

## IMPORTANT

If you are in any doubt about the contents of this notice, you should consult your stockbroker, bank manager, solicitor, accountant and other financial adviser for independent financial advice.

The Stock Exchange of Hong Kong Limited, the Hong Kong Exchange and Clearing Limited, the Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission (the "SFC") take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.

## Horizons CSI 300 ETF (RMB Counter Stock Code: 83127; HKD Counter Stock Code: 3127) the sub-fund (the "Sub-Fund") of Horizons Exchange Traded Funds Series (the "Trust")

(A Hong Kong unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)<sup>1</sup>

### Notice to Unitholders

Dear Unitholders,

### Change of PRC Withholding Tax Provisioning Approach of the Sub-Fund

We, as the Manager of the Trust, hereby inform you that the following change with respect to the PRC withholding tax ("WIT") provisioning approach on the gross unrealized and realized capital gains derived from investments in A-Shares.

On 14 November 2014, the Ministry of Finance of the PRC, the State Administration of Taxation of the PRC ("SAT") and the China Securities Regulatory Commission 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知") Caishui [2014] No.79 (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 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 investments in A-Shares effective from 17 November 2014.

### Impact of the Notice to the Sub-Fund

Referring to the existing tax provisioning policy adopted by the Sub-Fund, from the launch of the Sub-Fund to 14 November 2014, the Manager has made a 10% provision for WIT over the gross realised and unrealised capital gains derived from investments in A-Shares issued by PRC tax resident companies which are land rich companies.

Given the Notice stipulates that WIT on capital gains derived by the Sub-Fund from investments in A-Shares issued by PRC enterprises including land rich companies will be temporarily exempted effective from 17 November 2014, the Manager, having notified the auditor and without its objection, will reverse the WIT over the gross unrealised capital gains derived from investments in A-Shares issued by PRC tax resident companies which are land rich companies made prior to 17 November 2014. The net impact of the WIT reverse will be that the Net Asset Value of the Sub-Fund will be increased by RMB 232,741.31<sup>2</sup>, representing 0.064% of the total Net Asset Value of the Sub-Fund as of 18 November 2014. The Sub-Fund's Net Asset Value per unit will be adjusted accordingly on 19 November 2014 (published after market closes on 19 November 2014). Unitholders who have sold or redeemed Units in the Sub-Fund prior to 19 November 2014 will not be affected by the WIT reverse.

<sup>1</sup> SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

<sup>2</sup> The amount of Net Asset Value adjustment has not been confirmed by independent auditor.

### 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-Fund may be more than or less than the Sub-Fund's actual tax liabilities. 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 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.

The Prospectus of the Trust dated 19 September 2014 will be amended to reflect the above change and published on the Manager's website (<http://www.horizonsetfs.com.hk><sup>3</sup>) and Hong Kong Exchanges and Clearing Limited's website ([www.hkex.com.hk](http://www.hkex.com.hk)) as soon as reasonably practicable.

Capitalised terms used in this notice shall have the same meaning as defined in the Prospectus of the Trust dated 19 September 2014.

If you have any questions concerning the above, please contact us at (852) 2295 1500 during office hours.

The Manager accepts responsibility for the accuracy of the contents of this notice.

Mirae Asset Global Investments (Hong Kong) Limited

19 November 2014

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<sup>3</sup> The website has not been revised by the SFC.