

BEA (MPF) INDUSTRY SCHEME

THIRD ADDENDUM TO THE EXPLANATORY MEMORANDUM DATED DECEMBER, 2016

This Third Addendum should be read in conjunction with and forms part of the Explanatory Memorandum for the BEA (MPF) Industry Scheme (the "**Industry Scheme**") dated December, 2016, as amended by the First Addendum and Second Addendum both dated 12th December, 2016 (collectively referred to as the "**Explanatory Memorandum**"). All capitalised terms herein contained shall have the same meaning in this Third Addendum as in the Explanatory Memorandum, unless otherwise stated. The Sponsor and the Trustee accept responsibility for the information contained in this Third Addendum as being accurate as at the date of publication.

The Explanatory Memorandum shall be amended as follows:

A. Changes to take effect from 31st January, 2018

1. Directory of Parties

Page 1 - The paragraph under the heading "**Legal Advisers**" under the section headed "**DIRECTORY OF PARTIES**" shall be deleted in its entirety and replaced by the following:

"Baker & McKenzie
14/F., Hutchison House
10 Harcourt Road
Central,
Hong Kong"

2. Sponsor's Asset Size

Page 20 - The second paragraph under the sub-section headed "**Sponsor**" under the section headed "**MANAGEMENT AND ADMINISTRATION**" shall be deleted in its entirety and replaced by the following:

"Incorporated in Hong Kong in 1918, the Bank is dedicated to providing comprehensive retail banking, commercial banking, wealth management, and investment services to its customers in Hong Kong and other major markets around the world. The Bank is the largest independent local bank in Hong Kong, with total consolidated assets of HK\$788.5 billion (US\$101.0 billion) as of 30th June, 2017. The Bank is listed on the Stock Exchange of Hong Kong and is one of the constituent stocks of the Hang Seng Index."

3. Cut-Off Time for Instructions to Change Investment

Page 25 - The following paragraph shall be inserted after the third paragraph under sub-section headed "**Instructions to Change Investment**" under the section headed "**CONTRIBUTIONS**".

"The Cut-off time for Switching Instruction is 4 p.m. on Business Day."

4. Charges for Withdrawal by Instalment

a) Page 27 - The fifth paragraph under the sub-subsection headed "**Withdrawal by instalments**" under sub-section headed "**Payment of Benefits**" under the section headed "**BENEFITS**" shall be deleted in its entirety and replaced by the following:

"In respect of withdrawal by instalments, the first 12 instalments (or such further number of instalments as determined by the Trustee) in any calendar year (the period from 1st January to 31st December in a year) will be paid free of charge (other than any necessary transaction costs permitted under the General Regulation). Thereafter, each additional withdrawal by instalment in the same calendar year is subject to a fee of HK\$100, which shall be paid to a bank account designated by the Trustee as specified in the claim form. Please note that bank charges may apply to Members' banking accounts if Members choose to be paid the withdrawal amount directly to their bank account."

b) Page 28 - The second paragraph under the sub-subsection headed "**Other points to note**" under sub-section headed "**Payment of Benefits**" under the section headed "**BENEFITS**" shall be deleted in its entirety and replaced by the following:

"Save as disclosed above, no fees or financial penalties shall be charged or imposed for payment of benefits (in a lump sum or by instalments for the first 12 instalments in a calendar year) other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred, by the Trustee in selling or purchasing investments in order to give effect to the payment and are payable to a party other than the Trustee. Such necessary transaction costs would include, but are not limited to, items such as brokerage commissions, fiscal charges and levies, government charges, bank charges, exchange fees, costs and commissions, registration fees and charges, collection fees and expenses, etc. Any amount of such fees and charges imposed and received must be used to reimburse the relevant Constituent Fund."

c) Page 41 - The phrase "first 4 instalments" whenever it appears in the fee table headed "**(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES**" shall be deleted in its entirety and replaced by the words "first 12 instalments".

- d) Page 42 - The phrase "first 4 instalments (or such other number of instalments as may be prescribed by the General Regulation)" appearing in the definition of "**Bid spread**" in the sub-section "**DEFINITIONS**" under the section headed "**Fee Table**" shall be deleted in its entirety and replaced by the words "first 12 instalments".
- e) Page 42 - The phrase "first 4 instalments (or such other number of instalments as may be prescribed by the General Regulation)" appearing in the definition of "**Withdrawal charge**" in the sub-section "**DEFINITIONS**" under the section headed "**Fee Table**" shall be deleted in its entirety and replaced by the words "first 12 instalments".

5. Hang Seng Index

Page 50 - The third and fourth paragraphs under sub-section "**Hang Seng Index**" under "**APPENDIX 2 FURTHER INFORMATION ON THE INDICES**" shall be replaced in their entirety with the following paragraphs:

"The Hang Seng Index currently comprises 50 constituent stocks which are representative of the Hong Kong stock market. The aggregate market value of these stocks accounts for about 56.54 per cent of the total market capitalisation of all stocks listed on the Main Board of SEHK. As at 29th September, 2017, the respective weightings of the top 10 largest constituent stocks of the Hang Seng Index are:

Stock Code	Stock Name	Weighting
700	Tencent Holdings Ltd. - Other HK-listed Mainland Co.	10.59%
5	HSBC Holdings plc - HK Ordinary	10.31%
939	China Construction Bank Corporation - H Share	8.05%
1299	AIA Group Ltd. - HK Ordinary	7.99%
941	China Mobile Ltd. - Red Chip	5.58%
1398	Industrial and Commercial Bank of China Ltd. - H Share	4.92%
2318	Ping An Insurance (Group) Co. of China Ltd. - H Share	3.59%
3988	Bank of China Ltd. - H Share	3.51%
1	CK Hutchison Holdings Ltd. - HK Ordinary	3.10%
388	Hong Kong Exchanges and Clearing Ltd. - HK Ordinary	2.82%

Real-time update of the Hang Seng Index can be obtained through the SEHK Teletext System, Thomson Reuters, Bloomberg and the website of HSIL at www.hsi.com.hk. The index rules and further information in relation to the Hang Seng Index are available at www.hsi.com.hk. As for other important news of the Hang Seng Index, HSIL will also make announcements through press releases and at www.hsi.com.hk.

B. Changes to take effect from 5th March, 2018

1. BEA China Tracker Fund

- a) Each reference to "Hang Seng H-Share Index ETF" in the Explanatory Memorandum shall be replaced with "Hang Seng China Enterprises Index ETF";
- b) Page 9 - The title of "Hang Seng H-Share Index ETF level" under the sub-subsection headed "**Tracking of the Hang Seng China Enterprises Index**" under the sub-section headed "**Investment Objectives and Policies**" under the section "**CONSTITUENT FUNDS**" shall be replaced with "Hang Seng China Enterprises Index ETF level".
- c) Page 17- A new risk factor will be added immediately following the existing risk factor "**Risk in relation to Investments in Index-Tracking Funds**" in the sub-section "**Risk Factors**" under the section "**CONSTITUENT FUNDS**"

"Risks associated with investments in the Hang Seng China Enterprises Index ETF, the Approved Index-Tracking Fund in which the BEA China Tracker Fund invests

- (i) Concentration and Mainland market risk

The Hang Seng China Enterprises Index ETF is subject to concentration risk as a result of tracking the performance of a single geographical region (i.e. the People's Republic of China (PRC) including the Mainland and Hong Kong). The value of the Hang Seng China Enterprises Index ETF may be more volatile than that of an investment fund having a more diverse portfolio of investments. The constituent stocks of the underlying index of the Hang Seng China Enterprises Index ETF are securities of companies which are listed on the Stock Exchange of Hong Kong Limited (the "SEHK") and have major business exposure to the Mainland market, an emerging market. Investments of the Hang Seng China Enterprises Index ETF may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks / control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

- (ii) PRC tax risk

Currently, the manager of the Hang Seng China Enterprises Index ETF (the "Underlying ITCIS Manager") does not make any

tax provision on realised gains derived from trading of H-shares by the Hang Seng China Enterprises Index ETF and does not have any intention to make any tax provision on realised gains derived from trading of Red-chips and P-chips. However, the Underlying ITCIS Manager reserves the right to make any provision for taxes or withhold any tax for the account of the Hang Seng China Enterprises Index ETF.

There are still uncertainties as to the application of the laws, rules and / or regulations on PRC Corporate Income Tax and PRC Value-Added Tax and surtaxes. It is also uncertain as to whether the Hang Seng China Enterprises Index ETF may be subject to other taxes imposed in the PRC. It is possible that the current tax laws, rules, regulations and practice in the Mainland and / or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. Where no provision is made by the Underlying ITCIS Manager in relation to all or part of the actual taxes levied by the relevant PRC tax authorities in future, investors should note that net asset value of the Hang Seng China Enterprises Index ETF may be lowered, as the Hang Seng China Enterprises Index ETF will ultimately have to bear the full amount of tax liabilities. In this case, such amount of tax liabilities will impact units in the Hang Seng China Enterprises Index ETF at the relevant time, and the then existing unitholders and subsequent unitholders of the Hang Seng China Enterprises Index ETF will be disadvantaged."

2. Hang Seng China Enterprises Index

Page 49 - The first three paragraphs under sub-section "**Hang Seng China Enterprises Index**" under "**APPENDIX 2 FURTHER INFORMATION ON THE INDICES**" shall be replaced in their entirety with the following paragraphs:

"The Hang Seng China Enterprises Index is the major index that tracks the performance of: (i) H-shares, which are shares in Mainland incorporated enterprises that are listed on the SEHK and primarily traded in Hong Kong; (ii) Red-chips, which are securities of companies that are incorporated outside of the PRC that are listed on the SEHK have more than 50% of their sales revenue (or profits or assets, if more appropriate) derived from Mainland and are directly or indirectly controlled by organisations or enterprises that are owned by the state, province or municipalities of the PRC; (iii) P-chips, which are securities of companies that are incorporated outside of the PRC that are listed on the SEHK and have more than 50% of their sales revenue (or profits or assets, if more appropriate) derived from Mainland but are not H-shares or Red-chips. The list of constituent stocks which comprise the Hang Seng China Enterprises Index is reviewed on a quarterly basis.

The universe of the Hang Seng China Enterprises Index includes all H-share companies that have their primary listing on the Main Board of the SEHK. The number of H-share constituents is 40 whereas the total number of Red-chips and P-chips constituents is 10. The aggregate market value of these stocks accounts for about 58 per cent[#] of the total market capitalisation of all Hong Kong listed Chinese enterprises of all H-shares listed on the Main Board of SEHK, the Red-chips and the P-chips.

[#] Simulated figures based on 12-month average market capitalisation of 2016.

As at 29th September, 2017, the respective weightings of the top 10 largest constituent stocks of the Hang Seng China Enterprises Index were as follows:

Stock Code	Stock Name	Weighting
1398	Industrial and Commercial Bank of China Ltd. - H Share	10.12%
2318	Ping An Insurance (Group) Co. of China Ltd. - H Share	9.87%
3988	Bank of China Ltd. - H Share	9.72%
939	China Construction Bank Corporation - H Share	9.61%
2628	China Life Insurance Co. Ltd. - H Share	6.07%
386	China Petroleum & Chemical Corporation - H Share	5.23%
3968	China Merchants Bank Co., Ltd. - H Share	3.76%
857	PetroChina Co. Ltd. - H Share	3.66%
1288	Agricultural Bank of China Ltd. - H Share	3.39%
2601	China Pacific Insurance (Group) Co., Ltd. - H Share	2.78%

The top 10 largest constituent stocks and their respective weightings of the Hang Seng China Enterprises Index may vary once the Hang Seng China Enterprises Index has commenced to track not only the performance of H-shares but also the performance of Red-chips and P-chips from 5th March, 2018. We will update the above table periodically.

Real-time update of the Hang Seng China Enterprises Index can be obtained through the SEHK Teletext System, Thomson Reuters, Bloomberg and the website of HSIL at www.hsi.com.hk. The index rules and further information in relation to the Hang Seng China Enterprises Index are available at www.hsi.com.hk. As for other important news of the Hang Seng China Enterprises Index, HSIL will also make announcements through press releases and at www.hsi.com.hk."