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ChinaAMC CSI 300 Index ETF

(the “CSI 300 ETF”)

RMB Counter Stock Code: 83188

HKD Counter Stock Code: 03188

ChinaAMC CES China A80 Index ETF

(the “A80 ETF”)

RMB Counter Stock Code: 83180

HKD Counter Stock Code: 03180

(together, the “Sub-Funds”)

(sub-funds of ChinaAMC ETF Series (the “Trust”), a Hong Kong umbrella unit trust, authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)

Announcement – PRC tax provisioning and adjustment to NAV

The Manager of the Sub-Funds, China Asset Management (Hong Kong) Limited (the “**Manager**”) wishes to inform Unitholders about a tax withholding and a reversal of withholding applicable to the Sub-Funds which have a net negative impact on the NAV of the Sub-Funds of 17 November 2014 (published after market closes on 17 November 2014).

The Ministry of Finance of the PRC (the “**MoF**”), the State Administration of Taxation of the PRC (“**SAT**”) and the China Securities Regulatory Commission (the “**CSRC**”) issued the “Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (“關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通告”) Caishui [2014] No.79 on 14 November 2014 (the “**Notice**”). The Notice states that PRC corporate income tax will be imposed on capital gains derived by QFII and RQFII from equity investment assets (including PRC domestic stocks) prior to 17 November 2014 (“**capital gains tax**”) in accordance with laws. The Notice also states that RQFIIs without an establishment or

place of business in the PRC will be temporarily exempt from corporate income tax on gains derived from the trading of A shares effective from 17 November 2014.

Impact on the Sub-Funds

The Manager changed its capital gains tax provisioning policy effective from 27 January 2014 (for the CSI 300 ETF) and 8 July 2014 (for the A80 ETF) so that no capital gains tax provision was made on the gross realised and unrealised capital gains derived from trading of A-Shares, except for those capital gains derived from trading of A-Shares issued by PRC tax resident companies which are “**land rich companies**” (i.e. PRC companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in the PRC). The Manager also, on 27 January 2014 and 8 July 2014 respectively, reversed the capital gains tax provision made on the unrealised and realised capital gains derived from trading of A-Shares issued by PRC tax resident companies which are not land rich companies since the inception of the Sub-Funds. The above changes were made by the Manager after considering independent professional tax advice and acting in accordance with such advice.

As stated in the Prospectus of the Sub-Funds, there were uncertainties in the laws and regulations regarding tax treatment on capital gains, and any tax provision on capital gains made by the Manager in respect of the Sub-Funds may be less than the Sub-Funds’ respective actual tax liabilities.

Provisioning of capital gains tax and impact on the NAV of the Sub-Funds

The Notice stipulates that RQFIIIs would be subject to capital gains tax on gains realised before 17 November 2014 in accordance with existing regulations and shall be temporarily exempted from capital gains tax from 17 November 2014. The Manager has accordingly determined to:

- (a) make a tax provision for capital gains tax at 10% of the Sub-Funds’ respective gross realised capital gains derived from trading of A-Shares since the Sub-Funds’ respective date of inception up to and including 14 November 2014. This excludes the realised gains derived from the Sub-Funds’ trading of A-Shares issued by land rich companies (for which a provision had already been made previously). This will have a negative impact on the NAV of the Sub-Funds; and
- (b) reverse the tax provision for capital gains tax made prior to 17 November 2014 on the Sub-Funds’ respective gross unrealised capital gains derived from investment in A-Shares issued by land rich companies. This will have a positive impact on the NAV of the Sub-Funds,

the net impact of (a) and (b) is negative and is referred to as the “**Withholding**”. For the purpose of illustration, as at 14 November 2014, the negative impact of the Withholding to the Net Asset Value of CSI 300 ETF and A80 ETF will be at approximately 1.03% and 0.12% respectively.

The impact of the Withholding is reflected in the NAV of the Sub-Funds of 17 November 2014 (published after market closes on 17 November 2014). Unitholders who have sold or redeemed Units in the Sub-Funds prior to 17 November 2014 will not be affected by the Withholding.

Due to the limited extent of the clarifications provided in the Notice, the Manager, acting in the best interest of the Sub-Funds, takes a prudent approach to withhold capital gains tax for all capital gains realised before 17 November 2014 until further clarification is obtained. The Manager has come to the decision after considering a range of factors including the Notice and the Sub-Funds’ potential eligibility to benefit from tax treaties.

Taken the above into account, the Manager decided not to rely on tax treaty relief until further clarification in relevant PRC tax rules and regulations and will make the above changes in tax provisioning policy. On this basis, the Manager has notified the auditors and the auditors have no objection on the change in tax provisioning policy.

Position on future gains

In light of the Notice, the Manager will not make provision for gross realised or unrealised capital gains derived from trading of A-Shares from 17 November 2014 onwards. The Manager has notified the auditors and the auditors have no objection to not making tax provision.

Risk factors

The PRC tax rules and practices in relation to RQFII, including the Notice, are new and their implementation is not tested and is uncertain. The potential application of tax treaties is also uncertain. There is a risk that any tax provision made by the Manager in respect of the Sub-Funds may be more than or less than the Sub-Funds' respective actual tax liabilities, which may potentially cause substantial loss to the Sub-Funds. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding policy of the Sub-Funds accordingly, taking into account independent professional tax advice. The Manager will act in the best interest of the Sub-Funds 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 the actual tax levied by the SAT 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 relevant 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 that borne at the time of investment in the Sub-Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case only the then existing Unitholders will benefit from a return of the extra tax provision. Those persons who have already sold/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.

General

The Manager will amend the prospectus of the Sub-Funds (by way of addendum) to reflect the above tax position. The revised prospectus will be published on the Manager's website at <http://etf.chinaamc.com.hk/HKen/CSI300> (for the CSI 300 ETF) and <http://etf.chinaamc.com.hk/HKen/A80> (for the A80 ETF) (the websites have not been reviewed by the SFC) and Hong Kong Exchanges and Clearing Limited's website at www.hkex.com.hk as soon as reasonably practicable. As a result of the changes above, certain parts of the following sections in the current prospectus of the Sub-Funds are obsolete and need to be revised:

CSI 300 ETF

- "PRC withholding taxation risk" on page 45 of the Prospectus (as replaced by the contents in the addendum dated 27 January 2014);
- "PRC taxation" on pages 67-70 (as replaced by the contents in the addendum dated 27 January 2014);
- "PRC tax risk" in the KFS.

A80 ETF

- “PRC withholding taxation risk” on page 46 of the Prospectus (as replaced by the contents in the addendum dated 8 July 2014);
- “PRC taxation” on pages 68-71 (as replaced by the contents in the addendum dated 8 July 2014);
- “PRC tax risk” in the KFS.

Unless otherwise stated, terms used in this announcement shall have the same meanings ascribed to them under the prospectus of the Sub-Funds.

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 CSI 300 Index ETF and ChinaAMC CES China A80 Index ETF

Date: 17 November 2014