



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng China 50 Index Fund (the “Fund”).***
- ***This statement is a part of the offering document and must be read in conjunction with the Explanatory Memorandum for Hang Seng Investment Series (the “Explanatory Memorandum”) and the Term Sheet of the Fund.***
- ***You should not invest in the Fund based on this statement alone.***

Quick Facts

Manager:	Hang Seng Investment Management Limited
Trustee & Registrar:	HSBC Institutional Trust Services (Asia) Limited
Base Currency:	HKD
Underlying Index:	Hang Seng China 50 Index
Dealing Frequency:	Daily*
Dividend Policy:	No distribution, any income received by the Fund will be accumulated and reflected in the Unit price.
Minimum Subscription Amount (lump sum):	As determined by the Authorised Distributor(s) of the Fund
Ongoing charges over a year**	1.65%
Tracking difference of 2021***	-1.77%
Financial year end of the Fund:	31 December

* A Dealing Day is any day on which each of the stock exchanges on which the constituent stocks of the Hang Seng China 50 Index are listed is open for full day trading during its regular trading sessions. Please refer to the Term Sheet of the Fund for details.

** The ongoing charges figure is based on ongoing expenses for the year ended 31 December 2021 expressed as a percentage of the Fund's average Net Asset Value for the same period. It includes the fees of the Manager and the Trustee. Please refer to the “CHARGES AND EXPENSES” section in the Explanatory Memorandum and the Term Sheet of the Fund respectively for details. This figure may vary from year to year.

*** This is the actual tracking difference of the calendar year 2021.

What is the Fund?

- ❖ The Fund is a fund in the Hang Seng Investment Series, which is a unit trust established as an umbrella fund and is currently domiciled in The Hong Kong Special Administrative Region (“Hong Kong”).
- ❖ This is an index fund.

Objective and Investment Strategy

Objective

The investment objective of the Fund is to match as closely as practicable, before fees and expenses, the total return performance (net of withholding tax) of the Hang Seng China 50 Index (the “Index”) through investing primarily in the constituent stocks of the Index.

Investment Strategy

The Manager primarily adopts the full replication strategy by which the assets of the Fund comprise the

constituent stocks with reference to their respective weightings in the Index. In order to maximise portfolio management efficiency, minimise transaction cost and tracking error, exposure to the Index may also be obtained through other index-tracking strategies (such as sampling strategies) or financial derivative instruments from which the return to the Fund will substantially reflect the performance of the Index. Such strategies and instruments are chosen based on their correlation with the Index and cost efficiency in order to reflect the characteristics of the Index.

In relation to the investment in mainland China-listed A-shares, the Fund invests through Hang Seng Bank Limited (being the Qualified Foreign Institutional Investor (“QFII”) currently selected and its QFII custodian is China Construction Bank Corporation) and Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (“Stock Connect”).

Index

The Index measures the overall performance of the 50 largest China companies (in terms of market capitalisation) listed on the Hong Kong and/or mainland China stock markets. The Index adopts a cross-market approach to capture the investment opportunities created by exposure to a comprehensive China investment universe. The coverage of the Index is with broad coverage that includes mainland China-listed A-shares and B-shares, Hong Kong-listed H-shares, red chip shares and shares of other Hong Kong-listed Mainland companies. The Index was launched on 30 June 2008 with a base value of 2,000 as of 3 January 2000. It is denominated in USD. It is calculated and disseminated real-time at 2-second intervals during the trading hours when Hong Kong and/or mainland China stock markets are open.

Both the Manager and the Index provider are presently subsidiaries of Hang Seng Bank Limited. The functions which the Index provider and the Manager will perform in connection with the Fund may give rise to potential conflicts of interest but the Manager will manage any such conflicts in the best interest of investors. Please refer to the Term Sheet of the Fund for further details.

The Fund aims to match as closely as practicable, before fees and expenses, the performance of the total return (net of withholding tax) version of the Index.

The universe of the Index includes constituents of the Hang Seng Composite Index (“HSCI”), and companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

As the universe of the Index includes constituents of the HSCI, those biotech companies listed under Chapter 18A of the Stock Exchange of Hong Kong’s Main Board Listing Rules that are selected as constituents of the HSCI (if any) may be included in the universe of the Index.

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a 10% cap on individual companies. The constituents of the Index are reviewed half-yearly.

As at 13 April 2022, the Index comprised 50 constituent companies listed in mainland China and Hong Kong with total market capitalisation of USD2,054.0 billion. The constituents of the Index together with their respective weightings may be accessed via the Index provider’s website at: www.hsi.com.hk[▲].

For details, please refer to the website of the Index provider, Hang Seng Indexes Company Limited, at www.hsi.com.hk[▲].

Use of derivatives / investment in derivatives

The Fund’s net derivative exposure may be up to 50% of its Net Asset Value.

What are the key risks?

Investment involves risks. Please refer to the “Risk Factors” section in the Explanatory Memorandum and the Term Sheet of the Fund respectively for details.

Investment Risk

- ❖ The Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal.

Currency and exchange rate control Risk

- ❖ Where the underlying investments of the Fund are denominated in currencies other than the base currency of the Fund, the Net Asset Value of the Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Fund's base currency and by changes in exchange rate controls.

Equity Market Risk

- ❖ The Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Tracking Error Risk

- ❖ The Fund is subject to tracking error risk, which is the risk that its performance may not track that of the Index exactly. This tracking error may result from the investment strategy used, and fees and expenses. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Index.

Risks associated with Passive Investments

- ❖ The Fund is passively managed and the Manager does not have the discretion to adapt to market changes due to the inherent investment nature of the Fund. Falls in the Index are expected to result in corresponding falls in the value of the Fund.

Concentration Risk in respect of Index Funds

- ❖ To the extent that the Index concentrates in securities of companies which engage in China-related businesses and in securities of a particular sector or group of sectors, the investments of the Fund may be similarly concentrated. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- ❖ The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting mainland China.

General Risks of Investments associated with an Emerging Market

- ❖ Investing in an emerging market (such as mainland China) 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.
- ❖ High market volatility and potential settlement difficulties in the markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund.
- ❖ Securities exchange(s) in emerging market(s) (such as mainland China) typically have the right to suspend or limit trading in any security traded on the relevant exchange(s). The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.

Risks associated with Investment made through a QFII

- ❖ The Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including requirements and restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to

change and such change may have potential retrospective effect.

- ❖ The Fund may suffer substantial losses if there is insufficient QFII quota allocated for the Fund to make investments, the approval of the QFII is being revoked/terminated or otherwise invalidated as the Fund may be prohibited from trading of relevant securities and repatriation of the Fund's monies, or if any of the key operators or parties (including QFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Risks associated with the Stock Connect

- ❖ The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Fund's ability to invest in A-shares or access the mainland China market through the programme will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected.

Risk associated with investments in companies with weighted voting rights

- ❖ The Fund may invest in, or the constituents of the Index may include, companies (such as innovative companies) which have a weighted voting rights structure. This leads to issues relating to shareholder rights and corporate governance as well as investor protection, which may have a negative impact on the Fund where the Fund invests in the ordinary shares of such companies.

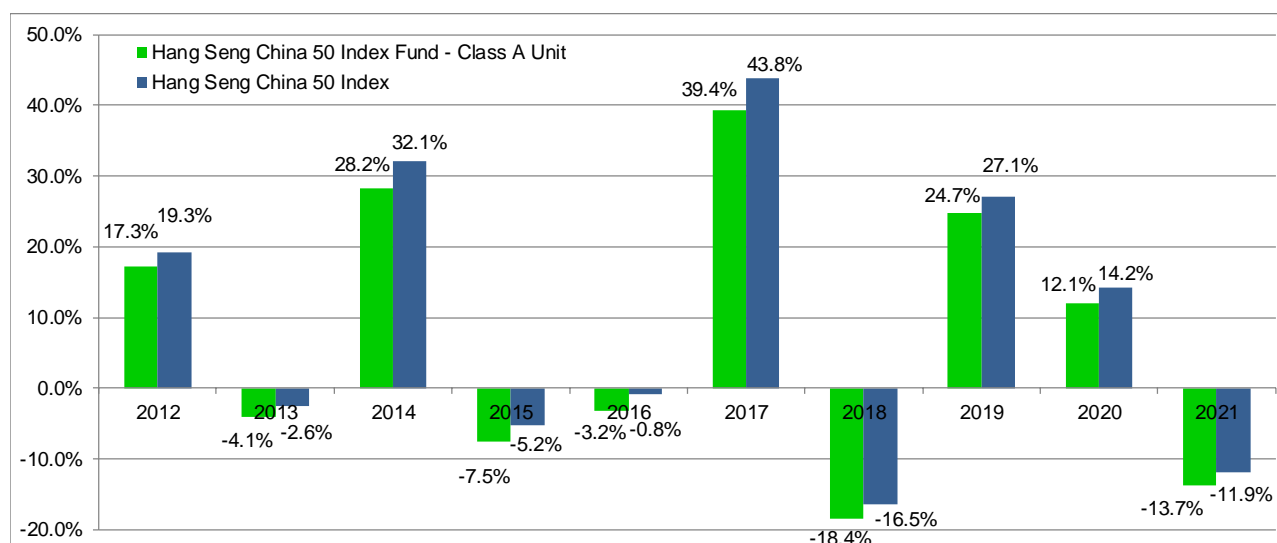
RMB Currency and Conversion Risks

- ❖ RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

PRC Tax Risk

- ❖ The Fund may be subject to PRC Corporate Income Tax and/or other PRC taxes on any cash dividends, distributions and interest it receives from its investment in PRC Securities. The Manager reserves the right to make relevant provision on such incomes (if any) if so warranted.
- ❖ Having considered the professional and independent tax advice, the Manager currently does not make withholding income tax provision for gross realised or unrealised capital gains derived from trading of A-shares via QFII or Stock Connect and trading of B-shares.
- ❖ The Manager currently does not make withholding income tax provision for gross realised or unrealised capital gains derived from trading of H-shares and/or certain red chip shares.
- ❖ There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of investments in the PRC via QFII quota or the Stock Connect (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value. If taxes are levied in future on the Fund for which no provision is made, the Fund's Net Asset Value will be adversely affected. In this case, the then existing and subsequent investors will be disadvantaged.

How has the Fund performed?



- ❖ Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- ❖ The computation basis of the performance is based on the calendar year end, Unit Price-To-Unit Price, with dividend (if any) reinvested.
- ❖ These figures show by how much the Fund increased or decreased in value during the calendar year being shown. Performance data of the Fund and the Index has been calculated in HKD including ongoing charges and excluding subscription fee and switching fee you might have to pay.
- ❖ The Benchmark of the Fund is Hang Seng China 50 Index (total return with dividend reinvested, net of PRC withholding tax).
- ❖ Where no past performance is shown there was insufficient data available in that year to provide performance.
- ❖ Fund launch date: 2009
- ❖ Class A Units launch date: 2009

Is there any guarantee?

The Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the Units of the Fund.

Fee	What you pay [#]
Subscription Fee	Up to 3.0% of the issue price of the Fund
Switching Fee	Up to 2.0% of the issue price of the Fund
Redemption Fee	Nil

[#] Please contact the Authorised Distributor(s) of the Fund for details.

Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get

on your investments.

	Annual rate (as a % of the Net Asset Value of the Fund)
Management Fee [^]	Up to 1.0%
Trustee Fee [^]	0.045% (subject to a minimum monthly trustee fee of HK\$18,000)
QFII Account Custody Fee	0.25% of the Fund's assets in the account held with the selected QFII as at month-end (excluding transaction fees)

[^] Please note that the annual rate stated may be increased up to a permitted maximum rate as set out in the Explanatory Memorandum by giving 1 month's prior notice to relevant Unitholders.

Other fees

You may have to pay other fees and charges when dealing in the Units of the Fund. Please refer to the "CHARGES AND EXPENSES" section in the Explanatory Memorandum for details.

Additional Information

- ❖ You generally buy and redeem Units at the Fund's next-determined Net Asset Value.
- ❖ To be dealt with on a Dealing Day, your request has to be received by the Authorised Distributor(s) of the Fund in good order on or before the dealing cutoff time as set by them (which may be different from that as set by the Manager). Please contact the Authorised Distributor(s) of the Fund for details.
- ❖ The Net Asset Value of the Fund on each Dealing Day is normally calculated on the Business Day after that Dealing Day, and is available online at www.hangsenginvestment.com[▲].
- ❖ Investors may obtain other information of the Fund from the website www.hangsenginvestment.com[▲].

Important

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

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

[▲] This website has not been reviewed by the SFC.

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