

CHINA UNIVERSAL INTERNATIONAL SERIES (the “Fund”)

**CUAM China-Hong Kong Strategy Fund
CUAM Hong Kong Dollar Bond Fund
CUAM RMB Bond*plus* Fund
CUAM Select US Dollar Bond Fund
(each a “Sub-Fund”, together, the “Sub-Funds”)**

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 Sub-Funds and the Product Key Facts Statement of each Sub-Fund for further details including the risk factors.

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 misleading.

Capitalised terms used herein shall bear the same meanings as capitalised terms used in the Explanatory Memorandum for the Fund and the Sub-Funds dated December 2017 (the “Explanatory Memorandum”).

Dear Investor,

We are writing to inform you of the following matters in relation to the Fund and the Sub-Funds:

A. Change in PRC tax provisioning of CUAM RMB Bond*plus* Fund

On 23 March 2016, the Ministry of Finance of the PRC (the “**MOF**”) and the State Administration of Taxation of the PRC (the “**SAT**”) jointly issued Caishui [2016] No.36 (the “**Notice 36**”) announcing that the Value-Added Tax (“**VAT**”) reform coming into effect on 1 May 2016. The Notice 36 provides that from 1 May 2016 VAT has replaced PRC Business Tax (“**BT**”) to cover all sectors that used to fall under the PRC BT.

Pursuant to Notice 36, interest income received from investment in PRC debt securities shall be subject to 6% VAT unless special exemption applies, for example, deposit interest income is not subject to VAT, and interest income earned on PRC government bonds issued by the MOF, or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council (“**PRC Government Bonds**”) is exempted from VAT. The prevailing VAT regulations do not specifically exempt VAT on interest income from investment in PRC debt securities received by QFIIs, RQFIIs and qualified foreign financial institutions for directly investing in China Inter-bank Bond Market or via Bond Connect (“**CIBM investor**”). After seeking independent professional tax advice, the VAT reform is subject to further clarification by the SAT and/or the MOF, and there is uncertainty on the implementation of the VAT regime on the Fund and/or Sub-Funds. In the absence of any specific VAT exemption on the interest income granted to QFIIs, RQFIIs, and CIBM investor under the prevailing tax regulations, interest income received by QFIIs, RQFIIs and CIBM

investors from investments in PRC debt securities shall be subject to 6% VAT unless special exemption applies.

Where VAT is applicable, there are also other local surtaxes imposed based on the VAT liabilities, including 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%) .

In light of the above, the Manager has reviewed the current PRC tax provisioning policy of this Sub-Fund. Having taken and considered independent professional tax advice and acting in accordance with such advice, the Manager has determined to make a provision in an amount equal to the total of (i) for VAT, 6% of the interest income derived from PRC debt securities (except PRC Government Bonds) received/receivable by this Sub-Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i) from 1 May 2016 onwards.

In light of the aforesaid, on 8 December 2017, the Manager having taken and considered independent professional tax advice and acting in accordance with such advice, has made a VAT provision at 6% of the interest income (except PRC Government Bonds) derived from PRC debt securities received/receivable by this Sub-Fund from 1 May 2016. Local surtaxes provision at 12% of the VAT liabilities has also been made. The amount of these provisions is RMB212,101.42. The BOCI-Prudential Trustee Limited, the Trustee of this Sub-Fund, has no objection to the provisions.

As stated in the Explanatory Memorandum, there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. Investors should note that the level of provision may be excessive or inadequate to meet the actual PRC tax liabilities on investments made by this Sub-Fund. Any shortfall between the provision and the actual tax liabilities, which will be debited from this Sub-Fund's assets, will adversely affect this Sub-Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the final tax liabilities, the level of provision and the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

Unitholders should seek their own tax advice on their tax position with regard to their investments in this Sub-Fund.

B. Cap on ongoing charges with respect to CUAM RMB Bond*plus* Fund

The ongoing charges figure over a year of the relevant class of Units of this Sub-Fund represents the ongoing expenses chargeable to the relevant class of Units of this Sub-Fund expressed as a percentage of the average Net Asset Value of the relevant class of Units of this Sub-Fund over the same period.

The ongoing charges figures of Class A and Class I of this Sub-Fund for the year ended 31 December 2016 were 3.11% and 2.27% respectively. The relatively high ongoing charges of Class A of this Sub-Fund for the year ended 31 December 2016 were due to various factors and in particular the small fund size of the class.

With effect from 8 December 2017, certain ongoing charges of this Sub-Fund will be borne by the Manager and it will not be charged to this Sub-Fund, and the ongoing charges in respect of each class of Units of this Sub-Fund will be capped at 3% of the average Net Asset Value of the relevant class of Units of this Sub-Fund. This capped

figure will be reviewed annually, and if this capped figure is lowered, investors will be notified as soon as practicable. If this capped figure is increased or if the cap is removed (subject to the SFC's prior approval), the Manager will give no less than one month's prior notice (or such other notice as may be approved by the SFC) to Unitholders.

The Manager believes that the implementation of the cap is in the best interests of Unitholders. The implementation will not materially prejudice the existing investors' rights or interests and there will not be any material changes or increase in the overall risk profile of the Sub-Fund following the implementation.

C. Fees waiver provided by the Manager with respect to CUAM RMB Bondplus Fund

With respect to CUAM RMB Bondplus Fund, the Manager has decided that it may at its discretion to bear certain charges, fees and expenses which are attributable to this Sub-Fund, until a further date as notified by the Manager. For the avoidance of doubt, the portion of the charges, fees and expenses attributable to this Sub-Fund to be borne by the Manager may vary from year to year at the discretion of the Manager. This Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee) which have not been borne by the Manager.

At least one month notice will be given to Unitholders before the Manager ceases to provide such fee waiver.

D. Other amendments

The disclosures on the risk factor "Risk relating to credit rating" and PRC tax considerations in the Explanatory Memorandum have also been updated.

The Explanatory Memorandum and the Product Key Facts Statement of CUAM RMB Bondplus Fund have been updated and are available on the Manager's website (www.99fund.com.hk).¹

If you have any questions or require further information about the scheme changes, 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
11 December 2017

¹ This website has not been reviewed by the SFC.