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Samsung S&P GSCI Crude Oil ER Futures ETF

Stock Code: 03175
(the “**Sub-Fund**”)

*(a sub-fund of Samsung ETFs Trust (the “**Trust**”), a Hong Kong umbrella unit trust, authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

Announcement

Interim Change of Investment Strategy

Suspension of Creation

Put options hedging strategy

Roll-over of WTI Futures Contracts in respect of the Index

Unless otherwise stated, capitalised terms used in this Announcement shall have the same meaning ascribed to them in the prospectus of the Trust and the Sub-Fund dated 31 December 2019 (the “**Prospectus**”).

Samsung Asset Management (Hong Kong) Limited, the Manager of the Trust and the Sub-Fund (the “**Manager**”), wishes to inform Unitholders of the Sub-Fund of the following changes in relation to the Sub-Fund and the S&P GSCI Crude Oil Index Excess Return (the “**Index**”).

A. Background

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index.

The Prospectus states that in seeking to achieve the Sub-Fund’s investment objective, the Manager adopts a full replication strategy through investing directly in WTI Futures Contracts so as to give the Sub-Fund the performance of the Index (the “**Stated Strategy**”).

The Prospectus also draws the investors’ attention to the fact that there can be no guarantee that the Sub-Fund will fully replicate the Index. It is subject to management risk

that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results.

The Manager would like to inform the Unitholders of the constraints imposed by the clearing broker for the Sub-Fund (the "**Clearing Broker**"). In response to the new market risks arising from the recent volatility of the crude oil market and the possibility of negative prices of WTI Futures Contracts, the Clearing Broker has adjusted its risk management controls. A series of additional risk management measures were therefore required to be taken as soon as possible by the Sub-Fund shortly after the Manager and the Clearing Broker reached a consensus on 30 April 2020 (as explained in sections B, C and D below, collectively the "**Mandatory Measures**"). As a consequence, there would be certain changes to the Sub-Fund (the "**Changes**") as described in this Announcement, making it impracticable for the Sub-Fund to achieve the original investment objective by implementing the Stated Strategy.

B. Further rolling of WTI Futures Contracts

Reference is made to the Announcement in respect of the Sub-Fund issued on 21 April 2020 (the "**21 April Announcement**"). As a result of the roll-over of WTI Futures Contracts as described in the 21 April Announcement, 100% of the Sub-Fund's holding of WTI Futures Contracts were September 2020 WTI Futures Contracts, and the Sub-Fund would continue to hold the September 2020 WTI Futures Contracts until the normal and scheduled roll-over period in August 2020, upon which the September 2020 WTI Futures Contracts will be replaced by October 2020 WTI Futures Contracts.

As part of the Mandatory Measures to mitigate the concentration risk arising from the holding of a single month WTI Futures Contracts in order to fulfill the Clearing Broker's adjusted risk management controls, the Manager, after discussion with the Clearing Broker, has determined to diversify the September 2020 WTI Futures Contracts currently held by the Sub-Fund by way of a further roll-over (the "**Further Roll-Over**") which will commence on 4 May 2020 after the trading hours of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The Further Roll-Over will take at most 5 trading days to complete depending on the market conditions. It is expected that after the Further Roll-Over, the Sub-Fund's holdings in the WTI Futures Contracts would be as follows: approximately one-third in September 2020 WTI Futures Contracts, approximately one-third in October 2020 WTI Futures Contracts and approximately one-third in December 2020 WTI Futures Contracts. The Manager will continue to closely monitor the market conditions and keep a close dialogue with S&P Dow Jones Indices (the "**Index Provider**") in relation to any further changes to the Index's rolling arrangements in order to determine the next roll-over arrangements with a view to protect the best interest of the Sub-Fund and the Unitholders. To the extent practicable, the Manager will give investors prior notice on any updates to the Sub-Fund's next roll-over arrangements.

While the Sub-Fund is expected to hold approximately one-third in September 2020 WTI Futures Contracts, approximately one-third in October 2020 WTI Futures Contracts and approximately one-third in December 2020 WTI Futures Contracts upon completion of the Further Roll-Over, in the meantime the Index will continue to track the performance of July 2020 WTI Futures Contracts as described in the Announcement in respect of the Sub-Fund issued on 28 April 2020 (subject to the Index Provider's plan to roll WTI Futures Contracts in respect of the Index to the August 2020 WTI Futures Contracts as described in section E below and further changes to the rolling methodology of the Index by the Index Provider). The Sub-Fund's exposure will therefore further diverge from that of the Index, leading to a higher tracking difference and tracking error.

Investors should take note that, after the Further Roll-Over, there is a possibility that the current market trajectory may continue and the prices of the September 2020 WTI Futures Contracts, October 2020 WTI Futures Contracts or December 2020 WTI Futures Contracts may fall substantially, to zero or to a negative value. In the worst case scenario, the Net Asset Value of the Sub-Fund may drop to zero and investors may suffer a total loss of their investments in the Sub-Fund.

C. Suspension of Creation Application

Under Clause 6.3(E) of the trust deed of the Trust (the “**Trust Deed**”), the Manager may, in consultation with the Trustee, having regard to the best interests of Unitholders, have the right to suspend the creation of Units during the existence of any state of affairs as a result of which delivery or purchase of Futures Contracts, cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the Sub-Fund.

The Clearing Broker has informed the Manager that with effect from 4 May 2020 it will not facilitate any increase in the number of WTI Futures Contracts held by the Sub-Fund.

In this connection, the Manager has determined to suspend the creations of Units in respect of the Sub-Fund with effect from 4 May 2020 until further notice pursuant to Clause 6.3(E) of the Trust Deed.

The Manager is currently in active discussions with various brokers in the market with a view to replace the existing Clearing Broker for the Sub-Fund. The Manager will monitor and review the circumstances and take all necessary steps to resume normal operations of the Sub-Fund as soon as practicable. A further notice will be issued to Unitholders upon the resumption of creations of Units in respect of the Sub-Fund.

In the event that a replacement clearing broker cannot be found within a reasonable time and using commercially reasonable endeavours, the Manager will continue the relationship with the Clearing Broker, and the creations of Units in respect of the Sub-Fund cannot be resumed so long as the Clearing Broker remains reluctant to facilitate any increase in the number of WTI Futures Contracts held by the Sub-Fund. In the worst case scenario, the Manager may consider terminating the Sub-Fund.

For the avoidance of doubt, the Manager expects the secondary market trading on the SEHK and redemption of the Units of the Sub-Fund will continue. Investors should exercise caution when dealing in the Units, in particular, the secondary market price of Units may trade at a larger premium or discount or at a larger trading spread as a result of suspension of creation of Units.

D. Put options hedging strategy

The Mandatory Measures included a requirement for the Sub-Fund to put in place a hedge against the potential negative prices of the September 2020 WTI Futures Contracts before 2:30 a.m. (Hong Kong time) on 1 May 2020. Failure to comply would potentially cause the Clearing Broker to liquidate part of or all of the futures positions held by the Sub-Fund immediately without giving the Manager sufficient time to make any alternative arrangements for the Sub-Fund to invest in the requisite WTI Futures Contracts. A liquidation of the Sub-Fund's portfolio in such circumstances would not have been in the interests of Unitholders. In view of this, the Manager, after consultation with the relevant parties including the Clearing Broker, the Trustee and the SFC, made a decision to purchase a total number of 6,750 crude oil put option September 2020 WTI Futures Contracts which are listed on New York Mercantile Exchange with an expiration date on 20

August 2020 (the “**Put Options**”) on behalf of the Sub-Fund on 1 May 2020. Due to such exceptional circumstances, the Manager was not able to give Unitholders prior notice of the purchase of the Put Options. The Manager is of the view that the purchase of the Put Options was conducted in good faith and in the best interests of the Unitholders and of the Sub-Fund.

The cost of the Put Options amounted to approximately 2% of the Net Asset Value of the Sub-Fund as of 29 April 2020.

The Manager will keep monitoring the situations and assess whether to continue with or exit the Put Options hedging strategy in due course with a view to protect the best interest of the Sub-Fund and the Unitholders. In the worst case scenario where the Put Options have neither been disposed of nor exercised on or before the expiration date, the Put Options may become worthless and result in a loss to the Sub-Fund.

E. Roll-over of WTI Futures Contracts in respect of the Index

Reference is made to the Announcement in respect of the Sub-Fund issued on 28 April 2020 (the “**28 April Announcement**”), which informed the Unitholders that the Index Provider had announced that it would pre-roll WTI Futures Contracts to the July 2020 WTI Futures Contracts for all S&P DJI commodity indices, including the Index.

The Manager would like to update the Unitholders that the Index Provider announced on 1 May 2020 that based on prevailing market conditions, it will roll WTI Futures Contracts to the August 2020 WTI Futures Contracts (the “**Index Futures Roll**”) for the impacted S&P DJI commodity indices, including the Index, which are currently scheduled to roll into the July 2020 WTI Futures Contracts. This will occur during the regularly scheduled roll period in May.

The Manager currently does not expect that the Sub-Fund will follow the Index Futures Roll, as the Manager has already rolled-over the Sub-Fund’s holdings of June 2020 WTI Futures Contracts and replaced its holdings with September 2020 WTI Futures Contracts (please refer to the 21 April Announcement for more information in this regard), and will proceed to the Further Roll-Over as described in Section B above.

In any event, the Manager will continue to closely monitor the situation and will also consider different options, for example, to discuss with the Index Provider the possibility of changing the index methodology, and to replace the Index with another index (subject to the prior approval of the SFC). The Manager will notify investors as soon as possible for further updates.

F. Impact on the Sub-Fund and Unitholders

The Clearing Broker may impose other mandatory measures on the Sub-Fund in addition to those as mentioned above, or limit the size and number of open contract positions, subject to the terms of the brokerage agreement signed between the Manager and the Clearing Broker, which may result in the liquidation of part or all of the futures position of the Sub-Fund. Any such mandatory measure or action taken or to be taken by the Clearing Broker may have an adverse effect on the Sub-Fund and the Unitholders. In the worst case scenario, the Manager may consider terminating the Sub-Fund if in the opinion of the Manager, it is impracticable or inadvisable to continue the Sub-Fund.

Unitholders can dispose of their Units in the Sub-Fund during the trading hours of the SEHK if they do not find any of the matters described above acceptable. As disclosed in section C above, the Manager expects the secondary market trading on

the SEHK and redemption of the Units of the Sub-Fund will continue notwithstanding the suspension of creation of Units.

Investors should take precautions before making an investment in the Sub-Fund. Attention should be drawn to the relevant risk disclosures about the Sub-Fund as disclosed in the Prospectus and the matters as disclosed in this Announcement.

Please refer to the Manager's website at www.samsungetf.com.hk (this website has not been reviewed by the SFC) for the portfolio composition of the Sub-Fund (which is updated on a daily basis) and other information concerning the Sub-Fund.

The Manager will continue to monitor the market movements closely and, if circumstances warrant further action, the Manager will issue a further announcement as soon as practicable.

G. General

In light of the Mandatory Measures, the Manager is of the view that the Changes described in this Announcement, which are in accordance with the Trust Deed, are in good faith and in the best interests of the Unitholders and of the Sub-Fund.

The Trustee has no objections to the Changes (including suspension of creation of Units) as described in this Announcement and the Manager has consulted the SFC regarding the Changes.

The Prospectus and Product Key Facts Statement of the Sub-Fund are available on the Manager's website at www.samsungetf.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 during office hours. The contact details of the Manager are as follows:

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三星資產運用 (香港) 有限公司

as Manager of the Trust and the Sub-Fund

3 May 2020