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This document is important and requires your immediate attention. If you are in any doubt about the contents of this Announcement, you should seek professional advice. Investment involves risks which may result in significant loss as there is no guarantee on investment returns.

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement 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 misleading.

CSOP ETF SERIES (the "Trust")

(a Hong Kong unit trust authorised under
Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)

CSOP SZSE ChiNext ETF (the "Sub-Fund")
Stock Codes: 83147 (RMB counter) and 03147 (HKD counter)

ANNOUNCEMENT

Change of Investment Strategy

CSOP Asset Management Limited (the "**Manager**"), the manager of the Trust and the Sub-Fund, hereby announces that, from 14 August 2023 (the "**Effective Date**"), the investment strategy of the Sub-Fund will be changed so that the Manager will:

(i) primarily use a synthetic representative sampling strategy by investing up to 100% of the Sub-Fund's net asset value ("**NAV**") in financial derivative instruments ("**FDIs**"), which will be fully funded total return swaps with one or more swap counterparties; and

(ii) where the Manager believes such investments are beneficial to the Sub-Fund and will help the Sub-Fund achieve its investment objective, use a physical representative sampling strategy as an ancillary strategy by investing a maximum level of less than 50% and an expected level of approximately 20% of its NAV (or up to 100% in extreme market conditions, e.g. regulatory change, market crash, crisis or extreme market turbulence affecting particularly the FDI market) in a representative portfolio of securities that collectively has a high correlation with the Underlying Index.

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.

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

1. Change of Investment Strategy

Currently, the Manager (i) primarily uses a physical representative sampling strategy by investing 50% to 100% of its NAV in Index Securities; and (ii) where the Manager believes such investments are beneficial to the Sub-Fund and will help the Sub-Fund achieve its investment objective, uses a synthetic representative sampling strategy as an ancillary strategy by investing up to 50% in FDIs, which will mainly be funded total return swaps with one or more counterparties.

For direct investments in securities issued within the PRC mainland, the Sub-Fund invests primarily through the Manager's QFI status and/or the Stock Connect. The Manager may invest up to 100% of the Sub-Fund's NAV through either QFI and/or the Stock Connect.

For the Sub-Fund's synthetic representative sampling sub-strategy, the Sub-Fund invests directly in funded total return swap transaction(s) whereby the Sub-Fund passes on the relevant portion of cash to the swap counterparty(ies) and in return the swap counterparty(ies) provides the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant Securities (net of indirect costs).

Currently, the Sub-Fund's net derivative exposure may be up to 50% of its NAV.

From the Effective Date, the investment strategy of the Sub-Fund will be changed so that the Manager will:

(i) primarily use a synthetic representative sampling strategy by investing up to 100% of the Sub-Fund's NAV in FDIs, which will be fully funded total return swaps with one or more swap counterparties; and

(ii) where the Manager believes such investments are beneficial to the Sub-Fund and will help the Sub-Fund achieve its investment objective, use a physical representative sampling strategy as an ancillary strategy by investing a maximum level of less than 50% and an expected level of approximately 20% of the Sub-Fund's NAV (or up to 100% in extreme market conditions, e.g. regulatory change, market crash, crisis or extreme market turbulence affecting particularly the FDI market) in a representative portfolio of securities that collectively has a high correlation with the Underlying Index.

The investment made by the Sub-Fund other than swaps and A-Shares shall comply with the requirements in 7.36 to 7.38 of the Code.

<u>Synthetic representative sampling sub-strategy</u>

The Manager will primarily use a synthetic representative sampling strategy by investing up to 100% of its NAV in FDIs, which will be fully funded total return swaps with one or more swap counterparties.

The Sub-Fund invests directly in fully funded total return swap transaction(s) whereby the Sub-Fund will pass on substantially all of the net proceeds of any issue of its units to the swap counterparty(ies) and in return the swap counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant Securities (net of transaction costs).

As a result of the above changes, the Sub-Fund's net derivative exposure may be more than 50% but up to 100% of its NAV.

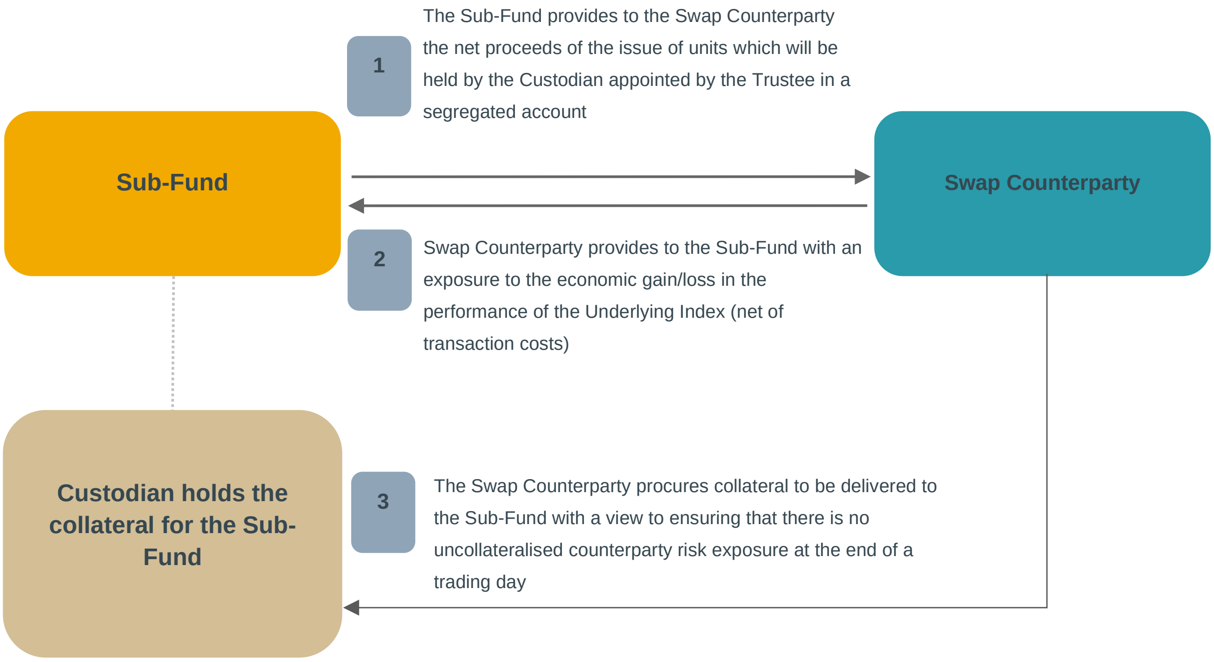
Counterparty Exposure

The Manager will obtain collateral that represents at least 100% of the Sub-Fund's gross total counterparty risk, and will manage the Sub-Fund to ensure that the collateral held by the Sub-Fund will represent at least 100% of the Sub-Fund's gross total counterparty risk exposure and be maintained, marked-to-market on a daily basis, with a view to ensuring that there is no uncollateralised counterparty risk exposure at the end of a trading day (subject to intra-day price movements, market risk and settlement risk etc.). The valuation of the collateral and the calculation of counterparty risk exposure in respect of any trading day T generally occurs at the end of that trading day. If the collateral held by the Sub-Fund is not at least 100% of the Sub-Fund's gross total counterparty risk exposure in respect of any trading day T, by the end of that trading day T, the Manager will generally require that each swap counterparty deliver additional collateral assets (i.e. variation margin) to make up for the difference in value, with the settlement of such delivery expected to occur on or before trading day T+2.

Each swap counterparty will deliver collateral with a view to reduce the net exposure of the Sub-Fund to each swap counterparty to 0%.

Diagrammatic Illustration of Synthetic Representative Sampling Sub-strategy

The diagram below shows how the synthetic representative sampling sub-strategy via fully funded total return swaps works:



Criteria for Selection of Swap Counterparty

In selecting a swap counterparty (or a replacement swap counterparty), the Manager will have regard to a number of criteria, including but not limited to the fact that the prospective swap counterparty or its guarantor is a substantial financial institution (as defined under the Code) subject to an on-going prudential and regulatory supervision, or such other entity acceptable to the SFC under the Code. The Manager may also impose such other selection criteria as it considers appropriate. A swap counterparty must be independent of the Manager. A prudent haircut policy will be adopted.

Collateral Arrangements

The Manager will obtain collateral that represents at least 100% of the Sub-Fund's gross total counterparty risk, and will manage the Sub-Fund to ensure that the collateral held by the Sub-Fund will represent at least 100% of the Sub-Fund's gross total counterparty risk exposure and be maintained, marked-to-market on a daily basis. Where collateral taken is in the nature of cash and/or government bonds, the market value of such cash and/or government bond collateral should represent at least 100% of the related gross counterparty risk exposure towards the swap counterparties.

Collateral may take such form as the Manager considers appropriate, and currently it is in the form of government bonds and/or cash. If a swap counterparty becomes insolvent, or if a swap counterparty fails to pay any sum payable under the swap when due and after a demand has been made, or if other events of default specified in the relevant swap agreement occur, the Sub-Fund, subject to the terms of the swap agreement, shall be entitled to enforce the relevant collateral and obtain full title thereof. In such instances, the Sub-Fund's obligations to return the collateral will be offset against the swap counterparty's obligation to pay under the swap agreement.

The Manager has adopted measures to monitor the eligibility criteria and valuation of collateral provided to the Sub-Fund on an ongoing basis.

Collateral taken by the Sub-Fund shall comply with all applicable requirements under the Code, including Chapter 8.8(e) of the Code as supplemented by such other guidance from the SFC from time to time.

The following criteria will be observed when accepting assets as collaterals for the Sub-Fund: liquidity, daily valuation, credit quality, price volatility, diversification, correlation, management of operational and legal risks, enforceability, not being availability for secondary recourse and involving no structured product. Only cash collateral will be reinvested in accordance with the collateral policy set out in the Prospectus.

The details of the collateral requirements required under the Code and the collateral policy of the Trust and the Sub-Fund are set out in in the Prospectus.

Collateral provided to the Sub-Fund is held by the Custodian.

Details of the collateral management policy can be found at the Manager's website at http://www.csopasset.com/en/products/chinext-etf (which has not been reviewed by the SFC).

Swap Fees

The Sub-Fund will bear the swap fees, which includes all costs associated with swap transactions and are subject to the discussion and consensus between the Manager and the swap counterparty based on the actual market circumstances on a case-by-case basis. The swap fees represent the brokerage commission and the swap counterparty's cost of financing the underlying hedge.

Currently, the swap fees are expected to range from 0.00% to -3.50%* per annum of the swap notional amount (i.e. from 0.00% to -3.50%* per annum of the Sub-Fund's Net Asset Value). This is a best estimate only and the actual swap fees may deviate from the aforesaid estimate depending on actual market conditions. In extreme market conditions and exceptional circumstances, the brokerage commission and the swap counterparty's costs of financing the underlying hedge may increase significantly and in return increase the swap fees. When the actual swap fee level exceed the disclosed level, the Manager will issue notice to the investors. The Sub-Fund shall bear the swap fees (including any costs associated with the entering into, or unwind or maintenance of, any hedging arrangements in respect of such swaps). The maximum unwinding fee payable by the Sub-Fund is 0.50%* per transaction on the notional amount of the swap unwound.

The Manager will disclose the swap fees in the semi-annual and annual financial reports of the Sub-Fund. The swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the NAV and the performance of the Sub-Fund, and may result in higher tracking error.

* A positive figure denotes the fee that the Sub-Fund pays to the swap counterparties. A negative figure denotes the fee that the swap counterparties pay to the Sub-Fund.

Physical representative sampling sub-strategy

As a result of the changes above, from the Effective Date, the allocation of investment under the physical representative sampling sub-strategy will also be changed such that a maximum level of less than 50% and an expected level of approximately 20% of the Sub-Fund's NAV (or up to 100% in extreme market conditions, e.g. regulatory change, market crash, crisis or extreme market turbulence affecting particularly the FDI market) may be invested in a representative portfolio of securities that collectively has a high correlation with the Underlying Index.

For direct investments in securities issued within the PRC mainland, the Sub-Fund may continue to invest through the QFI status of the Manager and/or the Stock Connect. In normal market conditions, the Manager may invest less than 50% of the Sub-Fund's NAV through either the Manager's QFI status and/or the Stock Connect. As part of the foregoing, the Sub-Fund may or may not hold all of the Index Securities, and may invest in securities which are not included in the Underlying Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Underlying Index.

Reasons for the change

The Manager would like to primarily use a synthetic representative sampling strategy such that the Sub-Fund and its investors may benefit from excess return generated from swap transactions, and reduction of tracking difference. The use of swaps for the Sub-Fund would also enhance efficient portfolio management. Overall, the Manager considers the foregoing is in the best interest of investors of the Sub-Fund.

Risk Factors

The Sub-Fund may currently invest up to 50% of its NAV in FDIs, which are funded total return swaps. As such, there may be increased exposure to the following risk factors:

Risks associated with investment in FDIs

The Sub-Fund invests more than 50% and up to 100% of its NAV in FDIs (fully funded total return swaps) through one or more swap counterparty(ies). As such, the Sub-Fund may suffer significant loss if a swap counterparty fails to perform its obligations, or in case of insolvency or default of the swap counterparty(ies).

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

The Sub-Fund may also be subject to the following additional risk factors:

Limited availability of swaps risk

The Manager's ability to manage the Sub-Fund in accordance with its stated investment objective will depend upon the willingness and ability of potential swap counterparties to engage in swaps with the Sub-Fund linked to the performance of the underlying Securities of the Underlying Index. A swap counterparty's ability to continue to enter into swaps or other derivative transactions with the Sub-Fund may be reduced or eliminated, which could have a material adverse effect on the Sub-Fund. Furthermore, swaps are of limited duration and there is no guarantee that swaps entered into with a swap counterparty will continue indefinitely. Accordingly, the duration of as depends on, among other factors, the ability of the Sub-Fund to renew the expiration period of the relevant swap at agreed upon terms. If the Sub-Fund is unable to obtain sufficient exposure to the performance of the Underlying Index because of the limited availability of swaps linked to the performance of the underlying Securities of the Underlying Index, the Sub-Fund could, among other alternatives, as a defensive measure, suspend creations until the Manager determines that the requisite swap exposure is obtainable. During the period that creations are suspended, the Sub-Fund could trade at a significant premium or discount to the Net Asset Value and could experience substantial redemptions. To the extent that such events result in a termination event under the Sub-Fund's swaps, the risks related to the limited availability of swaps would be compounded and the Sub-Fund may be adversely affected.

Counterparty risk

Because a swap is an obligation of the swap counterparty rather than a direct investment in the Underlying Index constituents, the Sub-Fund may suffer losses potentially equal to, or greater than, the full value of the swap if the swap counterparty fails to perform its obligations under the swap as a result of bankruptcy or otherwise. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and will likely impair the Sub-Fund's ability to achieve its investment objective. The counterparty risk associated with the Sub-Fund's investments is expected to be greater than that may be encountered by most other funds because the Sub-Fund expects to use swaps as the principal means to gain exposure to the Underlying Index. Despite the counterparty risk management measures in place, the management of the Sub-Fund's net exposure to each swap counterparty to zero is subject to settlement risks arising from settlement failures and market risks (including price movements prior to the required cash payment by the swap counterparty to the Sub-Fund) as set out in the terms of the swap transactions. The Sub-Fund's net exposure to each swap counterparty may exceed zero if any such risks eventuate. The extent of the Sub-Fund's potential loss arising in this regard is likely to be the amount of the Sub-Fund's net counterparty exposure.

Intra-day counterparty risk

The Manager will manage the Sub-Fund to ensure that the collateral held by the Sub-Fund will represent at least 100% of the Sub-Fund's gross total counterparty risk exposure and be maintained, marked-to-market on a daily basis, with a view to ensuring that there is no uncollateralised counterparty risk exposure at the end of a trading day. If the collateral held by the Sub-Fund is not at least 100% of the Sub-Fund's gross total counterparty risk exposure in respect of any trading day T, by the end of that trading day T, the Manager will generally require that each swap counterparty deliver additional collateral assets to make up for the difference in value, with the settlement of such delivery expected to occur on or before trading day T+2. Despite the counterparty risk management measures in place, the management of the Sub-Fund's net exposure to each swap counterparty to zero is subject to settlement risks arising from settlement failures and market risks (including price movements prior to the required cash payment by the swap counterparty to the Sub-Fund). Any delay in the cash payment by the swap counterparty to the Sub-Fund prior to the end of the relevant trading day T+2 may cause the Sub-Fund's exposure to a swap counterparty to be larger than zero from time to time.

This may result in significant losses for the Sub-Fund in the event of the insolvency or default of that swap counterparty

Early termination of swaps risk

In some circumstances, a swap counterparty can terminate the swap agreements early which may adversely impact the Sub-Fund's performance. Such early termination can also impair the Sub-Fund's ability to achieve its investment objective and may subject the Sub-Fund to substantial loss. Also, the Sub-Fund may face an increase in the cost to enter into a similar swap agreement with additional swap counterparties.

Change of swap fees risk

The Sub-Fund will bear the swap fees, which are subject to the discussion and consensus between the Manager and the swap counterparty based on the actual market circumstances on a case-by-case basis. The current swap fees are a best estimate only and may deviate from the actual market conditions. In extreme market conditions and exceptional circumstances, the brokerage commission and swap counterparty's costs of financing the underlying hedge may increase significantly and in return cause negative impact on the Net Asset Value of the Sub-Fund.

Liquidity risk

Swaps may be subject to liquidity risk, which exists when a particular swap is difficult to purchase or sell. If a swap transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price, which may result in significant losses to the Sub-Fund. In addition, a swap may be subject to the Sub-Fund's limitation on investments in illiquid Securities. Swaps may be subject to pricing risk, which exists when a particular swap becomes extraordinarily expensive (or inexpensive) relative to historical prices or the prices of corresponding cash market instruments. The swaps market is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the Sub-Fund's ability to terminate existing swaps or to realise amounts to be received under such agreements. There may also be no active market in certain FDIs and therefore investment in such FDIs can be illiquid. In order to meet requests, the Sub-Fund relies upon the issuer of the FDIs to quote a market to unwind any part of the FDIs that will reflect the market liquidity conditions and the size of the transaction.

Valuation risk

The Sub-Fund's assets, in particular swaps entered into by the Sub-Fund, involve derivative techniques that may be complex and specialised in nature. Valuations for such assets will only usually be available from a limited number of market professionals which frequently act as counterparties to the transactions to be valued. Such valuations are often subjective and there may be substantial differences between any available valuations. However the Manager will carry out an independent verification of this valuation on a daily basis as described under the section "***8.1 Determination of the Net Asset Value***" in Part 1 of the Prospectus.

Legal risk

The characterisation of a transaction or a party's legal capacity to enter into it could render the swap unenforceable. The insolvency or bankruptcy of a counterparty may also affect the enforceability of contractual rights.

Short selling by swap counterparty risk

The swap counterparty to the Sub-Fund may need to short sell the constituents of the Underlying Index or Securities relating to the Underlying Index for the purposes of hedging. Many regulators have banned “naked” short selling (a practice that has been prohibited in Hong Kong since short selling was first introduced) or completely suspended short selling for certain stocks. Any such bans with the effect of prohibiting the short selling of Securities, in particular Securities relating to the Underlying Index, may affect a swap counterparty’s ability to hedge its position and may trigger an early termination of the OTC swap transaction. Such early termination could impair the Sub-Fund’s ability to achieve its investment objective and subject the Sub-Fund to substantial loss.

Mandatory measures imposed by relevant parties risk

Regarding the Sub-Fund’s swaps, relevant parties (such as swap counterparties, participating dealers and stock exchanges) may impose certain mandatory measures for risk management purpose under extreme market circumstances. These measures may include early termination of the swaps, no further swap contracts signed and having limited or no access to exposure. In response to such mandatory measures, the Manager may have to take corresponding actions in the best interest of the Sub-Fund’s Unitholders and in accordance with the Sub-Fund’s constitutive documents, including suspension of creation of the Sub-Fund’s units and/or secondary market trading, implementing alternative investment and/or hedging strategies and termination of the Sub-Fund. These corresponding actions may have an adverse impact on the operation, secondary market trading, index-tracking ability and the Net Asset Value of the Sub-Fund. While the Manager will endeavour to provide advance notice to investors regarding these actions to the extent possible, such advance notice may not be possible in some circumstances.

Capacity limit risk

The swap counterparties may also be subject to a capacity limit representing the commitment of the swap counterparty to conduct the swap transactions to provide the required exposure to the Index for the Sub-Fund. Accordingly, the Sub-Fund’s exposure to the Index may be affected. Whilst the Manager does not anticipate that this will have any immediate effect on the Sub-Fund, if any swap counterparty reaches its capacity limit or if the Net Asset Value of the Sub-Fund grows significantly this may affect creations of Units due to the inability of the Sub-Fund to conduct swap transactions. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The investment exposure could also deviate from the target exposure which adds tracking error to the Sub-Fund.

2. Impact on the Sub-Fund

As a consequence of the change of investment strategy, the Stock Short Name of the Sub-Fund will be changed from the Effective Date as follows:

	Current Stock Short Name	**Stock Short Name with effect from the Effective Date**
RMB counter	CSOP CHINEXT-R 南方中創業板-R	X CSOPCHINEXT-R X 南方中創業-R
HKD counter	CSOP CHINEXT 南方中創業板	X CSOPCHINEXT X 南方中創業

For the avoidance of doubt, there will be no change to the Stock Code and the ISIN of the Sub-Fund despite of the change of investment strategy on the Effective Date.

It is noted that:

- there is no change to the investment objective of the Sub-Fund or the Underlying Index;

- the management fee for the Sub-Fund will remain unchanged; and

- the Manager will monitor the ongoing charges figure and tracking difference and update the disclosure as appropriate, in accordance with SFC guidance.

The changes described in this Announcement do not require Unitholders' approval. The Manager determines that the changes described in this announcement are not materially prejudicial to existing investors' rights or interests. Other than the changes as described above, there is no change to the operation and/or manner in which the Sub-Fund is being managed, nor is there any adverse effect on existing investors as a result of the change of investment strategy.

Costs associated with the changes will be borne by the Sub-Fund. These costs are estimated to be no more than US$31,500. These costs are not expected to be material to the Sub-Fund, and hence are not expected to pose any material impact to the NAV of the Sub-Fund nor any significant adverse impact to Unitholders.

3. General

The Prospectus and the KFS will be updated to reflect the above changes, and will be available from the Manager's website at www.csopasset.com (this website has not been reviewed by the SFC) and the HKEX's website at www.hkexnews.hk on or before the Effective Date.

The Trust Deed of the Trust and the Sub-Fund has also been amended to reflect relevant changes above by way of a supplemental deed. Copies of the Trust Deed, as amended, will be available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager (see address below) on or around the Effective Date.

If you have any queries or require further information in relation to any aspect of this Announcement, please contact the Manager at 2801-2803 Two Exchange Square, 8 Connaught Place, Central, Hong Kong or its Customer Service Hotline at (852) 3406 5688.

By Order of the Board
CSOP Asset Management Limited
Chief Executive Officer
Ding Chen

14 July 2023

As of the date of this Announcement, the board of directors of the Manager comprises 7 Directors namely, Mr. Zhou Yi, Ms. Ding Chen, Mr. Zhang Gaobo, Mr. Yang Xiaosong, Mr. Cai Zhongping, Mr. Liu Zhiwei and Mr. Zhu Yundong.