

**ChinaAMC Select Fund
(the “Fund”)**

**ChinaAMC Select RMB Bond Fund
(the “RMB Bond Fund”)**

**ChinaAMC Select RMB Short-term Bond Fund
(the “RMB Short-term Bond Fund”)**

NOTICE TO UNITHOLDERS

This notice is important and requires your immediate attention. It contains information regarding changes to the Explanatory Memorandum of the Fund dated February 2014 in respect of the RMB Bond Fund and the RMB Short-term Bond Fund, as amended from time to time (the “Explanatory Memorandum”). If you are in any doubt about the content of this notice, you should seek independent professional financial advice and/or legal advice.

All capitalized terms herein contained shall have the same meaning in this notice as in the Explanatory Memorandum. China Asset Management (Hong Kong) Limited 華夏基金(香港)有限公司, the manager of the Fund (the “Manager”), accepts full responsibility for the accuracy of the information contained in this notice at the date of publication.

Date: April 11, 2014

Dear Unitholder,

We are writing to inform you of the following changes concerning the RMB Bond Fund:

1. Change of Investment Objective and Clarifications to Investment Strategy of the RMB Bond Fund

With immediate effect, the investment objective of the RMB Bond Fund is amended.

The RMB Bond Fund will focus its investments on PRC RMB Fixed Income Securities and increase its investments on PRC RMB Fixed Income Securities from 80% to 100% of its net assets. Appendix A of the Explanatory Memorandum will be revised by way of an addendum to the Explanatory Memorandum (the “Second Addendum”) to reflect this change as underlined below:

<u>Current Investment Objective</u>	<u>Investment Objective upon amendment</u>
<p>The Sub-Fund seeks to achieve capital appreciation and income generation by primarily (i.e. not less than 80% of its net assets) investing in PRC RMB Fixed Income Securities.</p> <p>The Sub-Fund currently does not intend to invest in RMB denominated debt instruments issued outside the PRC, the Sub-Fund will seek the prior approval of the SFC and provide at least one month's prior written notice to Unitholders before investing in these instruments.</p> <p>These PRC RMB Fixed Income Securities will be issued by the PRC Government or quasi-government organizations, as well as, corporations that carry a credit rating grade of at least BBB-/Baa3 or equivalent (“Investment Grade”) assigned by one of the local rating agencies recognized by the relevant authorities in the PRC.</p> <p>In addition to the PRC RMB Fixed Income Securities, the Sub-Fund may invest up to 20% of its assets in RMB denominated equities listed on the Shanghai or Shenzhen Stock Exchanges (A-Shares) and equity funds approved by the CSRC and offered to the public in the PRC, to enhance portfolio return.</p> <p>The Sub-Fund will be actively managed by the Manager and will seek to rely on the professional judgment of the Manager in making decisions about the Sub-Fund's portfolio investments.</p> <p>The Sub-Fund may also invest in cash or bank deposit to manage liquidity management and to diversify portfolio risk.</p> <p>The Sub-Fund will not invest in any derivatives for hedging or non-hedging purposes, and it will not invest in</p>	<p>The Sub-Fund seeks to achieve capital appreciation and income generation by principally <u>(i.e. up to 100% of its net assets)</u> investing in PRC RMB Fixed Income Securities.</p> <p>The Sub-Fund currently does not intend to invest in RMB denominated debt instruments issued outside the PRC, the Sub-Fund will seek the prior approval of the SFC and provide at least one month's prior written notice to Unitholders before investing in these instruments.</p> <p>The PRC RMB Debt Securities that the Sub-Fund may invest in will be issued by <u>(a) the PRC government, local governments, quasi-government organizations including policy banks or local government financing vehicles; and/or (b) corporations, provided that either the PRC RMB Debt Securities themselves or the issuers of such PRC RMB Debt Securities carry a credit rating grade of at least BBB- assigned by one of the local rating agencies recognized by the relevant authorities in the PRC or a credit rating grade of at least BBB-/Baa3 assigned by an internationally recognized credit rating agency. Before investing in a PRC RMB Debt Security, the Manager will first consider the credit rating of such PRC RMB Debt Security and if such PRC RMB Debt Security is not rated, the Manager will consider the credit rating of the issuer of such PRC RMB Debt Security, which will be deemed as its credit rating. In the event that the credit ratings of the PRC RMB Debt Securities are downgraded to below BBB- (in the case of being assigned by one of the local rating agencies recognized by the relevant authorities in the PRC) or below BBB-/Baa3 (in the case of being assigned by an internationally recognized credit rating agency), the Manager will, having regard to the interests of the Unitholders, seek to</u></p>

structured deposits or structured products.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.

dispose of all such downgraded PRC RMB Debt Securities gradually within a reasonable period of time in light of the prevailing market conditions.

The Sub-Fund will not invest in bonds with credit ratings below BBB- assigned by one of the local rating agencies recognized by the relevant authorities in the PRC or below BBB-/Baa3 assigned by an internationally recognized credit rating agency. Nor will the Sub-Fund invest in unrated securities (i.e. securities which neither themselves or their issuer has a credit rating).

The Sub-Fund may invest up to 100% of its Net Asset Value in urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles ("LGFVs") and traded on the exchange market and interbank bond market in the PRC). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

Investment in investment funds including fixed income funds which are approved by CSRC and offered to the public in the PRC will not exceed 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund will be actively managed by the Manager and will seek to rely on the professional judgment of the Manager in making decisions about the Sub-Fund's portfolio investments.

The Sub-Fund will not invest in any derivatives for hedging or non-hedging purposes, and it will not invest in structured deposits, structured products or asset backed securities (including asset backed commercial papers).

	<p>The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month’s prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.</p>
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The term “PRC RMB Debt Securities” referred to in the investment objective upon amendment means RMB denominated fixed income instruments, including bonds, issued or distributed within the PRC which (a) are denominated and settled in RMB and (b) are traded on the interbank bond market or are traded or transferred on the exchange market in the PRC. The term “PRC RMB Fixed Income Securities” means PRC RMB Debt Securities and fixed income funds (including money market funds) approved by the China Securities Regulatory Commission (“CSRC”) and offered to the public in the PRC.

Other ancillary changes to Appendix A of the Explanatory Memorandum including enhancement of the associated risk disclosures will be made as a result of the change of investment objective mentioned above. Appendix A of the Explanatory Memorandum will be amended to reflect such changes by way of the Second Addendum.

2. Change of Distribution Policy of the RMB Bond Fund and its Associated Risk

With effect from May 11, 2014 (the “**Effective Date**”), the distribution policy of the RMB Bond Fund will be amended as follows:

<u>Current Distribution Policy</u>	<u>Distribution Policy upon amendment</u>
<p>Income of the Sub-Fund will be distributed to Unitholders in any amounts the Manager may determine for each Accounting Period, after deducting the relevant expenses. Save for Class I-ACC-RMB Units, Class I-ACC-HKD Units and Class I-ACC-USD Units, the Manager currently intends to distribute income earned by the Sub-Fund semi-annually (i.e. June and December each year) in the currency of the relevant classes. However there is no guarantee of regular distribution and (if distribution is made) the amount being distributed. It is the current intention of the Manager that</p>	<p>Save for Class I-ACC-RMB Units, Class I-ACC-HKD Units and Class I-ACC-USD Units, the Manager currently intends to make distributions on at least a semi-annually basis (i.e. June and December each year). However, there is no guarantee of regular distribution and (if distribution is made) the amount being distributed.</p> <p>The Manager may at its discretion pay distributions out of the capital of the Sub-Fund or pay distributions out of gross income while charging / paying all or part of the Sub-Fund’s fees and expenses to /</p>

<p>only the net income (the income net of expenses and net realised loss, if any) and net realised gains may be distributed.</p> <p>No distributions will be made in respect of Class I-ACC-RMB Units, Class I-ACC-HKD Units and Class I-ACC-USD Units as all interest and other income earned on the investment will be accumulated and re-invested into such Classes of accumulating Units.</p> <p>No distribution will be paid out of the capital of the Sub-Fund. Declaring and/or paying dividends may lower than Net Asset Value of the Sub-Fund.</p>	<p>out of the capital of the Sub-Fund. Where distributions are paid out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital.</p> <p>Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager's website (www.chinaamc.com.hk). Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set under the section headed "Risks associated with distributions out of capital" under the section headed "Risk Factors" in this Appendix A. The Manager may amend the distribution policy subject to SFC's prior approval and by giving not less than one month's prior notice to Unitholders.</p> <p>For the avoidance of doubt, no distributions will be made in respect of Class I-ACC-RMB Units, Class I-ACC-HKD Units and Class I-ACC-USD Units as all interest and other income earned on the investment will be accumulated and re-invested into the Sub-Fund on behalf of Unitholders of such Classes of accumulating Units.</p>
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Please note the following risk applicable to such change in the distribution policy:

The Manager may at its discretion make distributions out of capital in respect of classes of the RMB Bond Fund which will make distributions. Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of

distributions out of the RMB Bond Fund’s capital or (as the case may be) payment of distributions effectively out of the RMB Bond Fund’s capital may result in an immediate reduction of the Net Asset Value per Unit.

Appendix A of the Explanatory Memorandum will be amended to reflect such change in distribution policy and the applicable risk factors in respect of the RMB Bond Fund by way of the Second Addendum.

3. Clarifications to Investment Strategy of the RMB Short-term Bond Fund

With immediate effect, the investment objective of the RMB Short-term Bond Fund is amended to clarify its existing investment strategy. Appendix B of the Explanatory Memorandum will be revised by way of the Second Addendum to reflect the clarification as underlined below:

<u>Current Investment Objective</u>	<u>Investment Objective upon amendment</u>
<p>The Sub-Fund seeks to achieve capital appreciation and income generation by primarily (i.e. not less than 90% of its net assets) investing in PRC RMB Fixed Income Securities and the average residual maturity of the Sub-Fund will be less than one year.</p>	<p>The Sub-Fund seeks to achieve capital appreciation and income generation by primarily (i.e. not less than 90% of its net assets) investing in PRC RMB Fixed Income Securities and the average residual maturity of the Sub-Fund will be less than one year.</p>
<p>The Sub-Fund currently does not intend to invest in RMB denominated debt instruments issued outside the PRC. The Sub-Fund will seek the prior approval of the SFC and provide at least one month’s prior written notice to Unitholders before investing in these instruments.</p>	<p>The Sub-Fund currently does not intend to invest in RMB denominated debt instruments issued outside the PRC. The Sub-Fund will seek the prior approval of the SFC and provide at least one month’s prior written notice to Unitholders before investing in these instruments.</p>
<p>These PRC RMB Debt Securities will be issued by the PRC Government or quasi-government organizations, as well as, corporations that carry a credit rating grade of at least AA- or equivalent (“Investment Grade”) assigned by one of the local rating agencies recognized by the relevant authorities in the PRC. The investments in PRC RMB Debt Securities will be subject to a residual maturity of not more than three years.</p>	<p>The PRC RMB Debt Securities that the Sub-Fund may invest in will be issued by <u>(a) the PRC Government or quasi-government organizations including policy banks or local government financing vehicles; and/or (b) corporations, provided that either the PRC RMB Debt Securities themselves or the issuers of such PRC RMB Debt Securities carry a credit rating grade of at least AA- assigned by one of the local rating agencies recognized by the relevant authorities in the PRC or a credit rating grade of at least AA-/Aa3 assigned by an internationally recognized credit rating agency. Before investing in a PRC RMB</u></p>
<p>In addition to the PRC RMB Fixed Income Securities, the Sub-Fund may invest up to 10% of its assets in cash or cash equivalents.</p>	<p><u>In addition to the PRC RMB Fixed Income Securities, the Sub-Fund may invest up to 10% of its assets in cash or cash equivalents.</u></p>

The Sub-Fund may also invest in cash or bank deposit to manage liquidity management and to diversify portfolio risk.

It is the current intention of the Manager that the Sub-Fund will not invest in RMB denominated equities listed on the Shanghai or Shenzhen Stock Exchanges (A-Shares) and equity funds approved by the CSRC and offered to the public in the PRC.

The Sub-Fund will not invest in any derivatives for hedging or non-hedging purposes, and it will not invest in structured deposits or structured products.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.

Debt Security, the Manager will first consider the credit rating of such PRC RMB Debt Security and if such PRC RMB Debt Security is not rated, the Manager will consider the credit rating of the issuer of such PRC RMB Debt Security, which will be deemed as its credit rating. In the event that the credit ratings of the PRC RMB Debt Securities are downgraded to below AA- (in the case of being assigned by one of the local rating agencies recognized by the relevant authorities in the PRC) or below AA-/Aa3 (in the case of being assigned by an internationally recognized credit rating agency), the Manager will, having regard to the interests of the Unitholders, seek to dispose of all such downgraded PRC RMB Debt Securities gradually within a reasonable period of time in light of the prevailing market conditions.

The Sub-Fund will not invest in bonds with credit ratings below AA- assigned by one of the local rating agencies recognized by the relevant authorities in the PRC or below AA-/Aa3 assigned by an internationally recognized credit rating agency. Nor will the Sub-Fund invest in unrated securities (i.e. securities which neither themselves nor their issuers have a credit rating).

The Sub-Fund will not invest more than 20% of its Net Asset Value in urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles ("LGFVs") and traded on the exchange market and interbank bond market in the PRC). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

The investments in PRC RMB Debt Securities will be subject to a residual maturity of not more than three years.

	<p><u>Investment in investment funds including fixed income funds which are approved by CSRC and offered to the public in the PRC will not exceed 10% of the Net Asset Value of the Sub-Fund.</u></p> <p>In addition to the PRC RMB Fixed Income Securities, the Sub-Fund may invest up to 10% of its assets in cash or cash equivalents.</p> <p>It is the current intention of the Manager that the Sub-Fund will not invest in RMB denominated equities listed on the Shanghai or Shenzhen Stock Exchanges (A-Shares) and equity funds approved by the CSRC and offered to the public in the PRC.</p> <p>The Sub-Fund will not invest in any derivatives for hedging or non-hedging purposes, and it will not invest in structured deposits, <u>structured products or asset backed securities (including asset backed commercial papers).</u></p> <p>The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.</p>
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The term "PRC RMB Debt Securities" referred to in the investment objective upon amendment means RMB denominated fixed income instruments, including bonds, issued or distributed within the PRC which (a) are denominated and settled in RMB and (b) are traded on the interbank bond market or are traded or transferred on the exchange market in the PRC. The term "PRC RMB Fixed Income Securities" means PRC RMB Debt Securities and fixed income funds (including money market funds) approved by the CSRC and offered to the public in the PRC.

Other ancillary changes to Appendix B of the Explanatory Memorandum including enhancement of the associated risk disclosures will be made as a result of the clarification of investment objective mentioned above. Appendix B of the Explanatory Memorandum will be amended to reflect such changes by way of the Second Addendum.

4. Miscellaneous Amendments in respect of the RMB Short-term Bond Fund

With immediate effect, the current disclosures on subsequent subscription details for the RMB Short-term Bond Fund in Appendix B of the Explanatory Memorandum are clarified by incorporating references to the minimum subsequent subscription amount. Appendix B of the Explanatory Memorandum will be amended to reflect such changes by way of the Second Addendum.

The Explanatory Memorandum (by way of the Second Addendum) and the revised Product Key Facts Statement will be amended to reflect to foregoing changes, both of which will be published on the Manager's website at www.chinaamc.com.hk as soon as practicable.

Investors who have any enquiries regarding the above may contact the Manager at 37/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong or our enquiry hotline at (852) 3406 8686 during office hours.

Yours faithfully,

China Asset Management (Hong Kong) Limited
華夏基金(香港)有限公司