# HSBC Pooled Provident Plan

HSBC

# Important Notes

**Important – if you are in any doubt about the contents of this offering document, you should seek independent professional financial advice.**

- The Plan is a pooled retirement fund.

- You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of Investment Portfolios, you are in doubt as to whether a certain Investment Portfolio is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice and choose the Investment Portfolios most suitable for you taking into account your circumstances.

- Under the Trust Deed, the Trustee has the power to designate Designated Funds into which contributions to or assets of the Plan can be invested through investing in the corresponding Investment Portfolios. An employer's contributions and contributions (if any) of its employees can be invested in either one or a selection of the Designated Funds, through investments in the corresponding Investment Portfolios, subject to the conditions set out in the Trust Deed and rules and this Explanatory Memorandum. Units in the Designated Funds are being held by or under the control of the Trustee. You do not have any direct ownership or rights in the Designated Funds.

- The Designated Funds available under the Plan, through investments in the corresponding Investment Portfolio, could be denominated in a currency other than Hong Kong dollars and therefore you should be aware of the exchange rate differences.

- This Explanatory Memorandum should be read in conjunction with the relevant offering documents of the Designated Funds.

- Investment involves risks. Past performance is not indicative of future performance. The value of financial instruments, in particular stocks and shares, and any income from such financial instruments, may go down as well as up.

## Contents

# HSBC Pooled Provident Plan: Explanatory Memorandum

## 1. Introduction

### 1.1 The Plan

Providing for retirement has become a major issue for employers and employees. With the constant threat of inflation, the need to make adequate provision for retirement is of paramount importance.

The Plan has been specially designed to meet the need of both small and medium-sized employers to provide retirement benefits for their employees. It is also suitable for large corporations. The Plan can be tailored to suit each company's particular requirements.

The Plan was established under a trust arrangement by the Trust Deed. The Plan together with the Investment Portfolios are established in Hong Kong SAR.

The Plan is a pooled retirement fund. The purpose of the Plan is to enable assets of each employer provident plan to be 'pooled' with those of other employer provident plans and invested in a variety of professionally managed funds. This provides a wide diversification of investments. Even though the assets are pooled, each employer can adapt the rules of its own employer provident plan to suit its particular requirements. Employers and, if applicable, employees will make contributions to the Plan according to the contribution rate as set out in the rules of each employer provident plan.

Under the Trust Deed, the Trustee has the power to designate funds into which contributions to or assets of the Plan can be invested. An employer's contributions and contributions (if any) of its employees can be invested in either one or a selection of the Designated Funds, through investments in the corresponding Investment Portfolios, subject to the conditions set out in the Trust Deed and rules and this Explanatory Memorandum. Units in the Designated Funds are being held by or under the control of the Trustee. Employers and members do not have any direct ownership or rights in the Designated Funds.

The Hongkong and Shanghai Banking Corporation Limited will assist employers in registering their employer provident plans under the ORSO.

The Plan is denominated in Hong Kong dollars but the Trustee may change this to another currency in the future if circumstances require it, subject to the provisions of the Trust Deed.

### 1.2 Summary

- A pooled plan suitable for small, medium-sized and large companies
- 'Defined contribution' scheme with contributions made by employers and, if applicable, employees, based on a percentage of the employees' salary
- Trusteeship by HSBC Institutional Trust Services (Asia) Limited
- Administration by The Hongkong and Shanghai Banking Corporation Limited
- Investment management by a selection of professional DF Investment Managers
- Investment decision making by employers and/or employees (where applicable)
- Flexibility to vary the rules of an employer provident plan to suit the particular circumstances of an employer

The Plan combines the resources of HSBC Institutional Trust Services (Asia) Limited, The Hongkong and Shanghai Banking Corporation Limited and a selection of professional DF Investment Managers to produce a simple, yet highly flexible scheme.

### 1.3 Important warning

Investment involves risks. Past performance is not indicative of future performance. The value of financial instruments, in particular stocks and shares, and any income from such financial instruments, may go down as well as up.

The Product Provider accepts responsibility for the accuracy of the information contained in this Explanatory Memorandum only as at the date of publication. The Product Provider 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.

The Explanatory Memorandum should be read in conjunction with the relevant offering document of the Designated Funds. You may request a copy of the offering documents of the Designated Funds from The Hongkong and Shanghai Banking Corporation Limited (please write to the address below or contact your account servicing manager).

For further information about the HSBC Pooled Provident Plan, please contact:

The Hongkong and Shanghai Banking Corporation Limited
PO Box 74203, Kowloon Central Post Office
Enquiry hotline: +852 2288 6655

## 2. Key Operators

### 2.1 Service providers

### PRODUCT PROVIDER, ADMINISTRATOR AND CUSTODIAN

**The Hongkong and Shanghai Banking Corporation Limited**
- established in 1865 and the founding member of the HSBC Group
- one of the world's largest banking and financial services organisations
- listed on the London, Hong Kong, New York and Bermuda stock exchanges
- The Hongkong and Shanghai Banking Corporation Limited, also being the Product Provider, will carry out its responsibilities as a Product Provider as provided under the PRF Code
- the Trustee has appointed The Hongkong and Shanghai Banking Corporation Limited as the custodian for the safekeeping of the assets of the Plan

**Registered address**
1 Queen's Road Central
Hong Kong

**Mailing address**
PO Box 74203, Kowloon
Central Post Office

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### TRUSTEE

**HSBC Institutional Trust Services (Asia) Limited**
- incorporated in Hong Kong SAR and is registered as a trust company in Hong Kong SAR

**Registered address**
1 Queen's Road Central
Hong Kong

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### LEGAL ADVISER

**Baker & McKenzie**
- establish in 1974 and provides independent legal advice to the Trustee on matters relating to the Plan
- market leading global law firm

**Registered address**
14th Floor, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

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### AUDITOR

**KPMG**
- responsible for annual auditing of the HSBC Pooled Provident Plan

**Registered address**
8th Floor, Prince's Building
10 Chater Road Central
Hong Kong

### 2.2 DF Investment Managers of the Designated Funds

| Designated Funds | Investment Managers | Registered address |
|---|---|---|
| HSBC Managed Balanced Fund – Accumulation Units | HSBC Investment Funds (Hong Kong) Limited | Level 22, HSBC Main Building<br>1 Queen's Road Central<br>Hong Kong |
| HSBC Global Money Fund – Class L (HKD) | | |
| Schroder Balanced Investment Fund – A Accumulation HKD | Schroder Investment Management (Hong Kong) Limited | Level 33, Two Pacific Place<br>88 Queensway<br>Hong Kong |
| Allianz Oriental Income – Class AT (USD) Acc | Allianz Global Investors Asia Pacific Limited | 27th Floor, ICBC Tower<br>3 Garden Road Central<br>Hong Kong |

Further information about the DF Investment Managers and their Designated Funds is given in Investment Portfolio Fact Sheets.

## 3. Investment Portfolios

### 3.1 List of Investment Portfolios

Each Investment Portfolio under the Plan is structured in the form of a feeder fund investing 100% in the corresponding Designated Fund.

| Investment Portfolio | Date of Establishment |
|---|---|
| HSBC Managed Balanced Fund – Class Acc (HKD) | 4 March 1992 |
| HSBC Global Money Fund – Class L (HKD) | 1 June 2011 |
| Schroder Balanced Investment Fund – HKD A Acc (HKD) | 16 August 1994^ |
| Allianz Oriental Income – Class AT Acc (USD) | 2 August 2005^ |

^ Please refer to the respective remarks against the launch dates of these Investment Portfolios in the Investment Performance Report of the Plan (which will be available at www.hsbc.com.hk/orso/products/pooled-provident-plan).

### 3.2 Investment Portfolio Fact Sheets

Each Investment Portfolio under the Plan is subject to different (i) investment objectives and policies; (ii) risks; (iii) fees and charges; and (iv) valuation, pricing and dealing arrangements. The information with respect to each Investment Portfolio is set out under the respective Investment Portfolio Fact Sheets in Appendix A to this Explanatory Memorandum.

### 3.3 Valuation

The unit price and performance of each Investment Portfolio is determined on each Valuation Day on the basis of the unit price and performance of the corresponding Designated Fund.

Please refer to the relevant offering document of the Designated Funds about the valuation of each Designated Fund.

### 3.4 Investment requirements and restrictions

#### (a) Investment Portfolio requirements

The Investment Portfolios are funds investing in SFC-authorized fund(s), and subject to the following investment requirements:

(i) Fund investing in SFC-authorized fund(s)

An Investment Portfolio that is in the form of a fund investing in SFC-authorized fund(s) may normally invest 90% or more of its total net asset value in one or more SFC-authorised fund(s) falling under Chapter 7 of the UT Code, and, where applicable, the specific investment requirements under 8.2, 8.6 or 8.10 of the UT Code. The remaining assets of such Investment Portfolio shall be held in cash or cash equivalents. Any underlying fund must be a non-derivative fund.

Moreover, to the extent applicable, where an Investment Portfolio that is in the form of a fund investing in SFC-authorised fund(s) invests in any SFC-authorised fund(s) issued by the Product Provider or its connected person(s) or delegate(s), all initial charges and redemption charges on such underlying fund(s) must be waived.

In addition, no money of an Investment Portfolio may be invested in the securities of, or lent to, as applicable, the Product Provider, the management company(ies), the Trustee or any of their connected persons except where any of these parties is a substantial financial institution or an insurance company. For these purposes, securities do not include interests in collective investment schemes, either authorized under section 104(1) of the SFO or recognized jurisdiction schemes pursuant to 1.2 of the UT Code.

Lastly, the investment of the contributions to or assets of the Plan into the Designated Funds, through investments in the corresponding Investment Portfolios, should comply with the applicable investment requirements under the ORSO and the MPF (Exemption) Regulation.

**(b) Rebates**

A management company of the Plan or an Investment Portfolio or any of its connected persons will not receive cash or other rebates from brokers or dealers in respect of transactions from the Investment Portfolio(s). However, such management company or its connected persons may enter into soft commission arrangements with brokers or dealers for the provision to the management company of goods and services which are of demonstrable benefit to the Plan's participants, or transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates.

In addition, with respect to an Investment Portfolio that is in the form of a fund investing in SFC-authorized fund(s), the Product Provider or its delegate(s) may not obtain a rebate on any fees or charges levied by the underlying fund(s) (or their management companies), or any quantifiable monetary benefits in connection with investments in the underlying fund(s), or a fund investing in SFC-authorized fund(s).

**(c) Borrowing**

The Trust Deed gives the Trustee the power to borrow up to 10% of the net value of the assets of the Plan. It is expected that this power would be used only in exceptional circumstances and on a temporary basis to provide liquidity and to meet obligations to pay benefits.

## 4. Risk Factors

Investment involves risks. Investors should always consider their own risk/reward profile before making an investment choice. Investments in the Investment Portfolios are subject to market fluctuations and investment risks. As a result, the price of units of an Investment Portfolio may go down as well as up. Thus the original amount invested in the Investment Portfolios may not be recouped. Each Investment Portfolio is structured in the form of a feeder fund investing in the corresponding Designated Fund, the performance of the Designated Funds, and therefore, the Investment Portfolios, will be affected by a number of key risk factors, including but not limited to those set out in this section.

In this section 4. Risk Factors, unless the context specifies otherwise, the term 'fund' is used to describe, as the case may be, any Investment Portfolio and/or its respective underlying fund(s).

Please refer to the Investment Portfolio Fact Sheets and the relevant offering documents of the Designated Funds about the risk factors applicable to each Investment Portfolio and its corresponding Designated Fund.

### 4.1 Investment risk and volatility risk

Investors should be aware that the value of securities in which a fund invests, and the return derived from it can fluctuate. Each fund invests in and actively trades securities utilising strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the market. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as actions by various governmental agencies and domestic or international economic and political developments, may cause sharp market fluctuations, which could significantly and adversely affect the value of a fund's investments.

There is no guarantee that the investment objective of a fund can be achieved. There is no express or implied assurance as to the likelihood of achieving the investment objective for a fund.

There is no guarantee that in any time period, particularly in the short term, a fund's portfolio will achieve appreciation in terms of income or capital growth. A fund's portfolio may be subject to market fluctuations and to all the risks inherent in all investments and markets. As a result, the price of units may go down as well as up. Whilst the management company of a fund may implement strategies designed to minimise potential losses, there can be no assurance that these strategies will be successful. Making an investment in a fund is not the same as making a deposit in a bank. An investor may lose a substantial proportion or all of its investments in a fund.

The prices of a fund's units depend on the market values of the fund's investments and such prices as well as the income from units can go down as well as up. Past performance of a fund does not indicate future performance. Investment in a fund is not capital guaranteed and is only suitable for investors who can leave their capital for medium to long term investment.

A fund's performance is subject to the risks associated with its investments and cash exposure including, among others, market, interest rate, currency, exchange rate, economic, credit, liquidity, counterparty, foreign securities and political risks.

### 4.2 General equity market risk

Investment in equity securities is subject to market risk and the prices of such securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations. Prices of equity securities are also affected by the business, performance and activities of individual companies as well as general market and economic conditions. If the market value of equity securities in which a fund invests in goes down, the net asset value of a fund may be adversely affected, and investors may suffer substantial losses. Investors may not get back the amount they initially invested in a fund.

### 4.3 General debt securities risk

The principal factors that may affect the value of a fund's debt securities holdings include: (i) the creditworthiness and credit ratings of the issuers of securities, (ii) changes in interest rates, (iii) changes in valuation, (iv) risk associated with sovereign debt, (v) risk associated with liquidity and (vi) default risk.

**(a) Credit risk**

Investment in fixed income securities is subject to the credit and default risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. Generally, a fixed income security that is lower rated or unrated will be subject to higher credit and default risk of the issuer than a higher rated fixed income security. In the event that any issuer of such securities defaults, becomes insolvent or experiences financial or economic difficulties, the value of the securities will be adversely affected. A fund may suffer losses in its investment in such securities. There is no certainty in the creditworthiness of issuers of debt securities. Unstable market conditions may mean there are increased instances of default amongst issuers. In case of default, a fund may also encounter difficulties or delays in enforcing its rights against the issuers of securities as such issuers may be incorporated outside Hong Kong SAR and subject to foreign laws. The fixed income securities that a fund invests in may be offered on an unsecured basis without collateral. In such circumstances, a fund will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds obtained from the liquidation of the issuer's assets will be paid to holders of the fixed income securities only after all secured claims have been satisfied in full. A fund is therefore fully exposed to the credit/insolvency risk of issuers as an unsecured creditor.

**(b) Credit rating risk**

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The credit ratings assigned by credit rating agencies are a generally accepted barometer of credit risk of a fixed income security. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

If assessments based on credit ratings do not reflect the credit quality of and the risks inherent in a security, investors may suffer losses, possibly greater than originally envisaged.

**(c) Interest rate risk**

Changes in market interest rates will affect the value of securities held by a fund. Generally, the prices of debt instruments rise when interest rates fall, and vice versa. Long-term securities are generally more sensitive to changes in interest rates and, therefore, are subject to a greater degree of market price volatility. To the extent that a fund holds long-term fixed income securities, its net asset value will be subject to a greater degree of fluctuation than if it held fixed income securities of a shorter duration. Fluctuations in interest rates may cause a fund to suffer a loss in its investments if it disposes of such fixed income securities before their maturity.

**(d) Valuation risk**

Valuation of a fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the net asset value of the fund may be adversely affected.

**(e) Sovereign debt risk**

A fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the fund to participate in restructuring such debts. The fund may suffer significant losses when there is a default of sovereign debt issuers.

**(f) General liquidity risk**

Liquidity risk exists within most financial products including the investments held by a fund. This means that a delay may occur in receiving sales proceeds from the investments held by a fund, and those proceeds may be less than recent valuations used to determine the net asset value of a fund.

This risk is greater in exceptional market conditions or when large numbers of market participants are trying to sell their investments at the same time. In such cases, a fund may also experience substantial redemptions of units which could require the management company of the fund to liquidate investments of the fund more rapidly than otherwise desirable in order to raise the necessary cash to fund the redemptions. This could adversely affect the redemption price and, in such circumstances, the receipt of sale proceeds may be delayed and/or take place at lower prices.

Further, the management company of a fund may be entitled under certain circumstances to suspend dealings in the units. In this event, valuation of the net asset value will be suspended, and any affected redemption applications and payment of redemption proceeds will be deferred. The risk of decline in net asset value of the units during the period up to the redemption of the units will be borne by the redeeming unitholders.

**(g) Default risk**

The issuer of a security directly or indirectly held by a fund or the debtor of a claim belonging to a fund may become insolvent causing such assets to become economically worthless and investors' investments will be adversely affected.

**4.4 Currency risk**

A fund's assets and liabilities may be denominated in currencies different from the fund's base currency. An investor's return (as measured in terms of the base currency) may be affected unfavourably by exchange control regulations or changes in the exchange rates between a fund's base currency and other currencies.

Changes in currency exchange rates may influence the value of a fund's units, the dividends or interest earned and the gains and losses realised by a fund. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

If the currency in which a security is denominated appreciates against the base currency of a fund, the value of the security will increase in terms of the fund's base currency. Conversely, a decline in the exchange rate of the currency in which a security is denominated would adversely affect the value of the security in terms of the fund's base currency. Depending on this, in terms of a fund's base currency, an investor (i) may suffer losses even if there are gains or no losses in the value of the non-base currency denominated underlying securities; or (ii) may suffer additional losses if the non-base currency denominated underlying investments of the fund falls in value.

Further, dividends will be paid in the relevant class currency, which may involve currency conversion of the proceeds obtained from realisation of a fund's assets. Currency conversion involves foreign exchange risks as the exchange rates are subject to fluctuations.

**4.5 Risk of investing in other collective investment schemes**

A fund may invest in other funds which may not be regulated by the SFC. A fund does not have any control of the investments of its underlying funds and will be subject to the risks and returns associated with the underlying funds' investments as well as the prospectus terms and conditions of the underlying funds. There is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the net asset value of a fund.

**4.6 Risk associated with small/mid-capitalisation companies**

A fund may not have a capitalisation requirement on stock investment and may invest in stocks issued by small cap and/or mid-cap companies. These stocks are more abrupt or erratic in price movements and their sensitivity to market changes is higher than stocks of larger companies. They may be subject to a lower liquidity and cannot be sold readily. Further, even relatively small orders for purchase or sale of illiquid these securities can lead to significant price volatility. There is the risk that the stocks cannot be sold or can only be sold at a significant discount to the purchase price. This may result in investment losses to a fund.

### 4.7 Emerging markets risk

Emerging or developing markets may have relatively unstable governments, economies based on a less diversified industrial base and securities markets that trade a smaller number of securities. Companies in emerging markets may generally be smaller, less experienced and more recently organized than many companies in more developed markets. Prices of securities traded in the securities markets of emerging or developing countries/regions tend to be volatile. Furthermore, foreign investors are often subject to restrictions in emerging or developing markets. These restrictions may require, among other things, governmental approval prior to making investments or repatriating income or capital, or may impose limits on the amount or type of securities held by foreigners or on the companies in which the foreigners may invest.

The economies of individual emerging markets may differ favourably or unfavourably from developed economies in such respects as growth of gross domestic product, rates of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payment position and may be based on a substantially less diversified industrial base. Further, the economies of developing markets generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. These economies also have been, and may continue to be, adversely affected by economic conditions in the countries/regions with which they trade.

Risks of emerging market securities may include: greater social, economic and political uncertainty and instability; greater settlement and custody risks; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organized and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition, taxation of interest and dividend and capital gains received by non-residents varies among emerging and less developed markets and, in some cases may be comparatively high. There may also be less well-defined tax laws and procedures and such laws may permit retroactive taxation so that a fund could in the future become subject to local tax liabilities that had not been anticipated in conducting investment activities or valuing assets.

### 4.8 Derivative instrument risk

A fund may use derivatives for hedging and/or investment purposes and such instruments may include futures, forwards (including non-delivery forwards), and swaps (including total return swaps and inflation swaps) as well as other financial derivative instruments.

Due to the inherent nature of financial derivative instruments, a fund that uses financial derivative instruments as part of its investment strategy may involve risks different from, or possibly greater than, the risks associated with a fund that does not make use of financial derivatives. Specifically financial derivative instruments are subject to counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter risk. Further, a financial derivative may include an element of leverage meaning that a small movement in the price of the underlying security, index, interest rate or currency may result in a substantial movement in the price of the financial derivative instrument. This may result in losses being magnified and losses may exceed the amount invested in the financial derivative instrument resulting in a significant loss to a fund.

### 4.9 Asset allocation and strategy risk

The underlying fund of a fund may be periodically rebalanced and therefore the fund may incur greater transaction costs than a fund employing a buy-and-hold allocation strategy.

### 4.10 Geographic concentration risk

A fund's investments are concentrated in a certain geographical region(s). The value of the fund may be more volatile than that of a fund having a more diverse portfolio of investments.

Further, the value of a fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting such geographical region(s).

### 4.11 Additional risk associated with Schroder Balanced Investment Fund – HKD A Acc (HKD) – Risk relating to exchange traded funds

Schroder Balanced Investment Fund – A Accumulation HKD, the underlying fund of the Schroder Balanced Investment Fund – HKD A Acc (HKD) may invest in exchange traded funds ('**ETFs**'). ETFs generally are passively managed and may not be able to adapt to market changes. ETFs may be subject to tracking error risk, which is the risk that its performance may not track that of the index exactly. The trading price of units of ETFs is driven by market factors such as demand and supply of the units, and units may trade at a substantial premium or discount to net asset value. Where Schroder Balanced Investment Fund – A Accumulation HKD invests in synthetic ETFs, such investments are susceptible to more significant price fluctuations and higher volatility, and are exposed to risk of fall in collateral value and risk of default of counterparties.

### 4.12 Additional risk associated with HSBC Global Money Fund – Class L (HKD) – Risk of money market funds

The purchase of the units of the HSBC Global Money Fund – Class L (HKD) or of its underlying fund, bearing the same name, is not the same as placing funds on deposit with a bank or deposit taking company.

The management company of the underlying fund of the HSBC Global Money Fund – Class L (HKD) has no obligation to redeem units at their offering value. Also, both the HSBC Global Money Fund – Class L (HKD) or of its underlying fund are not subject to the supervision of the Hong Kong Monetary Authority. Investors may not recoup the original amount invested in the HSBC Global Money Fund – Class L (HKD).

### 4.13 Additional risks associated with Allianz Oriental Income – Class AT Acc (USD)

#### (a) Company-specific risk

If the Allianz Oriental Income – Class AT (USD) Acc (for the purposes of this sub-section 'Additional risks associated with Allianz Oriental Income – Class AT Acc (USD)', means the '**Designated Fund**'), the underlying fund of the Allianz Oriental Income – Class AT Acc (USD), invests in companies, such investments are subject to company-specific risk. The value of the Designated Fund's assets (in particular of securities and money market instruments directly or indirectly held by the Designated Fund), and therefore the value of the Allianz Oriental Income – Class AT Acc (USD), may be affected by company-specific factors (e.g. the issuer's business situation). If a company-specific factor deteriorates, the price of the respective asset may drop significantly and for an extended period of time, possibly without regard to an otherwise generally positive market trend. This may have an adverse impact on the Designated Fund and therefore the value of the Allianz Oriental Income – Class AT Acc (USD).

#### (b) Risk related to distribution out of capital and distribution effectively out of capital

Classes may be launched whose distribution policy deviates from the regular distribution policy and which may provide for distributions out of capital/distributions effectively out of capital. The payment of distributions out of capital/distributions effectively out of capital represents a return or withdrawal of part of the amount which the investors originally invested and/or capital gains attributable to the original investment. Investors should be aware that any distributions involving payment of distributions out of/effectively out of the Designated Fund's capital may result in an immediate decrease in the net asset value per share and may reduce the capital available for the Designated Fund for future investment and capital growth. As a result, Allianz Oriental Income – Class AT Acc (USD)'s investment in the Designated Fund will be adversely affected.

The distribution amount and net asset value of any hedged share classes of the Designated Fund may be adversely affected by differences in the interests rates of the reference currency of the hedged share classes and the base currency of the Designated Fund, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged share classes.

Distribution shares applying the fixed percentage policy may have a significant risk of distributions exceeding net income, realized capital gains and other income. This may result in an immediate decrease in the net asset value per share and may reduce relatively larger portion of capital available for the fund for future investment and capital growth, potentially eroding the capital more quickly.

### (c) Risk of investing in China-A shares

The Designated Fund's assets may be invested in China A-Shares. The securities market in the PRC, including China A-Shares, may be more volatile and unstable (for example, due to the risk of suspension/limitation in trading of a particular stock, or implementation of policies that may affect the financial markets by the government or the regulators) than markets in more developed countries and has potential settlement difficulties. This may result in significant fluctuations in the prices of securities traded in such market and thereby affecting the prices of shares of the Designated Fund. Investment in the PRC remains sensitive to any major change in economic, social and political policy in the PRC. The capital growth and thus the performance of these investments may be adversely affected due to such sensitivity.

### (d) RMB risk

Investors should be aware that the RMB is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies.

Currently, RMB is traded in mainland China and markets outside mainland China. RMB traded in mainland China, CNY, is not freely convertible and is subject to exchange control policies and restrictions imposed by the PRC authorities. On the other hand, the RMB traded outside mainland China, CNH, is freely tradeable but still subject to controls, limits and availability. In general, the respective daily exchange rate of the RMB against other currencies is allowed to float within a range above or below the central parity rates published by the People's Bank of China ('**PBOC**') each day. Its exchange rate against other currencies, including e.g. USD or HKD, is therefore susceptible to movements based on external factors. There can be no assurance that such exchange rates will not fluctuate widely.

While CNY and CNH represent the same currency, they are traded on different and separate markets which operate independently. As such, the value of CNH could differ, perhaps significantly from that of CNY and the exchange rate of CNH and CNY may not move in the same direction due to a number of factors including, without limitation, the foreign exchange control policies and repatriation restrictions pursued by the PRC government from time-to-time, as well as other external market forces. Any divergence between CNH and CNY may adversely impact investors.

There is no assurance that RMB will not be subject to devaluation, in which case the value of investors' investments in RMB assets will be adversely affected.

Currently, the PRC government imposes certain restrictions on repatriation of RMB out of the PRC. Investors should note that such restrictions may limit the depth of the RMB market available outside of the PRC and thereby, may reduce the liquidity of the Designated Fund and therefore the Allianz Oriental Income – Class AT Acc (USD). The Designated Fund and therefore the Allianz Oriental Income – Class AT Acc (USD) will be subject to risk of not having sufficient RMB for currency conversion prior to investment.

The PRC government's policies on exchange controls and repatriation restrictions are subject to change, and the position of Designated Fund and its investors including the Allianz Oriental Income – Class AT Acc (USD) may be adversely affected by such change.

Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' home currency will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investment in the RMB denominated share classes and the value of investments in Chinese RMB assets.

### (e) Mainland China tax risk

The investments through the Stock Connect are subject to the tax regime in the PRC. The business tax and income tax on capital gains are temporarily exempted for an uncertain period. The tax regime may change from time to time and the Designated Fund is subject to risks and uncertainties in its PRC tax liabilities and in PRC tax laws, regulations and practice. Any increased tax liabilities of the Designated Fund may adversely affect the Designated Fund's and therefore the Allianz Oriental Income – Class AT Acc (USD)'s value.

Based on professional and independent tax advice, the Designated Fund will make the following tax provisions:

- 10% on dividend from China A-Shares if the withholding tax is not withheld at source

Any shortfall between the provision and the actual tax liabilities, which will be debited from the Designated Fund's assets, will adversely affect the Designated Fund's and therefore the Allianz Oriental Income – Class AT Acc (USD)'s net asset value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

**(f) Risks associated with the Stock Connect**

The Stock Connect is novel in nature. The relevant regulations are relatively new and subject to continuous evolvement which may have potential retrospective effect.

The Stock Connect is subject to a daily quota which does not belong to the Designated Fund and may only be utilized on a first-come-first-served basis and therefore may restrict the Designated Fund's ability to invest in China A-Shares through the Stock Connect on a timely basis or the Designated Fund may not be able to make its intended investments through Stock Connect.

PRC regulations impose certain restrictions on selling and buying. Also, a stock may be recalled from the scope of eligible stocks for trading via the Stock Connect. This may affect the investment portfolio or strategies of the Designated Fund and therefore the Allianz Oriental Income – Class AT Acc (USD)'s.

Where a suspension in the trading through the programme is effected, the Designated Fund's ability to invest in China A-Shares or access the PRC market through the programme will be adversely affected. In such event, the Designated Fund's and therefore the Allianz Oriental Income – Class AT Acc (USD)'s ability to achieve their respective investment objective could be negatively affected.

Trading in securities through the Stock Connect may be subject to clearing and settlement risk. If the PRC clearing house defaults on its obligation to deliver securities/make payment, the Designated Fund and therefore the Allianz Oriental Income – Class AT Acc (USD)'s may suffer delays in recovering their losses or may not be able to fully recover their losses.

## 5. Fees and Charges

### 5.1 Fees

The terms of the Plan include the following:

| Type of Fee | Description |
|---|---|
| Establishment Fee | A one-off establishment fee of HKD2,500. |
| Contribution Fee | A contribution fee of up to 2% of all contributions. This is deducted upon receipt of the contributions by the Administrator, and the remaining contributions are then invested in the Designated Fund(s), through investments in the corresponding Investment Portfolios, chosen by the employer and/or members. Units in the Designated Funds are purchased at their quoted offer prices, excluding initial charges otherwise payable on the investment in the Designated Funds. |
| Administrative Charge | An administrative charge based upon the net asset value of each employer provident plan will be payable to the Trustee. The administrative charge will be collected by the respective DF Investment Managers of the Designated Funds by deducting from the assets of the Designated Funds before valuation. For more details, please refer to the Investment Portfolio Fact Sheets.<br><br>Three months' notice will be given to the existing employers of any intention to increase the rate applicable in the future. |
| Switching Fee | The Trustee provides twelve free switches per annum but thereafter a switching fee of up to 2% of the value of units switched from one Designated Fund (and therefore the corresponding Investment Portfolio) to another may be charged (unless the Trustee on a case by case basis determines to waive this fee). The switching fee will be deducted from the redemption proceeds before acquiring units of another Designated Fund(s) (and therefore units in the corresponding Investment Portfolio(s)). Any initial charge of the Designated Fund into which the switch is made is waived. |
| Fee and charges of the Designated Funds | In addition to the above, please refer to the Investment Portfolio Fact Sheets and the relevant offering document of each Designated Fund for further details including the current and maximum levels of the fees, charges and expenses that are chargeable with respect to each Investment Portfolio and its corresponding Designated Fund. |

The Trustee has the discretion as to whether to accept an employer to the Plan. Where the requirements of an employer would create unusual or difficult administrative procedures, additional fees chargeable to the employer may be provided for in the deed of adherence agreed with that particular employer.

### 5.2 Expenses

Costs and expenses in connection with the establishment of the Plan were borne by the Trustee. Expenses incurred by the Trustee on behalf of an employer in establishing its employer provident plan, including but not limited to actuarial fees, legal fees in connection with the deed of adherence, any expenses and legal fees for amending the Trust Deed or otherwise securing registration of the employer provident plan under any applicable legislation, and auditor's fees in relation to the employer provident plan and the Plan, are borne by the employer.

Any custodian, sub-custodian or nominee fees, taxes which may accrue in respect of the investments or dealings of the Plan, interest or other expenses relating to borrowing undertaken on behalf of the Plan, including any amounts in respect of which the Trustee is entitled to be indemnified arising from its borrowing on behalf of the Plan, the costs of any insurance of the benefits, and any other costs and expenses as permitted under the relevant provisions of the Trust Deed are payable out of the assets of the Plan, usually in proportion to the value of the assets attributable to the relevant employers. The expenses are deducted before valuation of the assets.

Where fees are paid out of the assets of the Plan, such fees may be borne by any contributions received or to be received, or by realising investments.

## 6. Administrative Matters

### 6.1 Joining the Plan

Each employer provident plan established under the Plan is a 'defined contribution' scheme, i.e. benefits payable from a scheme will primarily depend on the amounts contributed to the scheme and the return on the investment of such amounts. Employers may contribute a fixed percentage of their employees' salary each month and the rules also allow their employees to make monthly contributions. The Trustee invests the contributions in units or shares of the relevant Designated Fund(s) in accordance with instructions given from time to time by either the employer or, if the employer so chooses, by members of the employer provident plan. The units are registered or held to the order of the Trustee, but are allocated to the account of the particular member in respect of whom contributions are made. Benefits payable in respect of the member reflect the value of the investment of the contributions paid by or in respect of the member to the employer provident plan. Statements are issued regularly to show the units allocated the statements identify those units for which the employer has contributed and, separately, those units for which the member has contributed.

An employer can join the Plan by executing a deed of adherence by which the employer agrees to be bound by the terms of the Trust Deed, and to adopt a set of rules governing the detailed terms of the benefits due to members of the employer provident plan. The rules, tailored to meet the needs of the company, are unique to each employer provident plan and can be adapted to suit particular requirements. For example, some employers may wish members to retire at the age of 60 and others may prefer to set the normal retirement age at 65.

### 6.2 Contribution arrangement and how contributions are invested

#### (a) Contributions

Contributions to the Plan are payable to the Administrator in Hong Kong dollars, and are invested in units of Designated Funds within this Plan as selected by the employer and/or members (if applicable).

Employers are required to deduct employees' contributions (if applicable) from their payroll and pay them together with the employer's contributions on a monthly basis to the Administrator. The payment should be made by cheque in Hong Kong dollars. If the employers fail to comply with the legislative requirements regarding the time limits for making contributions, they may be subject to contribution surcharge for late payment or financial penalties for outstanding contribution payments in accordance with the Occupational Retirement Schemes (Recovery of Arrears) Rules.

#### (b) Employer's and employee's contributions

The employer's contributions in respect of an employee may be specified as a proportion of the employee's salary. Similarly, depending on the rules of the relevant Employer Provident Plan, an employee may make contributions to the plan and the amount of such contributions can be determined by reference to a specified proportion of the employee's salary.

The employer's contributions will be segregated from those made by the employee and recorded separately in the member's account.

#### (c) Choice of Designated Funds

Under the Trust Deed, the Trustee has the power to designate Designated Funds into which contributions to the Plan can be invested through investments in the corresponding Investment Portfolios. An employer's contributions and the contributions (if any) of its employees can be invested in either one or a selection of the Designated Funds, through investments in the corresponding Investment Portfolios, subject to the conditions set out in the Trust Deed and rules and in accordance with the following procedures. The investment decisions can be changed from time to time. With the consent of the employer, each individual member may also have the opportunity to decide on the investment allocation of his/her contributions. An individual member can either be permitted to make investment allocation decisions in relation to both the contributions attributable to the employer and those attributable to the member or only those relating to the member's contributions. Under the Plan, any subscription of units or redemption of units requests will be processed within a timeline determined by The Hongkong and Shanghai Banking Corporation Limited, subject to 8.18 of the PRF Code. The Trustee may change the list of the

Designated Funds from time to time and will usually give employers and members who may decide on the investment allocation three months' prior written notice in accordance with the Trust Deed if a Designated Fund ceases to be a Designated Fund.

However, a shorter notice may be required in exceptional circumstances affecting a particular Designated Fund. If a Designated Fund ceases to be a Designated Fund, then contributions thereto must cease and the Trustee can require the accumulated contributions to be switched to other Designated Fund(s) (and therefore the corresponding Investment Portfolio(s)). It is permissible to redirect the contributions to another Designated Fund (and therefore the corresponding Investment Portfolio). It is also permissible for the employer's contributions to be invested in a Designated Fund (and therefore the corresponding Investment Portfolio) different from that for the member's contributions. In the event that a Designated Fund ceases to be a Designated Fund but the employer and/or members have not changed their investment allocation, the contributions equivalent to the portion to be invested in the terminated fund(s) received after the closure date may be invested into such Designated Fund (and therefore the corresponding Investment Portfolio) as specified by the Trustee subject to the provisions of the Trust Deed or may be placed in the deposit account with any bank or financial institution in accordance with the provisions of the Trust Deed until the new investment allocation is received from the employer and/or members.

Key features of each Investment Portfolio and brief description of its corresponding Designated Fund are included in the Investment Portfolio Fact Sheets. Every employer and member (as the case may be) should only make their investment allocation decisions after having read and understood the features of each Investment Portfolio and detailed information in the relevant offering document relating to its corresponding Designated Fund. The summaries of the Designated Funds are included in this Explanatory Memorandum for information only.

#### (d) Conditions

1. Employers and/or members (where applicable) can choose to have contributions paid into a number of Designated Funds, through investments in the Investment Portfolios, at any one time.

2. Through investments in the relevant Investment Portfolios, employers and/or members (where applicable) can give redirection instruction to change their instructions concerning the Designated Fund(s) into which their new contributions are being paid and/or the proportions being invested in particular Designated Funds, up to a maximum of twelve times a year (unless the Trustee on a case by case basis determines to lift this restriction).

3. Switching existing holdings to other Designated Funds (through investments in the corresponding Investment Portfolios) – up to a maximum of twelve times a year (unless the Trustee on a case by case basis determines to lift this restriction).

4. Employers' and/or members' instruction (where applicable) will be processed on the first dealing day of the month specified by them on the instruction form for redirection and/or switching purposes (the '**Specified Month**'), if such form is received by the Trustee (or any person designated by the Trustee including the Administrator) on or before the 20th of the month preceding the Specified Month. If the instruction form is received by the Trustee (or any person designated by the Trustee including the Administrator) after the 20th of the month preceding the Specified Month, the instruction will be processed on the first dealing day of the month following the Specified Month. Employers and/or members (where applicable) can give either redirection instructions (see item 2 above) or switching instructions (see item 3 above) or both. Processing time required is subject to receipt of a properly completed request.

In certain circumstances, the terms of the Trust Deed may permit or require an employer or member to change the investment directions or to make a switch other than in accordance with the general rules set out above, for example, if a Designated Fund ceases to be a Designated Fund.

**Exchange rate differences will occur if a Designated Fund is denominated in a currency other than Hong Kong dollars.**

**Unit prices may go down as well as up. Past investment performance figures are for indication only and should not be viewed as a guarantee or projection of future performance.**

### 6.3 Member's records and accounts

The Administrator, who is responsible for the administration of the Plan, maintains records of the membership and the amount of contributions in respect of the Plan.

To safeguard the interests of both the employer and the members of the relevant employer provident plan when investing contributions in units of the Designated Funds (through investments in the corresponding Investment Portfolios), contributions made by the employer will be segregated from those made by each member.

Audited accounts made up to 31 August will be prepared for the Plan each year. The accounts relating to each employer and member will be available for inspection by the employer or member during normal business hours at the office of the Administrator.

### 6.4 Circumstances for benefit payments

The Plan allows each employer to establish a set of rules designed to meet its own particular requirements. The standard rules set out in the Trust Deed provide benefit payment as follows but employers and members should refer to their employer provident plan for applicable details:

#### (a) Normal retirement age

When starting a new employer provident plan, the employer may set the normal retirement age of the members of its employer provident plan. When a member retires on or after attaining normal retirement age, the value of units allocated to his/her account is payable to him/her as at such time as provided for in the rules of the Plan.

#### (b) Death in service

In the event of the death of a member of the employer provident plan before normal retirement age, the value of the units allocated to his/her account as at such time as provided for in the rules of the Plan will be payable. Each member can nominate one or more beneficiaries, who are usually his/her family members for the receipt of the death benefit. However, the Trustee will exercise its discretion to determine the distribution of the death benefit in accordance with the provisions of the Trust Deed. In exercising its discretion, the Trustee may, but is not obliged to, follow the nomination made by the member.

#### (c) Permanent disability or ill-health

When a member leaves employment after a competent medical practitioner of western medicine confirms that he/she is permanently unfit to continue working, the full value of units allocated to his/her account is payable to him/her as at such time as provided for in the rules of the Plan.

### (d) Leaving employment

When a member of the employer provident plan leaves employment, he/she will receive an amount equal to the value of the units purchased with his/her own contributions. If he/she leaves voluntarily or if his/her employment is terminated by his/her employer other than on the grounds of summary dismissal, he/she will also receive a proportion of the value of the units purchased with the contributions of his/her employer in accordance with the applicable rules. Typically, the rules provide for the following:

| Complete years of employment while being a member of the Plan | Percentage to be payable to member |
|---|---|
| Less than 2 years | nil |
| 2 years but less than 3 years | 20% |
| 3 years but less than 4 years | 30% |
| 4 years but less than 5 years | 40% |
| 5 years but less than 6 years | 50% |
| 6 years but less than 7 years | 60% |
| 7 years but less than 8 years | 70% |
| 8 years but less than 9 years | 80% |
| 9 years but less than 10 years | 90% |
| 10 years or more | 100% |

## 6.5 Process of benefit payments

When a member ceases employment, his/her employer should request for payment of benefits from the employer provident plan by submitting a completed instruction form and any necessary supporting document(s) to the Administrator.

The Trustee will usually pay benefits, without interests, from the Plan in Hong Kong dollars. On request, the Trustee may pay in other currencies and in such case, the rate of currency exchange will be based on the prevailing market rate on the transaction day and the transaction cost incurred will be deducted from the benefit payment. Payments (except those arising on the death of a member) will usually be payable in Hong Kong SAR not later than 28 days of the Administrator's receipt of the completed instruction form and other necessary supporting document(s) as specified in the relevant rules of the Trust Deed or deed of adherence executed by the employer for its employer provident plan or other documents as requested by the Trustee or the Administrator for the purpose of the payment.

## 6.6 Transfer from an existing scheme

If an employer has an existing scheme (which was not established under the Plan) and wishes to join the Plan, this can be accomplished easily by the transfer of assets and accrued benefits from the existing scheme to the Plan. The appropriate deed of adherence will reflect such transfer, and the relevant transfer values will be agreed with the trustee of the existing scheme (and the employer). The relevant transfer values can be invested in either one or a selection of the Designated Funds (through investments in the Investment Portfolios) which are not closed for new subscriptions at the time of transfer in accordance with the applicable rules.

## 6.7 Transfer to another scheme

If an employer wishes to transfer its employer provident plan under the Plan to another retirement scheme, the employer is required to give the Trustee and each member participating in the employer provident plan not less than three months' notice in writing. The Trustee will pay the fund balances together with any interest, subject to any regulatory requirements, the provisions of the Trust Deed and the applicable rules, to the trustee of the new scheme.

### 6.8 Minimum MPF benefits

Under the MPF (Exemption) Regulation, the accrued benefits of new employees joining an MPF exempted ORSO registered scheme after 1 December 2000 are subject to the preservation, portability and withdrawal requirements of the provisions up to an amount equivalent to the 'minimum MPF benefits'. When a new member is entitled to receive benefits under the rules, unless the withdrawal requirements under the MPF (Exemption) Regulation are fulfilled, the 'minimum MPF benefits' will be transferred to an MPF scheme and any accrued benefits in excess of the 'minimum MPF benefits' will be paid out as soon as practicable. Please refer to section 1 of Schedule 2 to the MPF (Exemption) Regulation for what it means by 'minimum MPF benefits'.

Existing members who joined an MPF exempted ORSO registered scheme on or before 1 December 2000 are exempted from the preservation, portability and withdrawal requirements under the MPF (Exemption) Regulation.

### 6.9 Long service payment or severance payment

If an employer wishes to use the accrued benefits derived from the employer's contributions to offset long service payment or severance payment made to an employee in accordance with the Employment Ordinance, the employer is required to submit evidence satisfactory to the Trustee or its designated delegate.

## 7. Other Information

### 7.1 Scheme documents

The latest Explanatory Memorandum, circulars, notices, announcements, and the latest available fund prices of the Investment Portfolios may be viewed at www.hsbc.com.hk/orso/products/pooled-provident-plan. The Trust Deed is available for inspection by all employers and members at 15/F, Tower 1, HSBC Centre, 1 Sham Mong Road, Kowloon, Hong Kong.

### 7.2 Variation of the Trust Deed and rules of the Plan

This Explanatory Memorandum is a summary of the rights and obligations contained in the Trust Deed, if brought into effect by the deed of adherence using the standard form of rules. Each employer provident plan established is dependent on the terms of the deed of adherence in respect of that plan together with the terms of the Trust Deed. This Explanatory Memorandum was issued for information purposes. For complete information and details of the Plan, please refer to the provisions of the Trust Deed and the applicable rules.

The Trustee has the power to vary the Trust Deed and rules subject to the provisions of the Trust Deed. The Trustee also has the power to move the place of administration and to change the proper law of the Trust.

In addition, the Trustee has the power to amend the Trust Deed and rules of the Plan if such amendments are necessary to ensure the Plan's compliance with the applicable legislation. The Trustee will seek all necessary approvals for the Plan as required by the applicable legislation.

### 7.3 Deferral or suspension of dealing

Because the Investment Portfolios is structured as a feeder fund investing in a corresponding Designated Fund, determination of net asset value, or issue and realisation of units of the relevant Investment Portfolios will be suspended when the determination of net asset value, or issue and realisation of units of the corresponding Designated Fund is suspended. In such case, investment of contributions in, and payment of benefits from, the corresponding Investment Portfolio will be delayed.

The constitutive document for each Designated Fund sets out provisions for the suspension of the determination of the net asset value of its portfolio of investments in certain circumstances. These circumstances include, but are not limited to, the following:

(a) where there is a closure of or the restriction or suspension of trading on any securities market on which the investments maintained by the relevant Designated Fund is normally traded;

(b) where the determination of the value of an investment maintained by the relevant Designated Fund is suspended, or otherwise cannot be reasonably, promptly, accurately and fairly ascertained.

### 7.4 Liquidity risk management

Each DF Investment Manager has established a liquidity risk management policy with the aim to enable it to identify, monitor, manage and mitigate the liquidity risks of the relevant Designated Fund(s) and to ensure that the liquidity profile of the investments of the relevant Designated Fund(s) will facilitate compliance with the relevant Designated Fund(s)' obligation to meet realisation requests. Such policy, combined with the governance framework in place and the liquidity management tools of the DF Investment Manager, also seeks to achieve fair treatment of the Plan's participants and safeguard the interests of remaining or existing participants in case of sizeable realisations or subscriptions.

Each DF Investment Manager's liquidity risk management policy takes into account the investment strategy; the dealing frequency; the underlying assets' liquidity (and whether they are priced at fair value); and the ability to enforce realisation limitations of the relevant Designated Fund(s).

Each DF Investment Manager's liquidity risk management policy involves monitoring the profile of investments held by a Designated Fund on an on-going basis and will facilitate compliance with the Designated Fund's obligation to meet realisation requests. Furthermore, the liquidity management policy includes details on periodic stress testing carried out by the relevant DF Investment Manager to manage the liquidity risk of the Designated Fund in times of exceptional market conditions.

Each DF Investment Manager's risk management function is independent of the investment portfolio management function and is responsible for performing monitoring of the Designated Fund(s)' liquidity risk in accordance with its liquidity risk management policy. Exceptions on liquidity risk related issues will be escalated appropriately with appropriate actions properly documented.

### 7.5 Applicable laws

The Plan was established under Hong Kong law by the Trust Deed. It is acknowledged that in case of disputes the parties concerned have the right to bring legal action in a Hong Kong court of law as well as in any court elsewhere which has a relevant connection to the Plan.

### 7.6 SFC authorisation

The Plan is a pooled retirement fund.

Pursuant to section 104 of the Securities and Futures Ordinance, the Plan has been authorised by the SFC.

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.

### 7.7 Dispute resolution

If you would like to raise any concerns or make a complaint, you can write to us or call our ORSO services hotline on +852 2288 6655. The Administrator will then investigate the situation and take necessary actions as soon as practicable.

### 7.8 Taxation

Generally, employers may obtain tax relief in respect of the contributions made to a registered or exempted scheme under ORSO. Employers are recommended to seek professional advice on their own tax circumstances. The Product Provider's understanding of the tax implications are based on expert advice received by the Product Provider.

### 7.9 Termination or closure of the Plan

An employer may choose to terminate its participation in the Plan so far as its members are concerned, or the employer can simply change it to a 'closed' plan.

An employer may, by giving the Trustee and the members participating in its employer provident plan one month's notice in writing, cease to pay any contributions to the Plan, and from that time no new members will be admitted to the employer provident plan. The rights of the members under the employer provident plan will be preserved and they will receive their accrued benefits in the same way as if the employer provident plan had continued, and only if there is a surplus will the assets be paid to the employer. In these circumstances, an employer may agree with the Trustee to recommence the employer provident plan at any time. If an employer closes its employer provident plan to the admission of new members only, the employer can continue to make contributions for the existing members until all existing members of the employer provident plan have left employment.

The Plan will continue until restructured or terminated in accordance with the provisions of the Trust Deed. The Trustee may dissolve the Plan if for any reason the Plan appears in the opinion of the Trustee to be unable to fulfil its function. In the case of the dissolution of the Plan, the assets of the Plan, after the relevant costs and benefits have been paid from the Plan, will be used for the benefit of members unless there is a surplus in which case the surplus assets may be paid to the relevant employer(s). Any unclaimed proceeds under the Plan during the termination process may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Hongkong and Shanghai Banking Corporation Limited to deduct therefrom any expenses it may incur in making such payment.

### 7.10 Compliance Obligations

The Plan, the Trustee and/or any member of HSBC Group may from time to time be required to comply with compliance obligations which include any law, requirement, agreement, treaty, order, contractual or other commitment with any regulator, government authority, court or other competent authority in any part of the world having jurisdiction over any part of HSBC Group (each, an '**Authority**') ('**Compliance Obligations**').

Compliance Obligations include the Foreign Account Tax Compliance Act of 2010 ('**FATCA**') and the laws, regulations and international agreements for the implementation of Automatic Exchange of Financial Account Information ('**AEOI**').

#### (a) FATCA

FATCA and the US Treasury Regulations promulgated thereunder impose a due diligence regime effective 1 July 2014. Under FATCA, a foreign financial institution ('**FFI**') is required to report to the U.S. Internal Revenue Service ('**IRS**') certain information on U.S. persons that hold accounts with that FFI outside the U.S. and to obtain their consent to the FFI passing that information to the IRS. An FFI which does not sign or comply with the requirements of an agreement with the IRS ('**FFI Agreement**') in respect of FATCA and/or who is not otherwise exempt from doing so will face a 30% withholding tax on certain payments. Hong Kong SAR and the United States have entered into an intergovernmental agreement ('**IGA**') that facilitates compliance with FATCA by financial institutions in Hong Kong SAR. Under the IGA, financial institutions in Hong Kong SAR need to register and conclude agreements with the IRS. The Plan is a participating FFI for FATCA purposes.

#### (b) AEOI

Under the Inland Revenue Ordinance, Hong Kong financial institutions are required to identify 'account holders' who are tax residents of reportable jurisdictions, and report certain information of 'account holders' and 'controlling persons' to the Hong Kong Inland Revenue Department (the '**IRD**'). The IRD, in respect of a tax resident of a reportable jurisdiction, will provide the information of that person to the tax authority of the reportable jurisdiction on a regular, annual basis. The Plan is a financial institution for AEOI purposes.

#### (c) Required Information

The information required under each of the FATCA and the AEOI regimes (collectively, the '**Required Information**') is similar. Generally, the Required Information covers information of 'account holders' and 'controlling persons', including but not limited to their names, addresses, dates of birth, jurisdiction(s) of tax residence, tax identification number(s) in the relevant jurisdiction(s) and account information (including but not limited to their account balances, income, and payments to the account holders).

#### (d) Delegation

To the extent permitted under the law, the Trustee may engage, employ or authorise any individual or entity (including but not limited to third party service providers, its affiliates, subsidiaries, associated entities, and any of its branches and offices (each for the purposes of this section, an '**authorised person**') to assist the Trustee and act on its behalf with the fulfilment of the Trustee's Compliance Obligations.

#### (e) Due diligence

To comply with the Compliance Obligations, the Trustee and/or any of its authorised person(s) have the right to require: (i) you, either being a member or an employer, as well as (ii) any other person considered as an account holder under AEOI or FATCA (including but not limited to members, employers, and certain beneficiaries) and (iii) a controlling person of certain entity account holders ((i) to (iii) collectively referred to as '**Connected Persons**') to provide to the Trustee within such time, in such form and in such manner, as the Trustee may from time to time reasonably require, the Required Information (and any update to any such Required Information) in respect of each Connected Person.

In particular, at the time of applying to join the Plan, the Connected Person must provide the Required Information. The Connected Person must update the Trustee and/or any of its authorised person(s) about any changes in the information they have previously provided to the Trustee and/or any of its authorised person(s) promptly and in any case within 30 days of such changes. If the Trustee and/or any of its authorised person(s) do not receive the updated Required Information, the Trustee and/or any of its authorised person(s) will rely on the information already have in their records to determine the account holder's and/or controlling person's tax residency for AEOI or FATCA reporting purposes.

For the purposes of meeting the Compliance Obligations by the Trustee and/or any member of the HSBC Group and to the extent not prohibited by law, the Trustee or any of its delegates within the HSBC Group may:

(i) process, transfer and/or disclose the Required Information and the account information in respect of any Connected Person (e.g. account balance, account value, account number, contributions paid to account, attributable to the relevant Connected Person) to any Authority, and

(ii) take such actions necessary for the Trustee and/or any member of the HSBC Group to meet the Compliance Obligations, if you fail to provide the Required Information in respect of any Connected Person as the Trustee may reasonably require.

**It is important for each employer and member to understand, and to inform each Connected Person of, the Trustee's powers under your ORSO scheme. The Trustee intends to comply with the Compliance Obligations including FATCA and AEOI. If the Trustee does not comply with the Compliance Obligations under the FATCA regime, the Plan may be subject to certain withholding taxes on certain types of payments received by the Plan, which may therefore affect the payments attributable to the Plan. The application of withholding taxes, deductions, or penalties due to any non-compliance with the Compliance Obligations may cause the Plan, and the value of units allocated to you or any other Connected Person, to suffer a material loss. Please seek independent professional advice regarding the impact of the Compliance Obligations and your tax position.**

## 8. Glossary

Unless otherwise specified, the following terms in this Explanatory Memorandum shall have the meanings as follows:

'**Administrator**' means The Hongkong and Shanghai Banking Corporation Limited

'**China A-Shares**' means shares issued by companies incorporated, and listed on stock exchanges in the PRC traded in Renminbi

'**connected person**' has the same meaning ascribed to it in the PRF Code

'**deed of adherence**' means the deed of adherence executed by the employer to set up an employer provident plan and under which the employer agrees to be bound by the terms of the Trust Deed

'**DF**' or '**Designated Fund**' means a fund designated by the Trustee, in accordance with the Trust Deed, into which contributions to or assets of the Plan can be invested through investing in the corresponding Investment Portfolio

'**DF Investment Manager**' means, in respect of a Designated Fund, its investment manager

'**employer provident plan**' means each provident plan established under the Plan

'**Employment Ordinance**' means the Employment Ordinance (Cap. 57 of the laws of Hong Kong)

'**Explanatory Memorandum**' means this explanatory memorandum

'**ETF**' means an exchange traded fund

'**Hong Kong**' or '**Hong Kong SAR**' means Hong Kong Special Administrative Region

'**Investment Portfolio**' means a fund choice under the Plan

'**Investment Portfolio Fact Sheet**' means an investment portfolio fact sheet containing the relevant information of an Investment Portfolio

'**MPF**' means mandatory provident fund

'**MPFA**' means the Mandatory Provident Fund Schemes Authority established under the MPFSO

'**MPF (Exemption) Regulation**' means the Mandatory Provident Fund Schemes (Exemption) Regulation (Cap. 485 sub. leg. B of the laws of Hong Kong)

'**MPFSO**' means the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong)

'**ORSO**' means Occupational Retirement Schemes Ordinance (Cap. 426 of the laws of Hong Kong)

'**PRC**' or '**mainland China**' means the People's Republic of China

'**PRF Code**' means the Code on Pooled Retirement Funds issued by the SFC

'**Product Provider**' has the same meaning ascribed to it in the PRF Code

'**RMB**' means the Chinese Renminbi, the official currency of the PRC and, unless the context otherwise requires, the term 'RMB' refers to offshore Chinese Renminbi ('**CNH**') traded offshore in Hong Kong or markets outside the mainland China and not to onshore Chinese Renminbi ('**CNY**')

'**SFC**' means the Securities and Futures Commission

'**SFO**' means the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)

'**Stock Connect**' means the program which aims to achieve mutual stock market access between mainland China and Hong Kong and includes (i) the Shanghai-Hong Kong Stock Connect, a securities trading and clearing links program developed by the Stock Exchange of Hong Kong Limited ('SEHK'), Shanghai Stock Exchange ('SSE'), China Securities Depositary and Clearing Corporation Limited ('ChinaClear') and Hong Kong Securities Clearing Company Limited ('HKSCC'); and (ii) the Shenzhen-Hong Kong Stock Connect, a securities trading and clearing links program developed by SEHK, Shenzhen Stock Exchange ('SZSE'), ChinaClear and HKSCC

'**the Plan**' means HSBC Pooled Provident Plan

'**Trust Deed**' means the trust deed dated 2 December 1991 (as amended by various supplemental deeds) which established the Plan

'**Trustee**' means HSBC Institutional Trust Services (Asia) Limited

'**UT Code**' means the Code on Unit Trusts and Mutual Funds issued by the SFC

'**Valuation Day**' means every Tuesday, unless such day falls on a public holiday or other non-business day, the next business day will be the Valuation Day

# Appendix A – Investment Portfolio Fact Sheets

## HSBC Managed Balanced Fund – Class Acc (HKD)

### Quick facts

| | |
|---|---|
| **Product provider:** | The Hongkong and Shanghai Banking Corporation Limited |
| **Trustee:** | HSBC Institutional Trust Services (Asia) Limited |
| **Management company:** | N/A |
| **Base currency:** | HKD |
| **Dealing frequency:** | Weekly on each Valuation Day |

### Investment objective and investment policy

#### Investment objective

HSBC Managed Balanced Fund – Class Acc (HKD) (the '**Investment Portfolio**') aims to achieve long-term capital growth by investing in a diversified portfolio with a mixture of global equities and global bonds and fixed income instruments through direct investment and/or other collective investment schemes that the Investment Portfolio may invest in.

#### Investment policy

The Investment Portfolio will directly invest in HSBC Managed Balanced Fund – Accumulation Units (the '**Designated Fund**'), a designated fund managed by HSBC Investment Funds (Hong Kong) Limited, which will normally invest around 55% to 85% of its net asset value in equities and equity-related investments, and the remainder of its assets in global debt securities, bonds, money market instruments, cash instruments and cash.

Participating employers/Members can obtain information on the latest composition of the Investment Portfolio in the Investment Performance Report at www.hsbc.com.hk/orso/products/pooled-provident-plan.

#### Investment and borrowing restrictions

The Investment Portfolio will not directly use derivatives for any purposes.

### What are the key risks?

Investment involves risks. In particular, the Investment Portfolio is subject to the risks inherent in the Designated Fund. Please refer to section 4 of the Explanatory Memorandum for details including the risk factors.

- Investment risk and volatility risk
- General debt securities risk
- Risk of investing in other collective investment schemes
- Emerging markets risk
- Asset allocation and strategy risk
- General equity market risk
- Currency risk
- Risk associated with small/mid-capitalisation companies
- Derivative instrument risk
- Geographic concentration risk

### What are the fees and charges?

#### Charges which may be payable by you

Please refer to section 5.1 of the Explanatory Memorandum for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

**Ongoing fees payable by the Investment Portfolio**

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

| **Fee** | **Annual rate (as a % of the investment portfolio's net asset value)** |
|---|---|
| Investment Portfolio Level | |
| Administrative charge | Current applicable level: 0.70%<br>Maximum level: 1.00% |
| Other expenses | Please refer to section 5.2 of the Explanatory Memorandum for details |
| Designated Fund Level | |
| Preliminary charge | Currently waived for the Plan |
| Management fee | 1.35%* |
| Trustee's fee | 0.07% |

* The Management fee for investing in the Designated Fund through the Plan includes the administrative charge of 0.70% per annum payable to the Trustee of the Plan as mention in the table above.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

Please refer to section 3.3 of the Explanatory Memorandum for details.

### 2. Pricing arrangement

Please refer to section 5.1 of the Explanatory Memorandum for details.

### 3. Dealing arrangement

Please refer to section 6.2(d) of the Explanatory Memorandum for details.

## Additional information

Unit prices of the Investment Portfolio will be published on www.hsbc.com.hk/orso/products/pooled-provident-plan.

For more information about the Investment Portfolio, please contact our enquiry hotline on +852 2288 6655.

## Important

Further details of the investment objective and policy and the risk factors of the Designated Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by contacting The Hongkong and Shanghai Banking Corporation Limited (please write to the address provided in section 2.1 of the Explanatory Memorandum or contact your account servicing manager).

The relevant offering documents are prepared by the DF Investment Managers of the relevant Designated Funds. The DF Investment Manager of a Designated Fund is responsible for the contents of the offering document related to that Designated Fund. Employers or members should not rely solely on the summaries included herein and should refer to the relevant offering document for complete information and details of the Designated Funds.

If you are in doubt, you should seek professional advice.

## HSBC Global Money Fund – Class L (HKD)

## Quick facts

| | |
|---|---|
| **Product provider:** | The Hongkong and Shanghai Banking Corporation Limited |
| **Trustee:** | HSBC Institutional Trust Services (Asia) Limited |
| **Management company:** | N/A |
| **Base currency:** | HKD |
| **Dealing frequency:** | Weekly on each Valuation Day |

## Investment objective and investment policy

### Investment objective

HSBC Global Money Fund – Class L (HKD) (the '**Investment Portfolio**') aims to preserve capital and provide daily liquidity together with an investment return that is comparable to normal money market rate in the base currency of the Investment Portfolio. However, preservation of capital is not guaranteed.

### Investment policy

The Investment Portfolio will directly invest in HSBC Global Money Fund – Class L (HKD) (the '**Designated Fund**'), a designated fund managed by HSBC Investment Funds (Hong Kong) Limited, which will invest in short-term deposits and high quality money market instruments such as treasury bills, bills of exchange, commercial paper, certificates of deposit or inter-bank deposits. The weighted average maturity and weighted average life of the investments of the Investment Portfolio will not exceed 60 days and 120 days respectively.

Participating employers/Members can obtain information on the latest composition of the Investment Portfolio in the Investment Performance Report at www.hsbc.com.hk/orso/products/pooled-provident-plan.

### Investment and borrowing restrictions

The Investment Portfolio will not directly use derivatives for any purposes.

## What are the key risks?

Investment involves risks. In particular, the Investment Portfolio is subject to the risks inherent in the Designated Fund. Please refer to section 4 of the Explanatory Memorandum for details including the risk factors.

- Investment risk and volatility risk
- General debt securities risk
- Risk of investing in other collective investment schemes
- Currency risk
- Geographic concentration risk
- Additional risk associated with HSBC Global Money Fund – Class L (HKD)

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section 5.1 of the Explanatory Memorandum for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

**Ongoing fees payable by the Investment Portfolio**

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

| **Fee** | **Annual rate (as a % of the investment portfolio's net asset value)** |
|---|---|
| Investment Portfolio Level | |
| Administrative charge | Current applicable level: 0.45%<br>Maximum level: 1.00% |
| Other expenses | Please refer to section 5.2 of the Explanatory Memorandum for details |
| Designated Fund Level | |
| Initial charge | Currently not charged |
| Manager's fee | Not exceeding 0.25% |
| Additional Manager's fee | 0.45%* |
| Trustee's fee | 0.03% |

* The Additional Manager's fee for investing in the Designated Fund through the Plan includes the administrative charge of 0.45% per annum payable to the Trustee of the Plan as mentioned in the table above.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

Please refer to section 3.3 of the Explanatory Memorandum for details.

### 2. Pricing arrangement

Please refer to section 5.1 of the Explanatory Memorandum for details.

### 3. Dealing arrangement

Please refer to section 6.2(d) of the Explanatory Memorandum for details.

## Additional information

Unit prices of the Investment Portfolio will be published on www.hsbc.com.hk/orso/products/pooled-provident-plan.

For more information about the Investment Portfolio, please contact our enquiry hotline on +852 2288 6655.

## Important

Further details of the investment objective and policy and the risk factors of the Designated Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by contacting The Hongkong and Shanghai Banking Corporation Limited (please write to the address provided in section 2.1 of this Explanatory Memorandum or contact your account servicing manager).

The relevant offering document of the Designated Fund is prepared by its DF Investment Manager. The DF Investment Manager of the Designated Fund is responsible for the contents of the offering document related to that Designated Fund. Employers or members should not rely solely on the summaries included herein and should refer to the relevant offering document for complete information and details of the Designated Fund.

If you are in doubt, you should seek professional advice.

## Schroder Balanced Investment Fund – HKD A Acc (HKD)

## Quick facts

| | |
|---|---|
| **Product provider:** | The Hongkong and Shanghai Banking Corporation Limited |
| **Trustee:** | HSBC Institutional Trust Services (Asia) Limited |
| **Management company:** | N/A |
| **Base currency:** | HKD |
| **Dealing frequency:** | Weekly on each Valuation Day |

## Investment objective and investment policy

### Investment objective

Schroder Balanced Investment Fund – HKD A Acc (HKD) (the '**Investment Portfolio**') aims to achieve investment objective of capital growth in Hong Kong dollars through investment in quoted securities, and fixed income securities, other asset classes and money market instruments and cash in any part of the world directly or through investment in funds (including qualified exchange traded funds) ('Underlying Schemes') investing in the foregoing investments.

### Investment policy

The Investment Portfolio will directly invest in Schroder Balanced Investment Fund – A Accumulation HKD (the '**Designated Fund**'), a designated fund managed by Schroder Investment Management (Hong Kong) Limited, which may invest up to 90% of its net asset value in quoted equities and up to 50% of its net asset value in fixed income securities.

Participating employers/Members can obtain information on the latest composition of the Investment Portfolio in the Investment Performance Report at www.hsbc.com.hk/orso/products/pooled-provident-plan.

### Investment and borrowing restrictions

The Investment Portfolio will not directly use derivatives for any purposes.

## What are the key risks?

Investment involves risks. In particular, the Investment Portfolio is subject to the risks inherent in the Designated Fund. Please refer to section 4 of the Explanatory Memorandum for details including the risk factors.

- Investment risk and volatility risk
- General debt securities risk
- Risk of investing in other collective investment schemes
- Emerging markets risk
- Asset allocation and strategy risk
- Additional risk associated with Schroder Balanced Investment Fund – HKD A Acc (HKD)
- General equity market risk
- Currency risk
- Risk associated with small/mid-capitalisation companies
- Derivative instrument risk
- Geographic concentration risk

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section 5.1 of the Explanatory Memorandum for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

**Ongoing fees payable by the Investment Portfolio**

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

| **Fee** | **Annual rate (as a % of the investment portfolio's net asset value)** |
|---|---|
| Investment Portfolio Level | |
| Administrative charge | Current applicable level: 0.70%<br>Maximum level: 1.00% |
| Other expenses | Please refer to section 5.2 of the Explanatory Memorandum for details |
| Designated Fund Level | |
| Initial charge | Not exceeding 5% of the gross investment amount (currently waived for the Plan) |
| Manager's fee | 1.20%* |
| Trustee's fee | 0.04% |

* The Manager's fee for investing in the Designated Fund through the Plan includes the administrative charge of 0.70% per annum payable to the Trustee of the Plan as mentioned in the table above.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

Please refer to section 3.3 of the Explanatory Memorandum for details.

### 2. Pricing arrangement

Please refer to section 5.1 of the Explanatory Memorandum for details.

### 3. Dealing arrangement

Please refer to section 6.2(d) of the Explanatory Memorandum for details.

## Additional information

Unit prices of the Investment Portfolio will be published on www.hsbc.com.hk/orso/products/pooled-provident-plan.

For more information about the Investment Portfolio, please contact our enquiry hotline on +852 2288 6655.

## Important

Further details of the investment objective and policy and the risk factors of the Designated Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by contacting The Hongkong and Shanghai Banking Corporation Limited (please write to the address provided in section 2.1 of the Explanatory Memorandum or contact your account servicing manager).

The relevant offering documents are prepared by the DF Investment Managers of the relevant Designated Funds. The DF Investment Manager of a Designated Fund is responsible for the contents of the offering document related to that Designated Fund. Employers or members should not rely solely on the summaries included herein and should refer to the relevant offering document for complete information and details of the Designated Funds.

If you are in doubt, you should seek professional advice.

## Allianz Oriental Income – Class AT Acc (USD)

## Quick facts

| | |
|---|---|
| **Product provider:** | The Hongkong and Shanghai Banking Corporation Limited |
| **Trustee:** | HSBC Institutional Trust Services (Asia) Limited |
| **Management company:** | N/A |
| **Base currency:** | USD |
| **Dealing frequency:** | Weekly on each Valuation Day |

## Investment objective and investment policy

### Investment objective

Allianz Oriental Income – Class AT Acc (USD) (the '**Investment Portfolio**') aims to achieve capital growth in the long term by investing the Investment Portfolio assets in equity and fixed income markets of the Asia Pacific region.

### Investment policy

The Investment Portfolio will directly invest in Allianz Oriental Income – Class AT (USD) Acc (the '**Designated Fund**'), a designated fund managed by Allianz Global Investors Asia Pacific Limited, which at least 70% of assets are invested in equities and/or debt securities which are exposed or connected to Asia Pacific.

Participating employers/Members can obtain information on the latest composition of the Investment Portfolio in the Investment Performance Report at www.hsbc.com.hk/orso/products/pooled-provident-plan.

### Investment and borrowing restrictions

The Investment Portfolio will not directly use derivatives for any purposes.

## What are the key risks?

Investment involves risks. In particular, the Investment Portfolio is subject to the risks inherent in the Designated Fund. Please refer to section 4 of the Explanatory Memorandum for details including the risk factors.

- Investment risk and volatility risk
- General debt securities risk
- Risk of investing in other collective investment schemes
- Emerging markets risk
- Additional risks associated with Allianz Oriental Income – Class AT Acc (USD)
- General equity market risk
- Currency risk
- Risk associated with small/mid-capitalisation companies
- Derivative instrument risk
- Geographic concentration risk

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section 5.1 of the Explanatory Memorandum for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

**Ongoing fees payable by the Investment Portfolio**

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

| Fee | Annual rate (as a % of the investment portfolio's net asset value) |
|---|---|
| Investment Portfolio Level | |
| Administrative charge | Current applicable level: 0.70%<br>Maximum level: 1.00% |
| Other expenses | Please refer to section 5.2 of the Explanatory Memorandum for details |
| Designated Fund Level | |
| Sales charge | Currently waived for the Plan |
| Management fee | 1.50%* |

* The Management fee for investing in the Designated Fund through the Plan includes the administrative charge of 0.70% per annum payable to the Trustee of the Plan as mentioned in the table above.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

Please refer to section 3.3 of the Explanatory Memorandum for details.

### 2. Pricing arrangement

Please refer to section 5.1 of the Explanatory Memorandum for details.

### 3. Dealing arrangement

Please refer to section 6.2(d) of the Explanatory Memorandum for details.

## Additional information

Unit prices of the Investment Portfolio will be published on www.hsbc.com.hk/orso/products/pooled-provident-plan.

For more information about the Investment Portfolio, please contact our enquiry hotline on +852 2288 6655.

## Important

Further details of the investment objective and policy and the risk factors of the Designated Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by contacting The Hongkong and Shanghai Banking Corporation Limited (please write to the address provided in section 2.1 of the Explanatory Memorandum or contact your account servicing manager).

The relevant offering documents are prepared by the DF Investment Managers of the relevant Designated Funds. The DF Investment Manager of a Designated Fund is responsible for the contents of the offering document related to that Designated Fund. Employers or members should not rely solely on the summaries included herein and should refer to the relevant offering document for complete information and details of the Designated Funds.

If you are in doubt, you should seek professional advice.

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