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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 Leveraged and Inverse Series**

(a Hong Kong unit trust authorised under

Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)
(the “**Trust**”)

CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product
Stock Code: 07388

a sub-fund of the CSOP Leveraged and Inverse Series
(the “**Product**”)

Announcement**Change of investment objective and investment strategy**
Change of Stock Code, Name and Short Name of Product
and Change of Management Fee

CSOP Asset Management Limited (the “**Manager**”), the manager of the Trust and the Product, hereby announces that the following changes will be made to the Product from 25 June 2019 (the “**Effective Date**”):

- the investment objective of the Product will change to provide investment results that, before fees and expenses, closely correspond to the **two times inverse (-2x)** of the Daily performance of the Hang Seng China Enterprises Index. To achieve the objective, the investment strategy will change, so that no more than 30% of the Net Asset Value of the Product from time to time will be used as margin to acquire the futures contracts on the Hang Seng China Enterprises Index (collectively, the “**Change**”);
- as a result of the Change, (i) the stock code of the Product will be changed to 7588 and (ii) the name of the Product will be changed to “CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product” in English and “南方東英恒生中國企業指數每日反向 (-2x) 產品” in Chinese and the short names of the Product will also be changed; and
- the Management Fee of the Product will increase from 0.99% per annum of the Net Asset Value to 1.5% per annum of the Net Asset Value.

Unless otherwise defined in this Announcement, capitalised terms used in this Announcement shall have the same meaning as defined in the prospectus of the Trust dated 25 June 2019 (the “Prospectus”).

As the risk level of the Product will be higher following the Change, investors are strongly advised to consider the Change, including the key risk factors that are new or have changed due to the new investment objective and investment strategy, as set out in the Schedule of this Announcement. Please exercise caution in dealing in the Units in the Product. The Product is not intended for holding longer than one day as the performance of the Product over a longer period may deviate from and be uncorrelated to the two times inverse performance of the Index over the period.

1. Change of investment objective and investment strategy

With effect from the Effective Date, the investment objective of the Product will change to provide investment results that, before fees and expenses, closely correspond to the two times inverse (-2x) of the Daily performance of the Hang Seng China Enterprises Index (the “**Index**”). The Product does not seek to achieve its stated investment objective over a period of time greater than one day.

“**Daily**” in relation to the inverse performance of the Index or the performance of the Product, means the inverse performance of the Index or the performance of the Product (as the case may be) from the close of market of a given Business Day until the close of the market on the subsequent Business Day.

To achieve the objective, the investment strategy will change, so that no more than 30% of the Net Asset Value of the Product from time to time will be used as margin to acquire the futures contracts on the Hang Seng China Enterprises Index (the “**HSCEI Futures**”). Not less than 70% (this percentage may be reduced proportionately under exceptional circumstances where there is a higher margin requirement, as described in the Prospectus) will be invested in cash (HKD) and other HKD denominated investment products, such as deposits with banks in Hong Kong and HKD denominated investment-grade bonds and SFC authorised money market funds in accordance with the requirements of the Code.

For the avoidance of doubt, the Product will continue to achieve its investment objective by investing in HSCEI Futures following the Change, but the proportion of investment (between (i) HSCEI Futures and (ii) cash and other HKD denominated investment products described above) will change.

The Product’s global exposure to financial derivative instruments will not exceed -200% of its Net Asset Value (i) at the time of Daily rebalancing of the Product; and (ii) between each Daily rebalancing, unless due to market movements. Please refer to the Prospectus for information on the calculation of the Product’s global exposure.

The Manager has decided to change the investment objective and investment strategy because it considers there is market demand for a product that aims to provide the two times inverse (-2x) performance of the Index, and due to the high market demand, the liquidity of a -2x inverse product will be higher than that of a -1x inverse product.

Rebalancing

As mentioned above, the Product will continue to invest in HSCEI Futures following the Change, but the investment in HSCEI Futures will be at a higher percentage of the Net Asset Value. As such, there will not be a rebalancing process on the Effective Date. There will be an increase of HSCEI futures holding on the Effective Date.

Implications of the Change

As the Product will change from a -1x inverse product to a -2x inverse product, investment risks of the Product will be higher because gains and losses will be magnified by two times (of the inverse performance of the Index). The effect on existing investors is that the risk level of their investment in the Product will be higher following the Effective Date. **As the risk level of the Product will be higher following the Change, investors are strongly advised to consider the Change, including the key risk factors that are new or have changed due to the new investment objective and investment strategy, as set out in the Schedule of this Announcement. Please exercise caution in dealing in the Units in the Product.**

Other than the increased investment in HSCEI Futures to achieve the -2x inverse performance, there is no proposed change in the operation and/or manner in which the Product is being managed. The Change will not materially prejudice the existing investors’ rights or interests.

Please note that information relating to past performance of the Product will continue to be shown in the key facts statement of the Product (the “KFS”). Investors should however note that due to the Change, the circumstances under which performance prior to the Effective Date was achieved will no longer apply.

The changes described in this Announcement do not require Unitholders’ approval. The Trustee has no objection to the Change.

The costs and/or expenses incurred, including legal and translation costs, are approximately HK\$300,000 and will be borne by the Product. These costs are not expected to be material to the Product, and hence are not expected to pose any material impact to the Net Asset Value of the Product nor any significant adverse impact to Unitholders.

2. Change of stock code, name and short name of the Product

As a consequence of the Change, the stock code, full names and short names of the Product will be changed from the Effective Date onwards as follows:

	As at the date of this Announcement	From the Effective Date onwards
Stock code	7388	7588
English name	CSOP Hang Seng China Enterprises Index Daily (-1x) Inverse Product	CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product
Chinese name	南方東英恒生中國企業指數每日反向 (-1x) 產品	南方東英恒生中國企業指數每日反向 (-2x) 產品
English stock short name	FI CSOP HSCEI	FI2 CSOP HSCEI
Chinese stock short name	FI 南方國指	FI 二南方國指

For the avoidance of doubt, there will be no change to the trading lot size, trading currency and the ISIN of the Product despite of the Change on the Effective Date.

3. Increase in Management Fee

From the Effective Date, the Management Fee of the Product will be increased from 0.99% per annum of the Net Asset Value to 1.5% per annum of the Net Asset Value.

As a result of the increase in Management Fee, the ongoing charges figure in the KFS will be updated. The new figure (which will be published in the KFS on the Effective Date) will be estimated figure showing the estimated ongoing charges after the Change and the increase in Management Fee, calculated in accordance with the relevant SFC guidance.

4. Trading arrangement

The last trading day of the Product before the Change (i.e. under the stock code 7388) will be 24 June 2019 (the “**Last Trading Day**”) and the first trading day of the Product upon the Change (i.e. under the stock code 7588) will commence on the Effective Date. For the avoidance of doubt, the Product will commence trading on the Effective Date at its closing price on the Last Trading Day.

5. General

The Prospectus and the KFS will be updated to reflect the above changes. The revised Prospectus and KFS will be uploaded on the Manager’s website at <http://www.csopasset.com/en/products/i-2xhscei> and the HKEX’s website at www.hkexnews.hk (the websites have not been reviewed by the SFC) on the Effective Date.

Copies of the trust deed of the Trust and other documents (as set out in the Prospectus) are available for

inspection free of charge at the offices of the Manager at the address below and copies thereof may be purchased from the Manager at a reasonable price.

If you have any questions concerning this Announcement, please contact us on +852 3406 5688 or at 2801-2803, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

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

14 May 2019, Hong Kong

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

SCHEDULE

Key risk factors

The below sets out a list of key risks that are new or have changed due to the new investment objective and investment strategy of the Product. For other risk factors applicable to the Product, please refer to the Prospectus and KFS of the Product.

1. Inverse performance risk

- The Product tracks the two times inverse performance of the Index on a Daily basis, using leverage to achieve a Daily return equivalent to twice the inverse performance of the Index. Both gains and losses will be magnified and in the two times inverse (-2x) direction of the Daily performance of the Index. Should the value of the underlying securities of the Index increase, it could have a magnified negative effect on the performance of the Product. Unitholders could, in certain circumstances including a bull market, face minimal or no returns, or may even suffer a complete loss, on such investments.

2. Leverage risk

- The Product will utilise leverage to achieve a Daily return equivalent to minus two times (-2x) the return of the Index. Both gains and losses will be magnified. The risk of loss resulting from an investment in the Product in certain circumstances including a bull market will be substantially more than a fund that does not employ leverage. For example, the Index could increase by more than 50% on a particular day and this may result in the total loss of the investors' investment in the Product. Such total loss of investment could occur in a relatively short period of time if there is a material market movement.

3. Long term holding risks

- **The Product is not suitable for holding longer than one day** as the performance of the Product over a period longer than one day will very likely differ in amount and possibly direction from two times the inverse performance of the Index over that same period (e.g. the loss may be more than 2 times the increase in the Index). This effect may be more pronounced for longer holding periods and in products with larger leverage factor and/or inverse exposure. Investors should not expect the actual percentage return of investing in the Product to be equal to two times the inverse percentage change in the Index for periods of longer than one day.
- The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility. With higher Index volatility, the deviation of the Product's performance from the two times inverse performance of the Index will increase, and the performance of the Product will generally be adversely affected.
- As a result of Daily rebalancing, the Index's volatility and the effects of compounding of each day's return over time, it is even possible that the Product will lose money over time while the Index's performance falls or is flat. Investors in the Product should actively manage and monitor their investments, as frequently as daily.
- The table below illustrates the potential investment outcomes of holding the Product for a period longer than one day in a volatile market. For example, where an investor has invested in the Product on day 0 and the index falls by 2% in total at the end of day 4, the Product would have an accumulated loss of 7.8%, instead of a 4% gain which is -2x the accumulative return of the index.

	Day 0	Day 1	Day 2	Day 3	Day 4
Underlying index level	100.0	90.0 (down 10%)	99.0 (up 10%)	108.9 (up 10%)	98.0 (down 10%)
NAV per unit of the product	\$100.0	\$120.0 (up 20%)	\$96.0 (down 20%)	\$76.8 (down 20%)	\$92.2 (up 20%)
The product's target exposure to underlying index at day-end	\$-200.0	\$-240.0	\$-192.0	\$-153.6	\$-184.3
<i>Cumulative return (underlying index) multiplied by minus two</i>		+20.0%	+2.0%	-17.8%	+4.0%
<i>Cumulative return (product)</i>		+20.0%	-4.0%	-23.2%	-7.8%
Difference		0.0%	-6.0%	-5.4%	-11.8%

4. Unconventional return pattern risk

- Risk investment outcome of the Product is the opposite of conventional investment funds, and any gains and losses will be magnified by approximately two times. If the value of the Index increases for extended periods, the Product will likely to lose most or all of its value.

5. Futures contracts risks

- Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks. There may be imperfect correlation between the value of the underlying reference assets and the futures contracts, which may prevent the Product from achieving its investment objective.
- A “roll” occurs when an existing HSCEI Future is about to expire and is replaced with another HSCEI Future with a later expiration date. The value of the Product's portfolio (and so the NAV per Unit) may be adversely affected by the cost of rolling positions forward as the HSCEI Futures approach expiry. This effect may be more pronounced in products with higher leverage ratio.
- An extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a HSCEI Future may result in a proportionally high impact and substantial losses to the Product, having a material adverse effect on the NAV. A futures transaction may result in significant losses in excess of the amount invested.

6. Tracking error and correlation risks

- The Product may be subject to tracking error risk, which is the risk that its performance may not track that of the two times inverse (-2x) Daily performance of the Index exactly. This tracking error may result from the investment strategy used, high portfolio turnover, liquidity of the market and fees and expenses and the correlation between the performance of the Product and the two times inverse (-2x) Daily performance of the Index may be reduced. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication of the two times inverse performance of the Index at any time.

7. Past performance risk

- As a result of the change in investment objective and strategy on the Effective Date, past performance of the Product prior to such date was achieved under circumstances that no longer apply. Investors should exercise caution when considering the past performance of the Product prior to the Effective Date.