

**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 2018 (the “Explanatory Memorandum”).**

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Dear Investor,

We are writing to inform you that certain amendments have been made to the Explanatory Memorandum in order to reflect the latest update to PRC tax policies and the change of PRC tax provisioning arrangement of CUAM RMB Bond*plus* Fund.

**Background of CUAM RMB Bond*plus* Fund’s PRC tax provisioning arrangement**

As disclosed in the Explanatory Memorandum, CUAM RMB Bond*plus* 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 or via the CIBM Initiative or such other means as may be permitted under applicable laws and regulations from time to time. Having taken and considered independent tax advice and acting in accordance with such advice, the Manager has made a 10% PRC withholding income tax provision (“WIT”) on interest income derived from debt instruments (except PRC Government Bonds) issued or distributed in the PRC (the “**WIT Provision**”). In addition, having taken and considered independent professional tax advice and acting in accordance with such advice, the Manager has made a provision for an amount equal to the total of (i) for value added tax (“**VAT**”), 6% of the interest income derived from PRC debt securities (except PRC Government Bonds) received/receivable by CUAM RMB Bond*plus* Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i) from 1 May 2016 onwards (together, the “**VAT Provision**”).

**"Circular on the Corporate Income Tax and Value-Added Tax Policy for Foreign Institutions to Invest in the Onshore Bond Market" (Caishui [2018] No.108)**

On 22 November 2018, the Ministry of Finance (“MoF”) and the State Administration of Taxation (“SAT”) of the PRC jointly issued "Circular on the Corporate Income Tax and Value-Added Tax Policy for Foreign Institutions to Invest in the Onshore Bond Market"

(Caishui [2018] No.108) (“**Circular 108**”). Pursuant to Circular 108, bond interest income derived by foreign institutions from investing in the onshore bond market is temporarily exempted from corporate income tax (“**CIT**”) and VAT for the period from 7 November 2018 to 6 November 2021.

### **Change of PRC tax provisioning arrangement of CUAM RMB Bondplus Fund**

#### Reversal of tax provision and impact on Net Asset Value

In light of Circular 108 and having taken and considered independent professional tax advice and acting in accordance with such advice, the Manager has decided on 27 December 2018 (the “**Reversal Date**”) to reverse the WIT Provision and VAT Provision that have been made since 7 November 2018. This means that the Net Asset Value (“**NAV**”) of CUAM RMB Bondplus Fund as at the Reversal Date has been adjusted to reflect the foregoing reversion of PRC tax provision. For the purpose of illustration, the Net Asset Value of CUAM RMB Bondplus Fund as at the Reversal Date has been increased by such amount as shown below:

	Amount of reversal	Positive impact of NAV per Unit	Increase in NAV per Unit in %
Class A	RMB 75,234.82	RMB 0.042	0.41%

Class I Units of CUAM RMB Bondplus Fund are yet to be launched and hence have not been impacted.

#### Previous Unitholders

Unitholders who have already redeemed their Units in CUAM RMB Bondplus Fund before the Reversal Date will not be entitled or have any right to claim any part of the amount representing the reversed WIT Provision and VAT Provision.

As disclosed in the Explanatory Memorandum, upon 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. 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.

#### PRC tax provisioning arrangement for future interest income

In light of Circular 108 and having taken and considered independent professional tax advice and acting in accordance with such advice, no WIT Provision or VAT Provision will be made on interest income derived from debt instruments issued or distributed in the PRC received/receivable by CUAM RMB Bondplus Fund for the period from 7 November 2018 to 6 November 2021 until Circular 108 ceases to apply.

#### No objection from Trustee

The Trustee of the Fund has no objection to the reversal of the WIT Provision and the VAT Provision and the aforesaid change of PRC tax provisioning arrangement of CUAM RMB Bondplus Fund.

## Risk factors

The tax exemption granted under Circular 108 is only temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, CUAM RMB *Bondplus* Fund may have tax liabilities in the PRC for which it has not provided. Such tax liabilities will be deducted from CUAM RMB *Bondplus* Fund's assets, and will cause the CUAM RMB *Bondplus* Fund's NAV 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 CUAM RMB *Bondplus* Fund.

It should 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 CUAM RMB *Bondplus* 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 NAV of CUAM RMB *Bondplus* Fund will be adversely affected, as CUAM RMB *Bondplus* 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 CUAM RMB *Bondplus* Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in CUAM RMB *Bondplus* 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.

Unitholders should seek their own tax advice on their tax position with regard to their investments in CUAM RMB *Bondplus* Fund.

The above changes will not result in any increase in the level of fees payable by the Sub-Funds or the unitholders. The costs and expenses (if any) incurred for the purpose of implementing the above changes will be borne by the relevant Sub-Fund(s).

The Explanatory Memorandum has been updated and are available on the Manager's website ([www.99fund.com.hk](http://www.99fund.com.hk)).<sup>1</sup>

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.

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<sup>1</sup> This website has not been reviewed by the SFC.

Yours faithfully,

China Universal Asset Management (Hong Kong) Company Limited  
28 December 2018