of the Trust. The Manager will be responsible for the fees of the investment delegates and any other delegates it may appoint to provide sub-investment management and advisory services.

The Manager may, in its absolute discretion, share with, waive, reduce or rebate the payment of all or any portion of the Preliminary Charge, Realisation Charge, management fee and/or performance fee the Manager entitles to any person including intermediaries introducing investors.

### **6.4 Performance Fee**

The Manager is also entitled to receive an annual performance fee for Class A Units. No performance fee is charged for Class X Units.



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## *Performance fee calculation*

Performance fee is payable annually, calculated on a high-on-high basis (i.e. when the Net Asset Value per Unit as at the last Valuation Day of a performance period exceeds the High Water Mark (as defined below)) in accordance with the following formula:

$$(A-B) \times C \times D$$

where:

“A” is the Net Asset Value per Unit as at the last Valuation Day of each financial year (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of the relevant performance period(s) since the last performance fee is crystallised and paid) (“**Performance Fee Valuation Day**”)

“B” is the **High Water Mark**, which is the higher of:-

- (a) the initial offer price; and
- (b) the Net Asset Value per Unit as at the Performance Fee Valuation Day of the preceding performance period in respect of which a performance fee was last paid to the Manager (after deduction of all fees including any performance fee and any distribution declared or paid in respect of that preceding performance period).

Where a performance fee is payable for a performance period, the Net Asset Value per Unit (after deduction of performance fee) on the last valuation day of that performance period will be set as the High Water Mark for the next performance period.

“(A-B)” means the outperformance of Net Asset Value per Unit, i.e. the amount by which the increase in Net Asset Value per Unit during the relevant performance period exceeds the High Water Mark.

“C” is the rate of performance fee payable (i.e. 15%)

“D” is the average number of Units in issue in the relevant performance period, calculated by adding the total number of Units in issue as at a valuation point on each Valuation Day of the relevant performance period divided by the total number of Valuation Days in such performance period.

Each performance period corresponds to the financial year of the Trust. The relevant performance period shall be the period commencing on the date immediately following each Performance Fee Valuation Day and ending on the next following Performance Fee Valuation Day.

Any performance fee payable shall be paid as soon as practicable after the end of the relevant performance period.

***Performance fee accrual***

The performance fee shall be accrued on each Valuation Day throughout the relevant performance period. The accrual is made based on the Net Asset Value per Unit on each Valuation Day. If it exceeds the High Water Mark, 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. If the Net Asset Value per Unit on a Valuation Day is lower than or equal to the High Water Mark, all provision on previously accrued performance fee will be reversed and no performance fee will be accrued.

The price of Units subscribed for or realised during the relevant performance period will be based on the Net Asset Value per Unit (after accrual of performance fee as calculated in accordance with the above). Depending upon the performance of the Trust during the year, the price at which Unitholders subscribe for or realise Units at different times will be affected by performance of the Trust and this could have a positive or negative effect on the performance fee borne by them.

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 realises 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.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

For instance, a Unitholder will be advantaged if he subscribes to the Trust during a performance period when the Net Asset Value per Unit is below the High Water Mark, and realises prior to the end of such performance period when the Net Asset Value per Unit has increased up to but does not exceed the High Water Mark at the time of his realisation, and thus, no performance fee is payable even though he has made a profit.

Likewise, a Unitholder will be disadvantaged if he subscribes to the Trust during a performance period when the Net Asset Value per Unit is above the High Water Mark and realises prior to or at the end of such performance period when the Net Asset Value per Unit at the time of realisation has decreased but remains above High Water Mark. Under such circumstances, he has paid the performance fee despite of a loss.

The Manager may, in its absolute discretion, share with, waive, reduce or rebate the payment of all or any portion of the Preliminary Charge, Realisation Charge, management fee and/or performance fee received by the Manager to any person including intermediaries introducing investors.

## *Illustrative examples*

The examples below are shown for illustration purposes only and may contain simplifications.

Assumptions:

- The initial Issue Price for the relevant Unit is US\$10.
  - The performance fee payable is 15% of the increase in the Net Asset Value per Unit during a performance period above the High Water Mark (i.e. outperformance of Net Asset Value per Unit).
- (I) First performance period (Net Asset Value per Unit above High Water Mark at the end of performance period – performance fee payable)

Investor A subscribes for one Unit during the initial offer period at the initial Issue Price. Thereafter, Investor B subscribes for one Unit mid-way through the first performance period at an Issue Price of US\$12. High Water Mark is the initial Issue Price, which is US\$10.

By the end of the first performance period, the Net Asset Value per Unit (before deducting performance fee accrual) is US\$11. The outperformance of Net Asset Value per Unit is thus US\$1. The average number of Units in issue on this Valuation Day is 1.5 Units.

The total performance fee payable by the Trust would be calculated as:

$$(\text{US\$11} - \text{US\$10}) \times 15\% \times 1.5 \text{ Units} = \text{US\$0.23}.$$

At the end of the first performance period, the Net Asset Value per Unit will be reduced by US\$0.12 (i.e. US\$0.23 / 2 units). In effect, each of Investors A and B will have borne the US\$0.12 performance fee in respect of the first performance period.

- (II) Second performance period (Net Asset Value per Unit below High Water Mark on a particular Valuation Day – no performance fee accrual; Net Asset Value below High Water Mark at the end of performance period – no performance fee payable):

At the start of the second performance period, the High Water Mark is US\$10.88 (being the Net Asset Value per Unit at the end of the last performance period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second performance period, the Net Asset Value per Unit is US\$9.85. Investor A realises his Unit. Investor C subscribes for one Unit. On this Valuation Day, the Net Asset Value per Unit is below the High Water Mark. Therefore, no performance fee is accrued in respect of the Unit realised by Investor A.

At the end of the second performance period, the Net Asset Value per Unit becomes US\$10.5. No performance fee is payable in the second performance period as the Net Asset Value per Unit at the end of performance period is below High Water Mark. Although Investor C had a gain in this period, no performance fee is charged.

## 6.5 Distributor Fees

Any Preliminary Charge payable upon the application for Units in the Trust and amounting up to 5% of the respective Issue Price per Unit, shall be paid by the Manager (who may waive the receipt of such payment) for payment of such apportioned amount as may be determined at the Manager's absolute discretion to, and retained for the use and benefit of, any distributors and other intermediaries or dealers through whom the Units are offered for subscription.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 6.6 Other Expenses

The Manager is entitled to add to the Net Asset Value per Unit an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Unit) for fiscal and purchase charges incurred or which would be incurred by the Trust in investing subscription monies, but it is not the present intention of the Manager to add any such amount except in the case of applications for an unusually large number of Units where the subscription amount is in excess of US\$2,000,000 (or its equivalent).

The Manager is also entitled to deduct from the Net Asset Value per Unit an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Unit) for fiscal and sale charges incurred or which would be incurred by the Trust in realising assets to provide sufficient realisation proceeds, but it is not the present intention of the Manager to make any deduction except in the case abnormally large realisations of Units where the realisation proceeds are in excess of US\$2,000,000.

The Trust will not be responsible for any advertising or promotional expenses of the Trust nor any commission, remuneration or other sums payable by the Manager to any agent or other person in respect of the issue or sale of any Units.

The Trust will bear all operating costs relating to the administration of the Trust including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, any disbursements or out-of-pocket expenses properly incurred on behalf of the Trust by any of its service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing annual and half-yearly reports, accounts and other circulars relating to the Trust and the expenses of publishing Unit prices.

## 7. GENERAL INFORMATION

### 7.1 Distribution Policy

The primary objective of the Trust is capital growth and dividends are of secondary importance. Any distributable profits of the Trust may be accumulated or distributed by the Manager, in its absolute discretion in accordance with the provisions of the Trust Deed. Generally, the Manager does not intend to make any distribution for the Trust. If distributions are made, unless Unitholders indicate otherwise to the Manager, any such distributions will automatically be reinvested in further Units in the Trust to be issued to such Unitholders in proportion to the number of Units held by them on the Distribution Date defined below. The aggregate amount available for distribution shall be determined and calculated by the Manager as a percentage of the income of the Trust. The income of the Trust for such purposes shall include all interest, dividends and other amounts usually considered to be in the nature of income and shall be subject to such adjustments as the Manager may think fit.

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 the last Business Day of the second quarter in each calendar year, with any such distribution being made to Unitholders as soon as practicable thereafter. 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 a Unitholder does not request cash dividends, either on subscription or by notice prior to the Distribution Date as aforesaid, or any such notice is not received by the Manager within the specified date, the dividend to which the Unitholder is entitled will be reinvested in further Units in the Trust to be issued to such Unitholders. Distributions will not be paid in cash if the amount of the distribution for the relevant Unitholder amounts to less than US\$100 (or such other amount determined by the Manager from time to time). If the amount of the distribution payable to the relevant Unitholder is less than the minimum amount specified as aforesaid, the distribution to which the Unitholder is entitled will be reinvested in further Units to be issued at the prevailing Issue Price applicable on the Distribution Date.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

The exact amount of any 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 Trust held by that Unitholder on the Distribution Date, net of all fees and expenses which relate to the Trust and which are attributable to such Units. 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.

## 7.2 Trust Deed

The Trust was constituted by a trust deed dated 30 January 2008, as amended from time to time, entered into between Value Partners Hong Kong Limited as Manager and Bank of Bermuda (Cayman) Limited (replaced by HSBC Trustee (Cayman) Limited as trustee of the Trust on 13 August 2018) as Trustee and is governed by the laws of the Cayman Islands. Unitholders and prospective investors are advised to review the terms of the Trust Deed which govern their investment in the Trust.

Copies of the Trust Deed are available from the Manager at such price as the Manager may from time to time determine or may be inspected during normal working hours at the offices of the Manager free of charge.

## 7.3 Financial reports and Statements

The financial year end of the Trust is 30 June in each year. Annual reports of the Trust, prepared according to IFRS (save that the establishment costs of the Trust may be amortised), will be sent to Unitholders within four months of the financial year-end. The Manager will also prepare unaudited interim financial reports for the first six calendar months ending on 31 December in each financial year, to be sent to Unitholders within two months after the end of such period. The English and Chinese reports will provide details of the assets of the Trust and the Manager's statement on transactions during the period under review and will be posted on the Manager's website, [www.valuepartners-group.com](http://www.valuepartners-group.com)\*.

Investors should note that the Trust's valuation and accounting policies, in some circumstances, may not necessarily comply with IFRS. To the extent that the valuation and accounting policies adopted deviate from IFRS, the Trustee after prior consultation with the Manager may be required to make adjustments in the annual financial statements of the Trust in order that such statements comply with IFRS. Non-compliance with IFRS may result in the Trust's auditors issuing a qualified or an adverse opinion on the Trust's annual financial statements depending on the nature and level of materiality of the non-compliance.

---

\* This website has not been reviewed or authorised by the SFC.

At the end of each calendar month, each Unitholder will be sent an account statement containing details of his transactions during the relevant period and the market value of his Units.

#### **7.4 Duration and Termination of the Trust**

Unless terminated earlier as provided in the Trust Deed, the Trust will continue until the date falling 150 years less one day from the date of the Trust Deed. This is a technical requirement in order to avoid the possibility of the Trust infringing the rule against perpetuities under Cayman Islands law.

The Trust may be terminated by the Trustee by giving up to three months' prior notification to Unitholders if any of the following events shall occur, namely:

- (a) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver is appointed over any of its assets and is not discharged within 60 days; or
- (b) in the opinion of the Trustee, the Manager has failed to perform or is incapable of performing its duties under the Trust Deed satisfactorily or the Manager has done such thing which, in the opinion of the Trustee, is calculated to bring the Trust into disrepute or is harmful to the interests of the Unitholders; or
- (c) any law is passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust; or
- (d) the Trustee is unable to find a person acceptable to the Trustee to act as the new Manager within 30 days after the removal of the Manager; or
- (e) the Trustee has decided to retire but within 30 days of the Trustee giving notice to the Manager of its desire to retire the Manager is unable to find a suitable person who is willing to act as trustee.

The Trust may be terminated by the Manager in its absolute discretion by three months' notice in writing to the Trustee and to Unitholders if:

- (a) after 5 years from the date of the Trust Deed, the aggregate Net Asset Value of all the Units outstanding is less than US\$10,000,000; or



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (b) any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Trust.

The Trust may be terminated at any time in the event that an Extraordinary Resolution to that effect is passed at a duly convened meeting of Unitholders.

Any unclaimed proceeds or other monies held by the Trustee under the provisions of the Trust Deed may at the expiration of twelve months from the date upon which the same became payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

## **7.5 Conflicts of Interest**

The Manager, the Investment Delegates (if any), the Trustee and their respective Connected Persons may, from time to time, act as manager, investment delegate, trustee or successor trustee or investment adviser or sub-investment adviser, representative or such other capacity in connection with any collective investment scheme separate and distinct from the Trust and retain any profit or benefit made in connection therewith.

In addition:

- (a) The Manager or any Connected Person (as defined below) may purchase and sell investments for the account of the Trust as agent for the Trustee.
- (b) The Trustee, the Manager and any of their Connected Persons may contract with or enter into any financial, banking or other transaction with one another or with any Unitholder of the Trust or any company or body any of whose shares or securities form part of the Trust or may be interested in any such contract or transaction.
- (c) The Trustee or the Manager or any Connected Person may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or the Connected Person.
- (d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held as part of the Trust.

- (e) If cash forming part of the Trust's assets is deposited with the Trustee or the Successor Trustee or the Manager or any Investment Delegate or any of their Connected Persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders of the Trust, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.
  
- (f) Any arrangements for the borrowing of any monies for the account of the Trust may be effected from the Trustee, the Successor Trustee, the Manager, any Investment Delegate or any Connected Person of any of them (a "**relevant lender**") the rate of interest on that borrowing and any fee or premium payable to the relevant lender in relation to the arrangement, repayment or termination of the borrowing is of no greater amount than, in accordance with its normal banking practice, the commercial rate for a loan of a similar size, nature and duration in circumstances similar to those then prevailing in relation to the Trust negotiated at arm's length. The relevant lender shall be entitled to retain for its own use and benefit all profits and advantages which it may derive from such borrowing.
  
- (g) Subject to restrictions and requirements applicable from time to time, the Manager or any of its Connected Person may enter into investments for the Trust as agent for the Trust and may deal with the Trust as principal provided that, in both cases, dealings are carried out in good faith and effected on best available terms negotiated on an arm's length basis and in the best interests of the Unitholders of the Trust. Any transactions between the Trust and the Manager, Investment Delegate or any of their Connected Person as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Trust's annual report.
  
- (h) In transacting with brokers or dealers connected to the Manager, any Investment Delegate, the Trustee, the Successor Trustee or any of their Connected Person, the Manager must ensure that:
  - (i) such transactions are on an arm's length terms;
  - (ii) the Manager has used due care in the selection of such persons and has ensured that they are suitably qualified in the circumstances;
  - (iii) transaction execution is consistent with applicable best execution standards;
  - (iv) the fee or commission paid to any such persons in respect of a transaction is not greater than that which is payable at the prevailing market rate for a transaction of that size and nature;

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

- (v) the Manager must monitor such transactions to ensure compliance with its obligations; and
  - (vi) the nature of such transactions and the total commissions and other quantifiable benefits received by such persons shall be disclosed in the Trust's annual reports.
- (i) Neither the Trustee nor the Manager nor any Connected Person shall be liable to account to each other or to the Trust or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

It is, therefore, possible that any of the Trustee, the Manager, the Investment Delegates (if any) or their respective Connected Persons may, in the course of business, have potential conflicts of interest with the Trust. The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest including conducting all transactions in good faith at arm's length and in the best interests of the Trust on normal commercial terms. If such conflicts arise, each of the Manager and the Trustee will, at all times, act in accordance with the terms of the Trust Deed and have regard in such event to its obligations to the Trust and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Trust and any of them are on an arm's length basis.

For the purposes of this section, "**Connected Persons**" shall have the meaning defined in the Trust Deed and the Code and includes any subsidiary or holding company or associate of the Manager or the Trustee, or subsidiary of such holding company as the case may be.

Where the Manager invests in shares or units of a collective investment scheme managed by the Manager, the Investment Delegates (if any), or any of their respective Connected Persons, the manager of the scheme in which the investment is being made must waive any preliminary or initial charge and redemption charge which it is entitled to charge for its own account in relation to the acquisition or realisation (as the case may be) of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any Connected Person) borne by the Trust.

None of the Manager, its Investment Delegates (if any) or any of their respective Connected Persons shall retain any cash or rebates or other payment or benefit (except as otherwise provided for in this Explanatory Memorandum or in the Trust Deed) received from a third party (either directly or indirectly) in consideration of directing transactions in the Trust's assets to such persons, and any such rebates or payments or benefits which are received shall be credited to the account of the Trust.

Subject to paragraphs (f)(i)-(vi) above, the Manager, the Investment Delegates (if any) and/or any of their Connected Persons reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the Investment Delegates (if any) and/or any of their Connected Persons has an arrangement under which that broker or dealer with from time to time provide to or procure for the Manager, the Investment Delegates (if any) and/or any of their Connected Persons goods or services for which no direct payment is made but instead the Manager, the Investment Delegates (if any) and/or any of their Connected Persons undertakes to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders of the Trust (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Delegate (if any) in their ability to manage the Trust or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Trust in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Delegates (if any), including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The services of the Trustee and its Connected Persons provided to the Trust are not deemed to be exclusive and each of them shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other monies payable in respect of any of the arrangements described above and the Trustee and its Connected Persons shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust, any Unitholder or any other relevant party any fact or thing which comes to its notice in the course of it rendering similar services to other parties or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force. None of the Trustee and its Connected Persons shall be liable to account to the Trust or any investor of the Trust for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above).

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

The Manager may enter into trades for the account of the Trust with the accounts of other clients of the Manager or its Connected Persons (including other collective investment schemes managed by the Manager or its Connected Persons) (“**cross trades**”). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on arm’s length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its Connected Persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

## 7.6 Restrictions on Unitholders

The Manager has power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in the Trust are acquired or held by a Non-Qualified Person. A Non-Qualified Person includes:–

- (a) a U.S. Person, unless accepted by the Manager;
- (b) any individual under the age of 18;
- (c) any person whose holding of Units would be a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager’s opinion, might result in the Trust suffering any adverse effect which the Trust might not otherwise have suffered;
- (d) any person or persons, in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the Manager’s opinion, may result in the Trust incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or other Unitholders might not otherwise have incurred or suffered;
- (e) any person who is resident or domiciled in the Cayman Islands;
- (f) PRC nationals or residents or entities incorporated, established or formed in the PRC;
- (g) any person in breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including, but not limited to, the issue of any warranty or supporting document required to be given to the Registrar or the Manager ;

- (h) a Restricted Person; and
- (i) such other Non-Qualified Persons as may be determined by the Manager from time to time.

If it comes to the notice of the Manager that any Units are so held by any such person, the Manager may give notice to such person requiring the realisation or transfer of such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any such restriction is required either to deliver to the Trust a written request for realisation of his Units in accordance with the Trust Deed or to transfer his Units to a person who would not thereby be a Non-Qualified Person.

### **7.7 Voting Rights**

Meetings of Unitholders may be convened by the Manager or the Trustee or where the holders of one-tenth or more of the Units in issue require such a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for the transaction of business, except for the purpose of passing an Extraordinary Resolution, will be Unitholders present in person or by proxy registered as holding not less than 10% of the Units for the time being in issue. The quorum for passing an Extraordinary Resolution will be Unitholders present in person or by proxy registered as holding not less than 25% of the Units for the time being in issue.

Meetings of Unitholders may be used to modify the terms of the Trust Deed, including to increase the maximum fees payable to the service providers, to remove the Trustee or to terminate the Trust at any time. Such amendments to the Trust Deed must be considered by Unitholders holding at least 25% of the Units in issue and passed by way of an Extraordinary Resolution where there is a 75% majority of the votes cast.

Unless a poll is demanded by the Chairman or one or more Unitholders present in person or by proxy registered as holding 5% or more of the Units for the time being in issue, voting at a meeting shall be decided on a show of hands. In the case of joint Unitholders, the senior of those who tenders a vote (in person or by proxy) will be accepted to the exclusion of the other joint Unitholders and seniority is determined by the order in which the names appear on the register of Unitholders.

Voting at meetings of Unitholders shall be conducted in accordance with the relevant provisions of the Trust Deed and, in particular, so that votes shall be proportionate to the number of Units held.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

## 7.8 Anti-Money Laundering Regulations

In order to comply with legislation or regulations aimed at the prevention of money laundering, the Trustee, the Manager, the Custodian, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates are required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity, the identity of their beneficial owners/controllers (where applicable), and source of funds. Where permitted, and subject to certain conditions, the Trustee, the Manager, the Custodian, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates may also rely upon a suitable person for the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) or otherwise delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Trustee, the Manager, the Custodian, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates on the Trust's behalf, reserve the right to request such information as is necessary to verify the identity of a subscriber or a transferee and the identity of their beneficial owners/ controllers (where applicable) and the source of the payment. Where the circumstances permit, the Trustee, the Manager, the Custodian, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates, on the Trust's behalf, may be satisfied that full due diligence may not be required at subscription where an exemption applies under the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, as amended and revised from time to time or any other applicable law ("**AML Regulations**"). However, detailed verification information may be required prior to the payment of any proceeds from or any transfer of Unit(s).

In the event of delay or failure on the part of the subscriber or the transferee, as applicable, in producing any information required for verification purposes, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates on the Trust's behalf may refuse to accept the application or if the application has already occurred, may suspend or redeem the Unit(s), in which case any funds received will, to the fullest extent permitted by applicable law, be returned without interest to the account from which they were originally debited.

The Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates on the Trust's behalf, also reserve the right to refuse to make any realisation or dividend payment to a Unitholder if the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates suspect or are advised that the payment of realisation or dividend proceeds to such Unitholder may be non-compliant with applicable laws or regulations, or if such refusal is considered necessary or appropriate to ensure the compliance by the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates with any applicable laws or regulations. None of the Trustee, the Manager, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) or their delegates shall be liable to the Unitholder for any loss suffered as a result of the rejection or delay to process an application or payment of realisation proceeds.

The Cayman Islands Monetary Authority has a discretionary power to impose substantial administrative fines upon the Trust in connection with any breaches by the Trust of prescribed provisions of the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, as amended and revised from time to time, and other parties who either consented to or connived in the breach, or to whose neglect the breach is proved to be attributable. To the extent any such administrative fine is payable by the Trust, the Trust will bear the costs of such fine and any associated proceedings.

If any person in the Cayman Islands (including the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates) knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to: (i) the Financial Reporting Authority ("FRA") of the Cayman Islands, pursuant to the Proceeds of Crime Law (2019 Revision) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Law (2018 Revision) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

By subscribing, applicants consent to the disclosure by the Trust of any information about them to regulators and others upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.



# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Pursuant to the AML Regulations, the Trust must designate natural persons to act as its Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (the “**AML Officer Roles**”). The Manager has ensured that natural persons have been designated to perform the AML Officer Roles in accordance with Cayman Islands law. Investors can obtain further information in respect of the AML Officer Roles from the Manager at 43rd Floor, The Center, 99 Queen’s Road Central, Hong Kong.

In addition, the Trust, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) will also require similar verification of identity according to the SFC’s Guideline on Anti-Money Laundering and Counter-Terrorist Financing (as amended) and/or Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities (as amended).

In Hong Kong, there are obligations to report suspicious transactions to the Joint Financial Intelligence Unit jointly run by staff of the Hong Kong Police Force and the Hong Kong Customs & Excise Department under the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organised and Serious Crimes Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance and the Prevention of Money Laundering and Terrorist Financing Guidance Note issued by the SFC. Reporting of suspicious transactions by the Trustee, the Manager, the Custodian, the Administrator, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) shall not be communicated with the Unitholder, as such action may constitute an offence in Hong Kong.

## **7.9 Regulation of the Trust in the Cayman Islands**

The Trust is regulated as a mutual fund under the Mutual Funds Law. Regulation under the Mutual Funds Law entails the filing of prescribed details and audited accounts annually with the Cayman Islands Monetary Authority (the “**Monetary Authority**”). The address of the Cayman Islands Monetary Authority is: SIX, Cricket Square, PO Box 10052, Grand Cayman KY1 – 1001, Cayman Islands.

However, the Trust will not be subject to supervision in respect of its investment activities or the constitution of the Trust’s portfolio by the Monetary Authority or any other governmental authority in the Cayman Islands, although the Monetary Authority does have power to investigate the activities of the Trust in certain circumstances. Neither the Monetary Authority nor any other governmental authority in the Cayman Islands has passed upon or approved the terms or merits of this document. There is no investment compensation scheme available to investors in the Cayman Islands.

As a regulated mutual fund, the Trust is subject to the supervision of the Monetary Authority and the Monetary Authority may at any time instruct the Trustee to have the Trust's accounts audited and to submit them to the Monetary Authority within such time as the Monetary Authority specifies. Failure to comply with these requests by the Monetary Authority may result in substantial fines on the part of the Trustee on behalf of the Trust and may result in the Monetary Authority applying to the court to have the Trust wound up.

The Monetary Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Monetary Authority include the power to require the substitution of the Trustee, to appoint a person to advise the Trustee on the proper conduct of the Trust's affairs or to appoint a person to assume control of the affairs of the Trust. There are other remedies available to the Monetary Authority including the ability to apply to the court for approval of other actions.

#### 7.10 Sanctions

The Trust is subject to laws that restrict it from dealing with entities, individuals, organisations and/or investments which are subject to applicable sanctions regimes.

Accordingly, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) on behalf of the Trust will require the subscriber to represent and warrant, on a continuing basis, that it is not, and that to the best of its knowledge or belief its beneficial owners, controllers or authorised persons ("**Related Persons**") (if any) are not; (i) named on any list of sanctioned entities or individuals maintained by the US Treasury Department's Office of Foreign Assets Control ("**OFAC**") or pursuant to European Union ("**EU**") and/or United Kingdom ("**UK**") Regulations (as the latter are extended to the Cayman Islands by statutory instrument), (ii) operationally based or domiciled in a country or territory in relation to which sanctions imposed by the United Nations, OFAC, the EU and/or the UK apply, or (iii) otherwise subject to sanctions imposed by the United Nations, OFAC, the EU or the UK (including as the latter are extended to the Cayman Islands by statutory instrument) (collectively, a "**Sanctions Subject**").

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

Where the subscriber or a Related Person is or becomes a Sanctions Subject, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) on behalf of the Trust may be required immediately and without notice to the subscriber to cease any further dealings with the subscriber and/or the subscriber's Units in the Trust until the subscriber or the Related Person ceases to be a Sanctions Subject, or a licence is obtained under applicable law to continue such dealings (a "**Sanctioned Persons Event**"). The Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) shall have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by the subscriber as a result of a Sanctioned Persons Event.

In addition, should any investment made on behalf of the Trust subsequently become subject to applicable sanctions, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) on behalf of the Trust may immediately and without notice to the subscriber cease any further dealings with that investment until the applicable sanctions are lifted or a licence is obtained under applicable law to continue such dealings (a "**Sanctioned Investment Event**").

## 7.11 Material Agreements

Copies of the Trust Deed pursuant to which the Trust was constituted (and all deeds supplemental there to (if any)) 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.

Once published, copies of the annual financial reports and interim reports of the Trust will also be available for inspection at the Manager's place of business in Hong Kong during normal business hours.

## 7.12 Market Timing

The Manager does not authorise practices connected to market timing or related excessive, short-term trading practices deployed by any investors and it reserves the right to reject any applications for subscriptions or switching of Units from any investor engaging in such practices or which it suspects to use such practices and take such further measures or actions, as it, in its discretion deems appropriate or necessary to protect the Unitholders of the Trust.

Market timing is to be understood as an arbitrage method through which a Unitholder systematically subscribes, redeems or switches Units within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the Trust.

### **7.13 Certification for Compliance with FATCA or Other Applicable Laws**

Each Unitholder (i) shall be required to, upon demand by the Trust, the Manager or the Trustee, provide any form, certification or other information reasonably requested by and acceptable to the Trust, the Manager or the Trustee that is necessary for the Trust (A) to avoid 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 receives payments and/or (B) to satisfy due diligence, 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 registration, due diligence and reporting obligations imposed by the United States, Hong Kong, the Cayman Islands or any other jurisdiction (including but not limited to any law, rule and requirement relating to AEOI), including such obligations that may be imposed by future legislation.

For the purposes herein, “AEOI” means one or more of the following as the context requires:

- (a) FATCA;
- (b) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standards and any associated guidance;
- (c) any intergovernmental agreement, treaty, guidance, standard or other agreement between the Cayman Islands government (or any government body in the Cayman Islands) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in paragraphs (a) and (b) above; and
- (d) any legislation, regulations or guidance in the Cayman Islands that give effect to the matters outlined in the preceding paragraphs (a) to (c) above.

# VALUE PARTNERS TAIWAN FUND

(A Cayman Islands Unit Trust)

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

Subject to applicable laws and regulations in the Cayman Islands and Hong Kong, the Trust, 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 IRS, the TIA and the Hong Kong Inland Revenue Department), 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 realisation proceeds, to enable the Trust 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).

## **7.15 Requests for Information**

The Trust, the Manager, the Trustee or any of their authorised persons, may be compelled to provide information, including, but not limited to, information relating to the subscriber, and where applicable the subscriber's beneficial owners and controllers, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; e.g. by the Cayman Islands Monetary Authority, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Law (2018 Revision), or by the TIA, under the Tax Information Authority Law (2017 Revision) or Reporting of Savings Income Information (European Union) Law (2014 Revision) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Trust, the Manager, the Trustee or any of their authorised persons, may be prohibited from disclosing that the request has been made.

## **7.16 Personal Data**

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong, "PDPO"), the Trustee, the Manager, or any of their respective delegates (each a "Data User") may collect, hold, use personal data of individual investors in the Trust only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and any applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

### 7.17 Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Law, 2017 (the “**DPL**”) on 18 May 2017. The DPL introduces legal requirements for the Trust based on internationally accepted principles of data privacy.

The Trust has prepared a document outlining the Trust’s data protection obligations and the data protection rights of investors (and individuals connected with investors) under the DPL (the “**Fund Privacy Notice**”). The Fund Privacy Notice is provided with the subscription form and is available to existing investors by contacting the Manager.

Prospective investors should note that, by virtue of making investments in the Trust and the associated interactions with the Trust and its affiliates and/or delegates (including completing the subscription form, and including the recording of electronic communications or phone calls where applicable), or by virtue of providing the Trust with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Trust and its affiliates and/or delegates (including, without limitation, the Administrator and the Manager) with certain personal information which constitutes personal data within the meaning of the DPL.

The Trust shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Administrator and the Manager, may act as data processors (or data controllers in their own right in some circumstances).

By investing in and/or continuing to invest in the Trust, investors shall be deemed to acknowledge that they have read in detail and understood the Fund Privacy Notice and that the Fund Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Trust. The subscription form contains relevant representations and warranties.

Oversight of the DPL is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPL by the Trust could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

**Value Partners Hong Kong Limited**

43rd Floor, The Center, 99 Queen's Road Central, Hong Kong

Tel: (852) 2880 9263 Fax: (852) 2565 7975

Email: [vp1@vp.com.hk](mailto:vp1@vp.com.hk) Web Site: [www.valuepartners-group.com](http://www.valuepartners-group.com)

**VALUE PARTNERS TAIWAN FUND (the “Trust”)  
FIRST ADDENDUM**

**Important**

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated January 2020 (“**Explanatory Memorandum**”). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 30 April 2021.*

*All capitalised terms used in this Addendum shall have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Hong Kong Limited, the Manager of the Trust, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of publication.*

The Explanatory Memorandum will hereby be amended as follows:

**A. Change of Auditor’s address**

1. The Auditor’s address under the heading “**Directory**” on page 8 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

**“PricewaterhouseCoopers**  
P.O. Box 258  
18 Forum Lane  
Camana Bay  
Grand Cayman  
KY1-1104  
Cayman Islands”

**B. Amendment to the Trustee Fees**

1. The first paragraph under the sub-section headed “**6.2 Trustee Fees**” under the section headed “**6. FEES AND EXPENSES**” on page 80 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The Trustee is entitled to receive a Trustee fee out of the assets of the Trust calculated as a percentage of the Net Asset Value as at each Valuation Day at the following rates:

- 0.135% per annum on the first US\$150 million of the Net Asset Value;
- 0.13% per annum on the next US\$650 million of the Net Asset Value;
- 0.125% per annum of the Net Asset Value in excess of US\$800 million;

subject to a minimum of US\$4,500 per month.”

2. The third paragraph under the sub-section headed “**6.2 Trustee Fees**” under the section headed “**6. FEES AND EXPENSES**” on page 81 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“The Trustee is also entitled to be paid out of the Trust transaction fees and distribution handling fee 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.”