

**THIS ANNOUNCEMENT AND NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION AND DOES NOT CONSTITUTE AN INVITATION OR OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR UNITS OF THE EXCHANGE TRADED FUND NAMED BELOW**

*If you are in any doubt about the contents of this Announcement and Notice or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.*

*If you have sold or transferred all your units in Value China A-Share ETF, you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

**IMPORTANT:** *The Stock Exchange of Hong Kong Limited (the “SEHK”), the Hong Kong Exchanges and Clearing Limited (the “HKEX”), the Hong Kong Securities and Futures Commission (the “SFC”) and the Hong Kong Securities Clearing Company Limited (the “HKSCC”) take no responsibility for the contents of this Announcement and Notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement and Notice.*

*Value Partners Hong Kong Limited (the “Manager”) accepts full responsibility for the accuracy of the information contained in this Announcement and Notice as at the date of publication, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, as at the date of publication, there are no other facts the omission of which would make any statement misleading.*

*SFC authorisation is not a recommendation or an endorsement of the Trust (as defined below) and the Sub-Fund (as defined below) nor does it guarantee the commercial merits of the Trust and the Sub-Fund or their performance. It does not mean the Trust and the Sub-Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.*



# **VALUE PARTNERS ETFS TRUST**

(the “Trust”)

*a Hong Kong umbrella unit trust authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong*

# **VALUE CHINA A-SHARE ETF**

(the “Sub-Fund”)

**RMB Counter Stock Code: 83095**  
**HKD Counter Stock Code: 03095**

**ANNOUNCEMENT AND NOTICE OF THE PROPOSED CESSATION OF TRADING, TERMINATION, VOLUNTARY DEAUTHORISATION AND**

## **DELISTING AND NON-APPLICABILITY OF CERTAIN PROVISIONS OF THE CODE ON UNIT TRUSTS AND MUTUAL FUNDS**

Terms not defined in this Announcement and Notice will have the meanings as are given to such terms in the Prospectus of the Trust and the Sub-Fund dated 1 January 2020 (the “**Prospectus**”).

**IMPORTANT:** Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading of units of the Sub-Fund (the “Units”) on the SEHK, proposed termination and proposed deauthorisation of the Trust and the Sub-Fund, proposed delisting of the Sub-Fund from the SEHK and the non-applicability of certain provisions of the Code on Unit Trusts and Mutual Funds (the “Code”) for the period from 27 August 2020 (the “Trading Cessation Date” as defined in section 2.4 below) to the date of deauthorisation of the Trust and the Sub-Fund (the “Deauthorisation Date”). In particular, investors should note that:

- taking into account the relevant factors, including, in particular, the relatively small net asset value of the Sub-Fund (the “Net Asset Value”) (see section 1 below), the Manager has decided to exercise its power under Clause 35.5(A) of the Trust Deed to terminate the Trust (and therefore the Sub-Fund) with effect from the Termination Date (as explained below) by giving notice in writing to the Trustee notifying the Trustee of its proposal to terminate the Trust (and therefore the Sub-Fund);
- the Last Trading Day (as defined in section 2.4 below) of the Units will be 26 August 2020;
- the Units will cease trading from the Trading Cessation Date, 27 August 2020;
- the Manager will aim to realise all of the assets of the Sub-Fund from the Trading Cessation Date. Accordingly, from the Trading Cessation Date onwards, (i) there will be no further trading of Units and no further creation and redemption of Units; (ii) the Manager will start to realise all the assets of the Sub-Fund and the Sub-Fund will therefore cease to track the performance of its Index and will not be able to meet its investment objective of tracking the performance of such Index; (iii) the Sub-Fund will no longer be marketed or offered to the public; (iv) the Sub-Fund will mainly hold cash; and (v) the Sub-Fund will only be operated in a limited manner;
- immediately after this Announcement and Notice has been published, a Provision (as defined and further explained in section 4.3) will be set aside for the Sub-Fund. The Provision is to discharge any future costs, charges, expenses, claims and demands (including but not limited to any regulatory maintenance costs and the fees payable to any service provider to the Sub-Fund, including the Trustee) that the Trustee and the Manager may incur, during the period commencing immediately following publication of this Announcement and Notice up to and including the Termination Date, in connection with or arising out of the ongoing maintenance of the Trust and the Sub-Fund (together, the “Future Costs”);
- as a result of the setting aside of the Provision immediately after this Announcement and Notice has been published, the Net Asset Value and Net Asset Value per Unit will be reduced before the commencement of trading on the SEHK on 27 July 2020, as follows:

Before setting aside Provision		After setting aside Provision	
NAV	NAV per Unit	NAV	NAV per Unit
RMB71.38 million	RMB6.7986	RMB70.51 million	RMB6.7149

- the Manager will, after having consulted the Trustee and the Sub-Fund's auditors (the "Auditors"), declare a Distribution (as defined in section 2.2 below) to the investors who remain so as at 31 August 2020 (the "Distribution Record Date"), and the Distribution is expected to be payable on or around 25 September 2020 (the "Distribution Date"). The amount of Distribution will equal the value of net proceeds from the realisation of the assets of the Sub-Fund as at 1 September 2020, excluding (i) amount of PRC tax payable as determined by the Manager in accordance with the Sub-Fund's current tax provisioning policy and in consultation with the PRC tax advisers (the final amount is subject to the discretion of the PRC tax authorities); (ii) the Provision; (iii) any other taxes payable; and (iv) any expenses payables;
- by the date when the Trustee and the Manager form an opinion that the Trust and the Sub-Fund cease to have any outstanding contingent or actual assets or liabilities, the Trustee and the Manager will commence the completion of the termination of the Trust and the Sub-Fund (i.e. the Termination Date);
- investors should note that the termination and deauthorisation of the Trust and the Sub-Fund and the delisting of the Sub-Fund are subject to PRC tax clearance;
- from the Trading Cessation Date until the Termination Date, the Manager will maintain the Trust's and the Sub-Fund's SFC authorisation status and the Sub-Fund's SEHK listing status. Subject to the SEHK's approval, delisting should take effect at or around the same time as the deauthorisation;
- the Manager expects that the deauthorisation and the delisting will take place either on the Termination Date or shortly after the Termination Date. Any product documentation of the Trust and the Sub-Fund previously issued to investors, including the Prospectus and the Product Key Facts Statement of the Sub-Fund (the "KFS"), should be retained for personal use only and not for public circulation; and
- investors should pay attention to the risk factors set out in section 5.1 below (including liquidity risk, Units trading at a discount or premium and Market Makers' inefficiency risk, tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk, Net Asset Value downward adjustment risk, failure to track the Index risk and delay in distribution risk). Investors should exercise caution and consult their professional and financial advisers before dealing in the Units or otherwise deciding on the course of actions to be taken in relation to their Units.

**Stockbrokers and financial intermediaries are urged to:**

- forward a copy of this Announcement and Notice to their clients holding Units in the Sub-Fund, and inform them of the contents of this Announcement and Notice as soon as possible;
- facilitate their clients who want to dispose of Units on or before the Last Trading Day; and

- **inform their clients as soon as possible if any earlier dealing deadline, additional fees or charges, and/or other terms and conditions will be applicable in respect of the provision of their services in connection with any disposal of Units; and**
- **inform their clients of the Distribution arrangements as set out in section 2.2 below and the possible impact in relation to such arrangements to their clients.**

## **1. Proposed termination, cessation of trading and realisation of assets**

### **1.1. Proposed termination**

According to Clause 35.5(A) of the trust deed dated 12 March 2015 and as amended and restated on 1 January 2020 (the “**Trust Deed**”), the Trust (and therefore the Sub-Fund) may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee in the event that after one year from the date of the Trust Deed (i.e. 12 March 2015), the aggregate Net Asset Value of all the Units in each sub-fund outstanding shall be less than RMB150,000,000. The Trust Deed does not require investors’ approval for terminating the Trust and the Sub-Fund on the ground set out in Clause 35.5(A).

As at 14 July 2020, the Net Asset Value and the Net Asset Value per Unit of the Sub-Fund were RMB 75.05 million and RMB RMB7.15 respectively. Having taken into account the relevant factors including the interests of the investors as a whole, the current relatively small Net Asset Value of the Sub-Fund, the Manager is of the view that the proposed termination of the Trust (and therefore the Sub-Fund) would be in the best interests of the investors of the Sub-Fund.

Therefore, the Manager has decided to exercise its power under Clause 35.5(A) of the Trust Deed by giving notice in writing to the Trustee notifying the Trustee of its proposal to terminate the Trust and the Sub-Fund on the date on which the Trustee and the Manager form an opinion that the Trust and the Sub-Fund cease to have any respective contingent or actual assets or liabilities. The Manager has given written notice to the Trustee notifying the Trustee of its proposal to terminate the Trust and the Sub-Fund pursuant to Clause 35.5(A) of the Trust Deed, and the Trustee does not object to such proposal and acknowledges the non-applicability of certain provisions of the Code as referred to in this Announcement and Notice for the period from and including the Trading Cessation Date to the date of deauthorisation, subject to the specific conditions and requirements to be imposed by the SFC.

As required under Clause 35.8 of the Trust Deed, no less than three months’ notice is hereby given to the investors, notifying them of the proposed termination of the Trust and the Sub-Fund. Also, as required under Chapters 11.1A and 11.2 of the Code, no less than one month’s notice is hereby given to the investors, notifying them that the Sub-Fund will cease to track the performance of its Index, and cease trading, from the Trading Cessation Date.

### **1.2. Proposed cessation of trading**

The Manager will apply to SEHK to have the Units cease trading on the SEHK from 27 August 2020 (the “**Trading Cessation Date**”). The Manager will aim to realise all of the assets of the Sub-Fund effective from the Trading Cessation Date.

The realisation of assets of the Sub-Fund will not incur any additional cost as compared to the costs associated with normal realisation of investments.

26 August 2020 will be the Last Trading Day when investors may buy or sell Units on the SEHK in accordance with the usual trading arrangements currently in place, and no creation and redemption of Units through Participating Dealers will be allowed after such date.

For the avoidance of doubt, creation and redemption of Units by Participating Dealers will continue to be permitted until the Last Trading Day. Creations of Units will be limited to the creation of Units by Participating Dealers for market making activities of market makers to provide liquidity of the trading of the Units on the SEHK. There will be no creation of Units for other purposes after this Announcement and Notice has been published.

Investors should note that they cannot create or redeem Units directly in the primary market. Only Participating Dealers may submit creation and redemption applications to the Manager. Participating Dealers may have their own application procedures for their clients and may set application cut-off times for their clients which are earlier than those set out in the Prospectus and in any event not later than the Last Trading Day. Investors are advised to check with the Participating Dealers as to the relevant timing deadlines and the client acceptance procedures and requirements.

### **1.3. Impact of the proposed realisation of the assets**

After the realisation of the assets of the Sub-Fund, the Sub-Fund will mainly hold cash (primarily consisting of the proceeds from the realisation of the assets of the Sub-Fund). It therefore follows that, from the Trading Cessation Date, the Sub-Fund will cease to track the performance of its Index, and will not be able to meet its investment objective of tracking the performance of such Index.

## **2. What will happen on or before the Last Trading Day and from the Trading Cessation Date?**

### **2.1 Trading on the SEHK up to and including the Last Trading Day**

On any trading day up to and including the Last Trading Day, an investor may continue to buy or sell its Units on the SEHK in accordance with the usual trading arrangements, during the trading hours of the SEHK and based on the prevailing market prices. The market makers of the Sub-Fund (collectively the “**Market Makers**”) will continue to perform its market making functions in accordance with the Trading Rules of the SEHK until the Trading Cessation Date.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Units on the SEHK on investors, and a transaction levy (at 0.0027% of the price of the Units) and a trading fee (at 0.005% of the price of the Units) will be payable by the buyer and the seller of the Units.

No charge to stamp duty will arise in Hong Kong in respect of sale or purchase of Units on the SEHK.

The trading price of Units may be below or above the Net Asset Value per Unit. Please see “Units trading at a discount or premium and Market Makers’ inefficiency risk” in section 5.1 below.

Relevant Investors are reminded to contact their stockbrokers or financial intermediaries to check whether there will be any fees or charges including custody fees that they may need to bear with regard to their holding of Units during the period from the Trading Cessation Date up till the date on which they cease to hold Units.

### **2.2 Distribution(s)**

For Relevant Investors who are still holding Units after the Last Trading Day, the Manager will, after consulting the Trustee, the Auditors and PRC tax advisers, declare a distribution in RMB for both RMB counter and HKD counter (the “**Distribution**”) in respect of those investors who remain invested in the Sub-Fund as of the Distribution Record Date (the “**Relevant Investors**”). Such Distribution is expected to be made on or around 25 September 2020 (the “**Distribution Date**”).

The amount of Distribution will equal the value of net proceeds from the realisation of the assets of the Sub-Fund as at 1 September 2020, excluding (i) the amount of PRC tax payable as determined by the Manager in accordance with the Sub-Fund’s current tax provisioning policy and in consultation with the PRC tax advisers (the final amount is subject to the discretion of the PRC tax authorities); (ii) the Provision; (iii) any other taxes payable; and (iv) any expenses payables.

Each Relevant Investor will be entitled to the amount of Distribution in proportion to the Relevant Investor’s Units in the Sub-Fund as at the Distribution Record Date. The Distribution payable to each Relevant Investor is expected to be paid on or around 25 September 2020, to the accounts of its financial intermediary or stockbroker maintained with CCASS as at the Distribution Record Date. The Manager will issue a further announcement to inform the Relevant Investors of the exact day of payment of the Distribution, together with the amount of Distribution per Unit in respect of the Sub-Fund in due course.

After the Trading Cessation Date, the Manager will, in consultation with PRC tax advisers, complete the relevant PRC tax filings and seek PRC tax clearance. The Manager expects to obtain PRC tax clearance in around November 2020. Upon obtaining PRC tax clearance, should the final PRC tax amount be lower than that as determined by the Manager in consultation with the PRC tax advisers, the surplus will be paid to Relevant Investors in around December 2020 (“**Further Distribution**”). The Manager will make a further announcement by 7 December 2020:

- (i) if a Further Distribution is payable, to inform the Relevant Investors of the amount of Further Distribution per Unit; or
- (ii) if PRC tax clearance is not obtained by such date, to inform the Relevant Investors of this fact and to provide an estimated time of PRC tax clearance and/or refund (as the case may be).

If the final PRC tax amount is higher than that as determined by the Manager in consultation with the PRC tax advisers, the shortfall will be borne by the Manager. Investors should note that the termination and deauthorisation of the Trust and the Sub-Fund and the delisting of the Sub-Fund is subject to PRC tax clearance.

Notwithstanding the above, the Manager does not expect or anticipate there will be a Further Distribution after the Distribution and in the event that no Further Distribution is payable, a statement to this effect will be included in the announcement informing investors about the Termination Date, Deauthorisation Date and the date for the delisting of the Sub-Fund to be published on or shortly before the Termination Date.

**IMPORTANT NOTE: Investors should pay attention to the risk factors as set out in section 5.1 below and consult their professional and financial advisers before disposing of their Units. If an investor disposes of its Units at any time on or before the Last Trading Day, such investor will not in any circumstances be entitled to any portion of the Distribution or Further Distribution (if any) in respect of any Units so disposed. Investors should therefore exercise caution and consult their professional**

and financial advisers before dealing in their Units or otherwise deciding on any course of actions to be taken in relation to their Units.

### 2.3 Between the Trading Cessation Date and the Termination Date

Following the realisation of the assets and the Distribution and Further Distribution (if any), when the Manager and the Trustee are of the opinion that the Trust and the Sub-Fund cease to have any respective contingent or actual assets or liabilities (the “**Termination Date**”), the Manager and the Trustee will commence the completion of terminating the Sub-Fund.

During the period from the Trading Cessation Date until, at the earliest, the Termination Date, although the Sub-Fund will continue to have listing status on the SEHK and will remain authorised by the SFC, the Sub-Fund will no longer be marketed or offered to the public and will only be operated in a limited manner because there will be no trading of Units and the Sub-Fund will have no investment activities from the Trading Cessation Date onwards.

The deauthorisation and delisting of the Sub-Fund will take place either on the Termination Date or shortly after the Termination Date, subject to the SFC’s and SEHK’s respective approvals. The Manager expects that delisting will only take place at or around the same time of the deauthorisation.

The proposed termination, deauthorisation and delisting will be subject to the payment of all outstanding fees and expenses (please refer to section 4 below), discharge of all outstanding liabilities of the Trust and the Sub-Fund, as well as the final approvals by the SFC and the SEHK, respectively.

Following deauthorisation, the Trust and the Sub-Fund will no longer be subject to regulation by the SFC and will not be available for public distribution in Hong Kong. Any product documentation of the Trust and the Sub-Fund previously issued to investors, including the Prospectus and the KFS, should be retained for personal use only and not for public circulation. Stockbrokers, financial intermediaries and investors must not circulate any marketing or other product information relating to the Trust and the Sub-Fund to the public in Hong Kong as this may be in breach of the Securities and Futures Ordinance of Hong Kong (the “**SFO**”).

### 2.4 Important dates

Subject to the SFC’s and the SEHK’s respective approvals for the proposed arrangements set out in this Announcement and Notice, it is anticipated that the expected important dates in respect of the Trust and the Sub-Fund will be as follows:

Dispatch of this Announcement and Notice and setting aside the Provision immediately thereafter	24 July 2020 (Friday)
No further request for creation of Units by investors in the primary market via Participating Dealers (other than by Participating Dealers for market making activities) after this Announcement and Notice has been published	27 July 2020 (Monday)
Last day on which requests for creation by Participating Dealers for market making activities and redemption of Units in the primary market through the Participating Dealers may be accepted Last day for dealings in the Units on the SEHK	26 August 2020 (Wednesday)

(the “ <b>Last Trading Day</b> ”)	
<p>No further requests for creation and redemption of Units in the primary market will be accepted</p> <p>Cessation of trading in the Units on the SEHK in the secondary market</p> <p>The date on which the Manager will start to realise all the investments of the Sub-Fund and the Sub-Fund will cease to be able to track the performance of its Index</p> <p>The day from which the Sub-Fund shall no longer be marketed or offered to the public in Hong Kong</p> <p>(the “<b>Trading Cessation Date</b>”)</p>	27 August 2020 (Thursday)
Record date for determining the eligibility of entitlement for the Distribution and Further Distribution, if any (the “ <b>Distribution Record Date</b> ”)	By close of business on 31 August 2020 (Monday)
Dispatch of announcement on Distribution and the distribution rate per Unit after consultation with the Trustee and the Auditors	On or around 24 September 2020 (Thursday), at least one business day before the Distribution Date
Distribution, after the Manager having consulted the Trustee and the Auditors, will be paid to the investors who are still holding Units as at the Distribution Record Date (the “ <b>Distribution Date</b> ”)	On or around 25 September 2020 (Friday)
<p>Dispatch of announcement (i) if a Further Distribution will be paid upon PRC tax clearance (and the amount per Unit and the further distribution date, if applicable), or (ii) if PRC tax clearance is not obtained by such date (and an update on this)</p> <p>This announcement will be published prior to the further distribution date (if applicable) and for the avoidance of doubt, no announcement will be issued by this date if there is no Further Distribution</p>	By 7 December 2020 (Monday)
Payment of Further Distribution (if any) to the Relevant Investors as mentioned in the preceding paragraph	On or around 8 December 2020 (Tuesday)
Termination of the Sub-Fund when the Manager and the Trustee form an opinion that the Trust and the Sub-Fund cease to have any respective contingent or actual assets or liabilities (the “ <b>Termination Date</b> ”)	Expected to be 22 December 2020 (Tuesday)
<p>Deauthorisation and delisting of the Sub-Fund</p> <p>The date of deauthorisation and delisting will be the date which the SFC and SEHK approve the deauthorisation and delisting respectively</p>	On or shortly after the Termination Date

The Manager will issue the following:

- (i) (on a weekly basis from the date of this Announcement and Notice to the Last Trading Day) reminder announcements informing and reminding investors of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date;

- (ii) (in due course) an announcement to inform the investors of the Distribution Date, and further distribution date (if any);
- (iii) (prior to Further Distribution, if any) an announcement to inform the investors the amount of Further Distribution per Unit;
- (iv) (by 7 December 2020, if PRC tax clearance is not obtained by end of November 2020) an announcement to inform the investors of this fact and to provide an estimated time of PRC tax clearance and/or refund (as the case may be); and
- (v) (on or shortly before the Termination Date) an announcement informing investors about the Termination Date, Deauthorisation Date and the date for the delisting of the Sub-Fund,

in accordance with the applicable regulatory requirements.

If there is any change to the dates mentioned set out in the table above, the Manager will issue an announcement to inform the Relevant Investors of the revised dates.

### **3. Non-applicability of certain provisions of the Code**

#### **3.1 Background**

As set out in section 2.3 above, while the Units will cease trading from the Trading Cessation Date, because of certain outstanding actual or contingent assets or liabilities in relation to the Trust and the Sub-Fund, the Trust and the Sub-Fund will remain in existence after the Trading Cessation Date until the Termination Date. During such period, each of the Trust and the Sub-Fund will remain authorised by the SFC and the Sub-Fund will maintain its SEHK listing status, until the completion of the proposed termination, deauthorisation and delisting.

Given the Trust and the Sub-Fund will no longer be marketed to the public and have limited operation when the Sub-Fund ceases trading, pursuant to Chapter 8.6(t) of the Code and question 13 of the Frequently Asked Questions on Exchange Traded Funds and Listed Funds, the Trust and the Sub-Fund may continue to maintain its authorisation status without strictly complying with certain provisions of the Code for the period from and including the Trading Cessation Date up until the Deauthorisation Date, provided that the specific conditions and requirements imposed by the SFC are met.

Such conditions and requirements are described in this section 3.

#### **3.2 Updating of the Prospectus and KFS**

Under Chapters 6.1 and 11.1B of the Code, the Prospectus and the KFS must be up-to-date and must be updated to incorporate any relevant changes to the Trust or the Sub-Fund.

The Manager will continue to manage the Trust and the Sub-Fund without updating the Prospectus and the KFS as required under Chapters 6.1 and 11.1B of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the following conditions and requirements imposed by the SFC and which the Manager has undertaken to meet:

- (i) the Manager shall promptly notify investors of any changes to the Trust, the Sub-Fund, the Prospectus or the KFS by means of publishing further announcement(s) on the

website <https://www.valueETF.com.hk/eng/value-china-a-share-etf.html><sup>1</sup> and the HKEX's website (each, a "Relevant Future Announcement"); and

- (ii) the Manager shall ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice together with the Prospectus, the KFS, and any other Relevant Future Announcement(s).

### **3.3 Provision of real time or near-real time indicative Net Asset Value per Unit and last Net Asset Value**

Under Chapter 8.6(u)(i) and (ii) of the Code, the Manager is required to provide real time or near-real time indicative Net Asset Value per Unit (updated at least every 15 seconds during trading hours) and last Net Asset Value per Unit and last Net Asset Value of the Sub-Fund (updated on a daily basis) on the Trust's website or such other channels as the SFC considers appropriate.

The Manager will continue to manage the Sub-Fund without strict compliance with Chapter 8.6(u)(i) and (ii) of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the following conditions and requirements imposed by the SFC and which the Manager has undertaken to meet:

- (i) the Manager shall ensure the Net Asset Value per Unit as of 26 August 2020 (i.e. the Last Trading Day), which will be the latest Net Asset Value per Unit, will be published on the website: <https://www.valueETF.com.hk/eng/value-china-a-share-etf.html><sup>1</sup>; and
- (ii) the Manager shall update the latest available Net Asset Value per Unit on the website <https://www.valueETF.com.hk/eng/value-china-a-share-etf.html><sup>1</sup> as soon as practicable should there be any other change to the Net Asset Value of the Sub-Fund, including but not limited to changes arising from (i) the Distribution (please see further in section 2.2 above); (ii) Further Distribution (if any); (iii) any deduction of transaction costs or taxes relating to the realisation of the assets of the Sub-Fund; and (iv) any change in market value of the scrip dividend receivable by the Sub-Fund (if any) of the underlying stocks.

### **3.4 Publication of suspension of dealing**

Under Chapter 10.7 of the Code, the Manager is required to: (a) immediately notify the SFC if dealing in Units ceases or is suspended; and (b) publish the fact that dealing is suspended immediately following the decision to suspend and at least once a month during the period of suspension in an appropriate manner.

The Manager will continue to manage the Trust and the Sub-Fund without strict compliance with Chapter 10.7 of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the condition that a statement shall be posted in a prominent position of the website <https://www.valueETF.com.hk/eng/value-china-a-share-etf.html><sup>1</sup> from the Trading Cessation Date to the Deauthorisation Date to notify investors that the Units have ceased trading on SEHK from 27 August 2020, and draw investors' attention to this Announcement and Notice, the subsequent reminder announcements and all other relevant announcements.

As the Sub-Fund will maintain its listing status with SEHK during the period from and including the Trading Cessation Date up until the date of delisting and deauthorisation, investors may continue to access further announcements in relation to the Sub-Fund via

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<sup>1</sup> The website has not been reviewed by the SFC.

the website <https://www.valueETF.com.hk/eng/value-china-a-share-etf.html><sup>1</sup> and HKEX's website during such period.

### 3.5 Other related matter

The Manager confirms that, save for the particular provisions of the Code set out in sections 3.2 to 3.4 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other applicable laws and regulations in respect of the Sub-Fund.

## 4. Costs

### 4.1 Trading on the SEHK

As indicated in section 2.3 above, stockbrokers or financial intermediaries may levy certain fees and charges for any orders to dispose of Units on or before the Last Trading Day.

### 4.2 Creation and redemption by Participating Dealers

All creations and redemptions of Units by Participating Dealers will be subject to the fees and costs as set out in the Prospectus. Participating Dealers may pass on to the Relevant Investors such fees and costs, and may also impose fees and charges in handling creation and redemption requests which would increase the cost of creation and redemption. Investors are advised to check with Participating Dealers as to their relevant fees, costs and charges.

### 4.3 Ongoing charges of the Sub-Fund and provision of costs and expenses

The ongoing charges over a year\* for the Sub-Fund as a percentage of Net Asset Value is 1.61%.

\* The ongoing charges figure is based on the expenses for the year ended 31 March 2020, expressed as a percentage of the Sub-Fund's average Net Asset Value over the same period.

The Manager expects that the termination of the Sub-Fund will impact the figure disclosed above for ongoing charges percentage above as detailed below. The ongoing charges are calculated in accordance with the guidance under the relevant SFC circular, and exclude the following costs and expenses associated with the termination of the Sub-Fund (which are borne by the Sub-Fund): (i) transaction costs and (ii) any taxes relating to the realisation of assets of the Sub-Fund.

Immediately after this Announcement and Notice has been published, an amount of RMB879,000, which is approximately 1.23% of the Net Asset Value of the Sub-Fund, will be set aside for the Sub-Fund (the "**Provision**").

The Provision is to discharge any future costs, charges, expenses, claims and demands (including but not limited to any regulatory maintenance costs and the fees payable to any service provider to the Sub-Fund, including the Trustee) that the Trustee and the Manager may incur, during the period commencing immediately following publication of this Announcement and Notice up to and including the Termination Date, in connection with or arising out of the ongoing maintenance of the Trust and the Sub-Fund (together, the "**Future Costs**"). The Trustee has confirmed that it has no objection to the amount of the Provision. The Future Costs do not include transaction costs and any taxes relating to the realisation of assets of the Sub-Fund.

As a result of the setting aside of the Provision immediately after this Announcement and Notice has been published, the Manager expects that the ongoing charges over a year\* for the Sub-Fund as a percentage of Net Asset Value will be 1.91%.

\* The ongoing charges figure is a best estimate only and it is an annualised figure based on expenses for the period from the date of this Announcement and Notice to the Termination Date after setting aside the Provision, expressed as a percentage of the Net Asset Value as at 24 July 2020 (after setting aside the Provision).

**As a result of the setting aside of the Provision immediately after this Announcement and Notice has been published, the Net Asset Value and Net Asset Value per Unit will be reduced before the commencement of trading on the SEHK on 27 July 2020, as follows:**

Before setting aside Provision		After setting aside Provision	
NAV	NAV per Unit	NAV	NAV per Unit
RMB71.38 million	RMB6.7986	RMB70.51 million	RMB6.7149

**Please refer to “Net Asset Value downward adjustment risk” in section 5.1 below.**

Where the Provision is insufficient to cover Future Costs until the Termination Date, any shortfall will be borne by the Manager.

Conversely, where the Provision is in excess of the actual amount of Future Costs until the Termination Date, such excess will be refunded to the Relevant Investors as part of a Further Distribution in proportion to the Relevant Investor’s interests in the Sub-Fund as at the Distribution Record Date.

The Sub-Fund does not have any unamortised preliminary expenses and contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

#### **4.4 Cost of termination, deauthorisation and delisting**

Subject to the Provision, the Manager will bear all costs and expenses associated with the termination and deauthorisation of the Trust and the Sub-Fund as well as the delisting of the Sub-Fund (other than transaction costs and any taxes relating to the realisation of assets of the Sub-Fund) from the date of this Announcement and Notice up to and including the Termination Date. The Manager will continue to charge a management fee up to and including the Last Trading Date.

### **5. Other matters**

#### **5.1 Other implications of the proposed cessation of trading, the proposed termination, deauthorisation and delisting**

In consequence of this Announcement and Notice and the proposed cessation of trading of the Units on the SEHK, proposed termination and proposed deauthorisation of the Trust and the Sub-Fund and the proposed delisting of the Sub-Fund from the SEHK, investors should note and consider the following risks:

*Liquidity risk* – Trading of Units in the Sub-Fund on the SEHK from the date of this Announcement and Notice may become less liquid;

*Units trading at a discount or premium and Market Makers’ inefficiency risk* – The Units may trade at a discount or premium of its Net Asset Value. Although up to and including the Last

Trading Day, the Market Makers will continue to perform their market making functions in respect of the Sub-Fund in accordance with the Trading Rules of the SEHK, Units may trade at a discount compared to their Net Asset Value in extreme market situations. This is because many investors may want to sell their Units after the proposal to terminate the Trust and the Sub-Fund has been announced but there may not be many investors in the market who are willing to purchase such Units. On the other hand, it is also possible that the Units may trade at a premium, and consequently the divergence between the supply of and demand for the Units may be larger than usual. In particular, should there be a large demand for Units before the Trading Cessation Date, the Market Makers may not be able to effectively perform its market making activities to provide liquidity of the trading of Units on the SEHK in these extreme market situations. As a result, the price volatility of the Units may be higher than usual from the date of this Announcement and Notice up to (and including) the Last Trading Day;

*Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk* – The setting aside of the Provision (immediately after this Announcement and Notice has been published) will adversely affect the Net Asset Value per Unit. This reduction of Net Asset Value per Unit will cause the Sub-Fund's returns to substantially deviate from the performance of its Index so the Sub-Fund may not be able to properly track the performance of the Index during the period from the date of this Announcement and Notice to the Last Trading Day and thus triggering significant tracking error. It is possible that the size of the Sub-Fund may drop drastically before the Last Trading Day. This may impair the Manager's ability to fulfill the investment objectives of the Sub-Fund and result in significant tracking error. In the extreme situation where the size of the Sub-Fund becomes so small that the Manager considers that it is not in the best interest of the Sub-Fund to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of the Sub-Fund into cash or deposits in order to protect the interest of the investors of the Sub-Fund;

*Net Asset Value downward adjustment risk* – Changes in economic environment, consumption pattern and investors' expectations may have significant impact on the value of the investments and there may be significant drop in value of the investments. Also, the Net Asset Value of the Sub-Fund may be reduced as the Sub-Fund will set aside the Provision immediately after publication of this Announcement and Notice. Such market movements and the setting aside of the Provision may result in substantial downward adjustment of the Net Asset Value per Unit before the Last Trading Day;

*Failure to track the Index risk* – All assets of the Sub-Fund, to the extent possible, will be liquidated with effect from the Trading Cessation Date. Thereafter, the Sub-Fund's assets will mainly be cash. The Sub-Fund will only be operated in a limited manner. It therefore follows that, from the Trading Cessation Date, the Sub-Fund will cease to track the performance of its Index, and will not be able to meet its investment objective of tracking the performance of such Index; and

*Delay in distribution risk* – The Manager will aim to realise all of the assets of the Sub-Fund and proceed with the Distribution and Further Distribution (if any) as soon as practicable. However, the Manager may not be able to realise all the assets of the Sub-Fund in a timely manner during certain periods of time, for example, when trading on the relevant stock exchanges is restricted or suspended or when the official clearing and settlement depository of the relevant market is closed. In this case, the payment of Distribution or Further Distribution (if any) may be delayed.

Investor attention is also drawn to the risk factors disclosed in the Prospectus.

## **5.2 Tax implications**

### *Hong Kong tax*

Based on the Manager's understanding of the law and practice in force at the date of this Announcement and Notice, as the Trust and the Sub-Fund are collective investment schemes authorised under Section 104 of the SFO, profits of the Trust and the Sub-Fund derived from realisation of their assets are exempt from Hong Kong profits tax. Notwithstanding that profits of the Trust and the Sub-Fund derived from realisation of their assets are exempt from Hong Kong profits tax, the Trust and the Sub-Fund may be subject to tax in certain jurisdictions where investments are made, on income or capital gains derived from such investments.

Distribution or Further Distribution (if any) to the extent of distribution of profits and/or capital of the Trust and the Sub-Fund should generally not be subject to Hong Kong profits tax by investors in Hong Kong (whether by way of withholding or otherwise). For investors carrying on a trade, profession or business in Hong Kong, profits derived in redemption or disposal of Units in the Sub-Fund may be subject to Hong Kong profits tax if the profits in question arise in or are derived from such trade, profession or business, sourced in Hong Kong, as well as the Units are revenue assets of the investors.

### *PRC tax*

The Manager, after consultation with the PRC tax advisers, has not made any tax provision with respect to investment income derived by the Sub-Fund, given that:

- (i) 10% withholding income tax on capital gains derived from trading of A-Shares since 17 November 2014 (i.e. prior to the establishment of the Trust and the Sub-Fund) has been exempt pursuant to Caishui [2014] 79;
- (ii) 10% withholding income tax on dividend derived from A-Shares by the Sub-Fund has been withheld by the relevant issuers of the A-Shares; and
- (iii) 10% withholding income tax on onshore bank deposit interest has been withheld by the relevant onshore bank.

Investors' attention is drawn to the sub-section entitled "PRC Taxation" in the section "Taxation" of the Prospectus for information about the PRC tax obligations of the Sub-Fund.

As the process of PRC tax clearance will start following the realisation of assets of the Sub-Fund, the tax amount payable by the Sub-Fund will be finalised only after the cessation of the trading. The Manager will, in consultation with the PRC tax advisers, determine the amount of PRC tax payable (which is not final). The final amount of PRC tax payable will only be determined upon PRC tax clearance.

Investors should note that the termination and deauthorisation of the Trust and the Sub-Fund and the delisting of the Sub-Fund is subject to PRC tax clearance.

Investors should consult their professional tax advisers for tax advice.

### **5.3 Connected party transaction**

Dato' Seri Cheah Cheng Hye, a director of Value Partners Hong Kong Limited, the Manager of the Sub-Fund, currently holds 1,000,000 Units in the Sub-Fund, accounting for 10% of the Net Asset Value of the Sub-Fund.

Other than as disclosed above, none of the Connected Persons of the Manager and/or the Trustee are party to any transaction in relation to the Sub-Fund, nor hold any interest in any

of the Sub-Fund. Investors should note that the possible disposal of the interest held by the Connected Person, either in whole or in part, may result in significant reduction in the fund size or significant tracking error of the Sub-Fund. Please also see “Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk” in section 5.1 above.

## **6. Documents available for inspection**

Copies of the following documents are available for inspection free of charge upon request at the Manager’s office at 43/F, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours:

- the Trust Deed;
- the Participation Agreements;
- the Service Agreements;
- the most recent annual report and accounts of the Trust and the Sub-Fund and the most recent interim report of the Trust and the Sub-Fund; and
- the Prospectus and the KFS.

Copies of the above documents may be obtained from the Manager at a cost of HK\$150 per set of copy documents (other than the most recent annual report and accounts, most recent interim report and the Prospectus and KFS which may be obtained free of charge).

## **7. Enquiries**

If you have any questions in relation to the contents of this Announcement and Notice, please direct them to your stockbrokers or financial intermediaries or contact the Manager by calling (852) 2143 0628 during office hours which are from 9:00 a.m. to 6:00 p.m. (except Hong Kong public holidays), or visiting the website <https://www.valueETF.com.hk/eng/value-china-a-share-etf.html><sup>2</sup>.

The Manager accepts full responsibility for the accuracy of the contents of this Announcement and 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 misleading.

**Value Partners Hong Kong Limited**  
as Manager of the Trust and the Sub-Fund  
24 July 2020

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<sup>2</sup> The website has not been reviewed by the SFC.