This notice contains important information that requires your immediate attention. Should you have any queries, you are recommended to seek independent professional advice.

The following change(s) in investment choice(s) relate(s) to the "Global Series" and "Premier-Choice Series" plans. The "Global Series" includes Global InvestPlan and Global InvestPlus. The "Premier-Choice Series" includes Premier-Choice ULife InvestPlan, Premier-Choice Flexi, Premier-Choice Flexi Plus, Premier-Choice InvestPlan and Premier-Choice PLUS InvestPlan.

1. **<u>Changes to Disclosures with Respect to the Use of Financial Derivative Instruments for the Underlying Funds of the Investment Choices</u>**

- *Fidelity Funds - ASEAN Fund "A" Shares (FIASU)*
- *Fidelity Funds - Asia Focus Fund "A" Shares (FISEU)*
- *Fidelity Funds - Asia Pacific Dividend Fund "A" Shares (FIAPU)*
- *MassMutual Fidelity Australia Fund "A" Shares (FIAUU)*
- *MassMutual Fidelity Australian Dollar Cash Fund (FIACU)*
- *Fidelity Funds - China Focus Fund "A" Shares (FICFU)*
- *Fidelity Funds - Emerging Asia Fund "A" Shares (FIEAU)*
- *Fidelity Funds - Emerging Europe, Middle East and Africa Fund "A-acc" (FIEMU)*
- *Fidelity Funds - Emerging Markets Fund "A-acc" (FIEFU)*
- *MassMutual Fidelity European Growth Fund "A" Shares (FIEGU)*
- *MassMutual Fidelity Flexible Bond Fund "A" Shares (FISBU)*
- *MassMutual Fidelity Global Consumer Industries Fund "A" Shares (FICIU)*
- *MassMutual Fidelity Global Financial Services Fund "A" Shares (FIFSU)*
- *Fidelity Funds - Global Focus Fund "A" Shares (FIGFU)*
- *Fidelity Funds - Growth & Income Fund "A" Shares (FIGIU)*
- *Fidelity Funds - Malaysia Fund "A" Shares (FIMAU)*
- *Fidelity Funds - Pacific Fund "A" Shares (FIPAU)*
- *Fidelity Funds - Singapore Fund "A" Shares (FISIU)*
- *Fidelity Funds - Taiwan Fund "A" Shares (FITAU)*

As advised by Fidelity, the board of directors of Fidelity Funds (the "Directors") has decided to amend certain disclosures in the prospectus of the underlying funds of the investment choices above with respect to the use of financial derivative instruments. This decision has been taken to help investors more clearly understand the use of various investment instruments and techniques within the underlying funds.

The investment objectives of the underlying funds of the investment choices above using the definition "primarily" or "principally" will be amended to clarify the use of derivative instruments. Where the objectives state that portfolios should be "primarily" or "principally" invested in specific asset classes, it will be made clear that this may be achieved through physical assets, derivatives or other such investment instruments.

The following enhancements will also apply to the underlying funds of all the investment choices above (except for the FIACU). The improvements will be implemented by amending the general investment policies of the relevant fund ranges as follows:

(1) Introducing an enhanced description of the types of derivative instruments used and the purpose for which they are used.

(2) Where the use of derivatives is currently permitted for the "generation of additional capital or income", it will be clarified that this also includes the use of derivatives "for investment purposes on a non-extensive basis". This means that derivatives may be used to gain or increase exposure to an underlying asset (as distinct from hedging or risk reduction) but in such a way that it does not increase the level of risk that an underlying fund can take in line with its investment objective.

These changes will come into effect on February 20, 2017 or such later date as may be decided by the Directors.

Upon the changes taking effect, exposure to the primary or principal investments of the underlying funds may be obtained through means that are both direct and indirect e.g. using derivatives to obtain exposure to the underlying assets. None of the amendments described above will change the existing risk profiles of the underlying funds as described in the prospectus or change the manner in which the underlying funds are currently being managed.

It is expected that the underlying funds will not use derivatives extensively for investment purposes as a result of the proposed changes as the current extent / usage of derivatives by such funds are expected to remain unchanged.

Furthermore, there will be no change to the current fee structure of the underlying funds as a result of the changes described here.

Any costs in connection with the proposed changes will be borne by the management company of Fidelity Funds.

As advised by Value Partners Hong Kong Limited, the disclosures in the explanatory memorandum of the underlying funds have been amended by way of the second addendum with effect from December 5, 2016 to reflect the miscellaneous changes as summarized below:

2. <u>Change of Investment Policy for the Underlying Funds of the Investment Choices</u>

- *Value Partners Classic Fund - "B" Unit (VPAFU)**
- *Value Partners Classic Fund - "C" Unit (VPCFU)*
- *Value Partners High-Dividend Stocks Fund - Class A1(VPHDU)*

**This investment choice is available in Premier-Choice Series only and has been closed for new subscription.*

It is currently disclosed in the explanatory memorandum of the underlying funds of the investment choices above that the underlying funds may invest directly in eligible A shares via the Shanghai-Hong Kong Stock Connect. In addition to the Shanghai-Hong Kong Stock Connect, the underlying funds intend to gain access to eligible A shares via the Shenzhen-Hong Kong Stock Connect (as further described below).

The investment policy of the underlying funds will be revised to provide flexibility for the underlying funds to invest directly in eligible A shares via the Shenzhen-Hong Kong Stock Connect. The above change takes effect on December 5, 2016. For the avoidance of doubt, each underlying fund's maximum aggregate direct and indirect exposure to A shares will remain unchanged i.e. at 20% of the underlying fund's total net asset value.

<u>Shenzhen-Hong Kong Stock Connect</u>

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

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

Given the change of the investment policy of the underlying funds is to provide flexibility to invest directly in A shares via the Shenzhen-Hong Kong Stock Connect and there is no increase in the underlying funds' aggregate direct and indirect exposure to A shares (i.e. not more than 20%), Value Partners Hong Kong Limited believes that (i) the change of the investment policy of the underlying funds does not amount to a material change to the underlying funds; (ii) there will be no material change or increase in the overall risk profile of the underlying funds following the change; and (iii) the change does not materially prejudice the rights or interests of investors of the underlying funds.

<u>Risks associated with the Shenzhen-Hong Kong Stock Connect</u>

Please note that investments through the Shenzhen-Hong Kong Stock Connect are subject to similar risks as those applicable to the Shanghai-Hong Kong Stock Connect, namely, quota limitations, suspension risk, differences in trading days, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risk, participation in corporate actions and shareholders' meetings, currency risk, regulatory risk and tax risk. When investing in eligible A shares through the Shenzhen-Hong Kong Stock Connect, the underlying funds will also be subject to the risks associated with the Small and Medium Enterprise Board of the SZSE and/or ChiNext Board of the SZSE.

Further, the underlying funds' investments through Northbound trading under Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund.

3. <u>Other Amendments for the Underlying Funds of the Investment Choices</u>

- *Value Partners Classic Fund - "B" Unit (VPAFU)**
- *Value Partners Classic Fund - "C" Unit (VPCFU)*
- *Value Partners High-Dividend Stocks Fund - Class A1(VPHDU)*

**This investment choice is available in Premier-Choice Series only and has been closed for new subscription.*

The explanatory memorandum of the underlying funds of the investment choices above will also be amended by way of the second addendum to reflect additional disclosures and updates as summarized below:

(i) enhancement of disclosures on PRC taxation
(ii) insertion of disclosures on liquidity risk management policy

For the underlying fund of VPAFU & VPCFU only:
(iii) insertion of a new risk factor "Risks associated with the Small and Medium Enterprise Board of the SZSE ("SME Board") and/or ChiNext Board of the SZSE ("ChiNext Board")" and updates to the risk factors headed "Liquidity Risk" and "Mainland China Tax Risk" as a result of the underlying fund trading via the Shenzhen-Hong Kong Stock Connect

(iv) replacement of the risk factor headed “Currency Hedging Risk” with the risk factor headed “Risks relating to Currency Hedging and the Currency Hedged Classes”

For the underlying fund of VPHDU only:

(v) insertion of a new risk factor “Risks associated with the Small and Medium Enterprise Board of the SZSE (“SME Board”) and/or ChiNext Board of the SZSE (“ChiNext Board”)” and updates to the risk factors headed “Liquidity Risk of Investing in China A Shares and China B Shares” and “PRC Tax Risk” as a result of the underlying fund trading via the Shenzhen-Hong Kong Stock Connect”

(vi) insertion of a new risk factor “Risks relating to Currency Hedging and the Currency Hedged Classes”

You should refer to the relevant offering documents and the notice to shareholders of the underlying fund(s) of the above investment choice(s), which are made available by MassMutual Asia Ltd. upon request, or visit our website (www.massmutualasia.com) to carefully read the details of the relevant documents in relation to the above change(s).

If you have selected the above investment choice(s) under your insurance policy and if for any reason you wish to change to other investment choice(s), you may switch your investment choice(s) to other available investment choice(s) provided by your policy. Currently, no switching charge and bid-offer spread apply to the investment choices. For details, please refer to Investment Choice Brochure or contact MassMutual Asia Ltd. - Customer Service Hotline at (852) 2533 5555 (Hong Kong)/ (853) 2832 2622 (Macau).

Fidelity Funds
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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.

Important changes to information in the Fidelity Funds Prospectus

Key Facts

- **We intend to enhance the level of information provided in the Fidelity Funds Hong Kong Prospectus (the "Prospectus") to make it clearer where and how derivatives are used.**
- **This requires the following changes to the investment policies and objectives of the funds that will take effect from 20 February 2017:**
  - **Amendments to the definition of "primarily" or "principally" to clarify that investments may also be achieved indirectly through derivatives or other instruments;**
  - **Enhanced description of the types of derivatives and the purposes for which they are used; and**
  - **Clarification regarding the use of derivatives for investment purposes on a non-extensive basis.**
- **The above changes are not expected to change the current extent or usage of derivatives by, or change the existing risk profile of the funds.**

30 November 2016

Dear Shareholder,

I am writing to notify you of a decision taken by the Board of Directors of Fidelity Funds (the "**Directors**") to amend certain disclosures in the Prospectus with respect to the use of financial derivative instruments. This decision has been taken to help investors more clearly understand the use of various investment instruments and techniques within the funds of Fidelity Funds so that they, in turn, are better informed about the potential suitability of the funds to their needs.

The investment objectives of all funds of Fidelity Funds using the definition "primarily" or "principally" will be amended to clarify the use of derivative instruments. Where the objectives state that portfolios should be "primarily" or "principally" invested in specific asset classes, it will be made clear that this may be achieved through physical assets, derivatives or other such investment instruments. Please refer to Appendix 2 for further details on the amendments.

The following enhancements will also apply to funds within all categories in Fidelity Funds except for the Cash Funds and the Systematic Multi Asset Risk Targeted Funds. The improvements will be implemented by amending the general investment policies of the relevant fund ranges as follows:

1) Introducing an enhanced description of the types of derivative instruments used and the purpose for which they are used.

2) Where the use of derivatives is currently permitted for the "generation of additional capital or income", it will be clarified that this also includes the use of derivatives "for investment purposes on a non-extensive basis". This means that derivatives may be used to gain or increase exposure to an underlying asset (as distinct from hedging or risk reduction) but in such a way that it does not increase the level of risk that a fund can take in line with its investment objective.

Please refer to Appendix 1 for the full text of the above enhancements.

These changes will come into effect on 20 February 2017 or such later date as may be decided by the Directors (the "**Effective Date**").

Upon the changes taking effect, exposure to the primary or principal investments of the relevant funds may be obtained through means that are both direct and indirect e.g. using derivatives to obtain exposure to the underlying assets. None of the amendments described above will change the existing risk profiles of the funds as described in the Prospectus or change the manner in which the funds are currently being managed.

It is expected that the relevant funds will not use derivatives extensively for investment purposes as a result of the proposed changes as the current extent / usage of derivatives by such funds are expected to remain unchanged.

Furthermore, there will be no change to the current fee structure of the funds as a result of the changes described here.

Any costs in connection with the proposed changes (e.g. costs associated with shareholder mailings) will be borne by the management company of Fidelity Funds.

The Directors accept full responsibility for the accuracy of the information contained in this letter. They confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

If you have any questions relating to these changes, or if you would like to request a copy of the Prospectus, the Product Key Facts Statement of any of the funds, the Articles of Incorporation, the latest audited annual report and accounts and unaudited semi-annual report and accounts (which is also available at www.fidelity.com.hk*) or other material agreements relating to Fidelity Funds, please contact your usual financial adviser or the Fidelity Investor Hotline^ at +852 2629 2629, or you can write to the Hong Kong Representative at Level 21, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

Yours faithfully,

Marc Wathelet
Director, FIL (Luxembourg) S.A., Corporate Director, Fidelity Funds

* This website has not been reviewed by the Hong Kong Securities and Futures Commission.

^ International Toll-free Number +800 2323 1122, available to calls from Australia, Canada, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, Thailand and USA. Service may not be available for certain mobile carriers. The "+" sign represents the International Access Prefix. China Toll-free Number: 4001 200632. The Fidelity Investor Hotline is available from 9am to 6pm, Monday to Friday (except Hong Kong public holidays).

Appendix 1 – Changes to Investment Policies

The derivatives-related enhancements to the investment policy for each fund category as described in (1) and (2) of this letter will apply to the following fund ranges offered in Hong Kong. For further information on specific funds within each fund range, please refer to the Prospectus:

Equity Funds
Balanced Funds
Bond Funds
Fidelity Lifestyle Funds
Institutional Reserved Funds

EQUITY FUNDS

The aim of the Equity funds is to provide investors with long-term capital growth from diversified and actively managed portfolios of securities~~.~~ or related instruments, including financial derivative instruments. Unless otherwise specified in the investment objective, the income from these funds is expected to be low. The Equity funds will invest ~~primarily (at least 70% in value) and principally (at least 70% and normally 75% in value) in~~in, or achieve exposure to equities in the markets and sectors reflected in the name of each individual fund and in companies established outside those markets but which derive a significant proportion of their earnings from those markets. For any remaining assets, the Investment Manager has the freedom to invest outside the fund's principal geographies, market sectors, currency or asset classes.

In selecting securities for the funds, several factors are considered in the investment process; for example, consideration may include, but is not limited to, a company's financials, including revenue and profit growth, return on capital, cash flows and other financial measures. In addition, company management, industry and economic environment, and other factors may be considered in the investment process.

All Equity funds may use financial derivative instruments provided (a) they are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost~~and~~, (iii) generation of additional capital or income for the Equity funds (including for investment purposes on a non-extensive basis) with a level of risk which is consistent with the risk profile of the relevant Equity fund(s) and the risk diversification rules laid down in Part V. (5.1, A. III) of the Prospectus~~,~~ and (c) their risks are adequately captured by the risk management process of the Fund~~*.~~

Financial derivative instruments such as futures, contracts for difference and equity swaps may ~~include~~be used to synthetically replicate the performance of a single stock, basket or index of equity securities. Options such as puts, calls and warrants may be used to afford funds the right or obligation to buy or sell equity at a predetermined value and thereby either generate capital growth, income, or reduce risk. Forwards, non-deliverable forwards and currency swaps may also be used to manage currency exposures within a fund. Financial derivative instruments may be over-the-counter ("OTC") and/or exchange traded ~~options, equity index and single stock futures, contracts for difference, forward contracts or a combination thereof.~~instruments.

Certain Equity funds may in addition make extensive use of financial derivative instruments or use complex derivative instruments or strategies to meet the investment objectives of the funds. When an Equity fund has such extended derivative powers this will be mentioned in the investment objective of the relevant fund.

Unless otherwise specified in the notes to a fund under the title "Global Exposure", the method used to calculate the global exposure relating to financial derivative instruments is the commitment approach (please refer to Part V, 5.1., D. of the Prospectus for further details).

While the judicious use of financial derivative instruments may be beneficial, financial derivative instruments also involve risks different from, and, in certain cases greater than the risks presented by more traditional investments. The use of financial derivative instruments may cause the Share price to be more volatile. For a further description of risks relating to the use of financial derivative instruments please refer to "Risk Factors", Part I (1.2) of the Prospectus. Certain Equity funds will be referred herein as "Equity Income funds". While pursuing the same investment policy, these funds will intend to provide higher income than the other Equity funds.

For the funds that are specifically allowed by their investment objective to make direct investments in China A Shares, such investments may, in addition to the QFII quota, be made through any permissible means available to the funds under prevailing laws and regulations (including through the Stock Connect or any other eligible means).

Investor Profile

Equity funds may be suitable for investors who wish to participate in equity markets while being prepared to accept the risks described for each Equity fund under "Risk Factors", Part I (1.2) of the Prospectus. Investment in an Equity fund should be regarded as a long-term investment.

~~* The use of financial derivative instruments in line with these criteria is referred to as Efficient Portfolio Management under the Regulation of 2008.~~

BALANCED FUNDS

Balanced funds are the most conservative form of growth investment and invest in a diversified portfolio of equities~~, bonds and ancillary cash.~~ or related instruments (including derivatives), bonds, ancillary cash and other assets (such as property or commodities), as described in their investment objective and portfolio information. Balanced funds aim to pay current income and achieve long-term growth of both capital and income.

The Balanced funds may invest in ~~bonds or debt instruments which~~, or achieve exposure to bonds, debt instruments or elements of their return (such as credit, interest rate or foreign exchange elements). Such bonds or debt instruments can, among others, be issued by governments, agencies, supra-nationals, private or publicly quoted companies, special purpose or investment vehicles, or trusts. They may pay fixed or variable coupons, whereby the variable element may be derived from prevailing market interest rates or the performance of other assets (e.g. asset-backed securities). Unless otherwise specified, asset-backed securities and mortgage-backed securities will not exceed 20% of the net assets of each fund, provided that such limit will not apply to investments in such securities issued or guaranteed by the United States government or United States government sponsored entities. The repayment of a bond may have a fixed date or may be subject to some issuer discretion (e.g. some mortgage bonds). Bonds can have conversion or subscription rights to other assets attached to them (e.g. convertible bonds). Not all bonds or debt instruments will have been rated by one or several rating agencies; some may have a below investment grade rating.

The Balanced funds may have non-material exposure to loans that comply with the criteria applicable to Money Market Instruments for the purposes of the Law of 2010. Some Balanced funds may have a higher exposure to such instruments as further detailed in the notes to the relevant funds.

All Balanced funds may use financial derivative instruments provided (a) they are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost and (iii) generation of additional capital or income for the Balanced funds with a level of risk which is consistent with the risk profile of the relevant Balanced fund(s) (including for investment purposes on a non-extensive basis) and the risk diversification rules laid down in Part V. (5.1, A. III) of the Prospectus, and (c) their risks are adequately captured by the risk management process of the Fund~~*.~~

Balanced funds may use financial derivative instruments to manage risks, generate income or capital growth associated with the asset classes in which they invest. Financial derivative instruments may ~~include~~be over-the-counter ("OTC") and/or exchange traded ~~options, equity index, single stock, interest rate, and bond futures, contracts for difference, swaps (such as interest rate and inflation index swaps), forward contracts, derivatives on indices or a combination thereof~~instruments.

Financial derivative instruments referencing underlying equity assets, such as futures, contracts for difference and equity swaps may be used to synthetically replicate the performance of a single stock, basket or index of equity securities. Options such as put, calls and warrants may be used to afford funds the right to buy or sell equity at a predetermined value and thereby either generate income, capital growth or reduce risk.

Financial derivative instruments referencing underlying fixed income assets or components thereof may be used by Balanced funds to (i) increase or reduce exposure to interest rate risk (including inflation) through the use of interest rate or bond futures, options and interest rate, total return or inflation swaps (ii) buy or sell part or all of the credit risk relating to single issuer, or multiple issuers referenced in a basket or index through the use of bonds futures, options, credit default and total return swaps and (iii) to hedge, reduce or increase exposure to currencies through the use of forwards, including non-deliverable forwards and currency swaps.

Financial derivative instruments may also be used to replicate the performance of a security or asset class (e.g. commodity indexes or property). Other strategies may include positions that benefit from a decline in value or that give exposure to certain elements of returns of a particular issuer or asset in order to provide returns that are unrelated to those of the general market, or positions that would not have been available without the use of financial derivative instruments.

Certain Balanced funds may in addition make extensive use of financial derivative instruments or use complex derivative instruments or strategies to meet the investment objectives of the funds. When a Balanced fund has such extended derivative powers this will be mentioned in the investment objective of the relevant fund.

Unless otherwise specified in the notes to a fund under the title "Global Exposure", the method used to calculate the global exposure relating to financial derivative instruments is the commitment approach (please refer to Part V, 5.1., D. of the Prospectus for further details).

While the judicious use of financial derivative instruments may be beneficial, financial derivative instruments also involve risks different from, and, in certain cases greater than the risks presented by more traditional investments. The use of financial derivative instruments may cause the Share price to be more volatile. For a further description of risks relating to the use of financial derivative instruments please refer to "Risk Factors", Part I (1.2) of in the Prospectus.

Investor Profile

Balanced funds may be suitable for investors who wish to participate in capital markets while being prepared to accept the risks described for each Balanced fund under "Risk Factors", Part I (1.2) of the Prospectus. Investment in a Balanced fund should be regarded as a long-term investment.

~~* The use of financial derivative instruments in line with these criteria is referred to as Efficient Portfolio Management under the Regulation of 2008~~.

BOND FUNDS

The aim of the Bond funds is to provide investors with relatively high income with the possibility of capital gains. They may invest in ~~bonds or debt instruments which~~, or achieve exposure to, bonds, debt instruments or elements of their return (such as credit, interest rate or foreign exchange elements). Such bonds or debt instruments can, among others, be issued by governments, agencies, supra-nationals, private or publicly quoted companies, special purpose or investment vehicles, or trusts, which are linked to the geographies, sectors, credit quality, currency and asset classes reflected in the investment objective of each individual fund. Power is reserved to invest up to 100% of the assets of any fund in securities issued or guaranteed by certain government and other public bodies as described more fully in Part V, section A of the Prospectus. For any remaining assets, the Investment Manager has the freedom to invest outside the fund's principal geographies, market sectors, credit quality, currency or asset classes (which may include, but are not limited to, securitized or structured debt instruments and loans).

The Bond funds may pay fixed or variable coupons, whereby the variable element may be derived from prevailing market interest rates or the performance of other assets (e.g. asset-backed securities). Unless otherwise specified, asset-backed securities and mortgage-backed securities will not exceed 20% of the net assets of each fund, provided that such limit will not apply to investments in such securities issued or guaranteed by the United States government or United States government sponsored entities. The repayment of a bond may have a fixed date or may be subject to some issuer discretion (e.g. some mortgage bonds). Bonds can have conversion or subscription rights to other assets attached to them (e.g. convertible bonds). Not all bonds or debt instruments will have been rated by one or several rating agencies; some may have a below investment grade rating.

Any reference in this section to investment grade securities shall mean securities with a rating of BBB- or higher from Standard & Poor's or equivalent rating from an internationally recognised rating agency.

Any reference in this section to sub investment grade securities shall mean securities with a rating of BB+ or less from Standard & Poor's or equivalent rating from an internationally recognised rating agency.

In selecting bond securities, several factors are considered in the investment process; for example, consideration may include, but is not limited to, a company's financials, including revenue and profit growth, balance sheet health and positioning, cash flows, and other financial measures. In addition, company management, industry and economic environment, and other factors may be considered in the investment process.

Occasionally, investments for all Bond funds may be made in bonds issued in currencies other than the fund's Reference Currency. The Investment Manager may choose to hedge currency exposures through the use of instruments such as forward foreign exchange contracts.
With due consideration given to the restrictions on investments required by applicable law and regulations and on an ancillary basis, the Bond funds may further hold cash and cash equivalents (including Money Market Instruments and time deposits) up to 49% of their net assets. This percentage may exceptionally be exceeded if the Directors consider this to be in the best interests of the Shareholders.

The Bond funds may have non-material exposure to loans that comply with the criteria applicable to Money Market Instruments for the purposes of the Law of 2010. Some Bond funds may have a higher exposure to such instruments as further detailed in the notes to the relevant funds.

All Bond funds may use financial derivative instruments provided (a) they are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost and (iii) generation of additional capital or income for the Bond funds (including for investment purposes on a non-extensive basis) with a level of risk which is consistent with the risk profile of the relevant Bond fund(s) and the risk diversification rules laid down in Part V. (5.1, A. III) of the Prospectus~~,~~ and (c) their risks are adequately captured by the risk management process of the Fund~~*.~~

Financial derivative instruments may ~~include over-the-counter and/or exchange traded options,~~ be used to (i) increase or reduce exposure to interest rate risk (including inflation) through the use of interest rate or bond futures, options, swaptions and interest rate, total return or inflation swaps (ii) buy or sell part or all of the credit risk relating to single issuer, or multiple issuers referenced in a basket or index through the use of options, credit default and total return swaps ~~(single name and baskets), inflation index~~ and (iii) to hedge, reduce or increase exposure to currencies through the use of forwards, including non-deliverable forwards and currency swaps~~, forward contract or a combination thereof.~~.

Financial derivative instruments may also be used to replicate the performance of physically held securities. Other fixed income strategies may include positions that benefit from a decline in value or that give exposure to certain elements of returns of a particular issuer or asset in order to provide returns that are unrelated to those of the general market, or positions that would not have been available without the use of financial derivative instruments. Financial derivative instruments may be over-the-counter ("OTC") and/or exchange traded instruments on underlying assets.
Certain Bond funds may in addition make extensive use of financial derivative instruments or use complex derivative instruments or strategies to meet the investment objectives of the funds. When a Bond fund has such extended derivative powers this will be mentioned in the investment objective of the relevant fund.

Unless otherwise specified in the notes to a fund under the title "Global Exposure", the method used to calculate the global exposure relating to financial derivative instruments is the commitment approach (please refer to Part V, 5.1., D. of the Prospectus for further details).
While the judicious use of financial derivative instruments may be beneficial, financial derivative instruments also involve risks different from, and, in certain cases greater than the risks presented by more traditional investments. The use of financial derivative instruments may cause the Share price to be more volatile. For a further description of risks relating to the use of financial derivative instruments please refer to "Risk Factors", Part I (1.2) of in the Prospectus.

For the funds that are specifically allowed by their investment objective to make direct investments in onshore China fixed income securities, such investments may, in addition to the QFII quota, be made through any permissible means available to the funds under prevailing laws and regulations.

Investor Profile
Bond funds may be suitable for investors who wish to participate in debt markets while being prepared to accept the risks described for each Bond fund under "Risk Factors", Part I (1.2) of the Prospectus. Investment in a Bond fund should be regarded as a long-term investment.

~~* The use of financial derivative instruments in line with these criteria is referred to as Efficient Portfolio Management under the Regulation of 2008.~~

FIDELITY LIFESTYLE FUNDS

The aim of the Fidelity Lifestyle Funds is to provide investors with a range of funds that will be managed using a lifecycle approach, designed to maximise total investment return by holding a diversified portfolio. This should be achieved by co-managing assets and by changing the asset allocation over time. Where initially the funds may be heavily invested in, or achieve exposure to, equities, they may also be invested in, or achieve exposure to, a more conservative portfolio of bonds, interest bearing debt securities ~~and~~, money market securities or elements of their return (such as credit, interest rate or foreign exchange elements), throughout the world. The percentage weightings will vary over time as the fund approaches, reaches and passes its target date in accordance with the investment objective and individual market developments. ~~The Fidelity Lifestyle Funds may invest in bonds~~Bonds or debt instruments ~~which~~ can, among others, be issued by governments, agencies, supra-nationals, private or publicly quoted companies, special purpose or investment vehicles, or trusts. They may pay fixed or variable coupons, whereby the variable element may be derived from prevailing market interest rates or the performance of other assets (e.g. asset-backed securities). Unless otherwise specified, asset-backed securities and mortgage-backed securities will not exceed 20% of the net assets of each fund, provided that such limit will not apply to investments in such securities issued or guaranteed by the United States government or United States government sponsored entities. The repayment of a bond may have a fixed date or may be subject to some issuer discretion (e.g. some mortgage bonds). Bonds can have conversion or subscription rights to other assets attached to them (e.g. convertible bonds). Not all bonds or debt instruments will have been rated by one or several rating agencies; some may have a below investment grade rating.

Investments for the Euro denominated Fidelity Lifestyle Funds may be made in transferable securities and/or debt instruments issued in currencies other than the fund's Reference Currency. The Investment Manager may choose to hedge currency exposures through the use of instruments such as forward foreign exchange contracts.

The Board may from time to time introduce additional funds to complement the funds detailed below.

The Fidelity Lifestyle Funds may have non-material exposure to loans that comply with the criteria applicable to Money Market Instruments for the purposes of the Law of 2010.

All Fidelity Lifestyle Funds may use financial derivative instruments provided (a) they are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost and (iii) generation of additional capital or income for the Fidelity Lifestyle Funds (including for investment purposes on a non-extensive basis) with a level of risk which is consistent with the risk profile of the relevant Fidelity Lifestyle Fund(s) and the risk diversification rules laid down in Part V. (5.1, A. III) of the Prospectus, and (c) their risks are adequately captured by the risk management process of the Fund~~*. Financial derivative instruments may include over-the-counter and/or exchange traded options, equity index, single stock, interest rate and bond futures, contracts for difference, swaps (such as interest rate swaps), forward contracts, derivatives on indices or a combination thereof.~~

Financial derivative instruments may be used to replicate the performance of physically held securities. Financial derivative instruments such as futures, contracts for difference and equity swaps may be used to synthetically replicate the performance of a single stock, basket or index of equity securities. Options such as puts, calls and warrants may be used to afford funds the right or obligation to buy or sell equity at a predetermined value and thereby either generate capital growth, income, or reduce risk. Also, financial derivative instruments may be used to (i) increase or reduce exposure to interest rate risk (including inflation) through the use of interest rate or bond futures, options, swaptions and interest rate, total return or inflation swaps (ii) buy or sell part or all of the credit risk relating to single issuer, or multiple issuers referenced in a basket or index through the use of options, credit default and total return swaps and (iii) to hedge, reduce or increase exposure to currencies through the use of forwards, including non-deliverable forwards and currency swaps.

Other fixed income strategies may include positions that benefit from a decline in value or that give exposure to certain elements of returns of a particular issuer or asset in order to provide returns that are unrelated to those of the general market, or positions that would not have been available without the use of financial derivative instruments. Financial derivative instruments may be over-the-counter ("OTC") and/or exchange traded instruments on underlying assets.

Certain Fidelity Lifestyle Funds may in addition make extensive use of financial derivative instruments or use complex derivative instruments or strategies to meet the investment objectives of the funds. When a Fidelity Lifestyle Fund has such extended derivative powers this will be mentioned in the investment objective of the relevant fund.

Unless otherwise specified in the notes to a fund under the title "Global Exposure", the method used to calculate the global exposure relating to financial derivative instruments is the commitment approach (please refer to Part V, 5.1., D. of the Prospectus for further details).
While the judicious use of financial derivative instruments may be beneficial, financial derivative instruments also involve risks different from, and, in certain cases greater than the risks presented by more traditional investments. The use of financial derivative instruments may cause the Share price to be more volatile. For a further description of risks relating to the use of financial derivative instruments please refer to "Risk Factors", Part I (1.2) of the Prospectus.

Investor Profile
Fidelity Lifestyle ~~Funds~~funds may be suitable for investors who wish to participate in capital markets while being prepared to accept the risks described for each Fidelity Lifestyle ~~Fund~~fund under "Risk Factors", Part I (1.2) of the Prospectus. Investment in a Fidelity Lifestyle ~~Fund~~fund should be regarded as a long-term investment.

~~* The use of financial derivative instruments in line with these criteria is referred to as Efficient Portfolio Management under the Regulation of 2008.~~

INSTITUTIONAL RESERVED EQUITY FUNDS

The aim of all Equity funds is to provide investors with long-term capital growth from diversified and actively managed portfolios of securities~~.~~ or related instruments, including financial derivative instruments. The income from these funds is expected to be low. Equity funds will invest ~~primarily (at least 70% in value) and principally (at least 70% and normally 75% in value)~~ in, or achieve exposure to, equities in the markets and sectors reflected in the name of each individual fund and in companies established outside those markets but which derive a significant proportion of their earnings from those markets. For any remaining assets, the Investment Manager has the freedom to invest outside the fund's principal geographies, market sectors, currency or asset classes.

All Equity funds may use financial derivative instruments provided (a) they are economically appropriate in that they are realised in a cost-effective way, (b) they are entered into for one or more of (i) reduction of risk, (ii) reduction of cost and (iii) generation of additional capital or income for the Equity funds (including for investment purposes on a non-extensive basis) with a level of risk which is consistent with the risk profile of the relevant Equity fund(s) and the risk diversification rules laid down in Part V. (5.1, A. III) of the Prospectus, and (c) their risks are adequately captured by the risk management process of the Fund~~*. Financial derivative instruments may include over-the-counter and/or exchange traded options, equity index and single stock futures, contracts for difference, swaps, forward contract or a combination thereof.~~.

Financial derivative instruments such as futures, contracts for difference and equity swaps may be used to synthetically replicate the performance of a single stock, basket or index of equity securities. Options such as puts, calls and warrants may be used to afford funds the right or obligation to buy or sell equity at a predetermined value and thereby either generate capital growth, income, or reduce risk. Forwards, non-deliverable forwards and currency swaps may also be used to manage currency exposures within a fund. Financial derivative instruments may be over-the-counter ("OTC") and/or exchange traded instruments.

Certain Equity funds may in addition make extensive use of financial derivative instruments or use complex derivative instruments or strategies to meet the investment objectives of the funds. When an Equity fund has such extended derivative powers this will be mentioned in the investment objective of the relevant fund.

Unless otherwise specified in the notes to a fund under the title "Global Exposure", the method used to calculate the global exposure relating to financial derivative instruments is the commitment approach (please refer to Part V, 5.1., D. of the Prospectus for further details).

While the judicious use of financial derivative instruments may be beneficial, financial derivative instruments also involve risks different from, and, in certain cases greater than the risks presented by more traditional investments. The use of financial derivative instruments may cause the Share price to be more volatile. For a further description of risks relating to the use of financial derivative instruments please refer to "Risk Factors", Part I (1.2) of the Prospectus.

For the funds that are specifically allowed by their investment objective to make direct investments in China A Shares, such investments may, in addition to the QFII quota, be made through any permissible means available to the funds under prevailing laws and regulations (including through the Stock Connect or any other eligible means).

Investor Profile

Institutional Reserved Equity funds may be suitable for investors who wish to participate in equity markets while being prepared to accept the risks described for each Institutional Reserved Equity fund under "Risk Factors", Part I (1.2) of the Prospectus. Investment in an Institutional Reserved Equity fund should be regarded as a long-term investment.

~~* The use of financial derivative instruments in line with these criteria is referred to as Efficient Portfolio Management under the Regulation of 2008.~~

Appendix 2 – Change to Definitions

The definition of “**primarily**” will change as follows:

primarily	Each time this word is used in the description of a fund or a class of Shares or a type of fund or class of Shares of the Fund, this means that at least 70% of the assets of the relevant fund are directly or indirectly ~~as specifically provided for in the relevant investment objective,~~ invested in the currency, the country, the type of security or other material element set out in the name of the fund, the fund’s investment objective and the investment policy of the relevant fund’s range.

The definition of “**principally**” will change as follows:

principally	Each time this word is used in the description of a fund or a class of Shares or a type of fund or class of Shares of the Fund, this means that at least 70% (and normally 75%) of the assets of the relevant fund are directly or indirectly ~~as specifically provided for in the relevant investment objective,~~ invested in the currency, the country, the type of security or other material element set out in the name of the fund, the fund’s investment objective and the investment policy of the relevant fund’s range.

Value Partners
Investing through discipline

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Important

This document is important and requires your immediate attention. If you have any doubt about the contents of this document, you should seek independent professional financial advice.

Unless otherwise stated in this notice, capitalized terms used herein shall have the same meaning as defined in the Explanatory Memorandum of the Fund dated 29 April 2016, as amended by the First Addendum dated 21 September 2016 ("**Explanatory Memorandum**").

The Manager accepts full responsibility for the accuracy of the information contained in this notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this notice misleading as at the date of issuance.

5 December 2016

NOTICE TO UNITHOLDERS – VALUE PARTNERS CLASSIC FUND (the "Fund")

Dear unitholders,

We are writing to inform you of the following changes to the Fund. Unless otherwise specified, the relevant changes will take immediate effect from the date of this notice:

1. Change of Investment Policy – Direct Exposure to A Shares through Shenzhen-Hong Kong Stock Connect

It is currently disclosed in the Explanatory Memorandum that the Fund may invest directly in eligible A shares via the Shanghai-Hong Kong Stock Connect. In addition to the Shanghai-Hong Kong Stock Connect, the Fund intends to gain access to eligible A shares via the Shenzhen-Hong Kong Stock Connect (as further described below).

The investment policy of the Fund will be revised to provide flexibility for the Fund to invest directly in eligible A shares via the Shenzhen-Hong Kong Stock Connect. The above change will take effect on 5 December 2016 ("**Effective Date**"). For the avoidance of doubt, the Fund's maximum aggregate direct and indirect exposure to A shares will remain unchanged i.e. at 20% of the Fund's total net asset value.

Shenzhen-Hong Kong Stock Connect

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

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

Given the change of the investment policy of the Fund is to provide flexibility to invest directly in A shares via the Shenzhen-Hong Kong Stock Connect and there is no increase in the Fund's aggregate direct and indirect exposure to A shares (i.e. not more than 20%), we believe that (i) the change of the investment policy of the Fund does not amount to a material change to the

Fund; (ii) there will be no material change or increase in the overall risk profile of the Fund following the change; and (iii) the change does not materially prejudice the rights or interests of investors of the Fund. As such, the SFC's prior approval is not required for such change.

Please refer to the Second Addendum for further information relating to the Shenzhen-Hong Kong Stock Connect, including the, trading quota, settlement and custody arrangement, participation in corporate actions and shareholders' meetings and trading fees and taxes.

Risks associated with the Shenzhen-Hong Kong Stock Connect

Please note that investments through the Shenzhen-Hong Kong Stock Connect are subject to similar risks as those applicable to the Shanghai-Hong Kong Stock Connect, namely, quota limitations, suspension risk, differences in trading days, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risk, participation in corporate actions and shareholders' meetings, currency risk, regulatory risk and tax risk. When investing in eligible A shares through the Shenzhen-Hong Kong Stock Connect, the Fund will also be subject to the risks associated with the Small and Medium Enterprise Board of the SZSE and/or ChiNext Board of the SZSE.

Further, the Fund's investments through Northbound trading under Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund.

2. Other Amendments

In addition to the changes set out above, the Explanatory Memorandum will also be amended by way of the Second Addendum to reflect additional disclosures and updates as summarised below:-

(i) enhancement of disclosures on PRC taxation;

(ii) insertion of a new risk factor "***Risks associated with the Small and Medium Enterprise Board of the SZSE ("SME Board") and/or ChiNext Board of the SZSE ("ChiNext Board")***" and updates to the risk factors headed "***Liquidity Risk***" and "***Mainland China Tax Risk***" as a result of the Fund trading via the Shenzhen-Hong Kong Stock Connect;

(iii) replacement of the risk factor headed "***Currency Hedging Risk***" with the risk factor headed "***Risks relating to Currency Hedging and the Currency Hedged Classes***";

(iv) insertion of disclosures on liquidity risk management policy; and

(v) insertion of disclosures on the Standard for Automatic Exchange of Financial Account Information.

The latest Explanatory Memorandum (as amended by the Second Addendum) and updated Product Key Facts Statement are now available on our website (www.valuepartners.com.hk)[1] and for your inspection at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays).

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2143 0688 or email us at FIS@vp.com.hk. We would like to take this opportunity to thank you for your valuable support and we look forward to be of continued service to you.

Value Partners Hong Kong Limited

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

Value Partners
Investing through discipline

VALUE PARTNERS CLASSIC FUND (the "Fund")
SECOND 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 Fund dated 29 April 2016, as amended by the First Addendum dated 21 September 2016 ("**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 5 December 2016, unless otherwise stated herein.*

All capitalized 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 Fund, 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 issuance.

The Explanatory Memorandum will hereby be amended as follows:

(A) Change in Investment Policy

1. The fourth paragraph of the sub-section headed "**Investment Objectives and Policies**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on page 11 shall be deleted in its entirety and replaced with the following:-

   "The Fund may have direct exposure to certain eligible A shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connects**") (as further described in the section under the heading "The Stock Connects" below)."

2. The second paragraph of the sub-section headed "**Investment Objectives and Policies (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on page 12 shall be deleted in its entirety and replaced with the following:-

   "The exposure to A shares through the Stock Connects, CAAPs and A Shares CIS is subject to a maximum exposure of 20 per cent. of the Fund's total net asset value."

3. The heading of the sub-section headed "**Shanghai-Hong Kong Stock Connect**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" and the paragraphs under such heading on pages 13 – 16 shall be deleted in their entirety and replaced with the following:-

   "**Stock Connects**

   The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited ("**HKEX**"), Shanghai Stock Exchange ("**SSE**") and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEX, the Shenzhen Stock

Exchange ("**SZSE**") and ChinaClear. The aim of the Stock Connects is to achieve mutual stock market access between Mainland China and Hong Kong.

For the purpose of this Explanatory Memorandum, "**Mainland China**" means all customs territory of the People's Republic of China ("**PRC**").

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Fund), through their Hong Kong brokers and a securities trading service company as established by The Stock Exchange of Hong Kong Limited ("**SEHK**"), may be able to trade eligible A shares listed on SSE by routing orders to SSE.

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

Eligible Securities

(i) Shanghai-Hong Kong Stock Connect

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Fund) are able to trade certain stocks listed on the SSE market (i.e. "**SSE Securities**"). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except the following:

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

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

(ii) Shenzhen-Hong Kong Stock Connect

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

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

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

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

Trading Days

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

Trading Quota

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

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

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

Settlement and Custody

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

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

Corporate Actions and Shareholders' Meetings

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

It is expected that the same arrangement will apply to the Shenzhen-Hong Kong Stock Connect notwithstanding the relevant rules and regulations relating to SZSE Securities are not available yet.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS ("**CCASS**

participants") informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

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

Foreign Shareholding Restrictions

The China Securities Regulatory Commission (the "**CSRC**") stipulates that, when holding A shares through the Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and

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

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

Currency

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

Trading Fees

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website:
http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm

Investor Compensation

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

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

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

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

Further information about the Stock Connects is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm"

4. The risk factor headed "***Liquidity Risk (Continued)***" under the sub-section "**Risk Factors (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on page 22 shall be deleted in its entirety and replaced with the following:-

"***Liquidity Risk (Continued)***

A shares may be subject to trading bands which restrict increases and decreases in the trading price. If the trading price of any A shares has increased or decreased to the extent beyond the trading band limit during the day, trading in the A shares on the relevant stock exchange may be suspended. The Fund if investing through the Stock Connects, CAAP Issuers and A Shares CIS will be prevented from trading A shares when they hit the trading band limit. If this happens on a particular trading day, the Fund, CAAP Issuers and A Shares CIS may be unable to trade A shares. As a result, the liquidity of A shares, the CAAPs and A Shares CIS may be adversely affected. This may in turn affect the value of the Fund's investments."

5. The heading entitled "*a) A shares except those via Stock Connect*" under the risk factor headed "***Mainland China Tax Risk***" under the sub-section headed "**Risk Factors (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on page 29 shall be deleted in its entirety and replaced with "*a) A shares except those via the Stock Connects*".

6. The headings entitled "*a) A shares except those via Stock Connect (Continued)*" under the risk factor headed "***Mainland China Tax Risk (Continued)***" under the sub-section headed "**Risk Factors (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on pages 30-31 shall be deleted in their entirety and replaced with "*a) A shares except those via the Stock Connects (Continued)*".

7. The heading entitled "*b) A shares via Stock Connect*" under the risk factor headed "***Mainland China Tax Risk (Continued)***" under the sub-section headed "**Risk Factors (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" and the paragraphs under such heading on page 32 shall be deleted in its entirety and replaced with the following:-

"b*) A shares via the Stock Connects*

Dividends

Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No.81) ("**Notice No.81**") promulgated by the MoF, the SAT and the CSRC on 14 November 2014, the Fund is subject to WIT at 10 per cent on dividends received from A shares traded via Shanghai-Hong Kong Stock Connect.

The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the Mainland China tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect.

Capital gains

Pursuant to Notice No. 81, Mainland China CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Fund) on the trading of A shares through the Shanghai-Hong Kong Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of A shares via the Shanghai-Hong Kong Stock Connect is made by the Manager on behalf of the Fund.**

The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the Mainland China tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

8. The risk factor headed "***Risks Associated with the Shanghai-Hong Kong Stock Connect***" under the sub-section headed "**Risk Factors (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on pages 35 - 39 shall be deleted in its entirety and replaced with the following:-

   "***Risks Associated with the Stock Connects***"

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

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

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

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

Operational risk – The Stock Connects provide a channel for investors from Hong Kong and overseas to access the Mainland China stock markets directly. The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

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

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

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

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

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

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

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

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

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

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

No Protection by Investor Compensation Fund – Investments through the Stock Connects are conducted through brokers, and are subject to the risks of default by such brokers' in their obligations.

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

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

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

9. The following risk factor shall be inserted after the risk factor headed "***Risks Associated with the Stock Connect (Continued)***" under the sub-section headed "**Risk Factors (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on page 39:-

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

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

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

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

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

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

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

B. Changes to Mainland China Tax Disclosures

1. The third paragraph under the sub-heading entitled "*Dividend income or interest income*" under the heading entitled "***Mainland China Corporate Income Tax ("CIT") (Continued)***" under the sub-section headed "**Mainland China (Continued)**" of the section headed "**TAXATION (Continued)**" on page 69 shall be deleted and replaced with the following:-
"Under current regulations in the Mainland China, foreign investors (such as the Fund) may invest in A shares, generally, only through a QFII or an RQFII (in this section referred to as the "relevant QFII"), or the Stock Connects. Since only the relevant QFII's interests

in A shares are recognised under Mainland China laws, any tax liability would, if it arises, be payable by the relevant QFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant QFII (i.e. the CAAP Issuers or managers of A Shares CIS) and the Fund, the relevant QFII will pass on any tax liability to the Fund. As such, the Fund is the ultimate party which bears the risks relating to any Mainland China taxes which are so levied by the relevant Mainland China tax authority. Under current Mainland China tax laws and regulations, the relevant QFII (if without a PE in Mainland China) is subject to WIT of 10 per cent on dividends from A shares unless exempt or reduced under current Mainland China tax laws and regulations or relevant tax treaties."

2. The heading entitled "(ii) A Shares except those via Stock Connect" under the sub-heading entitled "*Capital gains*" under the heading entitled "***Mainland China Corporate Income Tax ("CIT") (Continued)***" under the sub-section headed "**Mainland China (Continued)**" of the section headed "**TAXATION (Continued)**" on page 70 shall be deleted in its entirety and replaced with "(ii) A shares except those via the Stock Connects".

3. The heading entitled "(ii) A Shares except those via Stock Connect (Continued)" under the sub-heading entitled "*Capital gains (Continued)*" under the heading entitled "***Mainland China Corporate Income Tax ("CIT") (Continued)***" under the sub-section headed "**Mainland China (Continued)**" of the section headed "**TAXATION (Continued)**" on page 71 shall be deleted in its entirety and replaced with "(ii) A shares except those via the Stock Connects (Continued)".

4. The heading entitled "(iii) A Shares via Stock Connect" under the sub-heading entitled "*Capital gains (Continued)*" under the heading entitled "***Mainland China Corporate Income Tax ("CIT") (Continued)***" under the sub-section headed "**Mainland China (Continued)**" of the section headed "**TAXATION (Continued)**" and the paragraphs under such sub-heading on page 71 shall be deleted in its entirety and replaced with the following:-

   "(iii) A shares via the Stock Connects

   Pursuant to the Notice No.81, Mainland China CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Fund) on the trading of A shares through the Shanghai-Hong Kong Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of A shares via the Shanghai-Hong Kong Stock Connect is made by the Manager on behalf of the Fund.**

   The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the Mainland China tax authorities and / or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

5. The heading "***Value Added Tax ("VAT") and other surtaxes***" under the sub-section headed "**Mainland China (Continued)**" of the section headed "**TAXATION (Continued)**" and the paragraphs under such heading on page 73 shall be deleted in their entirety and replaced with the following:-

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"**Value Added Tax ("VAT") and other surtaxes**

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

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

Based on the prevailing VAT regulations, capital gains derived by (i) QFIIs / RQFIIs on trading of marketable securities and (ii) investors via the Shanghai-Hong Kong Stock Connect are exempted from VAT. Therefore, to the extent that the Fund's key investments (such as A shares through the Shanghai-Hong Kong Stock Connect, CAAPs, A Share CIS) are conducted through these channels, either by the Fund directly or via CAAP / CIS issuers, the capital gains should be exempted from VAT. The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the Mainland China tax authorities and / or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect.

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

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

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

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

C. Liquidity Risk Management

1. The following sub-section headed "**Liquidity Risk Management**" shall be inserted immediately after the sub-section headed "**Securities Lending (Continued)**" on page 50:-

   "**Liquidity Risk Management**

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

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

   The liquidity management policy involves monitoring the profile of investments held by the Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "**Issue and Redemption of Units**", and will facilitate compliance with the Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Fund under normal and exceptional market conditions.

   The following tools may be employed by the Manager to manage liquidity risks:

   - the Manager may, with the Trustee's approval, limit the number of units of all classes of the Fund redeemed on any Dealing Day to units representing 10 per cent. (or such higher percentage as the Manager may determine in any particular case) of the total number of units of all classes of the Fund in issue (subject to the conditions under the heading entitled "**Suspension and Limitation of Redemption**" in the section headed "**Issue and Redemption of Units**");

   - the Manager is entitled to add to the net asset value per unit, for the account of the Fund, an amount which it considers to be an appropriate allowance (not exceeding one per cent. of the net asset value per unit of the relevant class) for fiscal and purchase charges incurred by the Fund in investing subscription moneys 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 (i.e. where the subscription amount is US$2,000,000 or above); and

   - the Manager is also entitled to deduct from the net asset value per unit of each class, for the account of the Fund, an amount which it considers to be an appropriate allowance (not exceeding one per cent. of that net asset value per unit of the relevant class) for fiscal and sale charges incurred in realising assets to provide funds to meet any redemption request but it is not the present intention of the Manager to make any deduction in respect of such fiscal and sale charges except in the case of abnormally large redemption of units (i.e. where the redemption proceeds are US$2,000,000 or above)."

D. AEOI Disclosures

1. The following sub-section headed "**Automatic Exchange of Financial Account Information**" shall be inserted immediately after the sub-section headed "**Hong Kong (Continued)**" of the section headed "**TAXATION**" on page 76:-

"**Automatic Exchange of Financial Account Information**

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI requires financial institutions ("**FIs**") in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the Hong Kong Inland Revenue Department ("**IRD**") for the purpose of AEOI exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax resident in an AEOI partner jurisdiction(s) with which Hong Kong has a Competent Authority Agreement ("**CAA**") in force; however, the Fund and/or its agents may further collect information relating to residents of other jurisdictions.

The Fund is required to comply with the requirements of the Ordinance, which means that the Fund and/or its agents shall collect and provide to the IRD the required information relating to unitholders and prospective investors.

The Ordinance as implemented by Hong Kong requires the Fund to, amongst other things: (i) register the Fund as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e. unitholders) to identify whether any such accounts are considered "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the government authorities of the jurisdictions with which Hong Kong has a CAA in force. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has a CAA in force; and (ii) certain entities controlled by individuals who are tax resident in such jurisdictions. Under the Ordinance, details of unitholders, including but not limited to their name, place of birth, address, tax residence, tax identification number (if any), account number, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions.

By investing in the Fund and/or continuing to invest in the Fund, unitholders acknowledge that they may be required to provide additional information to the Fund, the Manager and/or the Fund's agents in order for the Fund to comply with the Ordinance. The unitholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions.

Each unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Fund."

2. The paragraph under the sub-section entitled "**Certification for Compliance with FATCA or Other Applicable Laws**" of the section headed "**GENERAL INFORMATION (Continued)**" on page 89 shall be deleted and replaced with the following:-

   "Each unitholder (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund receives payments and/or (B) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation."

3. The paragraph under the sub-section entitled "**Power to Disclose Information to Authorities**" of the section headed "**GENERAL INFORMATION (Continued)**" on page 90 shall be deleted and replaced with the following:-

   "Subject to applicable laws and regulations in Hong Kong, the Manager or any of their authorised person (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 and the IRD), certain information in relation to a unitholder, including but not limited to the unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA)."

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

1. The risk factor headed "***Currency Hedging Risk***" under the sub-section entitled "**Risk Factors (Continued)**" of the section headed "**INVESTMENT MANAGEMENT, POLICIES AND RESTRICTIONS (Continued)**" on page 21 shall be deleted in its entirety and replaced with the following:-

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

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

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

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

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

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

The Fund currently offers different Currency Hedged Classes as disclosed in this Explanatory Memorandum which are primarily targeted for investors whose base currencies of investment are the currencies of the Currency Hedged Classes.

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

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

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

It is intended that the currency hedging strategy which will be employed will be based on the most up-to-date information in relation to the net asset value of the Fund, and will also take into account future transactions relating to unitholder activity that will be processed through each class of units in the Fund as at the relevant valuation point. The currency hedging strategy will be monitored and adjusted in line with the valuation cycle at which investors are able to subscribe to and redeem from the Fund.

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

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

5 December 2016

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Investing through discipline

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Important

This document is important and requires your immediate attention. If you have any doubt about the contents of this document, you should seek independent professional financial advice.

Unless otherwise stated in this notice, capitalized terms used herein shall have the same meaning as defined in the Explanatory Memorandum of the Trust dated 22 April 2016, as amended by the Addendum dated 15 July 2016 *("**Explanatory Memorandum**").*

The Manager accepts full responsibility for the accuracy of the information contained in this notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this notice misleading as at the date of issuance.

5 December 2016

NOTICE TO UNITHOLDERS –
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (the "Trust")

Dear unitholders,

We are writing to inform you of the following changes to the Trust. Unless otherwise specified, the relevant changes will take immediate effect from the date of this notice:

1. Change of Investment Policy – Direct Exposure to China A Shares through Shenzhen-Hong Kong Stock Connect

It is currently disclosed in the Explanatory Memorandum that the Trust may invest directly in eligible China A Shares via the Shanghai-Hong Kong Stock Connect. In addition to the Shanghai-Hong Kong Stock Connect, the Trust intends to gain access to eligible China A Shares via the Shenzhen-Hong Kong Stock Connect (as further described below).

The investment policy of the Trust will be revised to provide flexibility for the Trust to invest directly in eligible China A Shares via the Shenzhen-Hong Kong Stock Connect. The above change will take effect on 5 December 2016 ("**Effective Date**"). For the avoidance of doubt, the Trust's maximum aggregate direct and indirect exposure to China A Shares will remain unchanged i.e. at 20% of the Trust's total net asset value.

Shenzhen-Hong Kong Stock Connect

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

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

Given the change of the investment policy of the Trust is to provide flexibility to invest directly in China A Shares via the Shenzhen-Hong Kong Stock Connect and there is no increase in the Trust's aggregate direct and indirect exposure to China A Shares (i.e. not more than 20%), we believe that (i) the change of the investment policy of the Trust does not amount to a material change to the Trust; (ii) there will be no material change or increase in the overall risk profile of the Trust following the change; and (iii) the change does not materially prejudice the rights or interests of investors of the Trust. As such, the SFC's prior approval is not required for such change.

Please refer to the Second Addendum for further information relating to the Shenzhen-Hong Kong Stock Connect, including the trading quota, settlement and custody arrangement, participation in corporate actions and shareholders' meetings and trading fees and taxes.

Risks associated with the Shenzhen-Hong Kong Stock Connect

Please note that investments through the Shenzhen-Hong Kong Stock Connect are subject to similar risks as those applicable to the Shanghai-Hong Kong Stock Connect, namely, quota limitations, suspension risk, differences in trading days, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risk, participation in corporate actions and shareholders' meetings, currency risk, regulatory risk and tax risk. When investing in eligible China A Shares through the Shenzhen-Hong Kong Stock Connect, the Trust will also be subject to the risks associated with the Small and Medium Enterprise Board of the SZSE and/or ChiNext Board of the SZSE.

Further, the Trust's investments through Northbound trading under Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund.

2. Other Amendments

In addition to the changes set out above, the Explanatory Memorandum will also be amended by way of the Second Addendum to reflect additional disclosures and updates as summarised below:-

(i) enhancement on the disclosures relating to PRC taxation;

(ii) insertion of a new risk factor "***Risks associated with the Small and Medium Enterprise Board of the SZSE ("SME Board") and/or ChiNext Board of the SZSE ("ChiNext Board")***" and updates to the risk factors headed "***Liquidity Risk of Investing in China A Shares and China B Shares***" and "***PRC Tax Risk***" as a result of the Trust trading via the Shenzhen-Hong Kong Stock Connect";

(iii) insertion of a new risk factor "***Risks relating to Currency Hedging and the Currency Hedged Classes***";

(iv) insertion of disclosures on liquidity risk management policy; and

(v) insertion of disclosures on the Standard for Automatic Exchange of Financial Account Information.

The latest Explanatory Memorandum (as amended by the Second Addendum) and updated Product Key Facts Statement are now available on our website (www.valuepartners.com.hk)[1] and for your inspection at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays).

If you have any questions relating to the above, please contact our Fund Investor Services Team at (852) 2143 0688 or email us at FIS@vp.com.hk. We would like to take this opportunity to thank you for your valuable support and we look forward to be of continued service to you.

Value Partners Hong Kong Limited

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

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VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (the "TRUST")
SECOND ADDENDUM

Important

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated 22 April 2016, as amended by the Addendum dated 15 July 2016 ("**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 5 December 2016, unless otherwise stated herein.*

All capitalized terms used in this Addendum 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 in Investment Policy

1. The second and third paragraphs under the sub-section headed "**2.2 Investment Objective and Policy (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 16 shall be deleted in its entirety and replaced with the following:-

   "The Trust may have direct exposure to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connects**") (as further described in the section under the heading "**2.3 Stock Connects**" below).

   The term "China A Shares" means domestic shares in the PRC incorporated companies listed on either the Shanghai Stock Exchange ("**SSE**") or the Shenzhen Stock Exchange ("**SZSE**"), the prices of which are quoted in Renminbi and which are available to such investors as approved by the CSRC."

2. The second paragraph under the sub-section "**2.2 Investment Objective and Policy (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 17 shall be deleted in its entirety and replaced with the following:-

   "The investment in China A Shares through the Stock Connects, CAAPs and A Shares CIS is subject to a maximum exposure of 20 per cent. of the Trust's latest available Net Asset Value and not more than 10 per cent. of the Trust's latest available Net Asset Value may be invested in CAAPs issued by any single CAAP Issuer."

3. The heading of the sub-section headed "**2.3 Shanghai-Hong Kong Stock Connect**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" and the paragraphs under such heading on pages 19 – 23 shall be deleted in their entirety and replaced with the following:-

   "**2.3 Stock Connects**

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

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Trust), through their Hong Kong brokers and a securities trading service company as established by The Stock Exchange of Hong Kong Limited ("**SEHK**"), may be able to trade eligible China A Shares listed on SSE by routing orders to SSE.

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

Eligible Securities

(i) Shanghai-Hong Kong Stock Connect

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Trust) are able to trade certain stocks listed on the SSE market (i.e. "**SSE Securities**"). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on SEHK, except the following:

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

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

(ii) Shenzhen-Hong Kong Stock Connect

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

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

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

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

Trading Days

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

Trading Quota

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

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

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

Settlement and Custody

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

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

Corporate Actions and Shareholders' Meetings

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

It is expected that the same arrangement will apply to the Shenzhen-Hong Kong Stock Connect notwithstanding the relevant rules and regulations relating to SZSE Securities are not available yet.

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

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

Foreign Shareholding Restrictions

The China Securities Regulatory Commission (the "**CSRC**") stipulates that, when holding China A Shares through the Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the Trust) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and

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

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

Currency

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

Trading Fees

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant PRC authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm

Investor Compensation

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

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

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

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

Further information about the Stock Connects is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm"

4. The risk factor headed "***Liquidity Risk of Investing in China A Shares and China B Shares***" under the sub-section "**2.5 Risk Factors (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 49 shall be deleted in its entirety and replaced with the following:-

   "China A Shares may be subject to trading bands which restrict increases and decreases in the trading price. If the trading price of any China A Shares has increased or decreased to the extent beyond the trading band limit during the day, trading in the China A Shares on the relevant stock exchange may be suspended. The Trust if investing through the Stock Connects, CAAP Issuers and A Shares CIS will be prevented from trading China A Shares when they hit the "trading band limit". If this happens on a particular trading day, the Trust, CAAP Issuers and A Shares CIS may be unable to trade China A Shares. When the Manager trades China B Shares for the account of the Trust, the Manager may also be unable to trade China B Shares due to the "trading band limit". As a result, the liquidity of the CAAPs, A Shares CIS, China A Shares and China B Shares may be adversely affected which in turn may affect the value of the Trust's investments."

5. The risk factor headed "***Risks associated with Stock Connect***" under the sub-section headed "**2.5 Risk Factors (Continued)**" of the section "**2.INFORMATION ON THE TRUST (Continued)**" on pages 49 – 54 shall be deleted in its entirety and replaced with the following:-

   "***Risks associated with Stock Connects***

   The Trust may invest through the Stock Connects. In addition to the risk factors headed "PRC Political, Economic and Social Risks", "Legal System of the PRC", "Risk relating to China A Shares Market", "Liquidity Risk of Investing in China A Shares and China B Shares", "PRC Tax Risk" and "Renminbi Depreciation", it is also subject to the following additional risks:

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

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

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

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

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

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

   Further, the "connectivity" in the Stock Connects requires routing of orders across the border.

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

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

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

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

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

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

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

Participation in corporate actions and shareholders' meetings – The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities (as defined in the section headed "**2.3 Stock Connects**" in this Explanatory Memorandum). Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Trust) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that the Trust may not be able to participate in some corporate actions in a timely manner.

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

No Protection by Investor Compensation Fund – Investments through the Stock Connects are conducted through brokers, and are subject to the risks of default by such brokers’ in their obligations.

As disclosed in the section under the heading “**2.3 Stock Connects**”, the Trust’s investments through Northbound trading under the Stock Connects are not covered by the Hong Kong’s Investor Compensation Fund. Therefore the Trust is exposed to the risks of default of the broker(s) it engages in its trading in China A Shares through the Stock Connects. Further, since the Trust is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

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

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

6. The following risk factor shall be inserted after the risk factor headed “***Risks associated with Stock Connect (Continued)***” under the sub-section headed “**2.5 Risk Factors (Continued)**” of the section headed “**2. INFORMATION ON THE TRUST (Continued)**” on page 54:-

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

The Trust may have exposure to stocks listed on SME Board and/or ChiNext Board.

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

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

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

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

Investments in the SME Board and/or ChiNext Board may result in significant losses for the Trust and its investors."

7. The heading entitled "*a) Equity and debt securities except China A Shares via Stock Connect*" under the risk factor headed "***PRC Tax Risk***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 57 shall be deleted in its entirety and replaced with "*a) Equity and debt securities except China A Shares via Stock Connects*".

8. The headings entitled "*a) Equity and debt securities except China A Shares via Stock Connect (Continued)*" under the risk factor headed "***PRC Tax Risk (Continued)***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on pages 58 - 61 shall be deleted in its entirety and replaced with "*a) Equity and debt securities except China A Shares via Stock Connects (Continued)*".

9. The heading entitled "*b) China A Shares via Stock Connect*" under the risk factor headed "***PRC Tax Risk (Continued)***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" and the paragraphs under such heading on page 62 shall be deleted in its entirety and replaced with the following:-

   "*b) China A Shares via Stock Connects*

   Dividends

   Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) ("**Notice No. 81**") promulgated by the MoF, the SAT and the CSRC on 14 November 2014, the Trust is subject to WIT at 10 per cent on dividends received from China A Shares traded via Shanghai-Hong Kong Stock Connect.

   The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect.

   Capital gains

   Pursuant to Notice No. 81, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Trust) on the trading of China A Shares through the Shanghai-Hong Kong Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of China A Shares via the Shanghai-Hong Kong Stock Connect is made by the Manager on behalf of the Trust**.

   The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

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(B) Changes to PRC Tax Disclosures

1. The heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect***" under the sub-section entitled "**4.2 The PRC**" under the section headed "**4. TAXATION (Continued)**" on page 87 shall be deleted in its entirety and replaced with "***a) Equity and debt securities except China A Shares via Stock Connects***".

2. The headings entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on pages 88-96 shall be deleted in its entirety and replaced with "***a) Equity and debt securities except China A Shares via Stock Connects (Continued)***".

3. The paragraph under the sub-heading entitled "China A Shares via CAAPs and A Shares CIS" under the heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on page 89 shall be deleted in its entirety and replaced with the following:-

   "Under current regulations in the PRC, foreign investors (such as the Trust) may invest in China A Shares, generally, only through a QFII or a RQFII and Stock Connects. Since only the relevant QFII's or RQFII's interests in China A Shares are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII or RQFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant RQFII or QFII (i.e. the CAAP Issuers or in respect of the underlying A Shares CIS, generally, managers of A Shares CIS) and the Trust or the relevant underlying A Shares CIS, as the case may be, the relevant QFII or RQFII will pass on any tax liability to the Trust or the relevant underlying A Shares CIS. As such, the Trust or the relevant underlying A Shares CIS is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Any tax liability of the underlying A Shares CIS into which the Trust invests will be reflected in their respective net asset value and thus, may impact the Trust's investment. Under current PRC tax laws and regulations, the relevant QFII or RQFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends from China A Shares unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties."

4. The heading entitled "***b) China A Shares via Stock Connect***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" and the paragraphs under such heading on page 97 shall be deleted in its entirety and replaced with the following:-

   "***b) China A Shares via Stock Connects***

   i) CIT

   Dividends

   Pursuant to the Notice No. 81, the Trust is subject to WIT at 10 per cent on dividends received from China A Shares traded via Shanghai-Hong Kong Stock Connect.

   The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect.

   Capital gains

   Pursuant to Notice No. 81, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Trust) on the trading of

China A Shares through the Shanghai-Hong Kong Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of China A Shares via the Shanghai-Hong Kong Stock Connect is made by the Manager on behalf of the Trust.**

The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

5. The heading entitled "***b) China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on page 98 shall be deleted in its entirety and replaced with "***b) China A Shares via Stock Connects (Continued)***".

6. The heading "*Business Tax ("BT") and other surtaxes*" and the paragraphs under such heading under the sub-heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on pages 93-94 shall be deleted in its entirety and replaced with the following:-

"*Value Added Tax ("VAT") and other surtaxes*

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

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

Based on the prevailing VAT regulations, capital gains derived by QFIIs / RQFIIs on trading of marketable securities are exempted from VAT. Therefore, to the extent that the Trust's key investments (such as China A Shares through CAAPs, A Share CIS) are conducted through these channels via CAAP / CIS issuers, the capital gains should be exempted from VAT.

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

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

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

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

7. The heading "*Business Tax ("BT") and other surtaxes (Continued)*" under the sub-heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on pages 95-96 shall be deleted in its entirety. Consequently, the heading "Stamp duty" and "Stamp duty (Continued)" on pages 95-96 shall be printed in italics.

8. The heading "*ii) BT*" and the paragraphs under such heading under the sub-heading entitled "***b) China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on page 98 shall be deleted in its entirety and replaced with the following:-

   "*ii) VAT*

   Based on the prevailing VAT regulations, capital gains derived by investors via the Shanghai-Hong Kong Stock Connect are exempted from VAT. Therefore, to the extent that the Trust's key investments (such as China A Shares through the Shanghai-Hong Kong Stock Connect) are conducted by the Trust directly, the capital gains should be exempted from VAT. The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and / or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

(C) Liquidity Risk Management

1. The following sub-section headed "**2.10 Liquidity Risk Management**" shall be inserted immediately after the sub-section headed "**2.9 Other Provisions relating to Investment, Borrowing and Security Lending**" on page 69:-

   "**2.10 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 redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

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

   The liquidity management policy involves monitoring the profile of investments held by the Trust on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "**3. SUBSCRIPTION AND REDEMPTION OF UNITS**", and will facilitate compliance with the Trust's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the 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 number of Units redeemed during any Dealing Period to 10 per cent. of the total number of Units in issue on the Valuation Day for that Dealing Period (subject to the conditions under the heading entitled "**3.4 Redemption of Units**" in the section headed "**3. SUBSCRIPTION AND REDEMPTION OF UNITS**")."

(D) AEOI Disclosures

1. The following sub-section headed "**4.3 Automatic Exchange of Financial Account Information**" shall be inserted immediately after the sub-section headed "**4.2 The PRC (Continued)**" of the section headed "**4. TAXATION (Continued)**" on page 98:-

"**4.3 Automatic Exchange of Financial Account Information**

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI requires financial institutions ("**FIs**") in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with FIs, and report such information to the Hong Kong Inland Revenue Department ("IRD") for the purpose of AEOI exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax resident in an AEOI partner jurisdiction(s) with which Hong Kong has a Competent Authority Agreement ("**CAA**") in force; however, the Trust and/or its agents may further collect information relating to residents of other jurisdictions.

The Trust is required to comply with the requirements of the Ordinance, which means that the Trust and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors.

The Ordinance as implemented by Hong Kong requires the Trust to, amongst other things: (i) register the Trust as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the government authorities of the jurisdictions with which Hong Kong has a CAA in force. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has a CAA in force; and (ii) certain entities controlled by individuals who are tax resident in such jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, place of birth, address, tax residence, tax identification number (if any), account number, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions.

By investing in the Trust and/or continuing to invest in the Trust, Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or the Trust's agents in order for the Trust to comply with the Ordinance. The Unitholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Trust."

2. The paragraph under the sub-section entitled "**6.10 Certification for Compliance with FATCA or Other Applicable Laws**" of the section headed "**6. GENERAL INFORMATION (Continued)**" on page 119 shall be deleted and replaced with the following:-

   "Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Trust (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust receives payments and/or (B) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation."

3. The sub-section entitled "**6.11 Power to Disclose Information to Tax Authorities**" of the section headed "**6. GENERAL INFORMATION (Continued)**" on page 119 shall be deleted and replaced with the following:-

   "**6.11 Power to Disclose Information to Authorities**

   Subject to applicable laws and regulations in Hong Kong, the Trustee or the Manager or any of their authorised person (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 U.S. IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Trust to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA)."

(E) Risks relating to Currency Hedging and the Currency Hedged Classes

1. The following risk factor headed "***Risks relating to Currency Hedging and the Currency Hedged Classes***" shall be inserted immediately after the risk factor headed "***Hedging Risk***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 37:-

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

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

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

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

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

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

The Trust currently offers different Currency Hedged Classes as disclosed in this Explanatory Memorandum which are primarily targeted for investors whose base currencies of investment are the currencies of the Currency Hedged Classes.

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

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

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

It is intended that the currency hedging strategy which will be employed will be based on the most up-to-date information in relation to the Net Asset Value of the Trust, and will also take into account future transactions relating to Unitholder activity that will be processed through each class of Units in the Trust as at the relevant valuation point. The currency hedging strategy will be monitored and adjusted in line with the valuation cycle at which investors are able to subscribe to and redeem from the Trust.

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

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

5 December 2016