

New Era PRC Fund (the “Fund”)

NOTICE TO UNITHOLDERS

Date: 5 September 2014

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should seek advice from your investment consultant, tax adviser and/or legal adviser as appropriate.

Unless otherwise defined herein, all capitalised terms used herein shall bear the same meaning as capitalised terms used in the latest Explanatory Memorandum of the Fund dated 2 January 2007, as may be amended from time to time (the “Explanatory Memorandum”).

The Manager of the Fund accepts responsibility for the accuracy of the information contained in this document. To the best of the knowledge and belief of the Manager (who has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Dear Unitholder,

RE: NOTIFICATION OF AMENDMENTS TO THE FUND

We wish to notify you of the following principal changes to the Fund. Unless otherwise stated below, the changes noted below shall take effect from 7 October 2014 (the “Effective Date”).

1. Change of the Name of the Fund

As of the Effective Date, the name of the Fund will be changed to “First State New Era PRC Fund”. The Trust Deed will be revised to reflect the name change.

2. Change of Investment Objective and Policy

The investment objective and policy of the Fund will be revised as follows:-

Current Investment Objective and Policy	Revised Investment Objective and Policy
The investment objective of the New Era PRC Fund is to provide investors with capital growth over the medium to long term primarily by investing in Hong Kong listed Red Chips and H Shares, and securities listed on the stock markets of the PRC which are available to foreign investors. The Fund may also invest in securities of companies whose business is connected with the economy of the PRC which are listed on any other stock markets or traded in any other financial markets (or which the Manager expects to be listed on a stock market within a reasonable period after the acquisition	The First State New Era PRC Fund aims to achieve long term capital appreciation. The Fund aims to invest fully in equity and equity related securities issued by companies, with no restriction on company size, with either assets in, or revenues derived from, the PRC that are listed, traded or dealt in on stock exchanges and markets in the PRC, Hong Kong, Taiwan, the United States or in a member state of the OECD. The Fund may also hold cash (up to 10% of its total net asset value) for liquidity purposes. The Fund may also invest in securities of companies whose business is

<p>of such securities) where the Manager considers such investment appropriate.</p> <p>The Fund may also invest in the China A share market through the equity linked notes issued by institutions which have obtained the QFII status in China. The Fund may not invest more than 15 per cent. of its net assets in aggregate in warrants or equity linked notes.</p>	<p>connected with the economy of the PRC which are listed on any other stock markets or traded in any other financial markets (or which the Manager expects to be listed on a stock market within a reasonable period after the acquisition of such securities) where the Manager considers such investment appropriate. For the avoidance of doubt, the Fund will not invest in debt securities.</p> <p>The Fund may invest in China A Shares indirectly through equity linked or participation notes issued by institutions that have obtained the Qualified Foreign Institutional Investor (“QFII”) status or through investing in open-ended collective investment schemes that invest in China A Shares. The Fund may also invest directly in China B Shares through the PRC stock exchanges. It is expected that the Fund’s maximum exposure to China A Shares and China B Shares in aggregate will not exceed 25 per cent. of the Fund's net assets. For the avoidance of doubt, the Fund’s investment in participation notes will not exceed 15% of its total net asset value.</p> <p>The Fund does not currently enter into any stock lending, repo or similar over-the-counter transactions.</p> <p>Except for the use of equity linked or participation notes noted above (which the Manager classifies as access products), any use of financial derivative instruments by the Fund will be limited to hedging purposes.</p>
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Upon the change in investment objective and policy, the Fund will aim to achieve long term capital appreciation and the primary investment of the Fund will be broadened to include securities issued by companies with either assets in, or revenues derived from, the PRC that are listed, traded or dealt in on stock exchanges and markets in the PRC, Hong Kong, Taiwan, the United States or in a member state of the OECD.

In addition to equity linked or participation notes, the Fund may also gain access to China A Shares by investing in open-ended collective investment schemes that have obtained access to China A Shares. It will also be clarified that the Fund’s maximum exposure to China A Shares and China B Shares in aggregate will not exceed 25 per cent. of the Fund's net assets.

The Fund will continue to be subject to key risks such as China market risk, QFII / equity linked note risk, single country risk and liquidity risk after the change in investment objective and policy.

The above amendments are proposed to align the way in which the Fund’s investment objective and policy are presented with that of other similar products of the Manager. There will be no material change in the way the Fund is managed or the overall risk profile of the Fund.

3. Increase of Initial Charge

As of the Effective Date, the maximum rate of initial charge will be increased from 2% of the Issue Price per Unit to up to 5% of the subscription amount. The Trust Deed (clause 4.5) will be revised to reflect the higher maximum initial charge and the basis on which it may be charged. These changes will not affect existing holdings but will apply to new subscriptions.

4. Pricing Policy

Currently, the Issue Price and Realisation Price of Units on a Dealing Day are calculated by dividing the Net Asset Value of the Fund by the number of Units in issue on the relevant Dealing Day. The Issue Price and Realisation Price may be adjusted by the Manager by adding to the Issue Price, and by deducting from the Realisation Price, an amount which it considers to be an appropriate allowance to reflect the spread between the bid and offer prices of investments and the duties, charges and brokerage expenses which would be incurred if the investments of the Fund were to be acquired (when calculating the Issue Price) or sold (when calculating the Realisation Price) at the values attributed to them (the “**Transaction Costs**”).

As of the Effective Date, the Issue Price and Realisation Price of Units of a class on a Dealing Day will be equal to the Net Asset Value per Unit of the relevant class on the relevant Dealing Day. The Transaction Costs will no longer be incorporated in the Issue Price and Realisation Price by way of adjustment by the Manager. Instead, the Transaction Costs will be covered under a separate charge called the Anti-Dilution Adjustment. Details of the Anti-Dilution Adjustment are set out in the following section. This update, and any Anti-Dilution Adjustment, will be reflected in Schedule 1 of the Trust Deed (Valuation Rules).

5. Anti-Dilution Adjustment

As of the Effective Date, an Anti-Dilution Adjustment may be charged to any class of the Fund when there are net subscriptions into or net redemptions from the Fund on any Dealing Day.

In general, an Anti-Dilution Adjustment may be payable by persons who subscribe for Units from time to time as determined by the Manager (which Anti-Dilution Adjustment shall not exceed 2% of the subscription monies obtained on the Dealing Day on which the subscription is effected). If there are net subscriptions for Units on a Dealing Day, then the Manager may have to purchase investments for the Fund and in doing so the Fund will incur dealing costs. An Anti-Dilution Adjustment reduces the effect of these costs by increasing the Net Asset Value per Unit to investors in these circumstances to cover those dealing costs. Any Anti-Dilution Adjustment applicable will be included in the Issue Price on any day on which the Fund receives net subscriptions. The amount of the Anti-Dilution Adjustment is paid into the Fund for the protection of continuing Unitholders in the Fund. The Anti-Dilution Adjustment is not applied for the benefit of the Manager. The Anti-Dilution Adjustment will be applied in respect of the Fund. The decision on whether or not to make an Anti-Dilution Adjustment, and the level of adjustment to make in particular circumstances or generally, will be made in line with the Fund’s policy on anti-dilution. The price of each Class of Unit in the Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Units of each Class identically. Further information on how Anti-Dilution Adjustment is applied can be obtained on request from the Manager.

An Anti-Dilution Adjustment may be payable by the persons who redeem their Units from time to time as determined by the Manager (which Anti-Dilution Adjustment shall not exceed 2% of the redemption monies obtained on the Dealing Day on which the redemptions are effected). If there are net redemptions of Units on a Dealing Day, then the Manager may have to sell investments in the Fund and in doing so the Fund will incur dealing costs. An Anti-Dilution Adjustment reduces the effect of these costs by decreasing the Net Asset Value per Unit to investors in these circumstances to cover those dealing costs. Any Anti-Dilution Adjustment applicable will be included in the Realisation Price on any day on which the Fund incurs net redemptions. The amount of the Anti-

Dilution Adjustment is paid into the Fund for the protection of continuing Unitholders in the Fund. The Anti-Dilution Adjustment is not applied for the benefit of the Manager. The Anti-Dilution Adjustment will be applied in respect the Fund. The decision on whether or not to make an Anti-Dilution Adjustment, and the level of adjustment to make in particular circumstances or generally, will be made in line with the Fund’s policy on anti-dilution. The price of each Class of Unit in the Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Units of each Class identically. Further information on how Anti-Dilution Adjustment is applied can be obtained on request from the Manager.

6. Offering of New Unit Classes and Name Change of the Existing Unit Class

The Fund will issue the following new Unit classes for investment by investors:-

	Class I	Class I (Hong Kong Dollar)	Class III
Currency of denomination	US\$	HK\$	US\$
Distribution policy	Accumulation	Accumulation	Accumulation
Initial charge	Up to 5.0%	Up to 5.0%	Up to 5.0%
Management fee per annum of the Net Asset Value of the Class	2.0%	2.0%	1%
Minimum initial investment (Inclusive of any initial charge)	US\$1,500	HK\$12,000	US\$500,000
Minimum subsequent investment (Inclusive of any initial charge)	US\$1,000	HK\$8,000	N/A
Minimum holding	US\$1,500	HK\$12,000	US\$500,000

Class I Units are not restricted to institutional investors and will be open to subscription by retail investors in Hong Kong following the revocation of a previous authorisation condition limiting the offer of the Fund to institutional investors. Class III Units are restricted to institutional investors and will not be open to subscription by retail investors in Hong Kong. The Fund has been delisted from The Hong Kong Stock Exchange and is no longer traded on The Hong Kong Stock Exchange. In addition, the new classes will not be listed on The Hong Kong Stock Exchange. It is not expected that the issuance of the new Unit classes will have any adverse impact on the rights or interests of existing Unitholders. To distinguish the existing Unit class from the new classes, the existing Units of the Fund will be referred to as “Class II” Units. For the avoidance of doubt, these “Class II” Units have never been available for subscription by retail investors in Hong Kong.

The Trust Deed will be revised to provide for the issuance of classes of Units with different features and for the operation of the Fund with multiple classes.

7. Compulsory Redemption or Transfer of Units

As of the Effective Date, the Trust Deed (clause 4.15) will be updated so that the Manager may require compulsory redemption (which may be subject to withholdings and/or deductions, as referred to in paragraph 9 below) or transfer of units in the Fund in specified circumstances. In summary, such “compulsory redemption or transfer of units” means that affected Unitholders will be required to redeem (or transfer, as the case may be) their units in the Fund upon the Manager’s request in circumstances:-

- A. which might constitute a breach of the law or governmental authority or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or

- B. which might require the Fund or the Manager to be registered under any law or regulation of any country or territory or cause the Fund to apply for registration or comply with any registration requirements in respect of any of its Units whether in the United States or any other jurisdiction in which it is not currently registered; or
- C. which (or would if other Units were acquired or held in the circumstances), in the opinion of the Manager, might result in the Fund, its Unitholders, the Manager or the Trustee incurring any liability to taxation or suffering any other legal, regulatory, pecuniary or other adverse consequences which it or they might not have otherwise incurred or suffered or which, in the opinion of the Manager, might result in the Manager, the Trustee, the Unitholders or the Fund becoming subject to any law or regulation to which the Manager, the Trustee, the Unitholders or the Fund might not otherwise have become subject: or
- D. where such person is a US Person or is holding the Units for the account or benefit of a US Person (other than pursuant to an exemption available under US federal and state securities laws); or
- E. where such person is resident or otherwise located in Canada. The Fund is not currently qualified for sale, and the Fund or the Manager are neither registered nor exempt from registration as a dealer, adviser or investment fund manager, in any province or territory of Canada. Any investment in Units by or on behalf of a person resident or otherwise located in Canada is prohibited.

In addition, the Trust Deed will be amended so that the provision requiring Unitholders to agree that they will not knowingly sell or otherwise transfer their Units to any US Person will be removed.

8. Circumstances for Suspension of Calculation of Net Asset Value

Under the current Trust Deed (clause 3.3), the Manager may declare a suspension of the determination of the Net Asset Value of the Fund for the whole or any part of any period during which:-

- (i) there is a closure of or the restriction or suspension of trading on any securities market on which a substantial part of the investments of the Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or the Net Asset Value of the Fund or the Net Asset Value per Unit; or
- (ii) for any other reason the prices of investments of the Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (iii) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise the investments of the Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders; or
- (iv) the remittance or repatriation of funds which will or may be involved in the redemption of, or in the payment for, the investments of the Fund or the issue or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

As of the Effective Date, the Trust Deed will be amended such that the determination of the Net Asset Value of the Fund may be suspended only when the circumstances set out in (ii) to (iv) above occur or exist in relation to *a substantial part* of the investments of the Fund. However, and for the avoidance of doubt, the circumstances described in item (i) above remain unchanged.

9. Deduction or Withholding of Payment to Investors

As of the Effective Date, the Trust Deed (clause 17.4) will be revised to permit the Trustee or the Manager (acting in good faith and on reasonable grounds) to make such deductions or withholdings (if any) on any distribution or other payment to Unitholders as they are required or entitled to make by any applicable law of Hong Kong or elsewhere, or by any applicable regulation, or by any agreement with any tax or fiscal authority (whether within or outside Hong Kong) in respect of any income, interest or other taxes, charges or assessments whatsoever.

This change is made for compliance with the fiscal or other obligations (including obligations under the U.S. Foreign Account Tax Compliance Act (“FATCA”)) pertaining to the Fund. Under FATCA, the Trustee and/or the Manager (acting in good faith and on reasonable grounds) on account of the Fund may be required, as permitted by applicable laws and regulations, to withhold parts of certain payments to certain Unitholders as required by local laws, regulations or contractual obligations with the United States (U.S) Inland Revenue Service. Details of the Fund’s tax position will be included in the updated Explanatory Memorandum.

10. Publication of the Net Asset Value per Unit and Suspension Notice

As of the Effective Date, the Net Asset Value per Unit will be published daily in The Standard, the Hong Kong Economic Times, and the website www.firststateinvestments.com*. Any suspension notice of the Fund will also be published on the above newspapers and website in accordance with the Explanatory Memorandum of the Fund.

11. Availability of Audited Accounts and Half-Yearly Unaudited Interim Reports

As of the Effective Date, hardcopies of the audited accounts and half-yearly unaudited interim reports of the Fund will no longer be sent to investors. The Manager will notify Unitholders where the audited accounts (in English) can be obtained (in printed and electronic forms) within four months of the end of each financial year, and where the half-yearly unaudited interim reports (in English) made up to the end of December each year (for such half-yearly unaudited interim reports) can be obtained (in printed and electronic forms) within two months of the end of the period which they cover. Once issued, hardcopies of the reports and accounts are available upon request of Unitholders free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager.

The Trust Deed (clause 16.3 and clause 16.5) will be revised to provide for the above changes.

12. Other Amendments to the Trust Deed

As of the Effective Date, the Trust Deed will be modified to include the amendments described above and other miscellaneous amendments. Each of the Trustee and the Manager has certified in writing that in its opinion, the proposed modification, alteration or addition to the Trust Deed:-

- (a) does not materially prejudice the interests of the Unitholders, does not operate to release to any material extent the Trustee or the Managers or any other person from any responsibility to the Unitholders and will not result in any increase in the amount of costs and charges payable from the Trust Fund (other than the costs, charges, fees and expenses incurred in connection with the supplemental deed); or
- (b) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law); or
- (c) is made to correct a manifest error.

* This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

As such, the sanction of an extraordinary resolution of Unitholders is not required for the proposed changes to the Trust Deed. A copy of the draft amended and restated Trust Deed is available on request from the Manager.

13. Availability of Updated Offering Documents

The revised Explanatory Memorandum incorporating the above amendments will be available in due course at the office of the Manager, First State Investments (Hong Kong) Limited, at 6th Floor, Three Exchange Square, Central, Hong Kong. The Chinese version of the updated Explanatory Memorandum will also be available at the same time.

In addition, a Product Key Facts Statement will be issued in both English and Chinese in respect of the Fund and stating classes which will be offered to the public in Hong Kong. The Product Key Facts Statement can be obtained at the office of the Manager.

14. Further Enquiries

Should you have any questions relating to the above matters, you should contact us the Manager's Investor Services Hotline on +852 2846 7566, fax +852 2868 4742 or alternatively you should contact your investment consultant.

Yours faithfully,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

For and on behalf of
First State Investments (Hong Kong) Limited