

Item 1 – Cover Page

**Value Partners Hong Kong Limited
Value Partners Limited
(collectively “Value Partners”)**

Investment Adviser Brochure

Form ADV Part 2A

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March 28, 2014

This brochure provides information about the qualifications and business practices of Value Partners Hong Kong Limited, and its subsidiary Value Partners Limited, collectively called “Value Partners” (“VP”) and are registered investment advisers. The fact that VP are registered investment advisers does not imply that VP or any of its employees have achieved a certain level of skill or training. If you have any questions about the contents of this brochure, please contact our Compliance Officer at (852) 2880 9263 or by e-mail at compliance@vp.com.hk. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Value Partners is also available on the SEC’s website at www.advisorinfo.sec.gov.

Item 2 - Material Changes

This brochure replaces the prior version and the material update and change is as follows:

- The brochure was updated to include the assets under management as of December 31, 2013.
- Update of VP's policy on order allocation

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Item 4 - Advisory Business

Ownership of Value Partners (“VP”)

Value Partners Limited (“VPL”) was established in 1993 and is wholly-owned by Value Partners Hong Kong Limited (“VPHK”), the immediate holding company, while Value Partners Group Limited (“VP Group”) is the ultimate holding company. Previously, VPL was wholly-owned by VP Group, who also wholly-owned VPHK. In December 2011, VP Group transferred all its interests in VPL to VPHK, which resulted in VPL being wholly-owned by VPHK. VPHK continues to be wholly-owned by VP Group.

VP Group is an investment management group listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 806) and is the holding company of several operating investment management and advisory businesses.

Assets under Management

As of December 31, 2013, client assets under VP management totaled approximately US\$10.5 billion. Of this amount, US\$8.97 billion is under VPL management and US\$1.47 billion is under VPHK management. The breakdown of discretionary and non-discretionary assets is as follows:

(in US\$)	VPL	VPHK
Discretionary assets	8.96 billion	1.47 billion
Non-discretionary assets	8 million	7 million

Investment Philosophy

VP generally employs an investment philosophy of buying securities that appear underpriced based upon an analysis of the financial statements, management, current health and competitive advantages of the issuer of the securities when compared to its competitors and markets. This approach is commonly referred to as “value investing”.

VP employs a bottom-up approach to stock selection, one that is based on VP’s value investing discipline and focuses on intensive fundamental research. This type of research involves analysis of companies based on their own merit without regard for the specific sectors in which they participate or the current economic conditions but looks closely at each company’s management, business model, growth prospects as well as other company characteristics.

VP provides investment management and advisory services relating to equity and fixed income securities. VP concentrates its investment expertise regarding securities traded in Asian markets, particularly the Greater China region.

Advisory Services

VP serves as a discretionary investment manager, sub-investment manager or advisor, focusing in Greater China region, mainly to:

- privately placed, pooled investment vehicles (“Private Funds”);
- collective investment funds authorized by the Hong Kong Securities and Futures Commission (“Authorized Funds”); and
- separately managed accounts (“Managed Accounts”).

The disclosures contained in VP’s Part 2 of Form ADV (“Brochure”) are designed solely to provide information about VP and the investment management/advisory business it conducts. None of the discussions regarding the Authorized Funds or Private Funds (collectively “Funds”) shall constitute a solicitation of an offer to buy or an offer to sell the securities of the Funds.

Private Funds and Authorized Funds

VP manages the Funds in accordance with each Fund’s investment objective, strategy and guidelines. A description of the investment objective, strategy and risk factors of each Fund is set forth in each Fund’s offering document. For Private Funds the offering document consists of a confidential private placement memorandum (“PPM”) and for the Authorized Funds these descriptions are contained in the explanatory memorandum (“EM”) or prospectus (“Prospectus”). The Funds are not tailored to the individual needs of any particular investor and all investors are cautioned to consider whether a Fund meets their individual investment objectives and risk tolerance prior to investing.

Managed Accounts

VP also provides investment management services to Managed Accounts which are tailored to meet each client’s stated investment objectives, strategies, restrictions or guidelines. These are all specified in the investment management/advisory contract between VP and the client. Each Managed Account serviced by VP may be referred to herein as a “Managed Account Client” or “Client” throughout the brochure.

Managed Account Clients may impose additional investment guidelines and restrictions upon VP’s agreement. These can include guidelines designed to reduce risk e.g. not permitting derivatives, single stock or sector restrictions. Clients are required to inform VP in writing of these guidelines and restrictions.

Managed Account Clients who wish to restrict certain issuers from their portfolios generally are required to provide VP with a specific list of restricted issuers, which are then coded in VP’s portfolio management system.

Side Letter Arrangements

VP or its associates or its Funds may enter into side letter arrangements with investors granting an investor preferred economic and other terms as compared to other shareholders. These may include, but are not limited to, rebates of fees and/or charges payable to VP or its associates, the reservation of capacity in the Funds, the waiver of redemption notice periods and the provision of additional information to the investor. VP or its associates may also agree to consult with or obtain prior approval from particular investors before taking certain actions with respect to the Funds.

Item 5 - Fees and Compensation

Fund's Fees and Compensation

The fees paid to VP are detailed in each Fund's investment management/advisory agreement and in each Fund's EM, Prospectus or PPM. The fees generally include:

- an annual or annualized management fee expressed as a percentage of the Fund's assets under management with VP; and
- incentive or performance-based fees or compensation calculated based:
 - a. in the case of Private Funds, on absolute performance or performance relative to a defined benchmark; or
 - b. in the case of Authorized Funds, on absolute performance, typically calculated by reference to the highest net asset value achieved by the relevant Authorized Fund as at the end of a performance period

See the "Fee Schedules" below and Item 6 for more information on the range of these fees and information regarding fees.

Investors bear subscription and redemption charges that are separate payments due at the time of subscription to and redemption from a Fund, respectively. Investors in Funds also bear indirectly as charges against Fund assets expenses relating to securities transactions, account custody and administrative fees. Investors should refer to each Fund's EM, Prospectus or PPM for details prior to investing and fees are applied fairly to all investors of the same class.

Funds may maintain multiple class structures with differing fees paid by each class. Additionally, investors in a Fund that employs a sub-manager or investment adviser may be required to pay fees which are higher than the fees paid to VP by that Fund.

Fee Schedules for Funds

- a. Private Funds
 - Management Fee: up to 2% annually
 - Performance Fee: up to 20%
- b. Authorized Funds
 - Management Fee: up to 1.5% annually
 - Performance Fee: up to 15%

Managed Accounts' Fees and Compensation

With respect to Managed Accounts, Clients are charged according to the size of the accounts, the complexity of the mandate, the extent of reporting requirements and other factors. These fees are agreed upon by the Client and VP prior account opening. VP generally receives management

fees and incentive fees. Management fees are typically calculated as a fixed percentage of the assets under management in the relevant account at the valuation date(s) specified in the investment management/advisory agreement. These fees are typically paid monthly or quarterly.

Upon Client agreement, an incentive or performance fee may be charged that permits VP to receive a share of the capital appreciation of the assets within a Client's account. Performance fees are typically calculated as a percentage of an account's positive investment performance for the relevant quarter or year and are subject to the highest asset value achieved by the account as at the end of a performance period. In some instances, performance fees may be calculated in relation to performance against a designated benchmark such as a specific market index or value. These fees are typically paid quarterly or annually. Performance fees may be charged by VP to Managed Accounts owned by United States clients only who would meet the definition of a "qualified client" as provided by Rule 205-3 of the Investment Adviser Act. Currently, in order to meet the definition of a "qualified client" an investor must have either US\$750,000 under management in the account or a net worth of US\$1,500,000. Additional information regarding performance fees charged by VP to Managed Accounts and how they are calculated is found in Item 6.

Clients also bear other expenses such as expenses relating to securities transactions and account custody. Clients can refer to the relevant investment management/advisory agreement for details. See the "Fee Schedules" below for more information on the range of these fees.

Fees may change over time and different fee schedules may apply if VP accepts clients other than those described herein. Additionally, fees may be negotiated and VP reserves the right to waive or reduce fees charged to clients in its sole and absolute discretion. Consequently, some Clients may pay more or less than other clients for the same or similar management services.

Fee Schedule for Managed Accounts

Management Fee: up to 1.5% annually
Performance Fee: up to 17.5%

Fees and Compensation upon Termination for Funds

A Fund may terminate on a certain date or upon the occurrence of specified events, as described in the relevant EM, Prospectus, or PPM. Specific requirements, procedures and restrictions apply to withdrawals and terminations by an investor in the Funds. VP, or the general partner or managing member of a Fund, in its sole discretion, may impose minimum redemption amount and require the maintenance of a minimum capital account size in the event of a partial withdrawal by an investor in the Funds. Typically, an investor in a Fund may withdraw all or part of its interest in the Fund on a daily (for Authorized Funds) and monthly basis (for Private Funds), on a date specified in the Fund's EM, Prospectus or PPM and subject to prior written notice (generally 0 to 30 days). In addition, where the withdrawal requests exceed 10% of the total number of shares or total interest in issue on any dealing day for which subscription and redemption of the shares/interest are being dealt with, such withdrawal may be deferred to the next dealing day. However, VP may, in its sole discretion, allow for withdrawals at other times and/or waive any applicable notice requirements and may also require an investor to redeem all or part of its interest in a Fund upon provision of reasonable notice, or without such notice if necessary to ensure that the Fund remains in compliance with applicable law.

Fees and Compensation upon Termination for Managed Accounts

VP's investment management agreements for Managed Accounts generally provide for termination without penalty by either party upon prior written notice to the other party.

Item 6 – Performance-Based Fees and Side-By-Side Management

Performance-Based Fees

A substantial portion of VP's income with respect to Funds is derived from performance fees. VP also charges performance fees in Managed Accounts only upon agreement with the clients.

Generally a high watermark methodology is used in calculating and charging its performance fees. The highest net asset value ("NAV") of the invested assets achieved by a Fund or a Managed Account as at the end of a performance period is known as the "high watermark". Using this methodology, if the NAV of a specific Fund or a Managed Account as at the end of a performance period is lower, no performance fee would be payable to VP. If the NAV as at the end of a performance period subsequently increases back to the high watermark (but no higher), the performance fee is not payable in this circumstance. Generally, only if the NAV as at the end of a performance period increases over the high watermark would entitle VP to a performance based fee with respect to a Fund or Managed Account. Note that all fee arrangements will include performance fees and not all performance fee arrangements will include such provisions. Performance fees may be calculated and accrued or paid more or less frequently or in a different manner, as specified in the relevant EM, Prospectus, PPM or investment management/advisory agreement.

There are also potential risks attendant to use of a high watermark methodology in calculating performance fees. Since fees are calculated based on the value of the assets, VP may inflate the valuation of the investments (*e.g.* through inflating the value of illiquid or hard-to-value investments), thus increasing the net asset value of the assets managed. In addition, the performance fees may create an incentive for VP to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. The management fee and performance fee payable to VP are based in part upon unrealized gains (as well as unrealized losses), and that such unrealized gains and losses may never be realized by the accounts. To mitigate this potential risk, the following procedures are implemented:

- **Valuation Policy.** Valuation of assets of Funds and Managed Accounts are performed by administrators/custodians who are independent reputable banks. For listed investments, prices are obtained from external sources and reconciliation is done between VP's internal records against administrators'/custodians' record to ensure accuracy. For unlisted investments, VP has engaged an external valuation appraiser to provide valuations. For those unlisted investments whose underlying securities are listed on the stock exchanges, valuation is done on a monthly basis, and the rest are done on a quarterly basis. Since the unlisted investment valuations are obtained from external valuation appraiser based on their own pricing models, the valuations are subject to review by VP based on reasonableness. Securities showing nil price changes for more than 7 trading days, due to suspension (except due to corporate action), thin trading, or any other reasons, should be reported to the Valuation Committee (as described below) to assess whether fair value pricing is adopted. Prices of suspended securities are reviewed and monitored each valuation day, with a minimum period of 7 trading days. Listed securities which have been suspended from trading for over one month, VP will engage independent pricing service provider to validate or determine the pricing at least on

monthly basis until the stock resume trading if deemed appropriate. However, note that for valuation of the assets within the Funds, the administrators of the Funds will usually obtain confirmation from VP before releasing the net asset value figures.

- **Valuation Committee.** VP maintains a Valuation Committee, comprised of three members: Chief Executive Officer, Head of Finance and Chief Operating Officer. The Valuation Committee ensures that the investment instruments of Funds and Managed Accounts are appropriately valued by persons independent of those who manage the Funds and Managed Accounts and, in particular that the values reflected are fair to investors. The Valuation Committee has adopted a Valuation Policy to ensure, so far as practicable, that valuations of investment assets held by the Funds and Managed Accounts are appropriate and fair to existing, exiting and incoming investors in the Funds as well as to the each Managed Account.

Potential Conflicts – Side-By-Side Management

Some investment professionals at VP manage multiple types of portfolio including private funds, managed accounts and mutual funds, according to the same or a similar investment strategy (i.e. side-by-side management). This simultaneous management of these different accounts, some of which are charged a performance fee, creates certain conflicts of interest. For example, these investment professionals may have an incentive to favor accounts that charge a higher performance fee by allocating better investment opportunities to these accounts.

As a fiduciary, VP exercises due care to ensure that client accounts are all treated in a fair and equitable manner over time, regardless of their strategy or fee arrangements. VP has adopted the following approach related to the fair allocation of investment opportunities:

- **Employee and Firm Interests.** Accounts in which our employees or affiliates have a beneficial interest, or in which VP has a conflict of interest, do not receive preferential treatment.
- **Order Allocation.** Executions for aggregated orders are combined to determine one average price. Generally speaking, executed shares are allocated prorata among clients based on their respective order sizes. In the event that an order allocated to a particular account is too small to be cost-effective, reallocation will be done to ensure that the transaction cost (including custodian transaction fee & brokers' minimum charge) < 0.5% to 1% of the gross consideration. However, no reallocation will be done if it represented the last lot of the order or there is no other account for reallocation.
- **Order Priority.** When the liquidity in a market is not sufficient to fill all client orders, VP may give priority to certain orders over others. This prioritization is based solely on objective factors driving the order e.g. correction or avoidance of investment breaches, significant new funding.
- **Trading in opposite direction.** Upon placement of an opposite direction order for the same stock at the same time, the opposite trades would be routed to compliance for

approval. Only with objective reasons e.g. correction/avoidance of investment breach or significant subscription or redemption would the approval be granted and the trade can be proceeded. This control restricts the ability of portfolio managers to take inconsistent investment positions with respect to accounts over which they have management responsibility. It prohibits a portfolio manager from assuming a long position of one account while simultaneously selling short the same security in another account managed by him/her.

- **Aggregation of trades.** For accounts that are managed in similar styles, VP may seek to acquire or dispose of the same securities for multiple accounts contemporaneously and may aggregate into a single trade order when several client trade orders for the same security to facilitate best execution and to reduce brokerage commissions and/or other costs. However there may be cases when orders cannot be aggregated due to legal or operational limitations or restrictions.

Item 7 – Types of Clients

Private Funds

Each Private Fund offered to US investors (“US Private Fund”) managed/advised by VP is typically organized as a limited liability company under the laws of the State of Delaware or another appropriate jurisdiction or as an offshore entity. US Private Funds are established to qualify for exemption from the definition of “investment company” under the Investment Company Act of 1940, as amended, (“1940 Act”) under Section 3(c)(7) and offer their interests to investors pursuant to Section 4(2) of, or Regulation D or Regulation S, under the Securities Act of 1933, as amended (“1933 Act”).

Investors in the US Private Funds generally include high net worth individuals, other private funds and a variety of institutional investors (*e.g.* trusts, employee benefit plans, endowments, foundations, corporations and other types of entities) meeting the qualifications of those exclusions from the 1940 Act and exemptions from the 1933 Act which the relevant US Private Fund operates and is offered, and who wish to invest in accordance with the US Private Funds investment objective. Such investors must meet the requirements for “accredited investors” under the 1933 Act, “qualified purchasers” under the 1940 Act and “qualified eligible persons” under the regulations of the Commodity Futures Trading Commission.

VP generally prefers a minimum initial investment in US Private Funds ranging from US\$200,000 to US\$1,000,000 as specified in the US Private Fund’s PPM. For certain Funds, VP may, in its sole discretion, waive such minimum investment requirements.

Authorized Funds

Investors in the Authorized Funds generally include retail investors, high net worth individuals, other private funds and a variety of institutional investors. VP mainly distributes these products through local financial intermediaries, including banks, insurance agents and independent financial advisors by means of distribution agreements.

VP generally prefers a minimum initial investment in Authorized Funds ranging from US\$5,000 to US\$100,000 as specified in the Authorized Fund’s EM or Prospectus. For certain Funds, VP may, in its sole discretion, waive such minimum investment requirements.

Managed Accounts

Managed Account Clients generally include institutions, corporations, statutory authorities, university endowment funds and charitable foundations.

The terms and conditions of investment in Managed Accounts are negotiated with the client on a case-by-case basis depending on the size of the Managed Account, the complexity of the mandate, the extent of reporting requirements and other factors.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Value Partners employs a bottom-up approach to stock selection, one that is based on our value investing discipline and focuses on intensive fundamental research. VP embraces a value-based approach in the analysis of investments. Investment professionals conduct in-depth company research via company site visits, phone calls with company management, broker meetings, customers and suppliers enquiry in order to ensure each of our investment decisions is well informed. The companies selected by VP for this analysis are based on their own merit without regard for the specific sectors in which they participate or the current economic conditions but looks closely at each company's management, business model, growth prospects as well as other company characteristics.

Although VP utilizes information, reports and data from various external sources, its investment decision-making with respect to the accounts it manages is based primarily upon its proprietary research and analytical capabilities, including the research and analytical experiences and expertise of its investment staff. For those individuals who are involved in the investment management function of VP, a college degree with at least two years' working experience in the investment sector is preferred.

The following illustrates some investment themes of the VP product range:

Absolute Return Long-biased Funds	Alternative Investment Funds
<ul style="list-style-type: none">• Asia with Greater China focus• Asia focusing on high dividend stocks• Pure China focusing on A, B & H shares• Taiwan focus• High yield debt securities with a Greater China focus	<ul style="list-style-type: none">• Long/short equities strategy

There is no guarantee that any Fund or Managed Account will achieve its investment objective and investors and Managed Account Clients could lose money in their investments. The risks of investing in our Funds are detailed in the PPM or EM or prospectus of each Fund.

Item 9 – Disciplinary Information

In the past ten years, VPL was charged in the Eastern Magistrates' Courts of the Hong Kong Special Administrative Region, People's Republic of China, ESS 6369 to 6372 of 2004 with four counts of failure to perform within the proper period of duty to disclose notifiable interest in the shares of a listed company. These charges are felony charges and VPL was found guilty for all four summonses. These charges are final as of April 7, 2004. VPL was fined HK\$4,000 per summons (approximately US\$510) and paid the fine on April 8, 2004.

- Summary of Circumstances Leading to Charges – VPL manages Value Partners China Greenchip Fund Ltd ("Fund"). On April 16, 2002, there was a placement by Bright Int'l Group Ltd ("Bright"), a company listed on the Hong Kong Stock Exchange ("Exchange"). The placement was part of a top-up placement but on this occasion the top-up did not occur until after April 24, 2002. There was an acquisition of Bright shares by the Fund on April 16, 2002 which technically brought the aggregate interest of VPL marginally above the 10% reporting threshold under Hong Kong law and triggered the obligation to make disclosure to the Exchange and Bright within five days. As a result of human error, VPL used the enlarged issue share capital (*i.e.* taking into account both the existing and new shares) in making the calculation, leading to a mistaken belief that its interest in Bright had not passed the 10% threshold. Therefore, no disclosure had been made. On April 24, 2002, following a series of disposal of Bright shares, VPL's interest in Bright fell below 10%, and VPL was under the duty to disclose to the Exchange and Bright. Because of the mistaken belief that its interest had not passed the 10% threshold, VPL was not aware that its duty to disclose had arisen again. As a result of the non-disclosure, the Hong Kong Securities and Futures Commission ("SFC") issued four summonses against VPL for failure to perform disclosure duties to the Exchange and Bright within five days; from April 16, 2002 (one summons for disclosure to the Exchange and one summons for disclosure to Bright) and from April 24, 2002 (one summons for disclosure to the Exchange and one summons for disclosure to Bright). VPL pleaded guilty to all four summonses on April 7, 2004 and was fined HK\$4,000 (approximately US\$510) per summons and paid investigation costs of HK\$29,224 (approximately US\$3,750) to the SFC. Noting that the non-disclosure stemmed from a calculation error, SFC regarded this as an end of the matter and no further regulatory action will be taken.

VPL was publicly reprimanded by the SFC on October 5, 2000.

- On October 5, 2000, the SFC issued a public reprimand against VPL and Mr. Cheah Cheng Hye. The SFC found that, as a result of certain buy orders placed in the market by VPL on December 28, 29 and 31, 1998, the price of the stocks in question closed at a level higher than might otherwise have been the case, and that this action could have been prejudicial to the integrity of the market. Mr. Cheah was personally reprimanded in his capacity as the person responsible for the investment decisions. While the SFC also found that it was not his intention to affect the price of the relevant stocks, its view was that he should have known the risk. The SFC separately identified certain inadequacies in VPL's internal procedures and breaches of certain regulatory requirements. In issuing the reprimand, the SFC recognized that appropriate steps had been taken to ensure that the

problems identified would not reoccur. At the request of the SFC, VPL engaged an international firm of accountants to review its business operations and internal controls in January 2001. The accountants reported on their review and concluded in their report that all breaches previously identified by the SFC had been rectified and that all recommendations previously made by the SFC had been implemented. The accountants' report was submitted to the SFC which did not raise any further concerns.

Item 10 – Other Financial Industry Activities and Affiliations

VPL is wholly-owned by VPHK and is affiliated through common ownership with Sensible Asset Management Limited (“SAM”), Value Partners Private Equity Limited (“VPPE”) and Sensible Asset Management Hong Kong Limited (“SAMHK”). Each of these entities is engaged in the business of providing investment management and advisory services in Hong Kong. VPL, VPHK, SAM, VPPE and SAMHK are wholly-owned subsidiaries of Value Partners Group Limited and each shares front and back office personnel, research and trading facilities.

VP serves as investment manager to several US Private Funds for which Value Partners (Cayman GP) II Limited (“VPGP”) is the managing member. VP and VPGP are affiliated through common ownership. VP may from time to time and as appropriate solicit Clients to invest in the US Private Funds but will not make such investments on a discretionary basis. As these US Private Funds may not be appropriate investments for all potential investors, not all investors will be offered the opportunity to invest and not all investors who are offered that opportunity choose to invest.

VP may also have proprietary interest in certain Funds. However VP’s policies take steps to avoid or mitigate these potential conflicts. Please refer to Item 11 on the details of potential conflicts and how VP addresses such conflicts.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

All VP employees must comply with VP's Code of Ethics. The Code of Ethics contains provisions reasonably designed to deter misconduct and conflict of interests and to detect violations of the Code of Ethics and applicable law. The Code of Ethics includes the following:

- Standard of Conduct – sets out the minimum standard expected of all staff and includes honesty and fairness, skill, care and diligence, fiduciary duty and other standards;
- Avoid Insider Trading – designed to prevent any trading or tipping based on material, non-public information and other types of market misconduct;
- Staff Dealing – sets out the procedures to be followed for trading in their own or associates' accounts by staff. The procedures include, but are not limited to, initial and annual disclosure, prior approval from fund management team and compliance team for securities transactions for staff and associates, prior approval from compliance team for opening of broker accounts, submission of trade confirmation and account statements from staff or their brokers and a minimum holding period of 60 days for securities;
- Receipt or Provision of Benefits – sets out the procedures to be followed for receiving or offering of gifts and benefits in connection with the affairs or business of a client;
- Protection of Trading and Client Information – sets out the procedures to be followed for handling VP's trading information and client information and about privacy of client information; and
- Books and Records – sets out the types of books and records that are required to be kept and the related timing.

Any person not in compliance with the Code of Ethics may be subject to disciplinary action, including summary dismissal. VP will provide a copy of its Code of Ethics to any client or prospective client upon request.

Employee Personal Trading

Personal securities transactions by an employee of VP may raise a potential conflict of interest when that employee owns or trades in a security that is owned or considered for purchase or sale by a client, or recommended for purchase or sale by an employee to a client. The Code of Ethics imposes certain restrictions in personal securities trading. All employees should obtain consent from the Compliance Team for any securities account opening. Preclearance from Compliance Team is also required prior to any personal securities transaction (Some investments are exempted from preclearance e.g. collective investment schemes). Securities purchased by employees must be held for at least 60 days.

Participation or Interests in Client Transactions

VP also manages proprietary investment accounts i.e. accounts that are funded with the firm's own money and are intended to make profit for the firm. However these proprietary transactions are subject to compliance preclearance and executed separately from clients' transactions.

VP does not purchase for clients, or recommend the purchase of, securities issued by VP or its affiliates.

However, VP may participate or have an interest in client transactions in other ways as below:

- **Cross Trade.** VP may cause a Fund or Managed Account to purchase or sell securities from or to, as the case may be, another Fund or Managed Account in a "cross-trade." There is risk that preferential treatment is given to a certain Fund or Managed Account whereby terms of the transaction may not be at arm's length. To mitigate this risk, VP has adopted procedures with respect to cross-trades. Prior approval from the compliance team is required for all cross-trades. The transaction must be in the best interests of the Funds and Managed Accounts involved and an appropriate price must be assigned to the crossed security on an arm's length basis. Cross trades between VP proprietary accounts and Funds or Managed Accounts are not permitted.
- **Firm and Employee Investments.** VP and its directors/officers may invest in the Funds which are managed by VP and its affiliates and hold, dispose or otherwise deal with them with the same rights as other owners. These investments pose a risk that employees with influence over investment decisions will favor the portfolios in which they have a personal interest. However, VP Code of Ethics and trade allocation policies manage these risks. Also VP requires proper disclosure in the Fund's offering documents regarding the directors or officers' ownership. No preferential treatment is granted in the subscription process to these related parties, apart from rebate of fees at VP's own expense.

VP acts as investment manager to numerous Funds and Managed Accounts. As discussed in Item 10 above, VP shares investment personnel and other personnel, including traders. VP or its staff may give advice and take action with respect to any Funds or Managed Accounts it manages or for a VP proprietary account or an account of a staff member that may differ from action taken by VP on behalf of other Funds or Managed Accounts. VP is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling

any security that VP or staff may buy or sell for its or their own accounts or for other Funds or Managed Accounts VP manages. Additionally, VP's personnel and affiliates may invest, either directly or indirectly, in Funds which, in turn, may invest in securities held in other Funds and Managed Accounts managed by VP. VP's buy or sell programs may extend over a period of months and securities may be held over a period of years. From time to time, VP's officers and employees may have interests in securities owned or sold by or recommended to the Funds and Managed Accounts.

All of these situations represent a potential conflict of interest for VP in relation to its Managed Account Clients and the investors in the Funds it manages. To address these potential conflicts of interest, VP maintains procedures relating to personal securities transactions and insider trading that are designed to reasonably detect and prevent actual conflict of interests. VP personnel supervise the execution of policies and procedures, including adopting its Code of Ethics, intended to avoid conflict of interests with investors and Clients and resolve such conflicts appropriately if they occur. VP proprietary accounts and VP's officers and employees are not obligated to refrain from investing in securities held in the Funds and Managed Accounts it manages except to the extent such investment would be contrary to the Code of Ethics.

- **Initial Account Funding.** VP may purchase and sell securities for accounts funded with our own assets, which is known as "seed capital". These accounts are intended to establish a performance history for a new fund. VP may earn a profit on its seed capital investments and hence a conflict of interest arises. To address the conflict, these transactions are segregated from clients' transactions and considered as proprietary transactions until there's external client money investing in the new fund.

Other Potential Conflicts

- **Allocation of Investment Opportunities.**

VP (which includes its officers, employees and other agents and affiliates, collectively, "VP and its affiliates") provides investment management/advisory services and engages in functions with respect to various Funds, Managed Accounts and other clients, that may have similar or different investment objectives and policies. VP and its affiliates may retain any profit or benefit made in connection with its investment management/advisory and other services.

To mitigate these conflicts, VP attempts to ensure fair treatment to all Funds and Managed Accounts, including but not limited to fair basis of allocation of investment opportunities among the Funds and Managed Accounts. Allocation of investment opportunities is on pro rata basis across the appropriate accounts.

In allocating investment opportunities among multiple Funds and Managed Accounts, VP will determine the intended allocation prior to execution of the transaction(s). In determining and recording, the intended basis of allocation between different Funds and Managed Accounts, VP will primarily consider the following:

- the investment objectives and investment focus of each account;
- the stock weighting within each account;
- the amount of excess cash available in each account (both in absolute terms and in percentage terms);
- the size of each account;
- the sector weighting; and
- cost effectiveness.

Executed trades are promptly allocated between the relevant Funds and Managed Accounts in accordance with the intended allocation unless allocating the transaction(s) in another manner does not disadvantage any Fund or Managed Account and VP clearly documents the basis for the revised allocation.

In certain cases, staff or VP proprietary accounts may co-invest at the same time along with Funds and Managed Accounts in some unlisted investment opportunities. There is risk that fund managers may give lesser allocation to the Funds and Managed Accounts and therefore increase the allocation remaining for their own or VP proprietary accounts.

To mitigate any conflict, VP has procedures in place that require that priority must always be given to Funds and Managed Accounts for participation in investment opportunities. Staff and VP proprietary accounts may participate in these investment opportunities if, after taking into account the Fund and Managed Accounts' best interest, the Fund and Managed Accounts would not acquire the entire investment available. If there is a remaining balance of the investment, it may be acquired by the staff or VP proprietary accounts. Prior approval from the compliance team is required for co-investment and the compliance team reviews and assesses the reasonableness of allocation.

- **Staff and Proprietary Dealings**

VP and its affiliates may buy or sell securities for Fund and Managed Accounts that they have financial interests in or they may buy or sell the same securities for their own accounts notwithstanding that similar securities may be held/traded by the Funds and Managed Accounts. Positions taken by VP and its affiliates may be the same, different or made at a different time or price than positions taken by the Funds or Managed Accounts. There are risks that portfolio managers may engage in "front running" where portfolio managers may buy or sell excessively for the Funds or Managed Accounts for the purpose of affecting the price to benefit his/her own personal account or that portfolio managers may abuse insider trading information by trading in staff or VP proprietary accounts.

To mitigate this potential conflict, VP has in place a policy on staff and VP proprietary account dealings. A blackout period has been set under which staff and VP proprietary accounts are prohibited from trading the same security for a period of 3 days before and

after the Funds and Managed Accounts have traded that security or when there is a pending order in any of the Funds and Managed Accounts on the same day.

If any of the staff come into possession of any material non-public information regarding any security, they must report to the compliance team immediately. The compliance team shall place the security on the restricted list and all Funds and Managed Accounts, staff and VP proprietary accounts will be prohibited to trade that stock until information becomes public. The compliance team periodically reviews staff and VP proprietary account dealings with a view to identifying any pattern of staff or VP proprietary account securities transactions that suggest any actual or potential conflict of interests or abuse of such person's position of trust and responsibility within VP or VP's clients. VP proprietary accounts and VP's officers and employees are not obligated to refrain from investing in securities held in the Funds and Managed Accounts it manages except to the extent such investment would be contrary to the Code of Ethics.

All of these situations represent a potential conflict of interest for VP in relation to its Managed Account Clients and the investors in the Funds it manages. To address these potential conflicts of interest, VP maintains procedures relating to personal securities transactions and insider trading that are designed to reasonable detect and prevent actual conflict of interests. VP personnel supervise the execution of policies and procedures, including adopting its Code of Ethics, intended to avoid conflict of interests with investors and Managed Account Clients and resolve such conflicts appropriately if they occur.

- **Investment which VP staff has interest**

Funds and Managed Accounts may invest in securities/related securities in any company for which the directors or officers of VP have a board seat, acts as an officer or is a committee member. There is risk that such transaction may not be at arm's length and conflict of interests will arise. To mitigate this, VP has policies in place that require all such transactions must be at arm's length and are subject to prior approval from the compliance team.

- **Related Party Transactions**

VP, its affiliates and the service providers may contract or enter into any financial, banking or other transaction with one another or with any client or any company or anyone whose investments form part of the Funds or Managed Accounts or is interested in such contract or transaction. Also, the monies of the Funds and Managed Accounts may be borrowed or deposited with any connected persons of VP, its affiliates or its service providers which is duly licensed to accept such deposits. There is risk that such transaction may not be at arm's length and conflict of interests may arise.

To mitigate this, VP has policies in place that require all such transactions must be at arm's length and are subject to prior approval from the compliance team. For deposits or loan with any connected person of VP, its affiliates or its service providers, VP requires that interest rate must be not worse off than the prevailing commercial rate for the deposit or loan of that size and term.

- **Gifts and Benefits**

VP's staff may receive gifts and benefits from brokers, other service providers (such as distributors, custodians) and clients. The acceptance of gifts and benefit arguably may compromise the staff's position in his/her dealings with the donor. To mitigate this conflict, VP has adopted policy which prohibits its staff from receiving excessive gifts or benefits in connection with the affairs or business of a client which is likely to significantly conflict with the duties owed to clients. Donation or receipt of gifts is permitted only if they are small in value and customary in nature. In addition, prior approval from the compliance team is required if gifts or benefits exceed a certain amount.

Item 12 – Brokerage Practices

VP has the authority to determine without consultation or obtaining specific investor or Managed Account Client consent on a transaction by transaction basis, the securities to be bought or sold and the amount of securities to be bought or sold, subject to and in accordance with the investment objective and restrictions of the Fund or Managed Account. In addition, VP generally has discretionary authority with respect to the selection of such brokers and dealers (unless otherwise specified by the Managed Account Client).

VP allocates portfolio transactions to brokers and dealers while seeking best execution with respect to the Funds' and Managed Accounts' portfolio transactions. The Funds or Managed Account Clients pay the transaction charges associated with the execution of their trades. The brokers and dealers that VP utilizes for trade execution are selected by VP's trading personnel and portfolio managers based on the standards described below.

Broker Selection

The best net results, giving effect to transaction costs (including brokerage commissions and spreads which may not be the lowest available but which ordinarily will not be higher than the generally prevailing rate) is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant, and recognizing that different broker-dealers may have different execution capabilities with respect to different types of securities and transactions.

These factors include the following:

- pricing of the trades (*e.g.* transaction costs, including commission rates);
- investment-related services which include:
 - a. research and investment ideas that may be provided (*e.g.* quality of research and other information provided by broker-dealer, introduction to potential investee companies, providing access to investment opportunities and initial public offerings and placements and access to primary markets); and
 - b. service standard (*e.g.* technological capabilities, accommodation of client's needs);
- execution quality (*e.g.* timing of trades, price and speed and certainty of execution); and
- security (*e.g.* the broker's ability to provide confidentiality and the quality of systems used by broker-dealer).

The weighting given to investment-related services is greater than the weight of each of the other factors and the aggregate of all other factors; although, the weighting of each factor may vary from time to time.

Investment managers and the dealing team evaluate the services of various brokers using a scoring system on a semi-annual basis and whenever they consider necessary. After each evaluation, brokers are categorized into different groups with different allocations of brokerage volumes. VP uses the scoring information from these evaluations as a guide in determining which broker to allocate securities orders. However, in limited circumstances and subject to periodic review by the compliance team, brokers that have not been categorized using the scoring system may receive orders if they provide research in relation to a specific investment or access to an investment opportunity.

Soft Dollar Benefits

VP and its associates and delegates may receive, and are entitled to retain, research products and services, known as soft dollar benefits, which provide demonstrable benefit to the Funds and Managed Accounts (as may be permitted under applicable rules and regulations) from brokers or other persons through whom investment transactions are carried out. Soft dollars may be received from them provided that the quality of transaction execution is consistent with best execution standards. VP will consider many judgmental factors deemed relevant in determining whether a broker will provide best execution, which may include the provision of research products and investment ideas and introductory services to potential investment opportunities, access to investment opportunities and initial public offerings and placements which are for the benefit of Funds and Managed Accounts. The commission rates charged by brokers in these circumstances may be higher than those charged by other brokers who do not offer such services or by the same broker if it only provides execution services.

Examples of research products and services that VP may receive from brokers include analyses and reports concerning industries, securities and economic factors and trends. The Funds and Managed Accounts generally will pay customary full service brokerage rates where execution, research and other services cannot be unbundled for the same commission rate.

In particular cases where execution, research and other services can be unbundled, the funds will pay a brokerage commission that is discounted from customary full service brokerage rates if no research or other services are provided in addition to brokerage execution. In addition, VP has the discretion to cause the Funds and Managed Accounts to pay brokerage commissions in excess of discounted rates, and up to full service brokerage rates, for quality brokerage execution and the provision of research or other appropriate services that VP determines to be beneficial to the Funds or Managed Accounts.

VP may pay brokers commissions for effecting portfolio transactions in excess of amounts other brokers would have charged for effecting similar transactions if VP determines in good faith that such amounts are reasonable in relation to the value of the research and other services provided, viewed in terms of the particular transaction or VP's overall duty to its clients.

VP's practices with regard to soft dollar benefits are intended to comply with regulations of Hong Kong. These practices and regulations are generally consistent with Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, although they may diverge in some instances. (Section 28(e) provides a "safe harbor" that allows an investment adviser to pay for

research and brokerage services with the commission dollars generated by client account transactions).

The research obtained from brokers will be used to service all the accounts under management by VP.

If there is a direct soft dollar arrangement whereby some brokers can settle some of the expenses for VP via soft dollars generated, there is risk that fund managers may engage in excessive trading for the Funds and Managed Accounts and/or divert more business to these soft dollar brokers in order to generate more soft dollars. To mitigate this, VP does not enter into any direct soft dollar arrangement whereby the brokers can settle some of the expenses for VP via soft dollar generated. VP has adopted procedures in place that fund managers and the dealing team will evaluate the services of various brokers using a scoring system on a semi-annual basis as described above.

Aggregation of Trades

The securities held in various accounts managed by VP will vary based upon the variety of investment objectives, risk tolerances and available assets within the accounts. As a result of the variety of characteristics affecting each account, it may be appropriate for VP to purchase or sell a security for one account prior to other accounts managed by VP. This could occur, for example, as a result of the specific client investment objectives, different cash requirements as well as differing cash resources arising from contributions or withdrawals or other factors.

Accounts that are managed in similar styles, however, may have similar portfolio compositions and weightings. For this reason, VP may seek to acquire or dispose of the same securities for multiple accounts contemporaneously and may aggregate into a single trade order if several client trade orders for the same security.

Consistent with each client's investment agreement, VP may, but is not required to aggregate the orders, in order to "bunch" or batch together purchases or sales for several accounts (including Managed Accounts and Funds). VP will allocate the batched trades in a fair manner, taking into account the size of the order placed for each participating account and the amount and timing of the executions and any other factor that VP deems relevant to the fair treatment of each account participating in the order.

VP seeks to aggregate trade orders in a manner that is consistent with its duty to:

- seek best execution of client orders;
- treat all clients fairly; and
- avoiding systematically to advantage or disadvantage any single client or group of clients.

When VP batches trades, it is possible that a participating account may pay a price which is higher, or sell at a price which is lower, than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone. In

addition, because of limitations in the trading volumes of particular securities in particular regions in the Asian securities markets, there also may be price disadvantages or liquidity difficulties when the participating accounts simultaneously seek to acquire or dispose of common securities. Instances also may arise in which VP determines an investment opportunity to be suitable for the participating accounts, but in which the market is too illiquid to enable each to participate fully. While VP will attempt to deal with such situations in a fair manner, if and when they arise, any particular resolution may not be advantageous to a participating account or may be less advantageous to a participating account than if it had acted alone.

Directed Brokerage

On occasion, Managed Account Clients may direct VP to effect securities transactions in the Managed Account through a specified broker/dealer. Under such directed brokerage arrangement, VP may not be able to comply with the best execution standard for the Managed Account Client (*e.g.* their accounts may pay higher commissions and receive less favorable execution). In addition, such a client may not be able to participate in some of the investment opportunities which are available to other funds under management (*e.g.* a placement or IPO allocation from a particular broker which is different from the specific broker requested by the Managed Account Client, the broker may not be able to execute transaction in a specific market). Any Managed Account Client direction agreement must be in writing.

Use of Prime Brokerage by Funds

A Fund's use of a prime broker or custodian may yield increased administrative ease and, therefore, increase profitability for VP. A prime broker may also introduce investors to the Private Fund. To the extent a Private Fund's size increases as a result of such capital contributions, the amount of VP's management fee will increase. Additionally, because an increase in the size of the Private Fund would likely result in increased compensation to a prime broker, a prime broker therefore benefits from introducing potential investors to the Private Fund.

Item 13 – Review of Accounts

Each Fund and Managed Account has a portfolio supervisor who is typically a senior investment team member. Each portfolio supervisor may be responsible for reviewing more than one Fund or Managed Account. The portfolio supervisors' periodic review consists of an analysis of the Fund's or Managed Account's performance to date in light of its investment objective and an evaluation of any appropriate changes which should be made to its portfolio. Such reviews are performed no less frequently than annually and more often as the portfolio supervisor considers necessary.

VP regularly reviews accounts for compliance with each Fund's or client's investment objectives, policies and restrictions with the assistance from our proprietary system. This system generates alerts to indicate potential guideline breaches on a daily basis. The alerts are monitored by compliance personnel who would follow up with the portfolio managers.

For Funds, monthly factsheets with quarterly commentaries are sent to investors in the Funds which include performance updates for the portfolio. Also, audited accounts of the Funds are sent to investors on an annual basis. For Managed Accounts, reports are made and delivered to Managed Account Clients as agreed in the investment management/advisory agreement. Generally these would include market commentary, performance and factsheets. Depending on the client preference, Clients receive the reports on a monthly or quarterly basis. VP also responds to special requests of Clients for ad hoc reports related to activity in their account.

Item 14 – Client Referrals and Other Compensation

VP has signed up with solicitors in US for introducing prospective clients to VP. These would include referrals to pooled investment funds managed by VP and segregated accounts i.e. Managed Accounts. Upon contribution by client, VP would compensate a solicitor in accordance with the terms of the written agreement. The solicitors' fee may be a percentage of revenues or a fixed amount and are at VP's own expense. VP may, in the future, seek other arrangements with solicitors in the US on terms that will provide for payment of solicitation referrals.

The agreement between VP and the solicitor would define the duties and responsibilities of the solicitor. Each solicitor is required to provide a written disclosure document, which explains to the prospective client the solicitor's duties and responsibilities and the fact that the solicitor is compensated by VP for the referral activities. The solicitor is also required to furnish a copy of Part 2 of VP's Form ADV to the prospective client and obtain a written acknowledgement from the client that both solicitor's and VP's disclosure documents have been received.

Item 15 – Custody

Authorized Funds

All assets of the Authorized Funds are held by licensed/registered trust companies and the Fund Administrator identified in the EM/Prospectus generally provides each investor with statements of account on a quarterly basis reflecting the current value of the account and any transactions that have occurred during the period.

Private Funds

For Private Funds with investors who are U.S. Persons (“U.S. Private Fund”), the assets of the U.S. Private Fund are held and maintained by licensed/registered trust companies or banks that also act as the fund administrator. The Fund Administrator for each U.S. Private Fund generally provides access to the investors electronically that permits the investors to access the account status and annual statements directly to each investor. An audit is conducted annually by an independent accounting firm with copies of the audited accounts provided to each investor.

Managed Accounts

The assets of each Managed Account owned by a U.S. Person are held by a custodian selected by the Managed Account Client. The custodian is either a bank or broker-dealer and the Client establishes the account in the client’s name and provides discretionary third party trading authorization to VP as the manager. The custodian of the account provides monthly statements to the Client directly through electronic access or in paper form. VP invoices the Client directly for all fees and charges and the client determines the source that they wish to settle the payment which could include directing the custodian to pay the invoice. VP has no authority to and does not direct the custodian to deduct its fees from the Managed Accounts.

Item 16 – Investment Discretion

Value Partners provides both discretionary and non-discretionary investment advisory services. The vast majority of our services are discretionary, which allows us to manage portfolios and make investment decisions without client consultation regarding the securities and other assets that are bought and sold for the account. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular fund or client account.

Private Funds and Authorised Funds

Pursuant to VP's agreements with the Funds, VP has investment discretion with respect to the investment of the assets within the Funds. The investment restrictions are stated in the PPM, Prospectus or EM.

Managed Accounts

VP is granted investment discretion pursuant to its agreement with each Managed Account Client. Any restraints on the investment discretion that VP may exercise are established by the Managed Account Client and agreed by VP within the investment management agreement prior to the establishment of an advisory relationship. A Managed Account Client may impose additional restrictions regarding the exercise of investment discretion by VP by providing a separate writing that provides the restriction.

In non-discretionary relationships, VP makes periodic investment recommendations to clients about the securities that should be bought or sold and the total amount of such transactions in accordance with the investment objectives and restrictions in the advisory agreement.

Item 17 – Voting Client Securities

As a registered investment adviser that exercises discretionary authority over client securities, VP has a fiduciary duty to vote proxies in a timely manner and make voting decisions that are in the clients' best interests. VP would accept authority to vote client securities and would assume responsibility for voting proxies even the client agreement is silent as to proxy voting responsibility. VP has adopted and implemented written "Proxy Voting Policies and Procedures" as required by Advisor Act Rule 206(4)-6. These policies and procedures are reasonably designed to ensure that proxies are voted in the best interest of its clients, which generally means voting proxies with a view to enhancing the value of client securities. The financial interest of clients is the primary consideration in determining how their proxies should be voted. VP will take reasonable measures under the circumstances to:

- obtain knowledge of meetings and other events giving rise to solicitation of proxies;
- assure that proxies are received in sufficient time for it to take action;
- vote proxies; and
- return the proxies to the parties soliciting them in time to be counted.

General Guidelines

It is not possible to present a comprehensive roadmap for the voting of proxies. The following general guidelines set out VP's general approach but each situation must be judged on its own merit.

- The decision to invest in a company normally represents confidence in the management of that company. Consequently, in the absence of evidence reducing VP's confidence in management, VP will give considerable weight (by no means conclusive weight) to management recommendations, except in the case of issues directly affecting the interests of management itself, such as management compensation.
- VP will generally support management recommendations about the internal operations of the company or which are not expected to have significant economic effect on the company or its security-holders. Proposals which are likely to have significant economic effect on the company and its security-holders will be subject to greater scrutiny on a case-by-case basis.
- VP favors having strong independent directors and supports delegation of key functions (such as compensation, audit and nominating committees) to independent directors. VP will generally oppose classification of directors.
- Proposals for re-capitalizations, mergers, corporate restructuring and anti-takeover measures such as "poison pills" will be carefully scrutinized to ascertain possible benefits and disadvantages to security-holders. Management recommendations with respect to such transactions will be reviewed in the light of possible management self-interest.

- Proposals regarding stock-option plans and other compensation issues will be carefully scrutinized. Since VP's investment philosophy strongly favors long-term capital appreciation, its assessment of proposals for management compensation will take into account positioning for achievement of long-term goals as well as shorter-term performance.
- Unless VP concludes that substantial financial interests of its clients are at risk or has client instructions to the contrary, VP will generally leave to management discretion matters involving social, environmental, ethical or similar issues.

These general guidelines are not exhaustive and do not include all potential voting issues. Proposals not covered by the guidelines and contested situations are evaluated on a case-by-case basis, taking into consideration all of the relevant facts and circumstances at the time of the vote.

Regardless of the issues presented, VP will be mindful of its duty to vote proxies in the best interest of its clients. VP may defer to instructions of its clients as to voting their securities with respect to specific issues as it deems appropriate.

Potential Proxy Conflicts

For any voting proposals where VP determines that it has a potential material conflict of interest, VP will take steps to ensure that our voting decision is based on the clients' best interest and is not the product of a conflict. VP may:

- (i) refer the proposals to the clients and obtain instructions from the clients on how to vote the proxies relating to those proposals;
- (ii) (if VP is in a position to disclose the conflict to the clients i.e. such information is not confidential) determine how it proposes to vote the proposals on which it has a conflict, disclose the conflict to the clients and seek their consents before exercising a proxy;
- (iii) take such other action such as consulting an independent third party such as external legal counsel as VP reasonably deems appropriate.

Clients may obtain a copy of our Proxy Voting Policies and Procedures or information about how client proxies were voted by writing to:

Value Partners Limited
Attn: Chief Compliance Officer
9th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

Item 18 – Financial Information

VP does not require prepayment of any fees. VP is not presently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, nor has VP has been the subject of bankruptcy petition during the past ten years.