

**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 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.*

*Sensible Asset Management 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) nor does it guarantee the commercial merits of the Trust or its performance. It does not mean the Trust is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*



## **VALUE CHINA ETF**

(the “Trust”)

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

**Stock Code: 03046**

### **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 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 Trust (the “Units”) on the SEHK, proposed termination and proposed deauthorisation of the Trust, proposed delisting of the Trust 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 (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 Trust (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 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;
- 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 Trust 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 Trust and the Trust 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 Trust will no longer be marketed or offered to the public; (iv) the Trust will mainly hold cash; and (v) the Trust 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 Trust. 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 Trust, 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 (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
HK\$108.0 million	HK\$33.76	HK\$107.2 million	HK\$33.50

- the Manager will, after having consulted the Trustee and the Trust’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 14 September 2020 (the “Distribution Date”). The amount of Distribution will equal the value of net proceeds from the realisation of the assets of the Trust as at 1 September 2020 excluding (i) the Provision; (ii) any taxes payable; and (iii) any expenses payables;

- by the date when the Trustee and the Manager form an opinion that the Trust 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 (i.e. the Termination Date);
- from the Trading Cessation Date until the Termination Date, the Manager will maintain the Trust’s SFC authorisation status and 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 previously issued to investors, including the Prospectus and the Product Key Facts Statement of the Trust (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 Trust, 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 20 November 2009 and as amended and restated on 1 January 2020 (the “Trust Deed”), the Trust may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee in the event that the aggregate Net Asset Value of all the Units in each class outstanding shall be less than

HK\$150,000,000. The Trust Deed does not require investors' approval for terminating the Trust 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 Trust were HK\$112.44 million and HK\$35.14 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 Trust, the Manager is of the view that the proposed termination of the Trust would be in the best interests of the investors of the Trust.

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 on the date on which the Trustee and the Manager form an opinion that the Trust ceases to have any 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 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 35.7 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. 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 Trust 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 with effect from 27 August 2020 (the "**Trading Cessation Date**"). The Manager will aim to realise all of the assets of the Trust effective from the Trading Cessation Date.

The realisation of assets of the Trust 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 Trust, the Trust will mainly hold cash (primarily consisting of the proceeds from the realisation of the assets of the Trust). It therefore follows that, from the Trading Cessation Date, the Trust 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 Trust (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 and the Auditors, declare a distribution in Hong Kong dollars (“**HKD**”) (the “**Distribution**”) in respect of those investors who remain invested in the Trust as of the Distribution Record Date (the “**Relevant Investors**”). Such Distribution is expected to be made on or around 14 September 2020 (the “**Distribution Date**”).

The amount of Distribution will equal the value of net proceeds from the realisation of the assets of the Trust as at 1 September 2020, excluding (i) the Provision; (ii) any tax payables; and (iii) any expenses payables. Each Relevant Investor will be entitled to the amount of Distribution in proportion to the Relevant Investor’s Units in the Trust as at the Distribution Record Date.

The Distribution payable to each Relevant Investor is expected to be paid on or around 14 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 Trust in due course.

The Manager does not expect or anticipate there will be a further distribution after the Distribution. However, in the unlikely event there is a further distribution after the Distribution, the Manager will issue an announcement informing the Relevant Investors.

**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 ceases to have any contingent or actual assets or liabilities (the “**Termination Date**”), the Manager and the Trustee will commence the completion of terminating the Trust.

During the period from the Trading Cessation Date until, at the earliest, the Termination Date, although the Trust will continue to have listing status on the SEHK and will remain authorised by the SFC, the Trust 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 Trust will have no investment activities from the Trading Cessation Date onwards.

The deauthorisation and delisting of the Trust 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, as well as the final approvals by the SFC and the SEHK, respectively.

Following deauthorisation, the Trust 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 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 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 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)	27 July 2020 (Monday)

after this Announcement and Notice has been published	
Last day on which requests for creation by Participating Dealers for market making activities and redemption of Units in the primary market through Participating Dealers may be accepted  Last day for dealings in the Units on the SEHK (the “ <b>Last Trading Day</b> ”)	26 August 2020 (Wednesday)
No further requests for creation and redemption of Units in the primary market will be accepted  Cessation of trading in the Units on the SEHK in the secondary market  The date on which the Manager will start to realise all the investments of the Trust and the Trust will cease to be able to track the performance of its Index  The day from which the Trust shall no longer be marketed or offered to the public in Hong Kong (the “ <b>Trading Cessation Date</b> ”)	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 7 September 2020 (Monday), 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 14 September 2020 (Monday)
If any further distribution is payable to the Relevant Investors after the payment of the Distribution, dispatch of an announcement to inform investors of the amount and payment date	By 28 September 2020 (Monday)
Payment of further distribution (if any) to the Relevant Investors as mentioned in the preceding paragraph	On or around 5 October 2020 (Monday)
Termination of the Trust when the Manager and the Trustee form an opinion that the Trust ceases to have any contingent or actual assets or liabilities (the “ <b>Termination Date</b> ”)	Expected to be 27 October 2020 (Tuesday)
Deauthorisation and delisting of the Trust  The date of deauthorisation and delisting will be the date which the SFC and SEHK approve the deauthorisation and delisting respectively.	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); and
- (iii) (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 Trust,

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, the Trust will remain in existence after the Trading Cessation Date until the Termination Date. During such period, the Trust will remain authorised by the SFC and maintain its SEHK listing status, until the completion of the proposed termination, deauthorisation and delisting.

Given the Trust will no longer be marketed to the public and have limited operation when the Trust 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 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 in respect of the Trust must be up-to-date and must be updated to incorporate any relevant changes to the Trust.

The Manager will continue to manage the Trust 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 or to the Prospectus or the KFS by means of publishing further announcement(s) on the website <https://www.valueetf.com.hk/eng/product-value-china-etf-3046-hk/><sup>1</sup> and the HKEX's website (each, a "**Relevant Future Announcement**"); and

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



- (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 Trust (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 Trust 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/product-value-china-etf-3046-hk/><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/product-value-china-etf-3046-hk/><sup>1</sup> as soon as practicable should there be any other change to the Net Asset Value of the Trust, 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 Trust; and (iv) any change in market value of the scrip dividend receivable by the Trust (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 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/product-value-china-etf-3046-hk/><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 Trust 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 Trust via the website <https://www.valueetf.com.hk/eng/product-value-china-etf-3046-hk/><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 Trust.

#### 4. Costs

##### 4.1 Trading on the SEHK

As indicated in section 2.1 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 Trust and provision of costs and expenses

The ongoing charges over a year\* for the Trust as a percentage of Net Asset Value is 0.92%.

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

The Manager expects that the termination of the Trust 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 Trust (which are borne by the Trust): (i) transaction costs and (ii) any taxes relating to the realisation of assets of the Trust.

Immediately after this Announcement and Notice has been published, an amount of HKD822,000, which is approximately 0.76% of the Net Asset Value of the Trust, will be set aside for the Trust (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 Trust, 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 (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 Trust.

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 Trust as a percentage of Net Asset Value will be 1.11%.

\* 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
HK\$108.0 million	HK\$33.76	HK\$107.2 million	HK\$33.50

**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 Trust as at the Distribution Record Date.

The Trust 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 as well as the delisting of the Trust (other than transaction costs and any taxes relating to the realisation of assets of the Trust) 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 proposed delisting of the Trust from the SEHK, investors should note and consider the following risks:

*Liquidity risk* – Trading of Units in the Trust 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 Trust 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 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 Trust's returns to substantially deviate from the performance of its Index so the Trust 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 Trust may drop drastically before the Last Trading Day. This may impair the Manager's ability to fulfil the investment objectives of the Trust and result in significant tracking error. In the extreme situation where the size of the Trust becomes so small that the Manager considers that it is not in the best interest of the Trust to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of the Trust into cash or deposits in order to protect the interest of the investors of the Trust;

*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 Trust may be reduced as the Trust 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 Trust, to the extent possible, will be liquidated with effect from the Trading Cessation Date. Thereafter, the Trust's assets will mainly be cash. The Trust will only be operated in a limited manner. It therefore follows that, from the Trading Cessation Date, the Trust 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 Trust 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 Trust 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**

Based on the Manager's understanding of the law and practice in force at the date of this Announcement and Notice, as the Trust is a collective investment scheme authorised under Section 104 of the SFO, profits of the Trust derived from realisation of its assets are exempt from Hong Kong profits tax. Notwithstanding that profits of the Trust derived from realisation of its assets are exempt from Hong Kong profits tax, the Trust 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 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 Trust 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.

Investors should consult their professional tax advisers for tax advice.

### **5.3 Connected party transaction**

The following persons currently hold in aggregate 772,000 Units in the Trust, accounting for 24% of the Net Asset Value of the Trust:

- Dato' Seri Cheah Cheng Hye, a director of Value Partners Hong Kong Limited, the Sub-Manager;
- Mr. Ho Man Kei, Norman, a director of Value Partners Hong Kong Limited, the Sub-Manager;
- Value Partners Limited, a subsidiary of the Sub-Manager;
- Value Partners China Greenchip Fund Limited, an investment fund managed by Value Partners Limited, a subsidiary of the Sub-Manager; and
- Value Partners High-Dividend Stocks Fund, an investment fund managed by Value Partners Hong Kong Limited, the Sub- Manager.

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 Trust, nor hold any interest in the Trust. Investors should note that the possible disposal of the interest held by the Connected Persons, either in whole or in part, may result in significant reduction in the fund size or significant tracking error of the Trust. Please also see "Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk" in section **Error! Reference source not found.** 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 most recent interim report of the Trust; 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/product-value-china-etf-3046-hk><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.

### **Sensible Asset Management Hong Kong Limited**

as Manager of the Trust

24 July 2020

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