

## Summary of Securities Lending, Repurchase and Reverse Repurchase Transactions Policy

There are certain restrictions under which Value Partners Limited / Value Partners Hong Kong Limited (the “**Investment Manager**”) may engage in securities lending, repurchase and/or reverse repurchase transactions, in respect of any securities held for the account of the various investment funds managed by the Investment Manager (each a “**Fund**” and collectively, the “**Funds**”), including:

- (a) securities lending transactions will only be entered into (i) if the Investment 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; and (ii) through the agency of a recognised clearing system or a financial institution acceptable to the Investment Manager which engages in this type of transaction;
- (b) the relevant securities lent must be fully paid-up shares listed on internationally organised securities markets on which such securities are regularly traded;
- (c) the consideration given for the relevant securities must exceed the value of such securities at any one time on daily marked to market values;
- (d) any incremental income earned from any security lending arrangement may be split between the relevant Fund and any security lending agent in such proportion as the Investment Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed certain percentage as determined by the Investment Manager from time to time; income accruing to the relevant Fund (after deduction of any fees or commission payable) will be credited to the account of the relevant Fund, and such income will be disclosed in the annual reports of the relevant Fund;
- (e) any incremental income generated from repurchase transactions (including reverse repurchase agreements) entered into by the relevant Fund will accrue to the relevant Fund; income accruing to the relevant Fund (after deduction of any fees or commission payable) will be credited to the account of the relevant Fund, and such income will be disclosed in the annual financial reports of the relevant Fund;
- (f) the counterparts’ financial standings must be equivalent to a certain rating determined by the Investment Manager from time to time (either based on reputable credit rating agencies or in the reasonable opinion of the Investment Manager); alternatively, an unrated counterparty will be acceptable where the relevant Fund is indemnified against losses caused by the counterparty, by an entity which has a certain rating determined by the Investment Manager from time to time;
- (g) 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 relevant Fund must not exceed certain percentage of the latest available net asset value of the relevant Fund (as determined by the Investment Manager from time to time);
- (h) any security lending, repurchase or reverse repurchase agreement is entered into only if collateral in such amount and in such form as prescribed by the Investment Manager from time to time, which will be cash or liquid securities with value greater than or equal to the value of the securities lent, sold or purchased (as the case may be) has been provided; the collateral agent (who may be the custodian / prime broker or a third party to be appointed by the custodian / prime broker at the direction of the Investment Manager or by the Investment 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 securities lent, sold or purchased (as the case may be), and such collateral must meet the collateral policies described below; unless otherwise agreed to by the Investment Manager, collateral for securities lent, sold or purchased (as the case may be) may take the form of government stock, government treasury bills, banker's acceptances, certificates of deposit, bonds, equities, letters of credit or cash collateral; collateral for securities provided by a counterparty may be enforced by the relevant Fund in the event of default specified under the relevant security lending, repurchase or reverse repurchase agreement, such as in the event of the counterparty's insolvency;

- (i) no more than a certain percentage (as determined by the Investment Manager from time to time) of the securities of the same issue, or of the same kind (by value) held in respect of the relevant Fund may be the subject of any security lending at any one time;
- (j) the relevant Fund's assets which may be engaged in securities lending, repurchase or reverse repurchase transactions would be subject to such limit as determined by the Investment Manager from time to time; and
- (k) where any transaction has been arranged through a Connected Person (as defined in the private placing memorandum of the relevant Fund), such transactions 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. Such transactions with Connected Persons (including the amount of any securities lending fees paid to the Investment Manager or any Connected Persons) will be disclosed in the annual reports of the relevant Fund.

The Investment Manager may also (although it will not be under any obligation to do so), from time to time, formulate such other investment, borrowing, security lending, repurchase and reverse repurchase limitations and prohibitions as it may, in its sole discretion, think fit, to apply to the relevant Fund.

Any limitation on security lending, repurchase and reverse repurchase transaction to be measured by reference to the net asset value of the relevant Fund shall be measured by reference to the latest available net asset value of the relevant Fund at the time the relevant security lending, repurchase or reverse repurchase transaction is made.

Where securities are accepted as collateral, the Investment Manager will have regard to any relevant considerations which include, but are not limited to:

- Liquidity – sufficiently liquid in order 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;
- Valuation – mark to market daily;
- Issuer credit quality – of high credit quality; collateral on assets that exhibit high price volatility may be accepted only if suitably conservative haircuts are in place;
- Diversification – must be appropriately diversified so as to avoid concentrated exposure to any single issuer; the counterparty or other investment limit / exposure of the collateral as a percentage of the relevant Fund's net asset value must not contravene the investment restrictions or limitations set out in private placing memorandum of the relevant Fund or as determined by the Investment Manager from time to time;
- Correlation – correlation between the counterparty and the collateral received must be avoided;

- Management of operational and legal risks – there must be in existence appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – must be held by or to the order of the custodian;
- Enforceability – must be readily accessible / enforceable by the custodian without further recourse to the counterparty; and
- Not available for secondary recourse – collateral cannot be applied for any purpose except for the purpose of being used as collateral.

Where the aggregate value of all collateral held by the relevant Fund represents certain percentage of the net asset value of the relevant Fund as determined by the Investment Manager from time to time, a description of holdings of collateral (including a description of the nature of collateral, identity of the counterparty providing the collateral, value of the relevant Fund (by percentage) secured / covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the relevant Fund's annual and interim reports for the relevant period.

If any of the above restrictions in relation to securities lending, repurchase and reverse repurchase transactions are exceeded or prohibitions breached, the Investment Manager will, after taking due account of the interests of the shareholders of the relevant Fund, take all steps as are necessary within a reasonable period of time to remedy the situation.

For the avoidance of doubt, the securities lending, repurchase and reverse repurchase transactions policy (as summarised above) is only applicable to a Fund to the extent that the Investment Manager engages in securities lending, repurchase and/or reverse repurchase transactions on behalf of such Fund.

For more details about securities lending, repurchase and reverse repurchase transactions policy applicable to the relevant Fund, please contact the Investment Manager at 43<sup>rd</sup> Floor, The Center, 99 Queen's Road Central, Hong Kong.