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**ChinaAMC Bloomberg Barclays  
China Treasury + Policy Bank Bond Index ETF**  
(the “Sub-Fund”)

**RMB counter Stock Code: 82813**

**HKD counter Stock Code: 02813**

*(a sub-fund of ChinaAMC Global ETF Series, a Hong Kong umbrella unit trust, authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

**Announcement**

- (1) Reversal of PRC tax provisions, change to tax provisioning policy  
and adjustment to Net Asset Value; and**  
**(2) Clarification of the Investment Strategy of the Sub-Fund**

China Asset Management (Hong Kong) Limited, the Manager of the Sub-Fund (the “**Manager**”), wishes to inform Unitholders about:

- (i) reversal of provisions in respect of Mainland China enterprise income tax (“**Mainland China EIT**”) and value-added tax (“**VAT**”): The Manager has reversed the provisions in respect of Mainland China EIT on a withholding basis (“**WHT**”) and VAT and other surtaxes on VAT made on the bond interest income received by the Sub-Fund from its investments in Treasury Bonds and Policy Bank Bonds from 7 November 2018 to 18 February 2019 being the date of this Announcement (the “**Effective Date**”) (both days inclusive) (the “**Reversal**”). This has the effect of increasing the Net Asset Value of the Sub-Fund as at the Effective Date. Persons who have already transferred or redeemed their Units in the Sub-Fund before the Effective Date will not be entitled or have any right to claim any part of the amount representing the reversal of provision;
- (ii) change to tax provisioning policy: With effect from the Effective Date, the Manager will temporarily cease to make any provision in respect of WHT and VAT and other surtaxes on VAT on the bond interest income received by the Sub-Fund from its investments in Treasury Bonds and Policy Bank Bonds up to and including 6 November 2021; and
- (iii) clarification of the investment strategy that money market instruments include certificates of deposit, treasury bills, commercial papers and money market funds either

managed by third party, or by the Manager itself or its Connected Persons.

Unless otherwise stated, terms used in this announcement shall have the same meanings ascribed to them under the prospectus of the Sub-Fund dated February 2019 (the “**Prospectus**”).

## **(1) Reversal of PRC tax provisions, change to tax provisioning policy and adjustment to Net Asset Value**

### **Background**

#### *Enterprise Income Tax*

As previously disclosed in the Prospectus, unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-PRC tax resident enterprises without any permanent establishment in China are subject to WHT, generally at a rate of 10%, to the extent it directly derives PRC sourced passive income. Accordingly, the Sub-Fund may be subject to WHT on any interest it receives from its investment in Treasury Bonds and Policy Bank Bonds at the rate of 10%, subject to an applicable double tax treaty or arrangement, if any.

The Manager has therefore been making a provision of 10% for the account of the Sub-Fund in respect of any potential WHT on realised and accrued interest income from Treasury Bonds and Policy Bank Bonds if such tax is not withheld at source at the time when such income is received.

Under the Mainland China EIT Law, interests derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council shall be exempt from Mainland China EIT.

#### *Value-Added Tax and other surtaxes*

As previously disclosed in the Prospectus, interest income from Mainland China bond issuers should technically be subject to 6% VAT. Interests received from Mainland China government bonds and local government bonds shall be exempted from VAT. If VAT is applicable, there are also other surtaxes (such as Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

The Manager has therefore been making a provision in an amount equal to the total of (i) for VAT, 6% of the realised and accrued bond interest income (except Mainland China government bonds or local government bonds) of the Sub-Fund; plus (ii) for the potential other surtaxes on VAT, 12% of the VAT amount stated above. In other words, the provision is equal to 6.72% of the realised and accrued bond interest (except Mainland China government bonds or local government bonds) of the Sub-Fund.

#### *Change in PRC tax policies*

On 22 November 2018, the Ministry of Finance (the “**MOF**”) and the State Administration of Taxation (the “**SAT**”) jointly issued circular Caishui [2018] No.108, which stipulates that foreign institutional investors (such as the Sub-Fund) are exempt from Mainland China EIT and VAT in respect of bond interest income received from 7 November 2018 up to and including 6 November 2021 from investments in the China bond markets.

#### *General*

As stated in the Prospectus, there are risks and uncertainties associated with the current PRC tax laws, regulations and practice. It should also be noted that there is a possibility of the PRC tax

rules being changed and taxes being applied retrospectively. There is a risk that taxes may be levied in future on the Sub-Fund for which no provision is made, which may potentially cause substantial loss to the Sub-Fund. Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

The Prospectus also provided that, if the actual applicable tax levied by the 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 Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as that the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the PRC tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed Units in the relevant Sub-Fund before the PRC tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's over-provision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the Sub-Fund as assets thereof.

**Change to the Sub-Fund's tax provisioning approach in respect of WHT and VAT on the bond interest income derived from investments in Treasury Bonds and Policy Bank Bonds**

The Manager, acting in the best interests of Unitholders, assesses the provisioning approach in respect of WHT and VAT on an on-going basis. Given the Manager's accumulated knowledge about WHT and VAT, the Manager has reassessed the provisioning approach of WHT and VAT. After careful consideration of the reassessment and having taken and considered independent professional tax advice, the Manager has determined that, from the Effective Date, no provisions will be made for WHT and VAT and other surtaxes on VAT on the bond interest income received by the Sub-Fund up to and including 6 November 2021 from its investments in Treasury Bonds and Policy Bank Bonds.

After careful consideration of the reassessment of the Manager and having taken and considered the independent professional tax advice, the Sub-Fund will reverse the provisions in respect of WHT and VAT and other surtaxes on VAT made on the bond interest income received by the Sub-Fund from 7 November 2018 up to and including the Effective Date from its investments in Treasury Bonds and Policy Bank Bonds, i.e. pay back to the Sub-Fund such provisions of WHT and VAT. The Reversal is effected on the Effective Date. For the avoidance of doubt, any provision made in respect of WHT and VAT and other surtaxes on VAT on bond interest income received by the Sub-Fund markets prior to 7 November 2018 from its investments in Treasury Bonds and Policy Bank Bonds will be retained.

The Manager believes that the change in the Sub-Fund's tax provisioning approach as described above is in the best interests of the Unitholders of the Sub-Fund.

**Impact of change to the provisioning approach to investors**

*Net Asset Value upon the Reversal*

The Reversal had a positive impact on the Net Asset Value of the Sub-Fund as at the Effective Date and each subsequent Dealing Day. The amount of the Reversal and the positive impact on the Net Asset Value of the Sub-Fund as a result of such Reversal is set out below:

Total amount of reversal of provision (RMB):	135,182.47
Increase in Net Asset Value per Unit (RMB):	0.180

### *Previous Unitholders*

As disclosed in the Prospectus, Unitholders who have already redeemed their Units in the Sub-Fund before the Effective Date will not be entitled to or have any right to claim any part of the amount representing the reversed WHT and VAT provisions of the Sub-Fund.

### **Trustee**

Based on the information provided by the Manager, the Trustee has no objection to the arrangements as set out above.

### **Risk Factors**

It should be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. The Net Asset Value of the Sub-Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authorities.

The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding policy of the Sub-Fund accordingly, taking into account independent professional tax advice. The Manager will act in the best interest of the Sub-Fund at all times.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If no provision is made by the Manager in relation to all or part of the actual tax levied by the SAT in future, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-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 the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to those borne at the time of investment in the Sub-Fund. On the other hand, if the actual applicable tax rate levied by the PRC tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed Units in the relevant Sub-Fund before the PRC tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's over-provision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the Sub-Fund as assets thereof.

**Unitholders may be disadvantaged depending upon the final tax liabilities and when they subscribed and/or redeemed their Units in the Sub-Fund. Unitholders should seek their own tax advice on their tax position with regard to their investments in the Sub-Fund.**

### **(2) Clarification of the Investment Strategy of the Sub-Fund**

As disclosed in the Prospectus, the Sub-Fund currently may invest not more than 10% of its Net Asset Value in money market instruments and in cash deposits for cash management purpose. Such investments may be denominated in RMB or HKD, and may be onshore or offshore.

The Manager would like to clarify that money market instruments include certificates of deposit, treasury bills, commercial papers and money market funds either managed by third party, or by the Manager itself or its Connected Persons.

The Prospectus and the Product Key Facts Statement of the Sub-Fund have been amended to reflect the above changes and associated risks. Other minor changes have also been made in the

revised Explanatory Memorandum and the Product Key Facts Statement. The revised Prospectus and Product Key Facts Statement are published on the Manager's website at <http://www.chinaamc.com.hk/en/products/etf/bloomberg-barclays-china-treasury-policy-bank-bond-index/fund-details.html> (the websites have not been reviewed by the SFC) and Hong Kong Exchanges and Clearing Limited's website at [www.hkex.com.hk](http://www.hkex.com.hk) on the Effective Date.

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

**China Asset Management (Hong Kong) Limited**  
華夏基金（香港）有限公司  
as Manager of ChinaAMC Bloomberg Barclays  
China Treasury + Policy Bank Bond Index ETF

**Date: 18 February 2019**