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ChinaAMC Global 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)

ChinaAMC Hang Seng Hong Kong Biotech Index ETF

HKD counter Stock Code: 03069
USD counter Stock Code: 09069

(the "Sub-Fund")

Announcement

Switching between the Full Replication Strategy and the Representative Sampling Strategy

Use of Financial Derivative Instruments and Securities Lending Transactions

China Asset Management (Hong Kong) Limited (the "**Manager**"), the manager of the Trust and the Sub-Fund, hereby announces that, from 8 November 2021 (the "**Effective Date**"), the investment strategy of the Sub-Fund will be changed so that:

(i) the Manager may in its absolute discretion switch between the full replication strategy and the representative sampling strategy in its absolute discretion as it considers appropriate without prior notice to investors;

(ii) apart from those received from corporate actions of constituent companies of the Index, the Sub-Fund may invest in financial derivative instruments ("**FDIs**") including but not limit to total return index swap for hedging or non-hedging (i.e.

investment) purposes, and the Sub-Fund's holdings of FDIs for non-hedging (i.e. investment) purposes will not exceed 10% of its Net Asset Value;

(iii) the Sub-Fund may enter into securities lending transactions to a maximum level of up to 50% and expected level up to 20% of its Net Asset Value; and

(iv) taking into consideration the cash collateral which may be received in respect of the securities lending transactions, the Sub-Fund may hold not more than 30% of its Net Asset Value in money market instruments and cash deposits for cash management purpose.

Unless otherwise defined in this Announcement, capitalised terms used in this Announcement shall have the same meaning as defined in the Prospectus of the Sub-Fund dated 30 June 2021 (the "**Prospectus**").

Investors should exercise caution in dealing with the units of the Sub-Fund.

1. Full replication strategy and representative sampling strategy

Currently, the Manager primarily uses a full replication strategy to achieve the investment objective of the Sub-Fund, by investing directly in Securities included in the Index in substantially the same weightings in which they are included in the Index. The Manager may also use a representative sampling strategy where it is not possible to acquire certain Securities which are constituents of the Index due to restrictions or limited availability.

From the Effective Date, the investment strategy of the Sub-Fund will change. The Manager will still primarily use a full replication strategy, however it may switch between the full replication strategy and the representative sampling strategy in its absolute discretion as it considers appropriate (and not only when it is not possible to acquire certain constituent Securities).

By using a representative sampling strategy, the Sub-Fund will invest directly in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the Index. The Securities constituting the representative sample may or may not themselves be constituents of the Index. In pursuing a representative sampling strategy, the Manager may cause the Sub-Fund to deviate from the index weighting on condition that the maximum deviation from the index weighting of any constituent will not exceed 4% or such other percentage as determined by the Manager after consultation with the SFC.

For the avoidance of doubt, the Manager may switch between the two strategies without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

2. FDIs and securities lending transactions

Currently, the Sub-Fund:

(i) has no intention to invest in any FDIs apart from those received in corporation actions of constituent companies of the Index;

(ii) does not enter into any securities lending transactions; and

(iii) may invest not more than 5% of its Net Asset Value in money market instruments and in cash depositions for cash management purpose.

From the Effective Date, the investment strategy of the Sub-Fund will also change so that:

(i) apart from those received in corporate actions of constituent companies of the Index, the Sub-Fund may invest in FDIs including but not limited to total return index swaps for hedging or non-hedging (i.e. investment) purposes, and the Sub-Fund's holdings of FDIs for non-hedging (i.e. investment) purposes will not exceed 10% of its Net Asset Value; and

(ii) the Sub-Fund may enter into securities lending transactions to a maximum level of up to 50% and expected level of up to 20% of its Net Asset Value.

(iii) taking into consideration the cash collateral which be received in respect of the securities lending transactions, the Sub-Fund may hold not more than 30% of its Net Asset Value in money market instruments and cash deposits for cash management purpose.

Regarding securities lending transactions, the Manager will be able to recall the securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral of 100% of the value of the securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be subject to safekeeping by the Trustee or an agent appointed by the Trustee. Non-cash collateral received may not be sold, re-invested or pledged. Any re-investment of cash collateral received shall be subject to the requirements as set out in the sub-section "Collateral" of Schedule 1 of the Prospectus.

To the extent the Sub-Fund undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a securities lending agent and/or other service providers in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Sub-Fund. The cost relating to securities lending transactions will be borne by the borrower.

Please refer to Schedule 1 of the Prospectus for requirements and a summary of the Manager's policies regarding FDIs, collateral and securities lending transactions.

3. Reasons for the changes

The reason for allowing the Manager to switch between a full replication strategy and a representative sampling strategy is that the Manager would like the flexibility of investments to more efficiently achieve the investment objective for the best interests of investors.

The reasons for adding FDIs and securities lending transactions to the investment strategy are to enhance efficient portfolio management and allow the Manager to maintain greater flexibility for the Sub-Fund by engaging in FDIs and securities lending transactions to achieve its investment objective.

4. Additional risks due to the changes

The Sub-Fund will be subject to additional risks associated with the changes, as set out below:

<u>Risks associated with FDIs and collateral</u>

A FDI is a financial contract or instrument the value of which depends on, or is derived from, the value of an underlying asset such as a Security or an index and may have a high degree of price variability and are subject to occasional rapid and substantial changes. Compared to conventional Securities, FDIs can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in their pricing. As a result, a relatively small price movement in a FDI may result in immediate and substantial loss (or gain) to the Sub-Fund. The Sub-Fund's losses may be greater if it invests in FDIs than if it invests only in conventional Securities.

There may also be no active market in FDIs and therefore investment in FDIs can be illiquid. In order to meet redemption requests, the Sub-Fund may rely upon the issuer of the FDIs to quote a price to unwind any part of the FDIs that will reflect the market liquidity conditions and the size of the transaction.

In addition, many FDIs are not traded on exchanges. As a result, if the Sub-Fund engages in transactions involving FDIs, it will be subject to the risk of the inability or refusal to perform such contracts by the counterparties with which the Sub-Fund trades, and as such the Sub-Fund may suffer a total loss of the Sub-Fund interest in the FDI. This risk is also aggregated by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade.

An investment in the FDIs does not entitle the FDIs holder to the beneficial interest in the shares nor to make any claim against the company issuing the shares. There can be no assurance that the price of the FDIs will equal the underlying value of the company or securities market that it may seek to replicate or obtain exposure.

There are risks associated with management of collateral and re-investment of collateral. The value of any collateral received may be affected by market events. In the case of collateral assets which are listed securities, the listing of such securities may be suspended or revoked or the trading of such securities on the stock exchanges may be suspended, and during the period of suspension or upon revocation, it may take longer to realise the relevant collateral assets. In the case of collateral assets which are debt securities, the value of such securities will be dependent on the creditworthiness of the issuers or obligors in respect of the relevant collateral assets. In the event any issuer or obligor of such collateral assets is insolvent, the value of the collateral assets will be reduced substantially and may cause the Sub-Fund's exposure to such counterparty to be under-collateralised. If the Sub-Fund reinvests cash collateral, it is subject to investment risk including the potential loss of principal.

<u>Risks related to securities lending transactions</u>

Counterparty risk – The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

Collateral risk – As part of the securities lending transactions, the Sub-Fund must receive at least 100% of the valuation of the securities lent as collateral marked-to-market on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value, change of value of securities lent. This may cause significant losses to the Sub-Fund if the borrower fails to return the securities lent out. The Sub-Fund may also be subject to liquidity and custody risk of the collateral, as well as legal risk of enforcement.

Operational risk – By undertaking securities lending transactions, the Sub-Fund is exposed to operational risks such as delay or failure of settlement. Such delays and failure may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

The risk disclosures in the Prospectus of the Sub-Fund and the Product Key Facts Statement ("**KFS**") will be updated accordingly. Investors are urged to consider the risks of the investments of the Sub-Fund.

5. Impact on the Sub-Fund

Other than as outlined above, the changes are not expected to change the operation of the Sub-Fund and/or manner in which the Sub-Fund is being managed, nor will existing investors be affected as a result. Other than the additional risks disclosed above, there will not be any material changes to the features or increase in the overall risk profile of the Sub-Fund following the changes.

There is no change in the fee level/cost in managing the Sub-Fund as a result of the changes.

The costs (including legal fees and translation fees) incurred in connection with the changes described in this Announcement will be approximately HK$160,000, to be borne by the Sub-Fund. These costs are not expected to be material to the Sub-Fund, and hence are not expected to pose any material impact to the Net Asset Value of the Sub-Fund nor any significant adverse impact to Unitholders. The Manager does not expect a substantive change to the ongoing charges figure and tracking difference of the Sub-Fund. The Manager will monitor the ongoing charges figure and tracking difference and, if necessary, update the figures in the KFS, in accordance with the relevant SFC guidance.

The Manager determines that there are no matters or impact arising from the changes that may materially prejudice the existing investors' rights or interests.

The changes do not require Unitholders' approval. The Trustee does not have any objection to the changes.

6. General

The Prospectus and the KFS of the Sub-Fund will be updated on or around the Effective Date to reflect the changes described above. The revised Prospectus and KFS will be published on the Manager's website at http://www.chinaamc.com.hk/ (this website has not been reviewed by the SFC) and HKEx's website at www.hkex.com.hk.

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
as Manager of the Trust and the Sub-Fund
Date: 8 October 2021