CHINA UNIVERSAL INTERNATIONAL SERIES (the "Fund")

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional financial advice. Investment involves risk. Please refer to the Explanatory Memorandum of the Fund and the Key Fact Statement of each Sub-Fund for further details including the risk factors.

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 misleading.

Capitalised terms used herein shall bear the same meanings as capitalised terms used in the Explanatory Memorandum for the Fund dated October 2015 (the "Explanatory Memorandum").

Dear Investor,

Change in PRC tax provisioning policy of the CUAM RMB Bond*plus* Fund (the "Sub-Fund")

We are writing to inform you of a change in the PRC tax provisioning policy of the Sub-Fund with effect from 30 December 2015 (the "**Effective Date**").

<u>PRC withholding tax on interest income</u>

The Sub-Fund invests primarily in RMB denominated debt securities issued and settled within the PRC through the RQFII quota of the Manager (as RQFII holder). As disclosed in the Explanatory Memorandum, 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 (such as the Sub-Fund) that are treated as non-PRC tax residents without an establishment or place of business in the PRC under the PRC Corporate Income Tax Law, PRC withholding income tax ("**WIT**") will be levied on the payment of interest on debt securities issued by PRC tax residents including bonds issued by enterprises established within the PRC. The general PRC WIT rate applicable is 10%. On the other hand, interest 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 WIT. The issuers are required to withhold the WIT on bond interest (if it is taxable). If the WIT is not withheld at sourced, the Sub-Fund would need to pay the WIT on its own.

Currently, having regard to prevailing market practice, no tax provision for PRC WIT in respect of the Sub-Fund had been made for the interest income derived from PRC debt securities issued by the policy banks in the PRC, namely, Agricultural Development Bank of China, China Development Bank and The Export-Import Bank of China (the "**Policy Bank Bonds**").

<u>Change in PRC tax provisioning policy</u>

The Manager has recently reviewed the PRC tax provisioning policy in respect of the interest income derived from the Policy Bank Bonds. Having taken independent professional tax advice and consulted BOCI-Prudential Trustee Limited, the Trustee of the Fund and the Sub-Fund, and having considered the disclosures in the Explanatory Memorandum and the provisions of the Trust Deed of the Fund and the Sub-Fund, the Manager has decided to make a 10% provision for PRC WIT on interest income derived from Policy Bank Bonds with effect from the Effective Date and considers that it is in the best interest of the Sub-Fund to make such provisions. The

Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion provides a preferential WIT rate of 7% for the interest income derived by a Hong Kong tax resident if the Hong Kong tax resident is the beneficial owner of the interest income (the "treaty benefit"). Since it is still uncertain how the tax bureau would assess the beneficial ownership status of the interest income received by an investment fund, the Manager will make 10% WIT provision for the interest income derived from onshore PRC bonds unless otherwise exempted / reduced.

The Trustee has confirmed that it has no objection to the above change in the PRC tax provisioning policy applicable to the Sub-Fund.

Impact of the change in PRC tax provisioning policy

The above change in the PRC tax provisioning policy will result in an increase of the Sub-Fund's PRC WIT provision made on the interest income derived from Policy Bank Bonds, which will have a negative effect on the Net Asset Value of the Sub-Fund. The Net Asset Value of the Sub-Fund will reflect the change in the PRC tax provisioning policy starting from the Effective Date.

For the purpose of illustration, as at 29 December 2015, a 10% PRC WIT provision for the interest income derived from Policy Bank Bonds invested by the Sub-Fund will be RMB 252,656.55, which would amount to 0.21% of the Net Asset Value of the Sub-Fund. The calculation has been agreed by the Trustee.

Apart from the change in PRC tax provisioning policy as mentioned above, there is no change in the investment objective and policy, operations and fee levels of the Sub-Fund.

Risk factors

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 uncertainties, investors should note that the level of provision may be inadequate to meet actual PRC tax liabilities on investments (including the Policy Bank Bonds) 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.

You should seek your own tax advice on your tax position with regard to your investment in the Sub-Fund in case of any doubt.

If you have any questions or require further information about the change in PRC tax provisioning policy as mentioned above, please contact the Manager at Room 3710-3711, 37/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or by telephone at (852) 3983 5600.

Yours faithfully,

China Universal Asset Management (Hong Kong) Company Limited
匯添富資產管理（香港）有限公司
30 December 2015