VL Asset Management Limited
以立投資管理有限公司

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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 VL Trusts (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.

Capitalised terms used herein not otherwise defined have the meaning ascribed to those terms in the Explanatory Memorandum of the Trust dated December 2019, as may be amended and supplemented from time to time ("**Explanatory Memorandum**")

VL TRUSTS

(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 4 May 2020 (the "**Effective Date**"), unless otherwise specified.

1. **Changes to the investment strategy of the Sub-Fund**

   Currently, the Sub-Fund will invest (a) no less than 70% of the Sub-Fund's Net Asset Value in Hong Kong listed equities and (b) no more than 30% of its Net Asset Value in PRC listed equities or overseas listed equities.

   The investment strategy of the Sub-Fund will change with effect from the Effective Date (the "**Investment Strategy Change**").

   The Sub-Fund will instead invest at least 70% of its Net Asset Value in equity securities issued by companies with either assets in, or revenues derived from the PRC that are listed, traded or dealt in on the Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange ("**SZSE**") or other overseas regulated markets.

The Sub-Fund will also gain access to A-shares listed on the Small and Medium Enterprise Board ("**SME Board**") and/or the ChiNext Board through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect and/or other relevant programmes (when such other programmes become available), but will invest less than 30% of its net asset value in shares listed on the SME Board and/or the ChiNext Board.

The Sub-Fund will not invest more than 10% of its net asset value in B-shares listed, traded or dealt in on the Shanghai Stock Exchange and/or Shenzhen Stock Exchange.

As a result of the above, the Sub-Fund's portfolio will be primarily denominated in HKD and RMB.

The reason and rationale for the above changes are to meet market demands in terms of providing greater exposure to China and overseas securities and to allow a wider investable universe for the Sub-Fund in order to achieve better diversification of investments.

As a result of the Investment Strategy Change, the Sub-Fund will be subject to increased risk associated with the increased exposure to PRC-listed equities and RMB-denominated investments, including increased risks in the following areas:

Risks of investing in China

Investing in China involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, legal, repatriation, liquidity and regulatory risks.

The stock markets in China are still in a stage of development, which may lead to uncertainties and difficulties in settlement and recording of transactions and in interpreting and applying relevant regulations. These may lead to a higher level of volatility and instability associated with investments in these markets.

The financial reporting standards and practices applicable to PRC companies may be less rigorous. As the disclosure and regulatory standards in the PRC are less stringent than in more developed markets, there might be substantially less publicly available information about issuers in the PRC on which the Manager can base investment decisions.

Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. The PRC government or the regulators may also implement policies that may affect the financial markets and impose restrictions on foreign ownership or holdings. All these may have a negative impact on the Sub-Fund.

*Risks relating to Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the "**Stock Connect**")*

The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in A-shares through the programme will be adversely affected. Due to the difference in trading days, on days when the PRC market is open but the Hong Kong market is closed, the Sub-Fund may be subject to a risk of price fluctuations in A-shares as the Sub-Fund will not be able to trade through the Stock Connect. In such events, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

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China tax risk

There are risks and uncertainties associated with the current Chinese tax laws, regulations and practice in respect of capital gains realised via Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect on the Sub-Fund's investments in China (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.

Having consulted independent tax adviser, the Manager has not made and currently has no intention to make provision in respect of potential tax liability on gains on trading of B-shares. Further, having taken and considered independent professional tax advice and in accordance with such advice, the Manager will also not make any withholding income tax provision for the account of the Sub-Fund in respect of any potential PRC tax liability on gross unrealised and realised gains realised on the Sub-Fund's trading of A-shares. In the event that such tax liability is imposed, the relevant amounts will be deducted from the Sub-Fund's assets which may consequently reduce the value of the Units.

RMB currency and conversion risk

The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of the RMB could adversely affect the value of the investor's investment in the Sub-Fund.

A portion of the Sub-Fund's assets will be invested into investments denominated in RMB, which is different from the base currency of the Sub-Fund, being HKD. As a result, the Sub-Fund is exposed to higher transaction costs associated with currency conversion (i.e. from HKD subscription monies to RMB for the Sub-Fund to invest in RMB-denominated investments and from RMB sale proceeds after the Sub-Fund has disposed of the RMB-denominated investments to HKD to meet redemption requests as and when necessary).

Assets of the Sub-Fund denominated in RMB are valued with reference to the CNH rate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Under exceptional circumstances, payment of proceeds of sales and/or dividend payment to the Sub-Fund in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

In addition, the Sub-Fund will be subject to the following risk as a result of the Investment Strategy Change:

SME Board and ChiNext market risks

The Sub-Fund may invest in the ChiNext market and/or stocks listed on the SME Board of the SZSE and may be subject to the following risk:

Higher fluctuation on stock prices: Listed companies on the SME Board and/or ChiNext board of the SZSE are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and lower liquidity and have higher risks and turnover ratios than companies listed on the main board of the SZSE.

Over-valuation risk: Stocks listed on SME Board and/or ChiNext may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on the ChiNext market are less stringent in terms of profitability and share capital than those in the main board and SME Board.

Delisting risk: It may be more common and faster for companies listed on the SME Board and/or ChiNext market to delist. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

2. Implication of the Investment Strategy Change

Other than the increased risks as mentioned in section 1 above, there will not be any material change to the features and risk profile of the Sub-Fund as a result of the Investment Strategy Change. There will not be any other changes to the fee level/cost in managing the Sub-Fund and no change in the operation and/or manner in which the Sub-Fund is being managed.

It is noted that:

- information relating to past performance of the Sub-Fund will continue to be shown in the Product Key Facts Statement of the Sub-Fund (the "**KFS**"). Investors should however note that due to the Investment Strategy Change, the circumstances under which performance prior to the Effective Date was achieved may no longer apply; and

- the Manager does not expect a substantive change to the ongoing charges figure of the Sub-Fund. The figures for the year ended 31 December 2019 will be disclosed in the KFS after the Effective Date. The Manager will monitor the ongoing charges figure and, if necessary, update the figures in the KFS, in accordance with the relevant SFC guidance.

The costs associated with the Investment Strategy Change will be borne by the Sub-Fund. These costs are estimated to be approximately HKD100,000. These costs are not expected to be material to the Sub-Fund, and hence are not expected to pose any material impact to the Net Asset Value of the Sub-Fund nor any significant adverse impact to Unitholders.

The Investment Strategy Change will not materially prejudice the existing Unitholders' rights or interests. The Trustee does not have any objection to the Investment Strategy Change. The Investment Strategy Change do not require Unitholders' approval.

3. Options Available to Class B Unitholders

In respect of Class B Unitholders, if the above Investment Strategy Change does not suit their investment requirements, they may redeem their Class B Units, free of any applicable redemption fee before the Dealing Deadline (i.e. 4:00 p.m. (Hong Kong time) on any Dealing Day) from the date of this Notice until the Dealing Day before the Effective Date, namely, on 29 April 2020.

For the avoidance of doubt, no redemption fee is payable for redemption of Class A Units.

4. Change of currency of payment of Trustee Fee and threshold amounts of Net Asset Value

With effect from the Effective Date, the trustee fee in respect of the Sub-Fund, currently payable in US dollars, will instead be payable in Hong Kong dollars. The monthly minimum trustee fee payable will be updated from USD7,000 to HKD54,600.

The threshold amounts of the Net Asset Value of the Sub-Fund for determining the trustee fee percentage payable will be expressed in Hong Kong dollars instead of United States dollars, such that 0.11% per annum of the Net Asset Value will be payable if the Net Asset Value is below HKD1,000 million, and 0.09% per annum of the Net Asset Value will be payable if the Net Asset Value is HKD1,000 million or above.

For the avoidance of doubt, there is no change to the current level of trustee fee payable or the maximum Trustee Fee percentage in respect of the Sub-Fund.

5. Other ancillary updates

Other updates have also been made to the Explanatory Memorandum and/or the KFS (where applicable), including:

(a) removal of publication of the Net Asset Value of the Sub-Fund and the price of its Units in The Standard and the Hong Kong Economic Times. For the avoidance of doubt, such information will continue to be published on the Manager's website www.vlasset.com[1];

(b) updates to ongoing charges and past performance information; and

(c) other miscellaneous updates, drafting and editorial amendments.

6. Availability of Documents

The Explanatory Memorandum and the KFS will be updated to reflect the changes described in this notice. The revised Explanatory Memorandum and KFS will be uploaded onto the Manager's website www.vlasset.com[1] on the Effective Date.

7. Enquiries

If you have any queries in relation to the above matters, please direct these to your financial adviser or contact us at Unit 1807, FWD Financial Centre, 308 Des Voeux Road Central, Hong Kong, or by phone 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: 3 April 2020

[1] This website has not been reviewed by the SFC.