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***IMPORTANT: This notice requires your immediate attention. If you have any questions about the contents of this notice, you should seek independent professional advice.***

<b>IMPORTANT</b>
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## **ABF PAN ASIA BOND INDEX FUND**

*A Singapore unit trust authorised under*

*Section 286 of the Securities and Futures Act, Chapter 289 of Singapore and  
Section 104 of the Securities and Futures Ordinance (Cap.571) of Hong Kong*

**(Stock Code: 2821)**

### **NOTICE TO UNITHOLDERS**

#### **Updates in relation to certain PRC tax provisioning arrangements**

We, as the Manager of the ABF Pan Asia Bond Index Fund (the "**Trust**"), are writing to inform you of the following developments affecting the Trust.

Unless otherwise defined in this notice, terms and expressions used in this notice shall have the same meaning ascribed to them under the prospectus of the Trust.

#### **1. Change of PRC withholding income tax ("WIT") provisioning arrangement**

On 7 November 2018, the Ministry of Finance ("**MoF**") and the State Taxation Administration of the People's Republic of China ("**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**"), which stipulates that foreign institutional investors

are temporarily exempted from the PRC WIT in respect of bond interest income received from their investments in the PRC bond market from 7 November 2018 to 6 November 2021.

Before the Circular 108 was issued, under the prevailing PRC tax laws and regulations, foreign institutional investors (such as the Trust) are generally subject to 10% WIT on bond interest income from investments in the PRC bond market (except for PRC government bonds issued by the MoF, or bonds issued by the local government of a province, autonomous regions and municipalities directly under the PRC Central Government or municipalities separately listed on the state plan as approved by the State Council of the PRC).

Accordingly, having taken and considered independent professional tax advice, the Manager has, as of the date of this notice (“**Effective Date**”) decided not to make any PRC WIT provisions in respect of bond interest income received by the Trust from its investments in the PRC bond market from 7 November 2018 to 6 November 2021.

As a result, any PRC WIT provisions made in respect of bond interest income received by the Trust from its investment in the PRC bond market between 7 November 2018 and the Effective Date will be reversed. However, any bond interest income received by the Trust from its investment in the PRC bond market before 7 November 2018 should generally be subject to PRC WIT. The Manager will therefore retain the PRC WIT provision in respect of bond interest income received before 7 November 2018 until new developments and interpretation of the relevant regulations are available. Please refer to part 3 below for further details of the reversal.

It is uncertain whether the 3-year temporary exemption policy under Circular 108 will be extended after 6 November 2021.

## **2. PRC value added tax (“VAT”) on bond interest income received by the Trust**

Similarly, before Circular 108 was issued, foreign institutional investors (such as the Trust) should generally be subject to PRC VAT at a rate of 6% on bond interest income received from investments in PRC non-government bonds pursuant to the “Notice on the Comprehensive Roll-out of the Business Tax to Value Added Tax Transformation Pilot Program Circular” (Caishui [2016] No. 36) which came into effect from 1 May 2016.

Pursuant to Circular 108, bond interest income received by foreign institutional investors such as the Trust from investing in the PRC bond market is temporarily exempted from PRC VAT for the period from 7 November 2018 to 6 November 2021.

Due to the uncertainty of the interpretation and implementation of the prevailing PRC VAT regulations, the Manager had not made any PRC VAT provision in respect of bond interest income on investments in PRC non-government bonds received by the Trust for the period from 1 May 2016 to the Effective Date.

Accordingly, having considered the current PRC tax provisioning policy of the Trust after consultation with an independent and professional tax advisor, the Manager has decided that as of

the Effective Date, the Fund will make a VAT provision for the bond interest income received from the Trust's investments in PRC non-government bonds, for the period between 1 May 2016 and 6 November 2018.

For clarity, as Circular 108 is still effective as at the date of this notice, no VAT provision will be made on interest income received by the Trust for the period from 7 November 2018 to 6 November 2021 from debt instruments issued or distributed in the PRC until Circular 108 ceases to apply.

Please see part 3 below for further details of the PRC VAT provisioning adjustment.

### **3. Adjustment of tax provision and impact on Net Asset Value of the Trust**

As a result of the foregoing changes in the PRC WIT and PRC VAT provisioning arrangements of the Trust, the Net Asset Value of the Trust as at the Effective Date will be adjusted as follows:

	Amount of adjustment	Impact on Net Asset Value as at 19 February 2020
PRC WIT provision	US\$802,783.62	Increase of 0.0219%
PRC VAT provision	US\$1,052,306.37	Decrease of 0.0287%
Net impact	US \$249,522.75	Decrease of 0.0068%

This will result in a net decrease of US\$249,522.75 in the Net Asset Value of the Trust as at 19 February 2020, representing a decrease of 0.0068% of the Net Asset Value of the Trust.

Unitholders who have already redeemed their Units in the Trust before the Effective Date will not be entitled or have any right to claim any part of the amount representing the reversed PRC WIT provision.

#### **Trustee confirmation**

HSBC Institutional Trust Services (Singapore) Limited, the Trustee of the Trust, has been notified and has no objections to the changes in the PRC WIT and the PRC VAT tax provisioning arrangements, the change in the PRC tax provisioning and the adjustment to the Net Asset Value in respect of the Trust.

#### **PRC tax risk**

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than currently contemplated. Any tax provision made by the Manager in respect of the Trust may be more than or less than the Trust's respective actual tax liabilities, which may potentially cause substantial loss to the Trust. The Manager will keep the provisioning

policy for PRC taxes in respect of the Trust under review, and may adjust the provisioning policy of the Trust accordingly, after consultation with independent professional tax advisor.

#### **4. Interim report of the Trust**

The Manager of the Trust wishes to notify unitholders that the interim report of the Trust for the period ended 31 December 2019 is now available on the Trust's website at <http://www.abf-paif.com><sup>1</sup>. Printed copies of the interim report may also be obtained during normal business hours from the office of the Manager at 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

Investors who have any questions concerning the Trust may contact the Manager at telephone number +65 6826 7555 in Singapore and +852 2103 0100 in Hong Kong.

**State Street Global Advisors Singapore Limited**  
**Manager**  
**28 February 2020**

**STATE STREET** GLOBAL  
ADVISORS

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*The Manager accepts full responsibility for the accuracy of the information contained in this notice as 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 in this notice misleading.*

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<sup>1</sup> The above website has not been reviewed by the Securities and Futures Commission.