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VL Asset Management Limited (the “**Manager**”) accepts full responsibility for the information contained in this Notice as being accurate as at the date of issuance 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 herein misleading.

Investments involve risks, including the loss of principal. You are advised to consider your investment objectives and circumstances in determining the suitability of an investment in the Trust. An investment in the Trust may not be suitable for everyone.

SFC authorisation is not a recommendation or an endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean that the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Capitalized terms used herein not otherwise defined have the meaning ascribed to those terms in the Explanatory Memorandum of the Trust dated June 2017, as may be amended and supplemented from time to time (“**Explanatory Memorandum**”)

VL TRUSTS (the “Trust”)

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

VL China Fund (the “Sub-Fund”)

Notice to Unitholders

Dear Unitholders,

We are writing to inform you of the following changes to the Trust and the Sub-Fund with effect from 20 December 2019 (the “**Effective Date**”), unless otherwise specified.

1. Changes pursuant to the revised Code

The Trust and the Sub-Fund are subject to the Code on Unit Trusts and Mutual Funds (“**Code**”) issued by the SFC. The Code has been revised. The Trust Deed has been amended and restated and the disclosure in the Explanatory Memorandum (including the Product Key Facts Statement) has been revised to reflect the requirements under the revised Code.

The following key changes (“**Changes**”) are made to the Trust Deed and/or the Explanatory Memorandum (where applicable) to reflect the requirements under the revised Code:

- (a) Trustee and Manager - additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.

- (b) Investment Restrictions: Core Requirements - amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, restriction on investment in commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in the Annexure enclosed with this Notice.

For further details on the investment restrictions, please refer to the relevant section of the revised Explanatory Memorandum.

- (c) Investment Restrictions: Specialized Schemes – investment restrictions under Chapter 8.2 (money market funds), Chapter 8.8 (structured funds) and Chapter 8.9 (funds that invest extensively in financial derivative instruments) of the revised Code have been included in the Trust Deed for future sub-funds of the Trust (as may be applicable), although the Sub-Fund does not fall under these chapters of the revised Code and hence these will not be applicable to the Sub-Fund.
- (d) Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including the following:
- I. amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements;
 - II. enhanced disclosures on arrangements in handling unclaimed proceeds of Unitholders where a sub-fund of the Trust is terminated;
 - III. amendments to reflect the requirements under the revised Code for modifications of the Trust Deed;
 - IV. amendments to reflect the requirements under the revised Code on suspension of dealings of units;
 - V. clarificatory amendments to restrictions on redemption – for the avoidance of doubt, any limit on the number of Units of a Sub-Fund redeemed on any Dealing Day to a percentage higher than 10% either generally or in respect of any particular Dealing Day of the total Net Asset Value or the total number of Units of the relevant Sub-Fund in issue on such Dealing Day shall be subject to the permission of the SFC;
 - VI. enhancement to the summary of liquidity risk management policies; and
 - VII. clarificatory amendments to suspension of calculation of Net Asset Value – for the avoidance of doubt, the Manager's decision to declare a suspension shall be after consultation with the Trustee and in the best interests of Unitholders and the Manager shall immediately after any such declaration notify the SFC of such suspension.

Please refer to the revised Explanatory Memorandum and the Trust Deed for further details.

2. Other ancillary updates

Other updates have also been made to the Trust Deed, the Explanatory Memorandum and/or the Product Key Facts Statements of the Sub-Fund (where applicable), including:

- (a) The address of the Manager has changed to Unit 1807, FWD Financial Centre, 308 Des Voeux Road Central, Hong Kong.
- (b) The address of the Trustee has changed to 13/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong.
- (c) The address of the Legal Counsel to the Manager has changed to 30/F One Taikoo Place, 979 King's Road, Hong Kong.
- (d) Enhancement of investing in equity securities risk and concentration risk.
- (e) Removal of obsolete disclosures and other miscellaneous updates, drafting and editorial amendments.

3. Implication of Changes

Save as disclosed in this Notice, for the avoidance of doubt, the above changes will not result in any material change to the investment objective and risk profile of the Sub-Fund. There will be no increase in the fees payable out of the assets of the Sub-Fund as a result of these changes. These changes will also not result in a change in the manner in which the Trust and the Sub-Fund currently operate or are being managed save as disclosed in this Notice.

4. Availability of Documents

Copies of the amended and restated Trust Deed can be inspected free of charge at the Manager's office.

Investors may access the revised Explanatory Memorandum and updated Product Key Facts Statement of the Sub-Fund at the Manager's website www.vlasset.com¹

5. Enquiries

If you have any queries in relation to the above matters, please direct these to your financial adviser or contact us at (852) 2851 8177 from 9:30 a.m. to 5:30 p.m. from Monday to Friday (excluding public holidays).

VL Asset Management Limited

Date: 20 December 2019

¹ This website has not been reviewed by the SFC.

ANNEXURE

SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key amendments to the investment restrictions are as follows:

- (a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.
- (b) subject to the requirements under the revised Code, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.
- (c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code.
- (d) the Sub-Fund may not invest in physical commodities unless otherwise approved by the SFC and disclosed in the investment policies of the Sub-Fund.
- (e) subject to the requirements under the revised Code, the Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (f) the maximum borrowing of the Sub-Fund has been reduced to 10% of its latest available Net Asset Value. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (g) under the revised Code, financial derivative instruments may be acquired for hedging and non-hedging purposes but, the Sub-Fund currently may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of its latest available Net Asset Value. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. For the avoidance of doubt, financial derivative instruments

acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.

- (h) to limit the exposure to each counterparty, the Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements in the revised Code.