



VALUE PARTNERS INTELLIGENT FUNDS
EXPLANATORY MEMORANDUM

Table of Contents

	<i>Page</i>
I. Management and Administration	6
II. Information on the Trust	10
Trust Structure	10
Investment Objective and Policy	11
Risk Factors	11
Investment Restrictions and Prohibitions	12
Borrowing Policy	14
Security Lending	14
III. Subscription and Realisation of Units	16
Dealing Periods	16
Subscription of Units	17
Realisation of Units	18
Switching of Units	20
Transfers	21
Fax Instructions	21
Suspension of Valuations and Dealings	22
Calculation and Publication of Net Asset Value	23
Form of Units	24
IV. Taxation	25
Cayman Islands	25
Hong Kong	25
V. Fees and Expenses	27
Initial, Switching and Realisation Charges	27
Trustee Fees	27
Management Fee	28
Other Expenses	28

Value Partners Intelligent Funds

	<i>Page</i>
VI. General Information	30
Distribution Policy	30
Trust Deed	30
Reports, Accounts and Statements	30
Duration and Termination of the Trust	31
Conflicts of Interest	32
Restrictions on Unitholders	33
Voting Rights	34
Anti-Money Laundering Regulations	35
Regulation of the Trust in the Cayman Islands	36
Material Agreements	37
VII. Procedure for Application	38
Method of Application	38
Payment Procedure	40

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

The Directors of the Manager, whose names appear on page 7-8 of this Explanatory Memorandum, are the persons responsible for the information contained in this Explanatory Memorandum. To the best of the knowledge and belief of the Directors of the Manager (who have taken all reasonable care to ensure that such is the case) the information contained in this Explanatory Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information as at the date of this Explanatory Memorandum. The Directors of the Manager accept responsibility accordingly.

Value Partners Intelligent Funds (the “Trust”) is an open-ended umbrella unit trust constituted under the laws of the Cayman Islands by a Trust Deed dated 21 June 2000, as amended from time to time (collectively the “Trust Deed”) entered into between the Trustee and the Manager. The Trust has been registered as a regulated mutual fund under Section 4(1)(b) of the Mutual Funds Law of the Cayman Islands.

The Trust is authorised by the Securities and Futures Commission in Hong Kong (the “SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance. In giving such authorisation the SFC does not take responsibility for the financial soundness of the Trust or for the correctness of any statements made or opinions expressed in this regard. Information on whether or not individual Sub-Funds of the Trust have been authorised by the SFC for public distribution in Hong Kong will be set out in the Addendum to this Explanatory Memorandum relating to that Sub-Fund. Sub-Funds which have not been authorised by the SFC under Section 104 of the Hong Kong Securities and Futures Ordinance may not be offered to investors in Hong Kong other than to persons whose ordinary business it is to buy or sell securities whether as principal or agent or in circumstances which do not constitute an offer to the public.

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

Value Partners Intelligent Funds

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

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

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

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

This Explanatory Memorandum does not constitute, and will not be construed as, an invitation to members of the public in the Cayman Islands to subscribe for Units in the Trust.

For those sub-funds (“Sub-Funds”) of the Trust which are permitted to invest in China “A” Shares, they will not offer, sell or deliver directly or indirectly any of the sub-fund units for the account or benefit of Chinese nationals with permanent residence in the mainland of the People’s Republic of China or a corporation/partnership incorporated or established in the mainland of the People’s Republic of China.

The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “1933 Act”) or under the securities laws of any state or other political subdivision of the United States and may not be offered, sold, transferred or delivered, directly or indirectly, in the United States of America, its territories or possessions, any state of the United States, or the District of Columbia (“United States”). Neither the United States Securities and Exchange Commission nor any state or other regulatory agency in the United States has passed upon the Units or the adequacy or accuracy of this Explanatory Memorandum. The Trust is not and will not be registered under the United States Investment Company Act of 1940, as amended (the “1940 Act”). Units may not be resold except pursuant to an exemption from (such as in accordance with Rule 144A, if available), or in a transaction not subject to, the registration requirements of the 1933 Act.

The offering of Units is being made outside the United States in accordance with Regulation S under the 1933 Act. The Trust has not offered, sold or delivered and will not offer, sell or deliver directly or indirectly any Units in the United States or to or for the account or benefit of US Persons (as defined in the Trust Deed constituting the Trust). **The attention of United States Persons is drawn to the paragraph headed “Restrictions on Unitholders” on page 33 and the compulsory realisation powers of the Manager referred to therein.**

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

28 December 2007

I. Management and Administration

Manager

Value Partners Limited

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

Business Address: Level 14,
Three Pacific Place,
1 Queen's Road East,
Hong Kong.

Telephone: (852) 2880 9263

Fax: (852) 2565 7975

Email: vpl@vp.com.hk

Web Site: www.valuepartners.com.hk

**Trustee, Registrar,
Administrator and Principal Office** **Custodian and Registrar's Agent**

Bank of Bermuda (Cayman) Limited HSBC Institutional Trust Services
(Asia) Limited

P.O. Box 513,
Strathvale House,
North Church Street,
George Town,
Grand Cayman KY1-1106,
Cayman Islands.

1 Queen's Road Central,
Hong Kong.

Auditor

KPMG
P.O. Box 493 GT,
Century Yard,
Grand Cayman,
Cayman Islands.

Legal Advisers

*To the Manager with respect to
Hong Kong law*

Stephenson Harwood & Lo
18th Floor, Edinburgh Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong.

*To the Manager with respect to
Cayman Islands law*

Maples and Calder
1504 One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

*To the Trustee with respect to
Hong Kong law*

Deacons
Alexandra House,
3rd-7th & 18th Floors,
Hong Kong.

Manager

Value Partners Limited (the “**Manager**”) is an investment company incorporated with limited liability in the British Virgin Islands on 9 October, 1991. It remained a dormant company until 1993. The Manager is licensed under the Hong Kong Securities and Futures Ordinance to carry on regulated activities of dealing in securities, advising on securities, advising on futures contracts and asset management in Hong Kong.

The Manager may, at its discretion, appoint sub-investment managers, investment advisers and other agents to provide it with assistance in its management of the investments of the Trust.

The Directors of the Manager are:

Cheah, Cheng Hye

Mr. Cheah co-founded Value Partners Limited in February 1993 with a partner, Mr. Yeh V-Nee. He has been the Manager's Chief Investment Officer from the start, and also served simultaneously as Managing Director, in charge of the firm's business and corporate activities, during the 1990s.

Value Partners Intelligent Funds

Value Partners received the Enterprise Award in the 2005 Hong Kong Business Awards competition organised by DHL/South China Morning Post. As one of the pioneers in applying value investing to regional markets, Mr. Cheah was personally voted the “Most Astute Investor” in the Asset Benchmark Survey, October 2003. Prior to that, Mr. Cheah was with Morgan Grenfell Group in Hong Kong; he founded the firm’s Hong Kong equities research department in 1989 and acted as its head, and also carried out proprietary trading. He was previously a financial journalist with The Asian Wall Street Journal and Far Eastern Economic Review, where he covered business and finance across the East and Southeast Asian region.

Ho, Man Kei, CFA

Mr. Ho holds a leadership role in Value Partners’ investment process, including a high degree of responsibility for portfolio management. He joined the Manager in November 1995. He was an executive with Dao Heng Securities Limited from 1992 and started his career with Ernst & Young. Mr. Ho is a graduate of the University of Hong Kong, where he received a Bachelor of Social Science in December 1989 majoring in Management Studies. He became a Chartered Financial Analyst (CFA) charterholder in October 1996 and a member of the Association of Chartered Certified Accountants in April 2001.

Ngan, Wai Wah, CFA

Mr. Ngan joined the Manager in March 2004 and is now Chief Executive Officer, and is responsible for the business management of the firm. Prior to joining the firm, he worked for Manulife Asset Management (Hong Kong) since 1997, where he served as Director of Sales and Distribution and was responsible for both the institutional and the retail business. Before joining Manulife, Mr. Ngan was associated with Altamira Investment Services Inc. (Canada). Mr. Ngan is a member of the Public Shareholders Group of the SFC of Hong Kong. He received a Bachelor of Commerce degree majoring in Finance from the University of British Columbia in May 1996 and became a Chartered Financial Analyst (CFA) charterholder in September 2004.

Yeh, V-Nee (*resigned as Non-Executive Director of the Manager on 1st November 2007*)

Doyle, Brian J. (*resigned as Non-Executive Director of the Manager on 1st November 2007*)

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

Bank of Bermuda (Cayman) Limited (the “**Trustee, Registrar, Administrator and Principal Office**”) was incorporated in the Cayman Islands in 1988 and operates there as a licensed bank. HSBC Institutional Trust Services (Asia) Limited (the “**Custodian**” or the “**Registrar's Agent**”) is a registered trust company incorporated in Hong Kong in 1974. The Trustee and Registrar as well as the Custodian and Registrar's Agent are wholly-owned subsidiaries of The Bank of Bermuda Limited (the “**Bank**”). Established in 1889, the Bank is a licensed bank incorporated in Bermuda under the Bank of Bermuda Act of 1890. The Bank is engaged in a wide range of international banking and trust services through its main office in Bermuda and subsidiaries worldwide. On 18 February, 2004, The Bank of Bermuda Limited became an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England. As at 30 June 2004, HSBC Holdings plc had consolidated gross assets of approximately US\$1,154 billion.

Auditor

KPMG has been retained as the independent auditors of the Trust. The terms of engagement of the auditors provide that, except where finally determined to have resulted from the wilful or intentional neglect or misconduct or fraudulent behaviour of the auditors, the auditors' maximum liability to the Trust for any reason relating to their services is limited to three times the fees paid by the Trust to the auditors for the services or work product giving rise to liability.

II. Information on the Trust

The information on the Trust herein is subject to any further information, terms, conditions and restrictions set out in any Addendum to this Explanatory Memorandum relating to each Sub-Fund or any other aspects of the Trust.

Trust Structure

Value Partners Intelligent Funds (the “**Trust**”) is an open-ended unit trust established under the laws of the Cayman Islands pursuant to a Trust Deed dated 21 June 2000 entered into between the Trustee and the Manager (the “**Trust Deed**”). The Trust has an umbrella structure and may offer units (“**Units**”) in different sub-funds (“**Sub-Funds**”) to investors (“**Unitholders**”) on a continuing basis at a price based on the Net Asset Value of the relevant class of Units of the relevant Sub-Fund. Units may be issued in different classes in relation to any particular Sub-Fund. Each class of Units in relation to any particular Sub-Fund may be subject to different conditions, including the amount of minimum subscription, the minimum holding, the charges payable on subscription, realisation or conversion of Units, the fees payable to the various service providers of the Trust, and the dividends and other benefits (if any) payable to Holders. The Trust Deed confers upon the Unitholders the right to have their Units realised based upon the Net Asset Value per Unit of the relevant class of Units of the relevant Sub-Fund.

To reflect the different initial offer prices and the different levels of fees and charges in respect of different classes of Units in each Sub-Fund, and to maintain the respective interests of Unitholders of the different classes, each Unit in each class will represent a certain number of undivided shares in the relevant Sub-Fund (“**Shares**”). The Trust Deed contains provisions pursuant to which the number of Shares represented by each Unit of any particular class will be adjusted on each Valuation Day to take into account the level of fees, other costs, expenses and liabilities which have been accrued in respect of such class of Units. As the level of fees, costs, expenses and liabilities accrued in respect of a class of Units becomes higher, the number of Shares represented by a Unit of that class will decrease over time.

Units in Sub-Funds may be offered for investment from time to time and prospective investors should check with the Manager as to which Sub-Funds are currently available for investment. Details of the Sub-Funds and their investment objectives will be set out in Addenda to this Explanatory Memorandum relating to such Sub-Funds, made available at a date closer to their launch.

Investment Objective and Policy

The investment objective of the Trust is to provide Unitholders with long-term capital appreciation (in US dollar terms) by investing principally in the securities of companies listed in Asian equity markets. The investment objective of each Sub-Fund will be detailed in the Addendum to this Explanatory Memorandum that relates to that Sub-Fund.

The Manager believes that its investment policy of each Sub-Fund will be effective, but investors should understand that all investment carries risk. The value of Units and the income from them, if any, may fall as well as rise and investors might not get back the amount originally invested. Investors are also reminded that in certain circumstances described in the section headed “Suspension of Valuations and Dealings” on page 22, dealing in the Units may be temporarily suspended.

Risk Factors

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

Political and Economic Risks

Uncertainty in any change to government policies or legislation in the countries in which a Sub-Fund may invest may adversely affect the political or economic stability of such countries.

Investment Risk

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

Accounting and Reporting Standards

Unlike other developed countries, accounting standards and regulatory requirements of financial reporting and information disclosure in some developing markets in which a Sub-Fund may invest may not follow international standards as there are differences between international standards and reporting practices in such markets.

Value Partners Intelligent Funds

Currency Exchange Risk

The investments of a Sub-Fund may be denominated in currencies other than the currency of account of the relevant Sub-Fund and, accordingly, any income received by a Sub-Fund from such investments will be made in such other currencies. In this regard, there is a currency exchange risk involved as a result of fluctuations in exchange rates between the currency of account of the relevant Sub-Fund and any other currency. In addition, foreign exchange control in any country may cause difficulties in the repatriation of funds from such countries.

Investment Restrictions and Prohibitions

The Trust Deed sets out certain restrictions on the investment of the assets of the Trust which, inter alia, include:

- (a) the Sub-Funds may not collectively hold more than 10 per cent. of any one class of security issued by any single issuer;
- (b) no more than 10 per cent. of the latest available Net Asset Value of any Sub-Fund may be invested in securities issued by any single issuer;
- (c) no Sub-Fund may hold options and warrants valued at more than 15 per cent. of its latest available Net Asset Value, except that this 15 per cent. limit will not apply to options and warrants acquired for hedging purposes;
- (d) no more than 15 per cent. of the latest available Net Asset Value of any Sub-Fund may be invested in securities which are not listed or dealt in on a stock exchange;
- (e) no more than 10 per cent. of the latest available Net Asset Value of any Sub-Fund may be invested in units of unit trusts or shares of mutual fund corporations;
- (f) no more than 20 per cent. of the latest available Net Asset Value of any Sub-Fund may be invested in (i) commodities (including physical commodities, forward and futures contracts in respect of commodities, options on commodities, options on futures contracts in respect of commodities, and other commodity-based investments and excluding, for this purpose, securities of companies engaged in the production, processing or trading of commodities) and (ii) futures contracts (but without prejudice to the Manager's right to take positions in futures in order to protect the assets of the Trust against adverse or unusual currency or market fluctuations); and

- (g) no more than 30 per cent. of the latest available Net Asset Value of any Sub-Fund may be invested in government and other public securities of the same issue (save that any Sub-Fund may invest all of its assets in government and other public securities in at least six different issues).

In addition, the following investment prohibitions apply to the Trust:

- (a) the Manager may not invest on behalf of the Trust in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares / interests or derivative interests thereon in real estate companies, or SFC authorized / permitted real estate investment trusts);
- (b) the Manager may not make short sales for any Sub-Fund unless (i) the Sub-Fund's liability to deliver securities does not exceed 10 per cent. of its latest available Net Asset Value; and (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted;
- (c) the Manager may not on behalf of any Sub-Fund assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee;
- (d) loans (except to the extent that the acquisition of an investment might constitute a loan) may only be made with the consent of the Trustee;
- (e) the Manager may not, on behalf of any Sub-Fund, invest in securities if either any director or officer of the Manager individually owns more than 0.5 per cent. of those securities or such directors and officers collectively own more than 5 per cent. of those securities;
- (f) no investment may be acquired which may involve any Sub-Fund in any unlimited liability or any liability which exceeds its Net Asset Value;
- (g) call options may only be granted where the option is covered by investments and put options may only be granted where the option is covered by cash or near cash;

Value Partners Intelligent Funds

- (h) the Manager may not grant call options over investments held by a Sub-Fund the total value of which, in terms of the prices at which all such options may be exercised, exceeds 25 per cent. of its latest available Net Asset Value;
- (i) the Manager may not acquire any securities which are nil-paid or partly paid or likely to involve any Sub-Fund in any liability (contingent or otherwise) unless such liability is covered by cash or near cash;
- (j) the Manager may not on behalf of any Sub-Fund invest in securities of a company for the purpose of the Manager exercising legal or management control thereof; and
- (k) the Manager may not acquire an interest in any collective investment scheme managed by the Manager or any of its connected persons unless no increase in the overall total of initial charges, management fee or any other costs and charges results.

Borrowing Policy

The Manager may not, on behalf of any Sub-Fund the investment objective of which is to hold direct investments, borrow more than 25 per cent. of the latest available Net Asset Value of that Sub-Fund and, for the purposes of this limitation, back-to-back loans will not be taken into account when determining whether or not these limits have been breached by a Sub-Fund. All borrowings will be made on a temporary basis to facilitate payment of realisation proceeds to the Unitholders and to defray operating expenses.

Security Lending

The Trust Deed sets out certain restrictions under which the Trustee may, at the request of the Manager, engage in security lending, in respect of any securities held for the account of any Sub-Fund including:

- (a) the relevant securities lent must be fully paid-up shares listed on internationally organised securities markets on which such securities are regularly traded;
- (b) the consideration given for the relevant securities must exceed the value of such securities at any one time on daily marked to market values;
- (c) any incremental income earned from security lending must be accrued to each Sub-Fund in proportion to their respective holdings of the securities lent;

- (d) the counterparts' financial standings must be equivalent to at least A2/P2 (either based on reputable credit rating agencies or in the reasonable opinion of the Manager);
- (e) the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the relevant Sub-Fund must not exceed 10 per cent. of the latest available Net Asset Value of such Sub-Fund; and
- (f) no more than 50 per cent. of the securities of the same issue, or of the same kind (by value) held in respect of the relevant Sub-Fund(s) may be the subject of any security lending at any one time.

Any incremental income earned from any security lending agreement may be split between the relevant Sub-Fund(s) and any security lending agent in such proportion as the Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed 30% of such incremental income.

The amount of any securities lending fees paid to the Manager, Trustee or any Connected Person will be disclosed in the annual reports of the relevant Sub-Fund(s).

The Manager may also (although it will not be under any obligation to do so), from time to time, formulate such other investment, borrowing and security lending limitations and prohibitions as it may, in its sole discretion, think fit, to apply to each Sub-Fund. Such limitations and prohibitions may be set out in the Addendum relating to the relevant Sub-Fund.

Any limitation on investment, borrowing or security lending to be measured by reference to the Net Asset Value of a Sub-Fund shall be measured by reference to the latest available Net Asset Value of that Sub-Fund at the time the relevant investment, borrowing or security lending is made.

If any of the above investment and security lending restrictions or borrowing limits are exceeded or prohibitions breached, the Manager will, after taking due account of the interests of Unitholders, take all steps as are necessary within a reasonable period of time to remedy the situation.

III. Subscription and Realisation of Units

Dealing Periods

Each Sub-Fund is valued as at the close of business in the last market to close of all relevant markets in which the relevant Sub-Fund is invested (or at such other time as the Manager may, with the consent of the Trustee, select) on each Valuation Day. Unless otherwise determined in relation to a particular Sub-Fund, Valuation Days are the fifteenth day of each calendar month (or, if such day is not a Business Day, the Business Day immediately following it) and the last Business Day of each calendar month, and/or such Business Day or Business Days as the Manager may from time to time determine in its absolute discretion provided always that there will be at least one Valuation Day in each calendar month. A Business Day is any day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and/or such other place(s) as the Manager may from time to time determine in its absolute discretion in relation to each Sub-Fund.

The price at which investors may subscribe for, or realise, Units of any class of any Sub-Fund is a single price denominated in the currency of account of the Sub-Fund which reflects the Net Asset Value per Unit of that class of Units as determined on a Valuation Day in the manner described under the section headed “Calculation and Publication of Net Asset Value” on page 23. An initial charge of up to 5 per cent. of the issue price (payable to the Manager) may, at the discretion of the Manager, be added to the issue price of Units.

At present, Dealing Periods are periods which commence at the end of the preceding Dealing Period and end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day. **However, the Manager may determine that different Valuation Days and Dealing Periods will apply to individual Sub-Funds, as it shall consider appropriate. Where this determination is made, the Valuation Days and Dealing Periods applicable to the relevant Sub-Fund will be disclosed in the Addendum to this Explanatory Memorandum relating to that Sub-Fund.**

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

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

Subscription of Units

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

Applications for subscription of Units may be made to the Manager during any Dealing Period in writing and sent by post to the business address or by fax to the fax number shown on the Subscription Form which accompanies this Explanatory Memorandum. All applications by prospective investors for an initial subscription of Units which are sent by fax to the Manager must be followed by the duly signed original applications for subscription. The Manager may, in its absolute discretion, determine whether or not such original applications are also required in respect of subsequent applications for subscription sent by fax by Unitholders.

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

Full details of the application and payment procedures for Units are set out on pages 38 to 47 below.

Value Partners Intelligent Funds

Realisation of Units

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

Requests to realise Units may be made to the Manager during any Dealing Period in writing and sent by post to the business address or by fax to the fax number shown on page 6 of this Explanatory Memorandum. Realisation requests should specify the name of the Sub-Fund, the number and the class of Units of the relevant Sub-Fund to be realised, the name in which such Units are registered and details of the bank account (if any) to which the realisation monies are to be transferred.

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

Unless otherwise specified in an Addendum to this Explanatory Memorandum relating to a particular Sub-Fund, requests for the realisation of Units in a Sub-Fund will be dealt with on the first Valuation Day falling at least 14 days (or such shorter period as the Manager may permit) after the Business Day on which the request is received (whether by post or by fax) by the Manager on or before 5:00 p.m. (Hong Kong time) on such Business Day. If a request (whether sent by post or by fax) is received on a day which is not a Business Day or is received by the Manager after 5:00 p.m. (Hong Kong time) on a Business Day, it will be treated as having been received on the next succeeding Business Day.

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

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

All bank charges and administrative costs incurred in settling realisation proceeds to the Unitholder(s) will be borne by the relevant Unitholder(s) and deducted from the realisation proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Unitholders. A realisation charge of up to 5 per cent. of the realisation proceeds may also be deducted.

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

With a view to protecting the interests of Unitholders, the Manager may limit the number of Units of any Sub-Fund realised during any Dealing Period to 10 per cent. in aggregate of the total number of Units in issue of the relevant Sub-Fund. Such limitation will be applied pro rata to all Unitholders who have requested such realisation. If the realisation requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient realisations which, in aggregate, amount to 10 per cent. of the Units in issue of the relevant Sub-Fund at the relevant time. Realisation requests for Units which are not realised but which would otherwise have been realised will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10 per cent. of the Units in issue of the relevant Sub-Fund) in priority to later realisation requests.

Value Partners Intelligent Funds

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

Switching of Units

Unitholders will be able to switch (should there be more than one Sub-Fund within the Trust), during any Dealing Period, all or part of their holdings of any Sub-Fund into Units of any other class. However, the Manager may only permit the conversion of Units between certain Sub-Funds. Details of whether the switching of Units either to or from a specific Sub-Fund is permitted will be contained in the Addendum relating to that particular Sub-Fund.

Applications for switching of Units may be made to the Manager during any Dealing Period in writing and sent by post to the business address or by fax to the fax number shown on page 6 of this Explanatory Memorandum. In respect of any faxed instructions, the duly signed original applications must follow such faxed instructions.

All applications for switching received will be dealt with in the same manner as applications for subscriptions and realisations. Switches will be calculated on a realisation to subscription price basis by reference to the prices of the relevant classes of Units of the relevant Sub-Funds. Switches may be combined with partial realisations. No switching charge will apply to the switching of Units.

The rate at which the whole or any part of a holding of Units of the original class will be switched during any Dealing Period to Units of the new class of a Sub-Fund will be determined in accordance with the provisions of the Trust Deed.

Partial switches must not result in either the Unitholder's balance holding in the class of Units out of which he is switching or his holding in the class of Units to which he is switching his holding being less than any minimum holding of Units prescribed by the Manager from time to time in respect of the relevant classes or Units. If a request for partial switching will result in either of these holdings being less than any such prescribed minimum holding, the switching request will be deemed to be in respect of the Unitholder's entire holding in the first class of Units and the Units will be realised accordingly in their entirety.

Transfers

Unitholders are entitled to transfer Units by an instrument in writing in such form as the Manager may from time to time prescribe signed by both the transferor and the transferee. All applications for the transfer of Units sent by fax to the Manager must be followed by the duly signed originals of such applications.

No transfer will be accepted if, as a result thereof, either the transferor or the transferee holds less than any minimum holding specified in respect of the relevant class of Units or, Units are acquired or held by a non-qualified person as described under the section headed "Restrictions on Unitholders" on page 33.

Fax Instructions

All instructions received by fax from investors or Unitholders in respect of the subscription, switching, transfer and realisation of Units (the original written applications or requests, as the case may be, of which are also required by the Manager to follow such faxed instructions) will generally be acted upon by the Manager subject to its absolute discretion not to, and instructing the Trustee not to, do so until the original written instructions are received. The Manager and Trustee may take any appropriate action to carry out such instructions upon receipt thereof notwithstanding any error, misunderstanding or lack of clarity in the instructions. Neither the Manager nor the Trustee is obliged to verify the identity of the person sending the instructions. All applications by investors for the initial subscription and requests by Unitholders for the realisation, transfer or switching of Units sent by fax to the Manager must be followed by the duly signed original applications. The Manager may, in its absolute discretion, determine whether such original applications are also required in respect of any subsequent applications for subscription of Units sent by fax. The original signed realisation request (duly completed) and all other supporting documents, if any are required, must be received by the Manager before realisation proceeds will be paid to the relevant Unitholder. Also, the transfer of Units will only be effected upon receipt of the original executed transfer form.

Neither the Manager nor the Trustee will be liable for any loss which the relevant investor or Unitholder may suffer arising from (a) their acting on any faxed instructions which purport to be (and which they believe in good faith to be) from the relevant Unitholder; or (b) the Manager exercising its absolute discretion not to, and instructing the Trustee not to, act on such

Value Partners Intelligent Funds

faxed instructions; or (c) any faxed instructions which are not received by the Manager or the Trustee due to failed transmission thereof. The relevant investor or Unitholder will keep the Trust, the Manager and the Trustee fully indemnified on demand against all actions, losses and expenses brought against, or incurred by, the Manager or the Trustee resulting from the Manager or the Trustee acting, or failing to act, on such instructions or from the non-receipt of faxed instructions due to failed transmission thereof. **Moreover, without written confirmation of receipt by the Manager or the Trustee, a transmission report produced by the originator of the facsimile transmission disclosing the transmission was sent shall not be sufficient proof of receipt thereof by the Manager or the Trustee.**

Suspension of Valuations and Dealings

The Manager may, with prior notice to the Trustee, declare a suspension of dealings of any Sub-Fund if:

- (a) there exists any state of affairs prohibiting the normal disposal of the relevant Sub-Fund's investments; or
- (b) there is a closure of or a suspension or restriction of trading on any market on which a substantial part of the relevant Sub-Fund's investments is normally traded; or
- (c) there is a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the value of any security or other asset in the Trust or the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, or when for any other reason the value of any security or other asset in the Trust or the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit cannot be ascertained promptly and accurately; or
- (d) for any reason the price of investments in the relevant Sub-Fund or which the Manager has agreed to acquire for the account of the relevant Sub-Fund cannot, in the opinion of the Manager be ascertained promptly and accurately; or
- (e) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise normally or without prejudicing the interests of the relevant Unitholders, all or any of the investments in the relevant Sub-Fund or which the Manager has agreed to acquire for the account of the relevant Sub-Fund; or

- (f) the remittance of funds which will or may be involved in the realisation of, or in the payment for, the investments of the relevant Sub-Fund or the subscription or realisation of Units in that Sub-Fund cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

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

Calculation and Publication of Net Asset Value

The Net Asset Value of each Sub-Fund will be determined as at the close of business in the last market to close of all relevant markets in which the relevant Sub-Fund is invested (or at such other time as the Manager, with the consent of the Trustee, selects) on each Valuation Day by valuing the assets of the relevant Sub-Fund, and deducting the liabilities of the relevant Sub-Fund, in accordance with the terms of the Trust Deed.

The Net Asset Value of each class of Units of each Sub-Fund will be calculated by (i) determining the Net Asset Value of each class (prior to accrual of the fees referred to in (ii) below) by apportioning the Net Asset Value of the Sub-Fund among its classes according to the total number of Shares represented by each class; and (ii) deducting therefrom the fees, costs, expenses or liabilities attributable to the relevant class. The Net Asset Value per Unit of each class will be determined by taking the actual Net Asset Value of the relevant class derived as described above and dividing that figure by the number of Units in issue in those classes.

The Manager is entitled (when determining the issue price of Units of a relevant class) to add the fiscal and purchase charges described in the section headed “Other Expenses” on page 28 to, and (when determining the realisation price of Units of a relevant class) to deduct the fiscal and sale charges also described in the section headed “Other Expenses” on page 28 from the Net Asset Value per Unit before rounding the resultant amount to the nearest two decimal places.

Unit prices will be available from the Manager on request and unit prices of authorised sub-funds will also be published in the South China Morning Post, the Hong Kong Economic Times and the Hong Kong Economic Journal. Investors are advised that such published prices are for information only. None of the Trustee, Custodian or the Manager accept any responsibility for any error in publication or for omissions of publication of the Unit prices.

Value Partners Intelligent Funds

Form of Units

A contract note will normally be issued by the Registrar's Agent as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching of Units, as the case may be. Certificates for Units will, however, not be issued. The number of Units to be issued pursuant to any application for subscription or switching will be rounded down to the nearest whole number and any fraction of a Unit will be retained for the benefit of the relevant Sub-Fund.

IV. Taxation

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

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

Cayman Islands

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

The Trust has obtained an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 81 of the Trusts Law (2001 Revision) of the Cayman Islands, for a period of 50 years from 21 June 2000, no law which is thereafter enacted in the Cayman Islands imposing any tax or duty to be levied on income or on capital assets, gains or appreciations or any tax in the nature of estate duty or inheritance tax shall apply to any property comprised in or any income arising under the Trust or to the trustees or the Unitholders in respect of any such property or income.

Hong Kong

As the Trust has been authorised under the Hong Kong Securities Ordinance, the Trust will be exempt from Hong Kong profits tax provided that it is carried on for the purposes stated in its constitutive documents, as approved by the Securities and Futures Commission and in accordance with its requirements.

Value Partners Intelligent Funds

In respect of their acquisition, holding or disposal of Units in the Trust, except where such transactions form part of a trade, profession or business carried on in Hong Kong, investors will not pay any Hong Kong stamp duty or estate duty on their Units.

V. Fees and Expenses

Further details of the initial, switching and realisation charges, and fees payable to the Manager in relation to each Sub-Fund, are set out in the Addendum to this Explanatory Memorandum relating to the relevant Sub-Fund.

Initial, Switching and Realisation Charges

An initial charge of up to 5 per cent. of the relevant issue price of the relevant class of Units of a Sub-Fund may be made by the Manager on issue of Units and retained for its own use and benefit.

A realisation charge of up to 5 per cent. of the realisation proceeds of the relevant class of Units of a Sub-Fund may also be made by the Manager on realisation of Units and retained for its own use and benefit.

No switching charge will apply to switching of Units.

Trustee Fees:

The Trustee is entitled to receive a monthly Trustee's fee out of the assets of the Trust calculated as a percentage of the Net Asset Value as at each Valuation Day of the Trust. The actual Trustee's fee payable in respect of each Sub-Fund is set out in the Addendum to this Explanatory Memorandum relating to the relevant Sub-Fund. However, the Trustee's fee may be increased up to a permitted maximum of 1 per cent. per annum on giving the Manager and the Unitholders of the relevant Sub-Fund three months' prior written notice. The Trustee's fees are accrued daily, calculated as at each Valuation Day and payable monthly in arrears, out of the Trust Fund for the account of the relevant Sub-Fund.

Under the terms of the Trust Deed, the Trustee is also entitled to be paid out of the Trust Fund a fixed annual fee of US\$3,000 payable quarterly in arrears, as well as transaction fees at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time relating to the investment transactions of the Trust.

Value Partners Intelligent Funds

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

Management Fee:

The Manager is entitled to receive an annual management fee of up to 2 per cent. per annum of the Net Asset Value of the relevant class of Units of a Sub-Fund and may also be entitled (under certain circumstances) to a performance fee in respect of a class of Units. Further details of the management and performance fees payable in relation to each Sub-Fund are set out in the Addendum to this Explanatory Memorandum relating to the relevant Sub-Fund.

The Manager may appoint sub-investment managers and investment advisers, on terms and conditions determined by the Manager, to provide sub-investment management services or investment advice in respect of any or all of the Sub-Funds. The Manager will be responsible for the fees of such appointed persons.

Other Expenses:

The Manager is entitled to add to the Net Asset Value per Unit of a Sub-Fund, for the account of the Sub-Fund, an amount which it considers to be an appropriate allowance (not exceeding 1.0 per cent. of such Net Asset Value per Unit) for fiscal and purchase charges incurred by the Sub-Fund in investing subscription monies.

The Manager is also entitled to deduct from the Net Asset Value per Unit of a Sub-Fund, for the account of the Sub-Fund, an amount which it considers to be an appropriate allowance (not exceeding 1.0 per cent. of such Net Asset Value per Unit) for fiscal and sale charges incurred by the Sub-Fund in realising assets to provide sufficient realisation proceeds.

The Trust will not be responsible for any promotional expenses incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Trust will not be paid (either in whole or in part) out of the Trust Fund.

The Trust will bear all charges and expenses of its legal counsel and auditors, any disbursements or out-of-pocket expenses properly incurred on behalf of any Sub-Fund by any of its service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing annual and half-yearly reports, accounts and other circulars relating to the Trust or any Sub-Fund, the expenses of publishing Unit prices and all other operating costs relating to the administration of the Trust.

The costs of establishing the Trust, amounted to US\$90,000 (including inception fees of US\$10,000 in respect of the Trust and US\$2,500 in respect of each Sub-Fund, payable to the Trustee), which was paid out of the Trust Fund. The auditors of the Trust did not regard this as a material expense and the Manager intended to have the costs amortised over a 3-year period which commenced on the last day of the initial offer period of the China Convergence Fund (which was known as China B Shares Fund upon inception on 14 July 2000) and expired on 6th July 2003.

If subsequent Sub-Funds are launched and incur additional preliminary expenses which are specific to them, such expenses will be allocated to the relevant Sub-Fund for whose account they were incurred, and amortised over a period of up to 3 years from the close of the initial offer period of such Sub-Fund. Expenses incurred which are not specific to any particular Sub-Fund will be allocated among all the Sub-Funds in proportion to their respective Net Asset Value as at the close of their respective initial offer periods, and amortised over a period of 3 years from the close of such initial offer period. At the point of time when additional Sub-Funds are established, any unamortised preliminary expenses incurred in establishing the Trust and still carried by existing Sub-Funds will be reallocated among all Sub-Funds on the basis of their respective Net Asset Value, except that it is unlikely that any previous amortisation written off will be re-opened.

On termination or merger of a Sub-Fund, the unamortised portion will be written off against the assets of the terminating Sub-Fund because it will no longer be meaningful to carry it as an asset in the accounting records.

VI. General Information

Distribution Policy

The distribution policy of each Sub-Fund is set out in the Addendum to this Explanatory Memorandum relating to the relevant Sub-Fund.

Trust Deed

The Trust was constituted by a trust deed dated 21st June 2000, as amended from time to time entered into between Value Partners Limited as Manager and Bank of Bermuda (Cayman) Limited as Trustee and is governed by the laws of the Cayman Islands. Unitholders and prospective investors are advised to review the terms of the Trust Deed which govern their investment in the Trust.

Reports, Accounts and Statements

The financial year-end of the Trust (and each Sub-Fund) is 31st December each calendar year. Audited accounts of each Sub-Fund, prepared according to International Financial Reporting Standards, will normally be sent to Unitholders of such Sub-Fund within four months of the financial year-end. The Manager will also prepare unaudited semi-annual reports in respect of each individual Sub-Fund for the first six calendar months ending on 30th June in each financial year, to be sent to Unitholders of the relevant Sub-Fund within two months after the end of such period. Such reports provide details of the assets of the relevant Sub-Fund and the Manager's statement on transactions during the period under review. The first audited accounts issued for the Trust were in respect of the China Convergence Fund for the period ended 31st December 2000 and the first unaudited semi-annual reports issued for the China Convergence Fund was for the period commencing from 1st January 2001 and ending on the last Valuation Day of such Sub-Fund in 30th June, 2001.

At the end of each calendar quarter (i.e. March, June, September and December), each Unitholder will be sent an account statement by the Administrator containing details of his transactions during the relevant period and the market value of his Units.

Duration and Termination of the Trust

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

The Trust may be terminated by the Trustee after giving three months' notice to all Unitholders if:

- (a) the Manager commences to be wound up or goes into liquidation or has a receiver appointed over its assets; or
- (b) if, in the reasonable opinion of the Trustee, the Manager is incapable of performing or has failed to perform its duties satisfactorily or the Trustee forms the opinion for any other good and sufficient reason that a change in investment manager of the Trust is desirable in the interests of the Unitholders; or
- (c) the Trustee is unable to find an acceptable person to replace an investment manager who has been removed within such time as the Trustee considers to be reasonable; or
- (d) any law is passed which renders it illegal, impracticable or inadvisable in the opinion of the Trustee to continue the Trust; or
- (e) if, within a reasonable period of the Trustee notifying the Manager of its intention to retire, no new trustee has been appointed.

The Manager may terminate the Trust by giving three months' notice to all Unitholders of the Trust if:

- (a) after 5 years from the date of the Trust Deed, the aggregate Net Asset Value of Units outstanding in the Trust is less than US\$2,500,000; or
- (b) it becomes illegal or, in the opinion of the Manager, impracticable or inadvisable to continue operating the Trust.

The Manager may also terminate any Sub-Fund by giving three months' notice to all Unitholders of that Sub-Fund if, after 5 years from the date of establishment of such Sub-Fund, its Net Asset Value is less than US\$2,500,000.

Furthermore, the Trust or any Sub-Fund may also be terminated by Extraordinary Resolution passed at a duly convened meeting of all Unitholders or of the Unitholders of the relevant Sub-Fund, as the case may be.

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Conflicts of Interest

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, secretary, manager, custodian, investment manager or investment adviser or in any other capacity as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Trust or any Sub-Fund.

In addition:

- (a) the Manager or any of its Connected Persons (as defined below) may enter into investments for the Trust as agent for the Trustee and may, with the prior written consent of the Trustee, deal with the Trustee as principal;
- (b) the Trustee, the Manager or any of their Connected Persons may have banking or other financial relationships with any company or party which is the issuer of securities, financial instruments or investment products held by the Trust;
- (c) the Trustee, the Manager or any of their Connected Persons may hold and deal in Units or in investments held by the Trust either for their own account or for the account of their other customers; and
- (d) the monies of the Trust may be deposited with any Connected Person of the Manager or the Trustee which is duly licensed to accept such deposits or invested in certificates of deposit or banking instruments issued by any of them.

It is, therefore, possible that any of the Trustee, the Manager or their Connected Persons may, in the course of business, have potential conflicts of interest with the Trust or any Sub-Fund. Each will, at all times, have regard in such event to its obligations to the Trust and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

For the purposes of the above, "Connected Person" includes any subsidiary or holding company or associate of the Manager or the Trustee, or subsidiary of such holding company as the case may be.

Any cash commissions received by the Manager, any appointed sub-investment manager or investment adviser or any Connected Persons of any of them arising out of the sale and purchase of investments for the Trust will not be retained for their own use but will be credited to the relevant Sub-Fund.

However, the Manager, its sub-investment manager or investment adviser and any of their Connected Persons may receive, and are entitled to retain, goods and services and other soft dollar benefits which are of demonstrable benefit to the Unitholders (as may be permitted under the relevant regulations including, but not limited to, the Hong Kong Code on Unit Trusts and Mutual Funds) from brokers and other persons through whom the investment transactions are carried out. These goods and services include, but are not limited to, qualifying research services, computer hardware and software obtained to enhance investment decision making, and appropriate order execution services. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The Manager, its sub-investment manager or investment adviser or any of their Connected Persons will ensure that transaction execution is consistent with best execution standards and that any brokerage borne by the relevant Sub-Fund will not exceed customary institutional full service brokerage rates for such transaction.

Restrictions on Unitholders

The Manager has power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in the Trust are acquired or held by a US Person (as defined in the Trust Deed) or other non-qualified persons whose holding of Units in the Trust would either:

- (a) be a breach of the law or requirements of any country or governmental authority in circumstances which, in the Manager's opinion, might result in the Trust or any Sub-Fund suffering hardship which the Trust or such Sub-Fund might not otherwise have suffered;
- (b) be in circumstances which, in the Manager's opinion, may result in the Trust or any Sub-Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or such Sub-Fund might not otherwise have incurred or suffered; or
- (c) be a breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including, but not limited to, the issue of any warranty or supporting document required to be given to the Administrator's Agent or the Manager.

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

Voting Rights

Meetings of all Unitholders, or of Unitholders of a specific Sub-Fund or of a class of Units in a specific Sub-Fund, may be convened by the Manager or the Trustee. In the case of a meeting of all Unitholders, the holders of one-tenth or more of the Units in issue may require such a meeting to be convened. In the case of a meeting of holders of the Units in a particular class or Sub-Fund, the holders of one tenth of the Units in issue in the relevant class or Sub-Fund may require such a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for the transaction of business, except for the purpose of passing an Extraordinary Resolution, will be Unitholders present in person or by proxy registered as holding not less than 10 per cent. of the Units for the time being in issue in either the Trust, the Sub-Fund or the relevant class of Units within a Sub-Fund, as the case may be. The quorum for passing an Extraordinary Resolution will be Unitholders present in person or by proxy registered as holding not less than 25 per cent. of the Units for the time being in issue.

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

Every Unitholder (being an individual) who is present in person or (being a corporation) is present by a representative has one vote for every Share represented by the Units held by such Unitholder. In the case of joint Unitholders, the senior of those who tenders a vote (in person or by proxy) will be accepted to the exclusion of the other joint Unitholders and seniority is determined by the order in which the names appear on the register of Unitholders. A poll may be demanded by the Chairman or one or more Unitholders present in person or by proxy registered as holding 5 per cent. or more of the Units for the time being in issue.

Anti-Money Laundering Regulations

In order to comply with regulations aimed at the prevention of money laundering, the Manager will require verification of identity from all prospective investors (unless in any case the Manager is satisfied that an exemption under the Money Laundering Regulations 2003 of the Cayman Islands (the "Regulations") applies). Depending on the circumstances of each subscription, a detailed verification might not be required where:

- (a) a prospective investor makes the payment for his investment from an account held in the prospective investor's name at a recognised financial institution; or
- (b) the prospective investor is regulated by a recognised regulatory authority and is based or incorporated in, or formed under the law of, a recognised jurisdiction; or
- (c) the subscription is made through an intermediary which is regulated by a recognised regulatory authority and is based or incorporated in, or formed under the law of, a recognised jurisdiction.

For the purposes of these exceptions, recognition of a financial institution, regulatory authority or jurisdiction will be determined in accordance with the Regulations by reference to those jurisdictions recognised by the Cayman Islands as having sufficient anti-money laundering regulations.

The Trustee, the Registrar and the Manager reserve the right to request such information as is necessary to verify the identity of a prospective investor. In the event of delay or failure by the prospective investor to produce any information required for verification purposes, the Trustee or Manager may refuse to accept the application and, if so, any funds received will be returned without interest to the account from which the monies were originally debited.

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If any person who is resident in the Cayman Islands (including the Trustee and Registrar) has a suspicion obtained in the course of business that any other person is engaged in money laundering that person is required to report such suspicion pursuant to the Proceeds of Criminal Conduct Law (2004 Revision) of the Cayman Islands and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Regulation of the Trust in the Cayman Islands

The Trust falls within the definition of a “mutual fund” in terms of the Mutual Funds Law (2003 Revision) of the Cayman Islands (the “Law”) and will, accordingly, be regulated in terms of that Law. The obligations of the Trustee are:

- (a) to register the Trust with the Cayman Islands Monetary Authority (the “Monetary Authority”) in the Cayman Islands appointed under the Law;
- (b) to file with the Monetary Authority prescribed details of this Explanatory Memorandum and changes to it and any changes to the mutual fund administrator employed by the Trustee;
- (c) to file annually with the Monetary Authority accounts audited by an approved auditor; and
- (d) to pay a prescribed registration fee.

As a regulated mutual fund, the Trust will be subject to the supervision of the Monetary Authority and the Monetary Authority may at any time instruct the Trust to have its accounts audited and to submit them to the Monetary Authority within such time as the Monetary Authority specifies. In addition, the Monetary Authority may ask the Trustee to give the Monetary Authority such information or such explanation in respect of the Trust as the Monetary Authority may reasonably require to enable it to carry out its duty under the Law.

The Trustee may be required to give the Monetary Authority access to or provide at any reasonable time all records relating to the Trust and the Monetary Authority may copy or take an extract of a record it is given access to.

The Monetary Authority is prohibited by the Law from disclosing any information relating to the affairs of a mutual fund other than disclosure required for the effective regulation of a mutual fund or when required to by law or by the court.

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

Material Agreements

Copies of the Trust Deed are available for inspection at the office of the Manager during normal business hours free of charge and copies may be purchased at a reasonable charge.

Once published, copies of the annual reports and semi-annual reports of the Trust will also be available for inspection at the office of the Manager during normal business hours.

VII. Procedure for Application

Method of Application

Applications for Units may be made either (a) on the Subscription Form available from the Manager or (b) by written application giving the information stated below. Applications should be sent by post or by fax to the Manager at the business address or fax number set out on page 6. **All applications by prospective investors for an initial subscription of Units which are sent by fax to the Manager must be followed by the duly signed original applications for subscription.** The Manager may, in its absolute discretion, determine whether or not such original applications are also required in respect of subsequent applications for subscription sent by fax by Unitholders.

Written applications not made on the Subscription Form available from the Manager should:

- (a) state the amount to be invested (which should include provision for the initial charge, if applicable);
- (b) state the name of the Sub-Fund applied for;
- (c) state the class of Units of the relevant Sub-Fund applied for;
- (d) state (i) how payment has been or will be made (payment should be made by telegraphic transfer in the currency of the Sub-Fund or by cheque or banker's draft in Hong Kong dollars although payment by cheque may involve some delay and applicants should ensure that cheques are sent in good time to enable funds to be cleared prior to the close of the initial offer period or the relevant Dealing Period) and (ii) in the case of payment by telegraphic transfer, the value date for payment (Please note that for cleared funds in US dollars or Hong Kong dollars to be received in Hong Kong before 5:00 pm on the last day of the initial offer period or the relevant Dealing Period, as the case may be, payment must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for Hong Kong dollars) before the last day of the initial offer period or of such Dealing Period, as the case may be);
- (e) acknowledge receipt of this Explanatory Memorandum (and any Addenda hereto) and confirm that the application is made on the terms thereof and subject to the Trust Deed;
- (f) state the name (and reference, if any) of the applicant and the name and address to which the contract note is to be despatched;

- (g) confirm that the applicant (i) is not a United States person or a Cayman Islands resident or under 18 years of age; and (ii) is not acquiring the Units on behalf of a United States person, a Cayman Islands resident or any person who is under 18 years of age;
- (h) in respect of instructions sent by fax by the applicant for the subscription, transfer, switching or realisation of Units (the original written applications or requests, as the case may be, of which are also required by the Manager to follow such faxed instructions), confirm that:
- (i) all such faxed instructions received by the Manager will generally be acted upon by the Manager subject to its absolute discretion not to, and instructing the Trustee not to, do so until the original written instructions are received. The Manager and the Trustee may take any appropriate action to carry out such instructions upon receipt thereof notwithstanding any error, misunderstanding or lack of clarity in such instructions;
- (ii) neither the Manager nor the Trustee is obliged to verify the identity of the person sending such instructions. All applications by prospective investors for the initial subscription and requests by Unitholders for the realisation, transfer or switching of Units sent by fax to the Manager must be followed by the duly signed original applications. The Manager may, in its absolute discretion, determine whether such original applications are also required in respect of any subsequent applications for subscription of Units sent by fax. The original signed realisation request (duly completed) and all other supporting documents, if any are required, must be received by the Registrar's Agent before realisation proceeds will be paid to the relevant Unitholder. Also, the transfer of Units will only be effected upon receipt of the original executed transfer form;
- (iii) neither the Manager nor the Trustee shall be liable for any loss which the applicant may suffer arising from:
- their acting on any faxed instructions which purport to be (and which they believe in good faith to be) from the applicant; or
 - the Manager exercising its absolute discretion not to, and instructing the Trustee not to, act on such faxed instructions; or
 - any of the applicant's faxed instructions which are not received by the Manager or the Trustee due to failed transmission thereof; and

Value Partners Intelligent Funds

- (iv) the applicant shall keep the Trust, the Manager and the Trustee fully indemnified on demand against all actions, losses and expenses brought against, or incurred by, the Manager or the Trustee resulting from the Manager or the Trustee acting, or failing to act, on such faxed instructions or from the non-receipt of faxed instructions due to failed transmission thereof;
- (i) (for individual investors only) acknowledge that the personal information supplied therein will be used for the purpose of processing and administering the applicant's subscription and investment in the Trust, may be retained after the applicant's Units have been realised and may be disclosed and/or transferred to the Trustee, the Registrar's Agent, the legal advisers and the Auditors and/or their employees, officers, directors and agents, which persons may be persons outside Hong Kong.

The Manager reserves the right to reject any application in whole or in part in which case the subscription monies will be returned (without interest) by cheque or telegraphic transfer at the cost and risk of the investor.

Payment Procedure

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

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

The Manager may, however, exercise its discretion to accept late payment of subscription monies, provisionally allot Units by reference to the Net Asset Value of the relevant class of Units in the Sub-Fund at the close of the initial offer period or the relevant Dealing Period (as the case may be) and charge interest on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate.

For China Convergence Fund

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

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

HSBC Bank USA
(SWIFT Address: MRMDUS33)
452 Fifth Avenue
New York, New York 10018
USA

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account

A/C No. : 000-14165-8
For credit to VPIF-CCF
DDA No. 00546267

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

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

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account

A/C No. : 502-657802-001
For credit to VPIF-CCF
DDA No. 00546267

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

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

OR

Value Partners Intelligent Funds

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

Value Partners Limited
Level 14, Three Pacific Place,
1 Queen's Road East, Hong Kong.

bearing the name of the applicant, the class of Units and the name of the Sub-Fund in which investment is to be made on the reverse. Please note that for cleared funds to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Period, cheques or banker's draft have to be received by Value Partners Limited at least two Business Days in Hong Kong before the last day of such Dealing Period.

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

OR

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

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

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account

A/C No. : 502-657802-201

For credit to VPIF-CCF

DDA No. 00546267

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

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

For Chinese Mainland Focus Fund

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

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

HSBC Bank USA
(SWIFT Address: MRMDUS33)
452 Fifth Avenue
New York, New York 10018
USA

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account

A/C No. : 000-14165-8
For credit to VPIF-CMFF
DDA No. 00546333

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

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

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account

A/C No. : 502-657802-001
For credit to VPIF-CMFF
DDA No. 00546333

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

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

OR

Value Partners Intelligent Funds

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

Value Partners Limited
Level 14, Three Pacific Place,
1 Queen's Road East, Hong Kong.

bearing the name of the applicant, the class of Units and the name of the Sub-Fund in which investment is to be made on the reverse. Please note that for cleared funds to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Period, cheques or banker's draft have to be received by Value Partners Limited at least two Business Days in Hong Kong before the last day of such Dealing Period.

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

OR

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

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

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account

A/C No. : 502-657802-201

For credit to VPIF-CMFF

DDA No. 00546333

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

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

For Other Sub-funds

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

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

HSBC Bank USA
(SWIFT Address: MRMDUS33)
452 Fifth Avenue
New York, New York 10018
USA

A/C Name: HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account
A/C No.: 000-14165-8
For credit to VPIF-Others
DDA No. 00546259

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

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

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account
A/C No. : 502-657802-001
For credit to VPIF-Others
DDA No. 00546259

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

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

OR

Value Partners Intelligent Funds

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

Value Partners Limited
Level 14, Three Pacific Place,
1 Queen's Road East, Hong Kong.

bearing the name of the applicant, the class of Units and the name of the Sub-Fund in which investment is to be made on the reverse. Please note that for cleared funds to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Period, cheques or banker's draft have to be received by Value Partners Limited at least two Business Days in Hong Kong before the last day of such Dealing Period.

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

OR

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

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

A/C Name : HSBC Institutional Trust Services (Asia) Limited –
Value Partners Subscription Account

A/C No. : 502-657802-201

For credit to VPIF-Others

DDA No. 00546259

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

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

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

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

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