



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng China A Industry Top 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:	RMB	
Underlying Index:	Hang Seng China A Industry Top 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**	Class A - Accumulation Units	1.50%
	Class A HKD (Hedged) - Accumulation Units	
	Class A USD (Hedged) - Accumulation Units	
Estimate annual tracking difference***	Class A - Accumulation Units	-1.50%
	Class A HKD (Hedged) - Accumulation Units	-4.73%
	Class A USD (Hedged) - Accumulation Units	-3.51%
Financial year end of the Fund:	31 December	

* A Dealing Day is any day which is (i) a Business Day and (ii) a dealing day of the Underlying Fund.

** This figure is an estimate only (as the Fund is newly set up) and represents the sum of the estimated ongoing expenses chargeable to the relevant Unit class over a 12-month period expressed as a percentage of the estimated average net asset value of the relevant Unit class over the same period. The actual figures may be different from the estimate. 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 an estimated annual tracking difference as the Fund is a new fund.

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 originally under the laws of the Cayman Islands. With effect on and from 21 March 2014, the domicile of the Hang Seng Investment Series was removed from the jurisdiction of the Cayman Islands to the jurisdiction of the Hong Kong Special Administrative Region (“Hong Kong”).
- ❖ This is a feeder fund and an index fund.

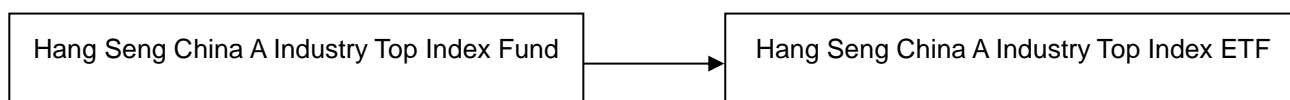
Objective and Investment Strategy

Objective

The investment objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Hang Seng China A Industry Top Index (the “Index”).

Investment Strategy

The Fund is a feeder fund and an index fund that seeks to achieve its investment objective by investing solely in another index-tracking fund authorised by the SFC with a substantially similar investment objective as that of the Fund and managed by the Manager (the “Underlying Fund”). Currently, the Manager has selected the Hang Seng China A Industry Top Index ETF as the Underlying Fund. The Underlying Fund is authorized by SFC. (SFC authorisation is not a recommendation or endorsement of the Underlying Fund nor does it guarantee the commercial merits of the Underlying Fund or its performance. It does not mean the Underlying Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.)



The Underlying Fund

The Underlying Fund is an exchange-traded fund and units of the Underlying Fund are listed on The Stock Exchange of Hong Kong Limited (“SEHK”). Similar to the investment objective of the Fund, the Underlying Fund’s investment objective is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. The manager of the Underlying Fund will only use a full replication strategy through investing directly in constituent stocks of the Index in substantially the same weightings in which they are included in the Index, through the Renminbi qualified foreign institutional investor (“RQFII”) investment quota granted to the manager of the Underlying Fund by the State Administration of Foreign Exchange and/or via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the “Stock Connect”).

Currently the manager of the Underlying Fund has no intention to invest the Underlying Fund in any financial derivative instruments (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes.

There is no current intention for the Underlying Fund to engage in securities lending, repurchase transactions or other similar over-the-counter transactions.

The Prospectus (including the Product Key Facts Statement) of the Underlying Fund is available at www.hangsenginvestment.com*

As the Underlying Fund is listed and traded on the SEHK, general investors can directly buy or sell units of the Underlying Fund on the SEHK through a stockbroker or a bank in order to obtain exposure to the Index. Investors should note the differences between the Fund and the Underlying Fund, including the differences in respect of fees and charges, trading channel, dealing frequency and dealing price determination and decide whether they wish to invest in the Fund or invest in the Underlying Fund directly.

Index

The Index is a free float adjusted market capitalisation weighted index that is sponsored by Hang Seng Indexes Company Limited (“Index Provider”). The Index is a price return index denominated in RMB. The Index Provider

has been appointed for the calculation and dissemination of the Index on a real time basis. The Index reflects the performance of industry leaders in each of the 11 industries under the Hang Seng Industry Classification System. The inception date of the Index was 21 September 2009 and the Index had a base level of 1,000 on 1 July 2005.

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.

Leaders in any industrial sector refer to those sizable companies that outperform their peers on the Shanghai Stock Exchange and the Shenzhen Stock Exchange in terms of revenue and profitability.

As of 9 April 2018:

- The Index had a free float adjusted market capitalisation of RMB 3,466 billion and 48 constituents.
- The respective weightings of the top 10 largest constituent stocks of the Index, representing approximately 57.54% of the market capitalisation of the Index based on total shares in issue, were:

Stock Name	Weighting (%)	Stock Name	Weighting (%)
1. Ping An Insurance (Group) Company of China, Ltd.	10.21	6. Agricultural Bank of China Ltd.	4.87
2. Kweichow Moutai Co. Ltd.	10.12	7. Hangzhou Hikvision Digital Technology Co. Ltd.	4.33
3. Midea Group Co. Ltd.	6.30	8. Industrial and Commercial Bank of China Ltd.	3.65
4. Gree Electric Appliances, Inc. of Zhuhai	5.95	9. BOE Technology Group Co., Ltd	3.49
5. China Vanke Co. Ltd.	5.32	10. China State Construction Engineering Corporation Ltd.	3.30

For details, please refer to the website of the Index Provider at <http://www.hsi.com.hk/>.

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.

1. Investment Risks

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

2. Equity Market Risks

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

3. Risks relating to the Fund Structure/Underlying Fund

As the Fund is a feeder fund which invests solely in the Underlying Fund, the Fund is exposed to the following risks (which include certain risks to which the Underlying Fund is subject):-

a. PRC Related Risks

- ❖ The Fund is subject to concentration risk as a result of its sole investment in the Underlying Fund which

tracks the performance of a single geographical region (the PRC).

- ❖ The value of the Underlying Fund may likely be more volatile than that of a broad-based fund, such as a global equity fund. Also, by having exposure in the PRC, an emerging market, the Fund 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.
- ❖ Given that the A-share market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the redemption of units of the Underlying Fund may be disrupted and this may in turn adversely affect the Fund's ability to meet redemption requests of Unitholders.
- ❖ High market volatility and potential settlement difficulties in the PRC 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 Underlying Fund which in turn will adversely affect the value of the Fund.

b. RMB Currency Risk/Risks relating to RMB Denominated Securities

- ❖ RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors (e.g. Hong Kong investors) are exposed to foreign exchange risks and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HK dollars) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund.
- ❖ While offshore RMB (CNH) and onshore RMB (CNY) represent the same currency, they are traded at different rates. Any divergence between CNH and CNY may adversely impact investors.
- ❖ Under exceptional circumstances, due to the exchange controls and restrictions applicable to RMB, the Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of RMB Units.

c. Risks relating to Hedging and the Hedged Classes of Units

- ❖ There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the relevant class. An inefficient or ineffective currency hedging strategy may have adverse impact on the relevant currency hedged class. While a currency hedged class may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of the relevant currency hedged class.
- ❖ Hedging strategies may preclude investors from benefiting from an increase in the value of the Fund's base currency.
- ❖ Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant currency hedged class and therefore will be reflected in the net asset value of the relevant currency hedged class.

d. Currency Risk

- ❖ A class of Units may be designated in a currency other than the base currency of the Fund. The net asset value of the Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

e. Tracking Error Risk

- ❖ Due to fees and expenses of the Fund and the Underlying Fund, the investment strategy used by the Underlying Fund and the liquidity of the market, the Fund's return may deviate from that of the Index. The manager of the Underlying Fund will adopt a full replication strategy to reduce tracking error risk. However, there can be no assurance of exact or identical replication at any time of the performance of the Index.

f. Passive Investment Risk

- ❖ The Underlying Fund is not "actively managed" and therefore, its manager will not have the discretion to adapt to market changes due to the inherent investment nature of the Underlying Fund. Falls in the Index are expected to result in corresponding falls in the value of the Underlying Fund and, in turn, the Fund will also decrease in value.

g. Risks of investing in the Underlying Fund

- ❖ The Fund will be established as a feeder fund investing solely in the Underlying Fund. In addition to the expenses and charges charged by the Fund, investors should note that there may be additional fees involved when investing into the Underlying Fund, such as fees and expenses charged by the service providers of the Underlying Fund. Furthermore, there can be no assurance that the Underlying Fund's investment objectives and strategies will be successfully achieved or that the liquidity of the Underlying Fund will always be sufficient to meet realisation requests. In addition, there could be trading suspension of the Underlying Fund in the secondary market. These factors may have an adverse impact on the Fund and its investors. As the Fund invests in the Underlying Fund which is also managed by the Manager, potential conflict of interest may arise.

h. RQFII Regime Related Risks

- ❖ The Underlying 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 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 Underlying Fund may suffer substantial losses if there is insufficient RQFII quota allocated for the Underlying Fund to make investments, the approval of the RQFII is being revoked/terminated or otherwise invalidated as the Underlying Fund may be prohibited from trading of relevant securities and repatriation of the Underlying Fund's monies, or if any of the key operators or parties (including RQFII 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).

i. Stock Connect Risks

- ❖ 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 Underlying Fund's ability to invest in A-shares or access the PRC market through the programme will be adversely affected. In such event, the Underlying Fund's ability to achieve its investment objective could be negatively affected and the Underlying Fund may impose a suspension on the primary trading through special creations. While the Fund may then invest in the Underlying Fund through secondary market trading, the Fund would be negatively affected where the market price deviates from the net asset value of the Underlying Fund and trades at a substantial premium.

j. PRC Tax Risks

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

k. Risks relating to trading in secondary market

- ❖ When the Fund invests in the Underlying Fund through secondary market, the trading price of the units of the Underlying Fund on SEHK is driven by market factors such as the demand and supply of the units. Therefore, the units of the Underlying Fund may trade at large premium or discount to the Underlying Fund's

net asset value and in the case where the Underlying Fund imposes a suspension on the primary trading through special creation/redemption, such premium or discount may be more substantial.

- ❖ As investors (including the Fund) will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units of the Underlying Fund on the SEHK, investors (including the Fund) may pay more than the net asset value per unit of the Underlying Fund when buying units of the Underlying Fund on the SEHK, and may receive less than the net asset value per unit of the Underlying Fund when selling units of the Underlying Fund on the SEHK.

4. Reliance on the Same Group Risk

- ❖ Each of the Trustee (also acting as the Registrar of the Fund, the trustee and the registrar of the Underlying Fund), the Manager of the Fund (also acting as the manager and the listing agent of the Underlying Fund), and the Index Provider are subsidiaries of HSBC Holdings plc (the “Group”). Whilst these are separate legal entities and operationally independent, in the event of a financial catastrophe or the insolvency of any member of the Group, there may be adverse implications for the Group as a whole or other members of the Group which could affect the provision of services to the Fund. In such event the net asset value of the Fund may be adversely affected and its operation disrupted.
- ❖ In addition, although all transactions will be at arm’s length, conflicts of interest in respect of the Fund may arise from time to time amongst the Trustee, the Manager and the Index Provider which are all members of the Group. The Manager will vigorously manage any such conflicts in the best interest of investors.

5. Termination Risks

- ❖ The Fund may be terminated early under certain circumstances, for example, where there is no market maker for the Underlying Fund, the Index is no longer available for benchmarking (including in circumstances where the Index licence agreement is terminated) or if the size of the Fund falls below an equivalent of US\$4 million. Investors may not be able to recover their investments and may suffer a loss when the Fund is terminated.

How has the Fund performed?

There is insufficient data to provide a useful indication of past performance to investors as the Fund is newly launched for less than a full calendar year.

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	Class A	Up to 3.0% of the issue price of the Fund
	Class A HKD (Hedged)	
	Class A USD (Hedged)	
Switching Fee	Class A	Up to 2.0% of the issue price of the Fund
	Class A HKD (Hedged)	
	Class A USD (Hedged)	
Redemption Fee	Class A	Nil

	Class A HKD (Hedged)	
	Class A USD (Hedged)	

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		
		The Fund [^] (as a percentage per annum on the net asset value of the Fund)	The Underlying Fund [†] (as a percentage per annum on the net asset value of the Underlying Fund)	Aggregate Fees (Maximum) (as a percentage per annum on the net asset value of the Fund)
Management Fee	Class A	Up to 1.0% (currently waived)	0.55%	Up to 1.0% (currently 0.55%)
	Class A HKD (Hedged)			
	Class A USD (Hedged)			
Administration Fee	Class A	Not Applicable	Not Applicable	Not Applicable
	Class A HKD (Hedged)			
	Class A USD (Hedged)			
Trustee Fee	Class A	0.04%	0.12% for the first RMB 600 million of net asset value of the Underlying Fund;	Up to 0.16%
	Class A HKD (Hedged)		0.10% for the next RMB 600 million of net asset value of the Underlying Fund; and	
	Class A USD (Hedged)		0.08% for the remaining balance of net asset value of the Underlying Fund	
Performance fee	Nil			

[^] Please note that, as regard to the Fund, the annual rate stated is the maximum rate that can be charged currently as specified in the Term Sheet of the Fund. It 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.

[†] Please note that the annual rate stated is the rate charged currently as specified in the Prospectus of the Underlying Fund. It may be increased up to a permitted maximum rate as set out in the Prospectus of the Underlying Fund 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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