

## SEVENTH ADDENDUM

### CHINA UNIVERSAL INTERNATIONAL SERIES (the “Fund”)

**This Seventh 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, the Fourth Addendum dated 8 May 2014, the Fifth Addendum dated 30 May 2014 and the Sixth Addendum dated 14 August 2014 (collectively, the “Explanatory Memorandum”).** All capitalised terms herein contained shall have the same meaning in this Seventh Addendum as in the Explanatory Memorandum, unless otherwise indicated.

China Universal Asset Management (Hong Kong) Company Limited 匯添富資產管理（香港）有限公司 (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.

#### **A. Amendments to PRC taxation disclosure**

With immediate effect, the following amendments are made to the Explanatory Memorandum to update on the PRC taxation in relation to investment in PRC securities.

1. The risk factor headed “**(xx) PRC tax considerations**” under the section headed “**Risk Factors**” on pages 33-35 of the Explanatory Memorandum and as amended by the Fifth Addendum dated 30 May 2014 is deleted in its entirety and replaced with the following:-

“(xx) PRC tax considerations – The Sub-Funds may be subject to taxation in the PRC. This will vary depending on the investment strategy of the Sub-Funds. The PRC tax law and regulations may change at any time, and they may be changed with retrospective effect. The interpretation and applicability of the tax laws and regulations by tax authorities are not as consistent and transparent as those of more developed nations, and may vary from location to location. 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. The value of the relevant Sub-Funds’ investments in the PRC and the amount of their income and gains could be adversely affected by an increase in tax rates or change in the taxation basis.

#### Corporate Income Tax (“**CIT**”):

If the Fund or a Sub-Fund is considered as a PRC tax resident, it will be subject to PRC CIT at 25% on its worldwide income; if the Fund or a Sub-Fund is considered a non-PRC resident but has an establishment or place of business (“**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 the PE, by investing in securities in the PRC, a Sub-Fund may generally be subject to withholding income tax (“**WIT**”) imposed in the PRC, unless exempt or reduced under specific tax circulars or relevant tax treaties. 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.

### *Dividend income and interest income*

Currently, unless a specific exemption or reduction is applicable under current PRC tax laws and regulations or specific tax circulars or relevant tax treaties, for recipients that are treated as non-PRC tax residents without PE in the PRC under the PRC CIT Law, PRC 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 investment in the securities issued by PRC tax residents. The general PRC WIT rate applicable is 10%. The entity distributing such interests or dividends is required to withhold such tax. 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 regions, municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, shall be exempt from PRC tax.

#### Investment in PRC securities via RQFII

Where a Sub-Fund invest in PRC securities via a RQFII, PRC taxes may be imposed on the 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.

However, if the RQFII or foreign corporate is a tax resident of a tax treaty country, it may apply for the reduced PRC WIT rate under the relevant tax treaty. Under 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 PRC WIT at 7% for interests if they are the beneficial owner of the interest income. 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 the interest income.

Also, pursuant to the China-HK Arrangement, the tax charged on dividends received by the non-tax 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. Due to the investment restrictions, 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 via 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.

#### Investment in China A-Shares via the Shanghai-Hong Kong Stock Connect (the “**Stock Connect**”)

Circular Caishui (2014) No.81 (“**Circular 81**”) provided that dividends received by foreign investors (including the relevant Sub-Fund) from investment in China A-Shares via the Stock Connect (as further described in the section headed “Shanghai-Hong Kong Stock Connect”) is subject to 10% withholding tax which will be withheld by the PRC companies distributing the dividends, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

### *Capital gains*

#### Investment in PRC securities via RQFII

Circular Caishui (2014) No.79 (“**Circular 79**”) states that RQFIIs without a PE in the PRC or RQFIIs with a PE in the PRC but the income so derived in the PRC is not effectively connected with their PE are exempt from PRC WIT on capital gains derived from investment in China A-Shares effective from 17 November 2014. Circular 79 also states that RQFIIs are subject to PRC WIT on capital gains from investment in China A-Shares before 17 November 2014. Specific rules governing taxes on capital gains derived by RQFIIs from the investment in securities in the PRC other than China A-Shares 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 investment in PRC fixed income instruments and PRC Securities other than China A-Shares, 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 investment in PRC fixed income instruments should not be subject to PRC WIT upon approval by the PRC tax authorities.

Notwithstanding the Circular 79 announcement, the Manager, having regard to the independent professional tax advice on the application of the China-HK Arrangement, considers that in assessment of PRC WIT on capital gains derived by RQFII prior to 17 November 2014 from trading of China A-Shares, treaty relief under the China-HK Arrangement could be applied. 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 applicable investment restrictions, 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-Shares companies may not be subject to PRC WIT, upon 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 tax 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 authorities for this purpose.

As at the date of this Addendum, the Sub-Funds have not yet obtained the HKTRC from the IRD. If the PRC tax authorities enforce the collection of PRC WIT on capital gains and require a 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. The Manager will consider independent professional tax advice relating to the relevant Sub-Funds’ eligibility to obtain a HKTRC and to benefit from the China-HK Arrangements in determining its tax provisioning policy for the relevant Sub-Funds.

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 PRC 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. The Manager’s current policy on the tax provisions is set out in the section headed “**PRC Tax Provisions**” in the relevant Appendix. Where any provision is made, the amount of actual provision will be disclosed in the financial statements of the relevant Sub-Fund.

#### Investment in China A-Shares via the Stock Connect

Under Circular 81, CIT is temporarily exempted on capital gains derived by foreign investors (including the relevant Sub-Fund) from investment in China A-Shares via the Stock Connect.

Business Tax (“**BT**”) and other surtaxes:

In the absence of specific exemptions, taxpayers are subject to BT at the rate of 5% in respect of gains derived from the disposal of marketable securities in China, such as China A-Shares. Circular Caishui (2005) No. 155 stated that gains derived by qualified foreign institutional investors (“**QFIIs**”) from the trading of Chinese securities are exempt from BT. The new PRC Provisional Regulations of BT (“**BT Regulations**”) which came into effect on 1 January 2009 did not change this exemption treatment as

at the date of this Addendum. It is uncertain whether Circular Caishui (2005) No.155, which provides for the exemption from BT on gains derived by QFIIs from trading of PRC debt and equity securities, would equally apply to securities trading gains derived through RQFIIs. For China A-Shares traded via the Stock Connect, Circular 81 states that gains derived by foreign investors trading through such platform are temporarily exempt from BT.

The new BT Regulations does not specifically exempt BT on interest earned by non-financial institutions. It is not entirely clear whether BT will apply to interest on government and corporate bonds but in practice, some local tax authorities have not imposed BT on interest derived from bonds.

Dividends or profit distributions on equity investment derived from China are not included in the taxable scope of BT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at the rate of 2%) are imposed based on the BT liabilities.

#### 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 or via the Stock Connect, 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. It is unclear whether PRC stamp duty that is imposed on the transfer to shares of PRC companies under the Stamp Duty Regulations would similarly apply to the acquisition and disposal of China H-Shares by non-PRC investors outside the PRC. That said, PRC stamp duty is generally not imposed for investment in China H-Shares in practice.

No PRC stamp duty is expected to be imposed on non-tax resident holders of government and corporate bonds, either upon issuance or upon a subsequent transfer of such bonds.”

2. The section headed “**PRC Tax Provisions**” in “**Appendix I – CUAM RMB Bondplus Fund**” of the Explanatory Memorandum on page 55 and as amended by the Fifth Addendum dated 30 May 2014 is deleted in its entirety and replaced with the following:-

#### “**PRC Tax Provisions**”

The Sub-Fund currently invests in RMB-denominated fixed income instruments issued or distributed in the PRC and China A-Shares by using the RQFII quotas of the Manager. 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.

Having taken and considered independent professional tax advice regarding the Sub-Fund's eligibility for treaty relief 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 investment in the PRC fixed income instruments.

Pursuant to Circular 79, the Sub-Fund is temporarily exempt from PRC WIT on capital gains derived from investment in China A-Shares via RQFII effective from 17 November 2014, but those capital gains derived before that date should be subject to PRC WIT. In spite of the Circular 79 announcement, 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 realised capital gains derived before 17 November 2014 from investment in China A-Shares, except for those capital

gains derived from investment 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 made for the gross realised capital gains derived before 17 November 2014 by the Sub-Fund from investment 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 made will be disclosed in the financial statements of the Sub-Fund. No WIT provision will be made for gross realised or unrealised gains derived from investment in China A-Shares from 17 November 2014 onwards..

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 derived before 17 November 2014 in relation to its investment in China A-Shares issued by PRC tax resident companies which are not land rich companies.
- (b) to date, the Sub-Fund has not obtained 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 before 17 November 2014 by RQFIIs such as the Manager for the Sub-Fund. If the PRC tax authorities start enforcing PRC WIT collection on such 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.
- (e) Circular 79 states that the CIT exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the Sub-Fund may in future need to make provision to reflect taxes payable.

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.

If the actual tax levied by relevant PRC tax authorities 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 will 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.”

**B. Amendments to Foreign Account Tax Compliance Act disclosure**

With immediate effect, the following amendments are made to the Sixth Addendum dated 14 August 2014 to update the disclosure on the Foreign Account Tax Compliance Act.

1. The third and fourth paragraphs of the section headed “**(xxvi) Foreign Account Tax Compliance Act**” on page 2 of the Sixth Addendum is deleted in its entirety and replaced with the following:-

“On 13 November 2014, Hong Kong has signed an intergovernmental agreement with the US (“**IGA**”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under this “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Fund and the Sub-Funds) would be required to register with the US IRS and agree to comply with the terms of the FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments to them.

Under the IGA, FFIs in Hong Kong (such as the Fund and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on payments made to non-compliant FFIs.”

**C. Change in investment objective and investment policy of CUAM China-Hong Kong Strategy Fund**

To provide greater flexibility for the Sub-Fund to capture market opportunities, the following amendments are made to Appendix II to the Explanatory Memorandum relating to the Sub-Fund with effect from 6 March 2015:

1. A new defined term, “**China H-Shares**”, is inserted after the definition of “**China B-Shares**” in the section headed “**Definition**” on page 6 of the Explanatory Memorandum:-

“ <b>China H-Shares</b> ”	Means shares issued by companies incorporated in the PRC and listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
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2. The third paragraph under section headed “**The Trustee and the Registrar**” on page 11 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:

“In respect of the CUAM RMB Bond*plus* Fund and CUAM China-Hong Kong Strategy Fund, the Trustee has put in place proper arrangements to ensure that:

- the Trustee takes into its custody or under its control the assets of the Sub-Funds, including assets deposited in the securities and cash accounts with the RQFII Custodian, and holds the same in trust for the holders of the Sub-Funds;
- the Trustee registers the assets of the Sub-Funds, including assets deposited in the securities and cash accounts with the RQFII Custodian, to the order of the Trustee; and
- the RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with the Trustee’s instructions (through the Custodian).”

3. The section headed “**Investment Objective**” in “**Appendix II – CUAM China-Hong Kong Strategy Fund**” on page 59 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

**“Investment Objective**

CUAM China-Hong Kong Strategy Fund seeks to achieve medium to long-term capital growth through investing primarily in securities of companies which are established in Greater China or having their income, revenue, assets, economic activities, business or operations associated with Greater China (“**Greater China Companies**”).

4. The section headed “**Investment Policy**” in “**Appendix II – CUAM China-Hong Kong Strategy Fund**” on page 59 is deleted in its entirety and replaced with the following:-

**“Investment Policy**

The Manager seeks to achieve capital growth by investing principally in listed equity securities of Greater China Companies and it intends to hold such investments for a medium to long term (i.e. for a period varying from 6 months to 5 years), although the actual holding period may vary subject to various factors such as the actual return from the investments.

At least 70% of the Sub-Fund’s non-cash assets will be invested in equity securities listed on the Hong Kong Stock Exchange.

In addition, the Sub-Fund may invest on an ancillary basis up to 30% of its net assets in equity securities listed on other stock exchanges around the world (including China A-Shares and China B-Shares), debt securities, and other collective investment schemes, subject to the investment and borrowing restrictions in the Explanatory Memorandum.

The Sub-Fund may have direct exposure to China A-Shares using RQFII quota of the Manager (as the RQFII holder) allocated to the Sub-Fund. The Sub-Fund may also directly invest in certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect (“**Stock Connect**”) (as further described in the section headed “Shanghai-Hong Kong Stock Connect”). Besides, the Sub-Fund may invest in exchange-traded funds (“**ETF**”) listed on the Hong Kong Stock Exchange to gain exposure to China A-Shares (including physical and synthetic ETF).

The Sub-Fund will not invest more than 10% of its net assets in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade as rated by any international credit rating agency (such as Standard & Poor’s, Moody’s and Fitch). Also, the Sub-Fund will not invest in structured products such as asset backed securities (including asset backed commercial papers).

The Sub-Fund will invest in financial derivative instruments (by engaging in foreign currency transaction, including but not limited to currency forward contracts) for hedging purposes only.

The Sub-Fund will not engage in securities lending transactions or repurchase and reverse repurchase transactions. Prior approval will be sought from the SFC and at least one month’s prior notice will be given to Unitholders should there be a change in such intention. The Explanatory Memorandum will be updated accordingly.”

5. The following new section is inserted after the section headed “**Investment Policy**” in “**Appendix II – CUAM China-Hong Kong Strategy Fund**” on page 59 of the Explanatory Memorandum:-

**“Shanghai-Hong Kong Stock Connect**

The Stock Connect is a securities trading and clearing linked programme developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange (“**SSE**”) and China Securities Depository and Clearing Corporation Limited (“**ChinaClear**”), with an aim to achieve mutual stock market access between mainland China and Hong Kong.

The Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company to be established by the Hong Kong Stock Exchange, may be able to trade eligible China A-Shares listed on SSE by routing orders to SSE.

### ***Eligible securities***

Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. “**SSE Securities**”). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of these indices but which have corresponding China H-Shares listed on the Hong Kong Stock Exchange, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the “risk alert board”.

It is expected that the list of eligible securities will be subject to review from time to time.

### ***Trading quota***

Trading under Stock Connect will be subject to a maximum cross-boundary investment quota together with a daily quota.

### ***Settlement and custody***

The China A-Shares traded through Stock Connect are issued in scripless form, so investors will not hold any physical China A-Shares. Hong Kong and overseas investors who have acquired SSE Securities should maintain the SSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for the clearing securities listed or traded on the Hong Kong Stock Exchange).

### ***Investor compensation***

The Sub-Fund’s investment in China A-Shares via the Stock Connect will neither be covered by Hong Kong’s Investor Compensation Fund nor the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC.

Further information about the Stock Connect is available online at the website:

<http://www.hkex.com.hk/chinaconnect>”

6. The fifth paragraph in the risk factor headed “**(xix) RQFII risk**” in the section headed “**Risk Factors**” on page 30 of the Explanatory Memorandum and section C2 of the Sixth Addendum are deleted in its entirety and replaced with the following:

“Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or to make available its RQFII quota, or a Sub-Fund will be allocated a sufficient portion of RQFII quotas from a RQFII to meet all applications for subscription to the Sub-Fund, or that realisation requests can be processed in a timely manner due to adverse changes in relevant laws or regulations.

A Sub-Fund may not have exclusive use of the entire RQFII quota granted by SAFE to the Manager (as RQFII holder), as the RQFII may in its discretion allocate RQFII quota which may otherwise be available to the relevant Sub-Fund to other public funds managed by the Manager (as RQFII Holder). There can be no assurance that the RQFII can allocate sufficient RQFII quota to a Sub-Fund to meet all applications for subscription of Units in the relevant Sub-Fund. The aforementioned restrictions may result in a rejection of subscription applications. Furthermore, a Sub-Fund may not be able to fully implement or pursue its investment objective or strategy, due to insufficiency of RQFII quota and RQFII investment restrictions.

Besides, a Sub-Fund may incur significant losses due to limited investment capabilities, RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.”

7. The last two sentences in the last paragraph of the risk factor headed “**(xix) RQFII risk**” in the section headed “**Risk Factors**” on page 30 of the Explanatory Memorandum is deleted in its entirety.
8. The following risk factors are inserted after the risk factor headed “**Greater China market risk / Single region investment risk**” under the section headed “**Specific Risk Factors**” on page 60 of the Explanatory Memorandum:-

***“RQFII Risk***

The Manager (as the RQFII holder) may from time to time make available RQFII quota to the Sub-Fund for investment in China A-Shares. Under the SAFE’s RQFII quota administration policy, the Manager (as the RQFII holder) has the flexibility to allocate its RQFII quota across different public fund products, or, subject to SAFE’s approval, to products and/or accounts that are not public funds. The Manager (as the RQFII holder) may therefore allocate additional RQFII quota to the Sub-Fund, or allocate RQFII quota which may otherwise be available to the Sub-Fund to other products and/or accounts. The Manager (as the RQFII holder) may also apply to SAFE for additional RQFII quota which may be utilised by the Sub-Fund, other clients of the Manager or other products managed by the Manager. However, a Sub-Fund may not have exclusive use of the entire RQFII quota granted by SAFE to the Manager, as the Manager may in its discretion allocate RQFII quota which may otherwise be available to the relevant Sub-Fund to other products. There is no assurance that the Manager will make available RQFII quota that is sufficient for the Sub-Fund’s investment at all times.

The Manager in its capacity as a RQFII holder together with the Custodian has appointed Bank of China Limited as the RQFII Custodian in respect of the RQFII’s assets, pursuant to relevant laws and regulations.

Investors should pay attention to the risk factors headed “**RQFII risk**” and “**Custodial risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum and as amended by the Sixth Addendum dated 14 August 2014.

The Manager will assume dual roles as the Manager of the Sub-Fund and the holder of RQFII quotas for the Sub-Fund. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the Manager as a RQFII. If any conflicts of interest arise, the Manager will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly and in the best interest of the Unitholders.

Application of RQFII rules may depend on the interpretation given by the relevant Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors’ investment in the Sub-Fund.

***Risk associated with the Stock Connect***

The Stock Connect is a programme novel in nature. Investment in China A-Shares by the Sub-Fund via the Stock Connect may expose the Sub-Fund to the following additional risks:

*Quota limitations* - The Stock Connect is subject to quota limitations. Once the remaining balance of the daily quota drops to zero or the daily quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Fund’s ability to invest in China A-Shares through the Stock Connect on a timely basis in order to pursue its investment strategies effectively.

*Suspension risk* - Both the Hong Kong Stock Exchange and SSE may suspend Northbound and/or Southbound trading in light of the market situation, subject to prior consent from the relevant regulators. Where a suspension in the Northbound trading through the Stock Connect is effected, the Sub-Fund's ability to access the PRC market will be adversely affected.

*Operational risk* - The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the China stock market directly.

The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the Hong Kong Stock Exchange and exchange participants (i.e. a new order routing system ("**China Stock Connect System**") to be set up by the Hong Kong Stock Exchange to which exchange participants need to connect). There is no assurance that the systems of the Hong Kong Stock Exchange and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The Sub-Fund's ability to access the China A-Shares market (and hence to pursue its investment strategy) will be adversely affected.

*Restrictions on selling imposed by front-end monitoring* - PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE will reject the sell order concerned. The Hong Kong Stock Exchange will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

If the Sub-Fund desires to sell certain China A-Shares it holds, it must transfer those China A-Shares to the respective accounts of its brokers before the market opens on the day of selling ("**trading day**"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of China A-Shares in a timely manner.

*Recalling of eligible stocks* - When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Sub-Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

*Clearing and settlement risk* - The HKSCC and ChinaClear will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

*Participation in corporate actions and shareholders' meetings* - The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities. Hong Kong and overseas investors (including the Sub-Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities may be as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities traded via the Stock Connect through their brokers or custodians. According to existing mainland China practice, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities.

*No Protection by Investor Compensation Fund* - Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations.

As disclosed in the section under the heading "**Shanghai-Hong Kong Stock Connect**", the Sub-Fund's investments through Northbound trading under the Stock Connect is not covered by the Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund. Therefore, the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the programme.

*Regulatory risk* - The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Sub-Fund, which may invest in the PRC markets through the Stock Connect, may be adversely affected as a result of such changes.

#### ***Liquidity risk of investing in China A-Shares and China B-Shares***

China A-Shares and China B-Shares may be subject to trading bands which restrict increases and decreases in the trading price. The Sub-Fund when investing through the Stock Connect will be prevented from trading China A-Shares once they hit the "trading band limit". If this happens on a particular trading day, the Sub-Fund may be unable to trade China A-Shares. When the Manager trades China B-Shares for the account of the Sub-Fund, the Manager may also be unable to trade China B-Shares due to the "trading bank limit". As a result, the liquidity of the China A-Shares and China B-Shares may be adversely affected which in turn may affect the value of the Sub-Funds' investments.

#### ***Risk of investing in other collective investment schemes***

The Sub-Fund may invest in other collective investment schemes. In addition to the fees and expenses charged by the Sub-Fund, investors should note that there are additional fees involved when investing in these underlying collective investment schemes, including fees and expenses charged by the investment managers of these underlying collective investment schemes as well as fees payable by the Sub-Fund during its subscription to and redemption from these underlying collective investment schemes. Furthermore, there can be no assurance that the liquidity of these underlying collective investment schemes will always be sufficient to meet redemption request as and when made. Besides, investment decisions of these underlying collective investment schemes will be made independently of the Manager. There is no assurance that the investment objective and strategy of these underlying collective investment schemes will be achieved despite the selection and monitoring process undertaken by the Manager. If the Sub-Fund invests in other collective investment schemes managed by the Manager

or its connected persons, all initial charges on these underlying collective investment schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these underlying collective investment schemes. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.”

9. The last paragraph of the section headed “**Specific Risk Factors**” on page 60 of the Explanatory Memorandum is deleted in its entirety and replaced with the following:-

“However, investors should also refer to the relevant risks under the section headed “Risk Factors” in the main part of the Explanatory Memorandum, including but not limited to “Market Risk”, “Concentration Risk”, “China market risk”, “Restricted market risk”, “Emerging market risk”, “Interest rate risk”, “Risk relating to credit rating”, “Downgrading risk”, “Credit risk”, “Counterparty risk”, “Sovereign risk”, “Valuation risk”, etc.

10. The section headed “**PRC Tax Provisions**” in “**Appendix II – CUAM China-Hong Kong Strategy Fund**” on page 61 and as amended by the Sixth Addendum dated 14 August 2014 is deleted in its entirety and replaced with the following:-

#### **“PRC Tax Provisions**

As set out above, the Sub-Fund may invest up to 30% of its net assets in China A-Shares and China B-Shares. For further details relating to PRC taxes and the associated risks in relation to such investments in the PRC, please refer to the risk factor headed “**PRC tax consideration**” under the “**Risk Factors**” section.

After seeking independent professional tax advice, it is noted that there are uncertainties as to whether PRC withholding income tax (“**WIT**”) will be imposed on capital gains derived from trading of China B-Shares. In practice, the PRC tax authorities have not enforced collection of WIT on capital gains derived by non-tax residents from trading of China B-Shares where both the purchase and sales of China B-Shares are conducted via stock exchange. The Manager currently has no intention to make provision in respect of such potential tax liability of the Sub-Fund, as the possibility of the imposition of such tax liability is considered remote. However, this approach may be changed if, in the opinion of the Manager, a provision is warranted. Investors should note that, in the event that actual tax is collected by the State Administration of Taxation (“**SAT**”) and the Sub-Fund is required to make payments reflecting tax liabilities for which no provisions has been made, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the 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.

Given that the Sub-Fund may invest in China A-Shares after 17 November 2014 through either RQFII or the Stock Connect, the Sub-Fund is temporarily exempt from PRC WIT on the capital gains according to Circulars 79 and 81, no PRC tax provision will be made in this regard.

The tax exemption granted under Circular 79 and 81 is only temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in the PRC which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund’s assets, and will cause the Sub-Fund’s Net Asset Value to be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.”

China Universal Asset Management (Hong Kong) Company Limited

匯添富資產管理（香港）有限公司

6 March 2015