

**FIFTH ADDENDUM**  
**CHINA UNIVERSAL INTERNATIONAL SERIES (the “Fund”)**

**This Fifth Addendum should be read in conjunction with, and forms part of, the Explanatory Memorandum for the Fund dated November 2012, the Addendum dated December 2012, the Second Addendum dated August 2013, the Third Addendum dated 14 March 2014 and the Fourth Addendum dated 8 May 2014 (collectively, the “Explanatory Memorandum”).** All capitalised terms herein contained shall have the same meaning in this Fifth Addendum as in the Explanatory Memorandum, unless otherwise indicated.

China Universal Asset Management (Hong Kong) Company Limited (the “**Manager**”) accepts full responsibility for the accuracy of the information contained in this document at the date of publication, 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 in this document misleading. However, neither the delivery of this document nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this document is correct as of any time subsequent to such date. Any supplements to this document and/or Explanatory Memorandum (or any later Explanatory Memorandum) will be available to the intending applicants for Units.

Unless otherwise stated herein, the Explanatory Memorandum remains in full force and effect.

**Change of PRC tax provisioning policy of the Sub-Fund**

With effect from 30 May 2014 (the “**Effective Date**”), the Manager will implement the following changes with respect to its PRC tax provisioning policy in respect of the Sub-Fund. Accordingly, the following changes are made to the Explanatory Memorandum with effect from the Effective Date:-

1. The risk factor headed “**(xx) PRC tax considerations**” under the section headed “**Risk Factors**” on pages 33-35 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

“(xx) PRC tax considerations – If the Fund or a Sub-Fund is considered as a PRC tax resident, it will be subject to PRC Corporate Income Tax (“**CIT**”) at 25% on its worldwide income; if the Fund or a Sub-Fund is considered a non-PRC resident but has a permanent establishment (“**PE**”) in the PRC, the profits attributable to that PE would be subject to PRC CIT at 25%. If the Fund or a Sub-Fund is a non-PRC resident and has no PE in the PRC, or in the case of having PE in the PRC, but the profits are not substantially related to PE, by investing in PRC Securities, a Sub-Fund may be subject to withholding and other taxes imposed in the PRC.

Corporate Income Tax:

*Dividend income and interest income*

Currently, unless a specific exemption or reduction is applicable under current PRC tax laws and regulations or relevant tax treaties, for recipients that are treated as non-PRC residents without PE in the PRC under the PRC CIT Law, PRC withholding income tax (“**WIT**”) will be levied on the payment of interests on debt instruments issued by PRC tax residents, including bonds issued by enterprises established within mainland China, and dividend income from investments in the securities issued by PRC tax residents. The general PRC WIT rate applicable is 10%. The entity distributing such dividends or interests is required to withhold such tax. Circular Guoshuihan (2009) 47 states that dividends and interests derived by qualified foreign institutional investors (“**QFIIs**”) should be subject to PRC WIT at a rate of 10% while there are no specific guidelines for RQFIIs in this regard yet. On the other hand, interests derived from government bonds issued by the Ministry of Finance, or bonds issued by local government of a province, autonomous region, municipality directly under the Central Government, or municipality separately listed on the state plan, as approved by the State Council, shall be exempt from PRC CIT.

Under current regulations in the PRC, foreign investors (such as the Fund and each Sub-Fund) may invest in PRC Securities, generally, only through a QFII or a RQFII (in this section and for the Sub-Fund referred to as the “**relevant RQFII**”). The PRC tax authorities may impose tax on a Sub-Fund under the name of the relevant RQFII. However under the terms of the arrangement between the relevant RQFII and the Sub-Fund, the relevant RQFII will pass on any tax liability to the Sub-Fund. As such, the relevant Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authorities. Under current PRC tax laws and regulations, a relevant RQFII is subject to a PRC WIT of 10% on cash dividends, distributions and interests from the investment in securities and instruments issued by PRC tax residents unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Meanwhile, under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**China-HK Arrangement**”), Hong Kong tax residents will be subject to WIT at 7% for interests if they can satisfy the requirements for beneficial ownership under the China-HK Arrangement. However, there are still uncertainties as to how the PRC tax authorities will assess the beneficial ownership issue for investment funds, it is uncertain whether the relevant Sub-Fund can obtain approval from the PRC tax authorities for this preferential rate. If the relevant approval is not obtained, the general rate of 10% will be applicable to the relevant Sub-Fund on interests.

Also, pursuant to the China-HK Arrangement, the tax charged on dividends received by the non-resident holders of shares issued by PRC companies will be 5% of the gross amount of the dividends, if Hong Kong tax residents are the beneficial owners and directly hold at least 25% of the equity of the company paying the dividends. However, due to the relevant Sub-Fund’s investment restriction, the relevant Sub-Fund will not hold more than 10% of any ordinary shares issued by any single issuer. In this connection, dividends derived from China A-Shares invested through RQFII will not be able to benefit from the reduced tax rate of 5% and the general tax rate of 10% will be applicable to the relevant Sub-Fund on dividends.

The Manager reserves the right to make relevant provision on dividends and interests if the WIT is not withheld at source.

#### *Capital gains*

Specific rules governing taxes on capital gains derived by QFIIs or RQFIIs from the investment in PRC Securities have yet to be announced. In the absence of such specific rules, the PRC CIT treatment should be governed by the general tax provisions of the PRC CIT Law. For an enterprise that is not a tax resident enterprise and has no PE in the PRC, a 10% PRC WIT shall apply to capital gains derived from the disposal of PRC Securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Having taken and considered independent professional tax advice on the application of the China-HK Arrangement and acting in accordance with such advice, the Manager considers that, under the China-HK Arrangement, capital gains derived by a Hong Kong tax resident from the investment in PRC fixed income instruments should not be subject to PRC WIT upon approval by the PRC tax authorities.

Under the China-HK Arrangement, capital gains derived by Hong Kong tax residents from alienation of shares issued by PRC companies may be taxed in the PRC if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the shares issued by that PRC company or if the PRC company is a land rich company (i.e. PRC company in which at least 50% of its assets are comprised, directly or indirectly, of immovable properties situated in the PRC at any time within the three year period before alienation). Due to the relevant Sub-Fund’s investment restriction, the relevant Sub-Fund will not hold more than 10% of any ordinary shares issued by any single issuer. In that case, the capital gains derived from alienation of the shares of non-land rich China A-Share companies may be exempted from the PRC WIT, subject to the approval of the PRC tax authorities.

Pursuant to the relevant PRC tax regulations, approval by the relevant PRC tax authority should be obtained before a Hong Kong resident can enjoy relief under the China-HK Arrangement, and a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department of Hong Kong (the “**IRD**”) may be required to be submitted to the relevant PRC tax authority for this purpose.

As at the date of this Addendum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the PRC tax authorities enforce the collection of PRC WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the PRC WIT exemption, the Manager will apply for a HKTRC on behalf of the Sub-Fund on annual basis, which is subject to the assessment of the IRD. Having taken and considered independent professional advice relating to the Sub-Fund’s eligibility to obtain a HKTRC and to benefit from the China-HK Arrangement, and acting in accordance with such advice, the Manager considers that the Sub-Fund is a Hong Kong tax resident for the purpose of the China-HK Arrangement and therefore it should be able to obtain a HKTRC on behalf of the Sub-Fund to evidence the Sub-Fund’s Hong Kong tax resident status, and hence the Sub-Fund should be able to enjoy a PRC WIT exemption on capital gains under the China-HK Arrangement since the inception of the Sub-Fund. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet any potential tax liability for capital gains, the Manager reserves the right to provide for the WIT on such gains or income and withhold the tax for the account of a Sub-Fund and will notify the Unitholders should the Manager decide to exercise such right. Where any provision is made, the level of the provisioning will be set out in the relevant Appendix and amount of actual provision will be disclosed in the accounts of the relevant Sub-Fund.

It is the intention of the Manager to operate the affairs of the Manager as a RQFII and the relevant Sub-Fund such that it is not a PRC tax resident enterprise and has no PE in the PRC for PRC CIT purposes, although this cannot be guaranteed. Any PRC CIT withheld and imposed on a RQFII in respect of the PRC Securities issued by PRC tax residents and invested by the relevant Sub-Fund will be passed on to the relevant Sub-Fund and the asset value of the Sub-Fund will be reduced accordingly.

Please refer to the relevant Appendix for further information in relation to the relevant Sub-Fund in this regard.

#### Business Tax:

The Ministry of Finance and the State Administration of Taxation (“**SAT**”) have clarified under Caishui [2005] 155 that gains derived by QFIIs from the trading of Chinese securities are exempt from business tax. The new PRC business tax reform which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Memorandum.

Specific rules governing taxes on RQFIIs’ business tax have yet to be announced. In the absence of such specific rules, the Manager’s current policy on tax provisions is set out in the relevant Appendix for the Sub-Fund.

#### Stamp Duty:

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of China A- and B-Shares traded on the PRC stock exchanges, at the rate of 0.1%. In the case of contracts for sale of China A- and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in

the future and any such change may have an adverse effect on the asset value of the relevant Sub-Fund. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC which a Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.”

2. The section headed “**PRC Tax Provisions**” in “**Appendix I – CUAM RMB Bondplus Fund**” of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

**“PRC Tax Provisions**

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed “**PRC tax considerations**” under the “**Risk Factors**” section.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for PRC WIT on such gains or income and withhold the tax for the account of the Sub-Fund. Having taken and considered independent professional tax advice regarding the Sub-Fund’s eligibility for treaty benefits under the China-HK Arrangement and acting in accordance with such advice, the Manager considers that the Sub-Fund should qualify as a Hong Kong tax resident and it should be able to enjoy treaty relief based on the China-HK Arrangement. In this connection, the Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that no PRC WIT provision will be made on the gross realised and unrealised gains derived from investments in PRC Securities, except for those capital gains derived from investments in China A-Shares issued by PRC tax resident companies which are land rich companies. A 10% provision for PRC WIT will continue to be provided for the gross realised and unrealised capital gains derived by the Sub-Fund from investments in China A-Shares issued by PRC tax resident companies which are land rich companies. The methodology adopted by the Manager in identifying whether or not PRC resident companies are land rich companies has been agreed and accepted by the Sub-Fund’s auditors. The amount of provision will be disclosed in the financial statements of the Sub-Fund.

It should be noted that there are certain uncertainties regarding the PRC WIT provisioning policy, including:

- (a) the China-HK Arrangement may be changed in the future and the Sub-Fund may ultimately be required to pay PRC WIT on capital gains.
- (b) to date, the Sub-Fund has not obtained from the Inland Revenue Department of Hong Kong (“**IRD**”) a Hong Kong Tax Resident Certificate (“**HKTRC**”), which if the PRC tax authorities enforce the collection of PRC WIT and require the Sub-Fund to provide HKTRC in the future, the Manager will apply for a HKTRC on behalf of the Sub-Fund on annual basis, which is subject to the assessment of the IRD. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the Sub-Fund.
- (c) to date, the PRC tax authorities have not sought to enforce PRC WIT collection on capital gains derived by RQFIIs such as the Manager for the Sub-Fund. If the PRC tax authorities start enforcing PRC WIT collection on capital gains, the relief under the China-HK Arrangement is still subject to the final approval of the PRC tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the Sub-Fund should be eligible for such relief, the PRC tax authorities may ultimately hold a different view.
- (d) due to the limitation to the availability of the public information in the PRC (e.g. in respect of the market value of land and land use rights), the information to be adopted by the PRC tax authorities in assessing land rich companies may be different from the information used by the Manager in assessing land rich companies which may result in different conclusion by the Manager for some China A-Share companies to those of the PRC tax authorities.

For the above reasons, any PRC WIT provision on capital gains made by the Manager in respect of the Sub-Fund may be less than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. In view of the above uncertainties, investors should note that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the Sub-Fund. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual tax levied by the State Administration of Taxation is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. As a result, investors may be disadvantaged depending on the final rules of the relevant PRC tax authorities, the level of provision and when they subscribed and/or redeemed their Units. Upon any future resolution of the above-mentioned tax exemption or further changes to tax law or policies, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Investors should refer to the relevant risks disclosed in the risk factor headed "**PRC tax considerations**" under the section headed "**Risk Factors**" of this Explanatory Memorandum."