



Explanatory Memorandum - July 2023

JPMorgan Provident Plan

IMPORTANT INFORMATION

Important: If you are in doubt about the contents of this explanatory memorandum, you should seek independent professional financial advice.

- JPMorgan Provident Plan (the “Plan”) is a pooled retirement fund which enables employers to provide benefits to their employees by pooling their contributions with those of other employers.
- The Plan has eleven investment portfolios (the “Investment Portfolios”) that are the funds in which contributions can be invested. The Investment Portfolios through investing in other underlying funds (the “Designated Funds”) may have exposure to equity, interest rate, currency and credit risks. For more detailed information on each of the Designated Funds, please see the relevant explanatory memoranda.
- Investment returns are determined according to the net asset value of the relevant Investment Portfolios. Investment involves risks. Investment performance and returns may go up as well as down. Investors may be subject to substantial losses. Past performance is not indicative of future performance.
- Where any collective investment scheme is described in this Explanatory Memorandum as having been authorised by the Securities and Futures Commission (“SFC”), such SFC authorisation does not imply official recommendation or endorsement of such collective investment scheme nor does it guarantee the commercial merits of the collective investment scheme or its performance. It does not mean the collective investment scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
- This explanatory memorandum should be read in conjunction with the explanatory memorandum of each Designated Fund.
- You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of the 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 Portfolio (s) most suitable for you taking into account your circumstances.

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1. INTRODUCTION

- 1.1 The JPMorgan Provident Plan (the “Plan”) was formed to enable employers to provide benefits to their employees on death, retirement, resignation, permanent disability or other specified events by pooling their contributions with those of other employers. Monies are effectively pooled both with those of other employers and monies of other investors since investment by the Plan’s Investment Portfolios is in separately established unit trusts. This provides an advantageous spread of investment risk at lower cost than would normally be available to employers who do not have a large retirement scheme. The Plan provides comprehensive administration of the employer’s retirement scheme.
- 1.2 The Plan is sponsored by JPMorgan Funds (Asia) Limited (the “Sponsor”). The investment manager of the Plan is JPMorgan Asset Management (Asia Pacific) Limited (the “Investment Manager”). The trustee and administrator of the Plan is AIA Company (Trustee) Limited (the “Trustee” or “Administrator” as the case may require). Subject to the consent of the Sponsor, AIA Company (Trustee) Limited may at its discretion outsource the administrative functions in respect of the Plan from time to time.
- 1.3 The Sponsor may, subject to the written consent of the Trustee and any other necessary regulatory approval, create an Investment Portfolio in which contributions can be invested. The Sponsor and the Trustee may from time to time designate any class of unit of a unit trust or mutual fund as a “Designated Fund” that an Investment Portfolio invests in. Since each Investment Portfolio only invests in a Designated Fund, the assets of each Investment Portfolio will generally comprise only units of the Designated Fund. Where contributions are invested in an Investment Portfolio, such contributions will be invested in the units of the Designated Fund. Therefore, a member’s holding in an Investment Portfolio will be represented by the units of the relevant Designated Fund held by the Investment Portfolio for such member.
- 1.4 The Plan currently has eleven Investment Portfolios, the JPMorgan Provident European Fund (“European Fund”), JPMorgan Provident Greater China Fund (“Greater China Fund”), JPMorgan Provident Hong Kong Fund (“Hong Kong Fund”), JPMorgan Provident High Growth Fund (“High Growth Fund”), JPMorgan Provident Growth Fund (“Growth Fund”), JPMorgan Provident Balanced Fund (“Balanced Fund”), JPMorgan Provident Capital Fund (“Capital Fund”), JPMorgan Provident Stable Capital Fund (“Stable Capital Fund”), JPMorgan Provident Global Bond Fund (“Global Bond Fund”), JPMorgan Provident HK\$ Money Fund (“HK\$ Money Fund”) and JPMorgan Provident US\$ Money Fund (“US\$ Money Fund”).
- 1.5 Participation in the Plan is open both to employers who already have established a retirement scheme and to those employers who need assistance in setting up new retirement schemes. A comprehensive package of services is available to assist employers who wish to establish a new scheme to participate in the Plan. These services include plan design, drafting of the rules and assistance in ongoing plan administration as well as assistance with the registration or exemption procedures in the Occupational Retirement Schemes Ordinance (“ORSO”).
- 1.6 Participation in the Plan will commence after the execution of a Deed of Adherence and initially subscriptions will be invested at the employer’s option in the available Investment Portfolios. Employers participating in the Plan will need to register their participation under the ORSO. However, the Sponsor will assist with this. The Plan is also suitable for schemes which can obtain exempt status under ORSO.

2. TRUST DEED

The Plan and the Investment Portfolios are constituted by a trust deed (the “Trust Deed”) dated 15 June, 1988 amended and restated by various Supplemental Deeds and is governed by the laws of Hong Kong. Copies of the Trust Deed (as amended) may be obtained from the Sponsor at a cost of HK\$80 or may be inspected free of charge during normal working hours at the offices of JPMorgan Funds (Asia) Limited.

3. AUTHORISATION

The documentation of the Plan has been authorised by the Securities and Futures Commission (“SFC”), pursuant to section 105(1) of the Securities and Futures Ordinance. The Plan has been authorised by the SFC under the Code on Pooled Retirement Funds (“PRF Code”). SFC authorisation is not a recommendation or endorsement of the Plan nor does it guarantee the commercial merits of the Plan or its performance. It does not mean the Plan is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

4. OCCUPATIONAL RETIREMENT SCHEMES ORDINANCE

The Sponsor will assist with the ORSO application when an employer joins the Plan and if an employer has an existing scheme with the ORSO formalities in respect of the transfer. The tax position in Hong Kong is also dependent on a scheme being registered or exempt. See Section 30 "TAXATION" for description of Hong Kong taxation. Employers will commit an offence if they participate in a scheme which is neither registered nor exempt under ORSO.

5. ABOUT JPMORGAN FUNDS (ASIA) LIMITED

5.1 JPMorgan Funds (Asia) Limited operates the pooled funds division of J.P. Morgan Asset Management in Hong Kong. Day-to-day investment management of the funds has been delegated to the Asia Pacific investment arm, JPMorgan Asset Management (Asia Pacific) Limited. The brand name J.P. Morgan Asset Management covers the asset management activities of JPMorgan Chase & Co. group (the "Group") globally.

5.2 J.P. Morgan Asset Management's Asia Pacific investment arm commenced its presence in Asia in 1970 via the establishment of Jardine Fleming Investment Management Ltd. (JF) in Hong Kong, a joint venture between Jardine Matheson Holdings and Robert Fleming Holdings. In March 1999, Robert Fleming Holdings consolidated its international network when it completed the acquisition of Jardine Matheson's 50% stake in the joint venture. JPMorgan Asset Management (Asia Pacific) Limited forms a key part of J.P. Morgan Asset Management.

5.3 The Asia Pacific investment arm specializes in providing international investors with access to the region's markets. It also provides clients in the region with access to the Group's extensive range of international equity, fixed income, balanced products and alternative investments. J.P. Morgan Asset Management believes that assets are best managed by specialists located in the markets and regions in which they have expertise. For this reason, our investment team of approximately 70 professionals is based throughout 'centres of excellence' around the region. J.P. Morgan Asset Management also benefits from the Group's network of approximately 750 investment professionals located worldwide. Over the years, J.P. Morgan Asset Management has developed its regional business by providing onsite investment management services for domestic investors and has also established offices in Hong Kong, Melbourne, Shanghai, Taipei, Tokyo and Singapore.

6. ABOUT THE TRUSTEE

The Trustee is AIA Company (Trustee) Limited, a company incorporated in Hong Kong and registered under Part VIII of the Trustee Ordinance (Cap 29) and is a member of AIA Group Limited. Custody of the assets of the Plan remains with the Trustee, which also has the power to appoint a custodian in respect thereof from time to time.

7. PARTICIPATION IN THE PLAN

7.1 Types of Retirement Schemes

Retirement schemes are usually divided into two categories.

(a) *Provident Fund Schemes:*

Provident fund schemes are those schemes where the monthly contributions are fixed as a percentage of salary and where retirement benefits will be determined by the accumulated amount of contributions with investment earnings. They are also known as defined contribution schemes.

(b) *Final Salary Schemes:*

Final salary schemes are those schemes where the retirement benefits formula (based on salary at retirement and years of service) is fixed, and the contribution varies depending on the schemes investment performance and employee data. These are also known as defined benefits schemes. In the case of a defined benefits scheme, actuarial advice must be sought at regular intervals to ensure that the scheme is adequately funded, and the employer will need to pay such sums as are needed to ensure that the scheme is properly funded.

Currently, the Plan is available only to employers wishing to establish a provident fund scheme.

7.2 Joining the Scheme

An employer taking advantage of the services available to establish a new scheme may join the Plan by executing a Deed of Adherence. The employer will choose the rate of contributions it wishes to make which must be made monthly. The Deed of Adherence will specify the rate of contributions to be made by the employer and (if the employer so chooses) by the employees. The Plan is denominated in Hong Kong dollars and will produce its accounts on this basis. Contributions to the Plan are normally to be made by cheque payable to the Trustee in Hong Kong Dollars sent to 8/F, AIA Financial Centre, 712 Prince Edward Road East, Kowloon, Hong Kong. Employers and members will be bound by the terms of the Trust Deed (as amended).

7.3 Transfer of Schemes

If a scheme currently exists whether established by trust or by allocation of assets held by an employer or by way of an insurance policy, it is usually straightforward to transfer to the Plan. The Sponsor will be able to advise and assist with this process. The employer joins the Plan by executing a Deed of Adherence which will be amended to reflect the transfer of assets and obligations from the former scheme.

7.4 Group Schemes

An employer may wish to establish a scheme not only for its own staff but those of subsidiary and associated companies. Such a group scheme may be established with one of the employers being nominated as a representative employer. The employers will pay ORSO registration fees only for one scheme. The employers must be within the terms allowed by ORSO for such group schemes and, if not, will need to participate separately although may still adopt identical rules.

7.5 Choice of Rules

The Plan is structured to provide that the terms of the Trust Deed apply to all participating employers and members but the detailed rules may be varied by each employer joining the Plan.

The Trust Deed contains standard rules. A Deed of Adherence can change the standard rules and in particular the rates of contribution by employers and members will usually be provided. The standard rules provide for both employers and members to contribute and set a normal retirement age of 60. A member's entitlements on retirement, (whether before, at, or after normal retirement age) death, physical incapacity, voluntarily leaving employment or being dismissed with and without notice are set out in the standard rules. Where a member leaves employment, his entitlement will be determined by a vesting scale. A scale providing for vesting of employer's contributions at the rate of 10% for each year of service is in the standard rules but like other features can be changed to suit each employer. On the basis of the standard vesting scale, all benefits due to a member would be free of Hong Kong salaries tax.

8. ADMINISTRATION SERVICES

8.1 Services

The following services are provided in relation to all schemes which participate in the Plan: -

- (a) preparation and provision of statements for members describing the scheme as required by ORSO;
- (b) annual individual member benefit statement;
- (c) termination statement for each staff member leaving employment;
- (d) monthly contribution statement as described below;
- (e) summary of members who have left employment and benefits payment;
- (f) assistance in preparing a member's handbook;
- (g) annual statement of all monies paid by the employer and its members and the units of Designated Funds issued.

8.2 Monthly Statement of the Plan

A monthly valuation of the total unitholdings in the Designated Funds in an employer's scheme will be sent to each employer together with a summary of subscriptions and redemptions made by that employer and relevant members for the previous month.

8.3 Monthly Report of Designated Funds

Each of the current Designated Funds will issue a monthly manager's report which will be sent to each employer.

8.4 Annual and Semi-Annual Accounts of Designated Funds

Annual audited accounts of each Designated Fund will be produced and the Sponsor will send a copy to each employer. Each Designated Fund may have a different year end. Also, semi-annual unaudited accounts are produced by each of the existing Designated Funds and will be sent to each employer.

8.5 Annual Accounts and Statements

The financial year end of the Plan is 30 June but employers may choose a different financial year end for their scheme if they wish. Each year, each member will receive a statement showing their individual position. The audited annual accounts of each participating scheme will be produced and sent to the relevant employer within 6 months of the financial year end for that employer's scheme. The employer will need to arrange for its own auditor to verify certain data for these accounts as required by ORSO. The auditor will be appointed by the Sponsor with the approval of the Trustee. The Trustee may agree to appoint the employer's auditor.

9. ASSET OF THE PLAN

9.1 The Trustee is responsible for the safe-keeping of the assets of the Plan which will generally be the cash received from employers and members as contributions and units in Designated Funds. Investment will be wholly in Designated Funds but in exceptional circumstances, such as suspension of dealings by any Designated Fund, cash may be placed on deposit with banks or other financial institutions. In such case cash may be placed with the Trustee or the Sponsor or an employer or any associate of any of them. ORSO and the Trust Deed limit deposits with employers and the Trust Deed provides that deposits may only be made in accordance with normal banking practices at rates not lower than the prevailing rate. There are restrictions in the Trust Deed on the charging or pledging of assets of the Plan. The Plan shall comply with section 27 of ORSO. The investment of the assets of the Plan into the Designated Funds complies with the applicable investment requirements under the Section 4 of Schedule 3 to the Mandatory Provident Fund Schemes (Exemption) Regulation ("MPF Exemption Regulation").

9.2 In accordance with the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of the Plan and each Investment Portfolio and hold them in trust for the employers and members in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and such investments, cash and other assets forming part of the Plan and the relevant Investment Portfolio shall be dealt with as the Trustee may think proper for the purpose of providing for the safekeeping thereto.

9.3 The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, itself, an employer and any associate of any of them) as custodian or co-custodian or sub-custodian, delegate, nominee or agent of the assets of the Plan and/or any Investment Portfolios. The Trustee may empower any such custodian or co-custodian or sub-custodian, delegate, nominee or agent to appoint, with the prior consent in writing of the Trustee, sub-custodians, delegate, nominee or agent. The Trustee (A) shall exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, delegate, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in the assets of the Plan or any Investment Portfolio (each a "Correspondent"); and (B) shall be satisfied that each Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Plan or any Investment Portfolio. The Trustee shall be liable for the acts and omissions of any Correspondent which is an associate of the Trustee as if the same were the acts or

omissions of the Trustee, but provided that if the Trustee has discharged its obligations set out in (A) and (B) above, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not an associate of the Trustee.

10. CREATION OF INVESTMENT PORTFOLIOS AND DESIGNATION OF DESIGNATED FUNDS

- 10.1** The Sponsor may, subject to the written consent of the Trustee and any other necessary regulatory approval, create an Investment Portfolio. The Trustee and the Sponsor can designate a class of units or shares in any unit trust, mutual fund or similar entity as a “Designated Fund” for the Investment Portfolio provided that such designation will not be in breach of the investment requirements of ORSO. There is no assurance given that any particular Investment Portfolio is suitable for investment of all of the monies to be contributed by any employer or member.
- 10.2** Where a new Investment Portfolio has been created, the Sponsor will advise the relevant employers. The employer will be able to obtain a copy of the explanatory memorandum or prospectus of each Designated Fund of the Investment Portfolio on request to the Sponsor.
- 10.3** The Plan allows an employer to adopt rules which provide for either the employer alone or the members to choose how the contributions are invested (see Section 23 “INVESTMENT CHOICE”). If members can exercise an investment choice then the notices and documents to be given to employers as to the creation of Investment Portfolios will also be given to members by the employer. Dealings in holdings of an Investment Portfolio will be made only on a dealing day for units of the relevant Designated Fund of the Investment Portfolio. For each Designated Fund, this is normally every day (other than a Saturday or a Sunday), on which banks in Hong Kong are open for normal banking business and on which all or part of the collective investment scheme(s) invested in by the relevant Designated Funds are available for normal dealing. Each Designated Fund has provisions for the suspension of dealings in certain circumstances and the restriction of realisation of units if more than 10% of the units of each Designated Fund are to be redeemed on any dealing day. In order for units in the Designated Fund of an Investment Portfolio to be issued on any particular dealing day, contributions from the employers and/or the members must be received by the Administrator not later than 12:00 noon (Hong Kong time) on the business day before that dealing day or such other time agreed between the Trustee and the Sponsor. New Investment Portfolios and Designated Funds may have different dealing days. Where interests are earned on contributions pending investment, such interests will not accrue to the employers or members making the contribution but instead will be applied by the Trustee towards payment of general expenses of the Plan.
- 10.4** The Investment Manager will value each Investment Portfolio at the close of business on each dealing day of the Investment Portfolio. Since each Investment Portfolio only invests in a Designated Fund, the assets of each Investment Portfolio will generally comprise only units of the Designated Fund which shall be valued at the net asset value per unit as quoted by the manager or the trustee of the Designated Fund on the relevant dealing day. A description of how each of the Designated Funds is valued and prices calculated are set out in the Explanatory Memorandum of those Designated Funds.
- 10.5** A member’s holding in an Investment Portfolio will be represented by the Administration Units of the relevant Designated Fund held by the Investment Portfolio for such member. Members will generally be notified of the number and value of units of the Designated Funds attributable to them in the annual individual member benefit statement. In addition, the net asset value per unit for the relevant class of units of the Designated Funds will normally be published on every dealing day and such other days on which net asset value per unit for such class of units is calculated on the website am.jpmorgan.com/hk (the website has not been reviewed by the SFC).
- 10.6** The Trustee will keep full records of the units of Designated Funds invested by the Investment Portfolios issued to it. Units of Designated Funds will be registered in the name of the Trustee but the Trustee has power to register them in the name of a custodian or nominee if it thinks fit.
- 10.7** The Trustee, the Investment Manager and the Sponsor and their associates may be the trustee or manager or have another office in respect of a Designated Fund. Transactions by the Sponsor, Investment Manager or their associates as principal with the Trustee on behalf of the Plan will require consent of the Trustee as a conflict of interest may arise but the Trustee is not required to consent to transactions relating to dealings in units of Designated Funds.

11. CURRENT INVESTMENT PORTFOLIOS AND THEIR DESIGNATED FUNDS

The Investment Portfolios of the Plan and their corresponding Designated Funds are set out below:

Investment Portfolios	Fund Type ¹ of Investment Portfolios	Corresponding Designated Funds	Unit Classes of Designated Funds	Currency of Denomination of Investment Portfolios and Designated Funds
European Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident European Fund	Administration units	HK dollars
Greater China Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident Greater China Fund	Administration units	HK dollars
Hong Kong Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident Hong Kong Fund	Administration units	HK dollars
High Growth Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident High Growth Fund	Administration units	HK dollars
Growth Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident Growth Fund	Administration units	HK dollars
Balanced Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident Balanced Fund	Administration units	HK dollars
Capital Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident Capital Fund	Administration units	HK dollars
Stable Capital Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident Stable Capital Fund	Administration units	HK dollars
Global Bond Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident Global Bond Fund	Administration units	HK dollars
HK\$ Money Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident HK\$ Money Fund	Administration units	HK dollars
US\$ Money Fund	Fund investing in SFC-authorized fund(s)	JPMorgan Provident US\$ Money Fund	Administration units	US dollars

Summary of investment objective and policy of the Designated Fund are set out below for reference. For more detailed information on each of the Designated Funds including investment objective and policy, investment and borrowing restrictions, details of securities financing transactions, collateral policies, fee and charges and risk factors, please see the relevant Explanatory Memorandum (including products key facts statements if available) of those Designated Funds which is available on am.jpmorgan.com/hk (the website has not been reviewed by the SFC.).

¹ Fund type corresponds to the classification of portfolios pursuant to Chapter 8.10 of the PRF Code.

12. JPMORGAN PROVIDENT EUROPEAN FUND

The primary objective of the JPMorgan Provident European Fund is to maximise its long-term capital appreciation in Hong Kong dollar terms. The JPMorgan Provident European Fund seeks to achieve the investment objectives by investing as a feeder fund solely in the units of JPMorgan SAR European Fund ("the Underlying Fund").

The Underlying Fund is an approved pooled investment fund by the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes (General) Regulation and was authorised as a unit trust by the SFC under the Securities Ordinance of Hong Kong (now deemed to have been authorised as a collective investment scheme under Section 104 of the Securities and Futures Ordinance). Authorisation by the SFC and/or approval by the Mandatory Provident Fund Schemes Authority 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 invests primarily in securities of companies based or operating principally in countries in Western Europe. A portion of the Underlying Fund may be invested in companies which are based or operating in other countries in Eastern Europe.

13. JPMORGAN PROVIDENT GREATER CHINA FUND

The primary objective of the JPMorgan Provident Greater China Fund is to maximise its long-term capital appreciation in Hong Kong dollar terms. The JPMorgan Provident Greater China Fund seeks to achieve the investment objectives by investing as a feeder fund solely in the units of JPMorgan SAR Greater China Fund ("the Underlying Fund").

The Underlying Fund is an approved pooled investment fund by the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes (General) Regulation and is authorised as a collective investment scheme under Section 104 of the Securities and Futures Ordinance. Authorisation by the SFC and/or approval by the Mandatory Provident Fund Schemes Authority 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 invests primarily in securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

14. JPMORGAN PROVIDENT HONG KONG FUND

The primary objective of the JPMorgan Provident Hong Kong Fund is to maximise its long-term capital appreciation in Hong Kong dollar terms. The JPMorgan Provident Hong Kong Fund seeks to achieve the investment objectives by investing as a feeder fund solely in the units of JPMorgan SAR Hong Kong Fund ("the Underlying Fund").

The Underlying Fund is an approved pooled investment fund by the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes (General) Regulation and was authorised as a unit trust by the SFC under the Securities Ordinance of Hong Kong (now deemed to have been authorised as a collective investment scheme under Section 104 of the Securities and Futures Ordinance). Authorisation by the SFC and/or approval by the Mandatory Provident Fund Schemes Authority 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 invests primarily in securities of companies either listed, based, or operating principally in Hong Kong.

15. JPMORGAN PROVIDENT HIGH GROWTH FUND

The investment objective of the JPMorgan Provident High Growth Fund is to maximize its long-term capital appreciation in Hong Kong dollar terms, while tolerating a high level of risks. The JPMorgan Provident High Growth Fund seeks to achieve these investment objectives by investing primarily (at least 70% of its total net asset value) in a professionally managed portfolio of interests in collective investment schemes (including exchange-traded funds) managed by the manager or its connected persons and passively-managed

exchange-traded funds managed by unaffiliated management companies (collectively, “Underlying Funds”).

The JPMorgan Provident High Growth Fund (through investment in the Underlying Funds) will have significantly more exposure in global equities than a traditional growth fund. The underlying assets of the JPMorgan Provident High Growth Fund (through investment in the Underlying Funds) will primarily be invested in global equity markets although the JPMorgan Provident High Growth Fund may be weighted towards Hong Kong and Asian markets at the discretion of the manager. By investing primarily in the equity markets, higher potential returns will usually be available as compared to investing in fixed income securities or bonds. However, the investments in equities will, to a certain extent, be subject to the short term volatility of the equity markets, which means that the risks associated with the investments will be higher as compared with investments in fixed income securities or bonds. The JPMorgan Provident High Growth Fund invests with no prescribed industry sector or market capitalisation limits for investment by the Underlying Funds.

16. JPMORGAN PROVIDENT GROWTH FUND

The investment objective of the JPMorgan Provident Growth Fund is to maximize its long term capital appreciation in Hong Kong dollar terms, while tolerating a moderately high level of risks. The JPMorgan Provident Growth Fund seeks to achieve these investment objectives by investing primarily (at least 70% of its total net asset value) in a professionally managed portfolio of interests in collective investment schemes (including exchange-traded funds) managed by the manager or its connected persons and passively-managed exchange-traded funds managed by unaffiliated management companies (collectively, “Underlying Funds”).

The underlying asset mix of the JPMorgan Provident Growth Fund (through investment in the Underlying Funds) will have the majority of investment in global equity markets to seek potential higher returns although the JPMorgan Provident Growth Fund may be weighted towards Hong Kong and Asian markets at the discretion of the manager of the Growth Fund, whilst balancing this with a minority of exposure to fixed income securities to maintain capital value and income stability. The JPMorgan Provident Growth Fund invests with no prescribed industry sector or market capitalisation limits for investment by the Underlying Funds.

17. JPMORGAN PROVIDENT BALANCED FUND

The investment objective of the JPMorgan Provident Balanced Fund is to maximize its long term capital appreciation in Hong Kong dollar terms, while tolerating a moderate level of risks. The JPMorgan Provident Balanced Fund seeks to achieve these investment objectives by investing primarily (i.e. at least 70% of its net asset value) in a professionally managed portfolio of interests in collective investment schemes (including exchange-traded funds) managed by the manager or its connected persons and passively-managed exchange-traded funds managed by unaffiliated management companies (collectively, “Underlying Funds”).

The underlying asset mix of the JPMorgan Provident Balanced Fund (through investment in the Underlying Funds) will have an exposure in both global equities markets, where the growth opportunities and higher returns are normally available, and bond markets, where capital and income stability are normally found. The JPMorgan Provident Balanced Fund invests with no prescribed asset class, regional, country, industry sector or market capitalisation limits for investment by the Underlying Funds.

18. JPMORGAN PROVIDENT CAPITAL FUND

The investment objective of the JPMorgan Provident Capital Fund is to minimize its short term capital risk in Hong Kong dollar terms, while providing the potential for some capital appreciation. The JPMorgan Provident Capital Fund seeks to achieve these investment objectives by investing primarily (i.e. at least 70% of its net asset value) in a professionally managed portfolio of interests in collective investment schemes (including exchange-traded funds) managed by the manager or its connected persons and passively-managed exchange-traded funds managed by unaffiliated management companies (collectively, “Underlying Funds”).

The underlying asset mix of the JPMorgan Provident Capital Fund (through investment in the Underlying Funds) will have the majority of investment in fixed income securities to ensure that the capital value and

income stability of the portfolio is maintained whilst balancing this with a minority of exposure to global equities to provide the potential for some capital appreciation for the portfolio. By having significantly more exposure in bonds than in global equities, the short term volatility of the portfolio should be minimized whilst still maintaining the potential of modest return in the long term. The JPMorgan Provident Capital Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by the Underlying Funds.

19. JPMORGAN PROVIDENT STABLE CAPITAL FUND

The investment objective of the JPMorgan Provident Stable Capital Fund is to outperform Hong Kong dollar deposit rates over the long term, while tolerating a conservative level of risks. The JPMorgan Provident Stable Capital Fund seeks to achieve these investment objectives by investing primarily (at least 70% of its total net asset value) in a professionally managed portfolio consisting primarily of interests in collective investment schemes (including exchange-traded funds) managed by the manager or its connected persons and passively-managed exchange-traded funds managed by unaffiliated management companies (collectively, "Underlying Funds").

The underlying assets of the JPMorgan Provident Stable Capital Fund (through investment in the Underlying Funds) will primarily be invested in cash and fixed income securities to ensure that the capital value and income stability of the portfolio is maintained. The principal means by which moderate growth is achieved is through investment in convertible bond collective investment scheme(s). In addition, there may be some limited exposure to global equities through investing in collective investment scheme(s) as and when the market conditions are deemed appropriate. The JPMorgan Provident Stable Capital Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by the Underlying Funds.

20. JPMORGAN PROVIDENT GLOBAL BOND FUND

The primary objective of the JPMorgan Provident Global Bond Fund is to maximise its long-term capital appreciation in Hong Kong dollar terms. The JPMorgan Provident Global Bond Fund seeks to achieve the investment objectives by investing as a feeder fund solely in the units of JPMorgan SAR Global Bond Fund ("the Underlying Fund").

The Underlying Fund is an approved pooled investment fund by the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes (General) Regulation and was authorised as a unit trust by the SFC under the Securities Ordinance of Hong Kong (now deemed to have been authorised as a collective investment scheme under Section 104 of the Securities and Futures Ordinance). Authorisation by the SFC and/or approval by the Mandatory Provident Fund Schemes Authority 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 invests primarily in international bonds (both developed and developing markets).

21. JPMORGAN PROVIDENT HK\$ MONEY FUND

The investment objective of the JPMorgan Provident HK\$ Money Fund is to provide investors with the opportunity to invest in short term deposits and debt securities. The JPMorgan Provident HK\$ Money Fund seeks to achieve this investment objective by investing as a feeder fund solely in the units of the JPMorgan Money Fund - HK\$ ("the Underlying Fund").

The Underlying Fund is a sub-fund of the JPMorgan Money Fund, a unit trust authorised under the Securities Ordinance of Hong Kong (now deemed to have been authorised under the Securities and Futures Ordinance). 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. It is managed by JPMorgan Funds (Asia) Limited. The investment objective of the Underlying Fund is to provide an efficient vehicle for holding liquid assets currently denominated in the currency of Hong Kong.

In order to minimize such risks to capital, the manager of the Underlying Fund will invest solely in short-term deposits and high quality money market instruments with unexpired maturities of less than 397 days (or

2 years in the case of public sector investments). The weighted average maturity of the Underlying Fund's deposits and other investments will not exceed 60 days. In selecting investments, the manager of the Underlying Fund will seek the highest interest rates available from deposits and short-term instruments of issuers considered by it to be of high standing.

22. JPMORGAN PROVIDENT US\$ MONEY FUND

The investment objective of the JPMorgan Provident US\$ Money Fund is to provide investors with the opportunity to invest in short term deposits and debt securities.

The manager of JPMorgan Provident US\$ Money Fund presently intends to achieve this investment objective by investing as a feeder fund solely in the JPM USD Money Market VNAV A (acc) - USD share class of the JPMorgan Funds - USD Money Market VNAV Fund (the "Underlying Fund")¹. The Underlying Fund is a sub-fund of JPMorgan Funds ("JPMF"), a limited liability investment company with variable share capital. JPMF is an authorised investment fund in Luxembourg and managed by JPMorgan Asset Management (Europe) S.à r.l..

The investment objective of the Underlying Fund is to achieve a return in USD in line with prevailing money market rates whilst aiming to preserve capital consistent with such rates and to maintain a high degree of liquidity by investing in USD denominated short-term debt securities (including money market instruments, eligible securitisations and asset-backed commercial paper) and deposits with credit institutions.

The Underlying Fund will invest all of its assets, excluding cash and cash equivalents, in USD denominated short-term² debt securities³ (including money market instruments, eligible securitisations and asset-backed commercial paper) and deposits with credit institutions.

In addition to receiving a favourable credit quality assessment pursuant to the internal credit procedures of the management company of the Underlying Fund, debt securities with a long-term rating will be rated at least A and debt securities with a short-term rating will be rated at least A-1 by Standard & Poor's or otherwise similarly rated by another independent rating agency⁴.

The Underlying Fund may also invest in unrated debt securities of comparable credit quality to those specified above⁵.

The weighted average maturity of the Underlying Fund's investments will not exceed 60 days and the initial or remaining maturity of each debt security will not exceed 397 days at the time of purchase.

The Underlying Fund may have exposure to investments in zero or negative yielding⁶ securities in adverse market conditions.

Cash and cash equivalents may be held on an ancillary basis.

The Underlying Fund may at any time enter into reverse repurchase transactions⁷. The expected proportion of the assets under management of the Underlying Fund that could be subject to reverse repurchase transactions fluctuates between 0% and 30%, subject to a maximum of 100%.

¹ The Underlying Fund does not have a constant NAV. The management company of the Underlying Fund has no obligation to redeem shares of the Underlying Fund at the offer value.

² Short-term debt securities also include debt securities for which a long term rating has been assigned by credit rating agencies with a remaining maturity not exceeding 397 days at the time of purchase.

³ These debt securities may be rated by an independent rating agency or unrated.

⁴ Independent rating agencies include Standard & Poor's, Moody's and Fitch.

⁵ The investment manager of the Underlying Fund assigns an internal credit rating to all debt securities, whether they are rated or unrated by an independent credit rating agency. Credit research of debt securities involves qualitative and quantitative analysis as well as peer group comparison. Ongoing monitoring on debt securities is performed by the portfolio management team and a dedicated risk team.

⁶ In adverse market conditions, investments in short-term debt securities may generate a zero or negative yield. A short-term debt security may have a negative yield if, for example, the security has a zero coupon (i.e. it is a security that normally earns a positive yield by being purchased at a price below its final maturity value, such as a three month US Treasury Bill) and in adverse market conditions is available for purchase only at a price above its final maturity value.

⁷ All income generated from reverse repurchase transactions entered into by the Underlying Fund will accrue to the Underlying Fund. The Underlying Fund will only enter into transactions with counterparties which the management company of the Underlying Fund believes to be creditworthy. Approved counterparties will typically have a credit rating of A- or above as rated by Standard & Poor's or otherwise similarly rated by Moody's and Fitch. Counterparties will comply with prudential rules considered by the Commission de Surveillance du Secteur Financier in Luxembourg as equivalent to the European Union prudential rules. The collateral underlying the reverse repurchase transactions will only include USD denominated short-term debt securities valued greater than or equal to the value of the reverse repurchase transactions.

The Underlying Fund will not invest more than 10% of its net asset value in securities issued or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade. The Underlying Fund does not intend to invest in financial derivative instruments for any purposes.

23. INVESTMENT CHOICE

- 23.1 The Trust Deed and the standard rules provide for both the employer and the member to make contributions to the Plan. On joining the Plan an employer will decide whether or not members are to contribute out of their salaries to the Plan and at what rate. Such contributions by members will be subject to salaries tax on payment into the Plan. Employers should read the Investment Choice Information set out at the end of this document. The investment return of the Plan is dependent on the value of the Investment Portfolios which depends on the unit price of the units of the Designated Funds held by the relevant employer and members.
- 23.2 The Investment Portfolio shall be subject to the investment restrictions imposed by the relevant laws and regulations, including the investment restrictions under the PRF Code, which are summarised below:

Investment restrictions	Reference in PRF Code
An Investment Portfolio which is authorised by the SFC pursuant to the PRF Code shall only be one of the following: (i) a portfolio investing in SFC-authorized fund(s); (ii) a cash management portfolio; (iii) a guaranteed portfolio; or (iv) a direct investment portfolio.	8.10
(i) Fund investing in SFC-authorized fund(s)	8.10A
(a) An Investment Portfolio investing in SFC-authorized fund(s) may normally invest 90% or more of its total net asset value in one or more SFC-authorized fund(s) falling under Chapter 7 (plain vanilla funds), 8.2 (money market funds), 8.6 (unlisted index funds and index tracking exchange traded funds) or 8.10 (listed open-ended funds) of the Code on Unit Trusts and Mutual Funds ("UT Code"), or approved pooled investment funds. The remaining assets shall be held in cash or cash equivalents. In addition, the name(s) of the underlying fund(s) and their respective investment allocation(s) must be disclosed in the explanatory memorandum of the Plan.	
(b) Furthermore, any underlying fund must be a non-derivative fund (" Non-Derivative Fund "). (Note: A Non-Derivative Fund is a fund with a net derivative exposure of up to 50% of its net asset value, calculated in accordance with the UT Code and the requirements and guidance issued by the SFC which may be updated from time to time.)	
(c) An Investment Portfolio investing in SFC-authorized fund(s) may borrow up to 10% (by total Net Asset Value) of its underlying assets but only on a temporary basis for the purpose of meeting redemptions or defraying operating expenses.	
(d) Where an Investment Portfolio investing in SFC-authorized fund(s) invests in any SFC-authorized fund(s) issued by the Sponsor (being the product provider of the Plan) or its associate(s) or delegate(s), all initial charges and redemption charges on such underlying fund(s) must be waived.	
(e) The Sponsor 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), of an Investment Portfolio investing in SFC-authorized fund(s).	

(ii) Cash management portfolio	8.10B
(a) An Investment Portfolio which is a cash management portfolio may only invest in and hold cash or cash equivalents in short-term bank deposits, bank current accounts, and certificates of deposit.	
(b) An Investment Portfolio which is a cash management portfolio shall comply with the requirements under 8.2(f) of the UT Code, as amended by the PRF Code. (Note: References in 8.2(f) of the UT Code to: (1) “two years in case of Government and other public securities [see Notes (1) and (2) to 7.5]” shall be deleted; (2) “security” and “securities” under Notes (1) and (2) shall be replaced by “asset” and “assets” respectively; and (3) Note (3) shall be deleted.)	
(c) A Portfolio which is a cash management portfolio shall comply with the requirements under 8.2(h) of the UT Code, as amended by the PRF Code. (Note: References in 8.2(h) of the UT Code to “Notwithstanding 7.21” shall be deleted.)	
(d) An Investment Portfolio which is a cash management portfolio shall comply with the requirements under 8.2(n) of the UT Code, as amended by the PRF Code. (Note: References in 8.2(n) of the UT Code to: (1) “securities” under Notes (1) and (2) shall be deleted; (2) “(iii) amount receivable and due unconditionally within one working day on pending sales of portfolio securities” under Note (1) shall be deleted; (3) “(iii) amount receivable and due unconditionally within five working days on pending sales of portfolio securities” under Note (2) shall be deleted; and (4) Note (3) shall be deleted.)	
(iii) Guaranteed portfolio	8.10C
A Portfolio which is a guaranteed portfolio contains a structure in which a guaranteed amount will be paid to scheme participants at a specific date in the future and that complies with requirements under Chapter 9 of the Code.	
(iv) Direct investment portfolio	8.10D
(a) An Investment Portfolio which is a direct investment portfolio may invest at the Investment Manager’s discretion, subject to the provisions of the Trust Deed and the PRF Code.	
(b) An Investment Portfolio which is a direct investment portfolio must comply with the core investment requirements under Chapter 7, and where applicable, the specific investment requirements under 8.2 or 8.6 of the UT Code.	
(c) A Portfolio which is a direct investment portfolio must be a Non-Derivative Fund.	
In addition, no moneys of an Investment Portfolio may be invested in the securities of, or lent to, as applicable, the Sponsor, the Investment Manager, the guarantor, the Trustee, or any of their associate(s) except where any of these parties is a substantial financial institution or an insurance company. For the purposes of this provision securities do not include interests in collective investment schemes, either authorized under section 104(1) of the Securities and Futures Ordinance or recognized jurisdiction schemes pursuant to 1.2 of the UT Code.	8.11

23.3 In addition, the Trustee’s power of borrowing is limited to 10% of the net assets of the Plan as specified in the Trust Deed but the Trustee cannot borrow for the purposes of investment. For so long as required pursuant to the MPF Exemption Regulation, the Trustee shall ensure that the Plan observes the restrictions on borrowing set out under Section 4(1)(b) of Schedule 3 to the MPF Exemption Regulation. The Trustee does not expect to utilise the power to borrow.

- 23.4** Investment of contributions can be made in any of the available Investment Portfolios. The standard rules provide that the employer will determine the initial allocation of contributions between the Investment Portfolios and thereafter that the employer will choose the allocation. The employer will be able to change the allocation for the investment of future monthly contributions once in each calendar year (or such other higher frequency as may be agreed among the employer, the Trustee and the Sponsor from time to time). This investment decision must be made within a month after the member's annual statements of their position under the Plan are issued to the employer. The employer then effects this choice by a further one month's notice to the Trustee although the Trustee can agree a shorter notice period. An employer can however adopt rules so that the individual members give investment instructions. In such case each member will give an instruction for monies contributed by the employer in respect of that member and if the member also contributes in respect of his own contribution. Subject to the rules of the employer, forfeited monies are held without interest accruing to the employer for set-off against future contributions and not invested in accordance with the instruction.
- 23.5** In addition to the right to change the allocation of the monthly contributions between Investment Portfolios the employer or if applicable members will be able to switch all or part of their holdings from one Investment Portfolio to another. One switch may be made in a calendar year of all or any of the holdings free of charge but thereafter if a further switch is made a switching fee will be payable by the employer as described in "Fees of the Plan" in Section 24.2 "Sponsor". The fee applies to a switch by the employer or any member or members. The switch must provide for investment in Investment Portfolios in the same proportion as any change instructed for investment of monthly contribution.
- 23.6** Where holdings in an Investment Portfolio are switched, the units of the Designated Fund attributable to the such holdings will be redeemed on the first dealing day of the relevant Investment Portfolio following the relevant instruction notice and invested on the first dealing day thereafter of the Investment Portfolio into which they are being switched. Normally, this will be the same date. Dealing days of an Investment Portfolio are the dealing days for the corresponding Designated Fund of the Investment Portfolio. The current Designated Funds have provisions for the suspension of dealings in certain circumstances and the restriction of realisation of units if more than 10% of the units are to be redeemed on any dealing day. The dealing days and valuation procedures for each of the Designated Funds are set out in the relevant Explanatory Memorandum. All administration connected with a switch will be dealt with by the Trustee.
- 23.7** The Trustee is not responsible for the investment performance of an Investment Portfolio and its Designated Fund nor liable for any loss arising from a selection or withdrawal of a Designated Fund for an Investment Portfolio. Each employer making investment decisions will be sent the current Explanatory Memorandum of the relevant Designated Fund on request to the manager on joining and later as the same are re-issued and the employer will if members may give investment instructions circulate his members therewith. The manager of the relevant Designated Fund will be responsible for the accuracy thereof and not the Trustee, the Investment Manager, or the Sponsor.
- 23.8** If an Investment Portfolio is terminated, the Trustee can require an employer or member to switch out of the Investment Portfolio. If a member or employer fails to give a relevant instruction when required then monies are held without interest.
- 23.9** All contributions are usually applied to invest in the Investment Portfolios through the acquisition of units of the relevant Designated Funds so fees and expenses generally are not payable out of such monies. The administration costs of the Investment Portfolios are covered by the administration fee payable out of the assets of the Designated Funds (see below). Where interests are earned on uninvested monies, such interests will not accrue to the relevant employers or members but instead will be applied by the Trustee towards payment of general expenses of the Plan.

24. FEES AND CHARGES

24.1 Trustee

- (a) A fee of HK\$2,000 will be charged to the employer by the Trustee on the employer joining the Plan. This fee may be revised by the Trustee at any time for new employers joining the Plan.

- (b) The Trustee is not currently paid a fee directly out of the assets of the Investment Portfolios but is entitled to a fee of a maximum of 0.7% per annum of the net asset value of the trust property. Instead of this an administration fee (currently at the rate of 0.6% per annum) is payable out of the assets of the Administration units of the Designated Fund of each Investment Portfolio and paid by the manager of the Designated Fund to the Trustee in respect of all units of the Designated Fund held in the name of the Trustee for account of the Investment Portfolio. The level of the fee may be increased (subject to the maximum) by 3 months' prior written notice to employers and members. Notice as soon as practicable must be given of any decrease.

24.2 Sponsor

- (a) The Sponsor is entitled to receive an annual fee from the employer. The level of the fee may not exceed 5% of the estimated annual contributions as specified in the Trust Deed. The amount of this fee will normally be determined in accordance with the following table with the fee being the aggregate due on each level of the estimated level of the estimated annual contributions:-

<i>Estimated Annual Contributions</i>	<i>Current Applicable Fees (per annum)</i>
On the amount up to HK\$200,000	3.0 per cent.
On amounts from HK\$200,000 up to HK\$500,000	2.0 per cent.
On amounts from HK\$500,000 up to HK\$1,000,000	1.0 per cent.
Over HK\$1,000,000	0.5 per cent.

The estimated annual contributions are determined when the employer first joins the Plan by multiplying the payment due in the first month (excepting transferred monies from former schemes) by the number of months remaining to the year end (see Section 8.5 "Annual Accounts and Statements"). The monthly contributions immediately preceding the relevant accounting date of the scheme multiplied by twelve is used in following years. The Sponsor may increase the level of the fee subject to the maximum specified in the Trust Deed by 6 months' prior notice to an employer and decrease the level of the fee by notice given as soon as practicable.

- (b) Initial charges or sales commission may be charged by a Designated Fund, however, any such charge will be borne by the Sponsor and not charged to the Plan or an employer. Currently the managers of the Designated Funds waive such charge.
- (c) A fee is payable to the Sponsor by the employer of not more than HK\$3,000 per switch if a switch is made by it or any of its members. The level of the switching fee may be increased subject to the relevant regulatory approval by not less than 6 months' notice to an employer and each member entitled to give mandates. No fee is charged for changing allocation of new contributions between Investment Portfolios which currently may be done once per year.

SCHEDULE OF FEES

Fees of the Plan

Type of Fee	Amount/Rate	Frequency
Scheme Trustee Fee	HK\$2,000	once on appointment
Meeting Fee to		
- Fund Manager	HK\$3,000	per meeting
- Trustee	HK\$3,000	each party
Switching Fee	HK\$3,000	per switch
(one free switching per annum)		
Annual Fee	<u>Estimated Contributions</u>	<u>Rate (per annum)</u>
	First HK\$200,000	3.0%
	Next HK\$300,000	2.0%
	Next HK\$500,000	1.0%
	Excess	0.5%
Administration Fee	see below re Designated Funds	

Fees of Designated Funds

	Management Fee of Designated Funds	Trustee Fee of Designated Funds	Administration Fee of Designated Funds*
	<u>Current / Maximum</u>	<u>Current / Maximum</u>	<u>Current / Maximum</u>
	(% per annum of the net asset value)	(% per annum of the net asset value)	(% per annum of the net asset value)
European Fund	1.0% / 2.5%	0% / 0.2%	0.6% / 0.7%
Greater China Fund	1.0% / 2.5%	0% / 0.2%	0.6% / 0.7%
Hong Kong Fund	1.0% / 2.5%	0% / 0.2%	0.6% / 0.7%
High Growth Fund	1.0% / 2.5%	See Note 1 / 0.2%	0.6% / 0.7%
Growth Fund	1.0% / 2.5%	See Note 1 / 0.2%	0.6% / 0.7%
Balanced Fund	1.0% / 2.5%	See Note 1 / 0.2%	0.6% / 0.7%
Capital Fund	0.8% / 2.5%	See Note 1 / 0.2%	0.6% / 0.7%
Stable Capital Fund	1.0% / 2.5%	See Note 1 / 0.2%	0.6% / 0.7%
Global Bond Fund	0.8% / 2.5%	0% / 0.2%	0.6% / 0.7%
HK\$ Money Fund	Up to 0.25% / 2.5%	0% / 0.2%	0.6% / 0.7%
US\$ Money Fund	0.25% / 2.5%	0% / 0.2%	0.6% / 0.7%

Note 1 The trustee of these Designated Funds currently receives an annual trustee fee of USD25,000 for each Designated Fund, which is payable quarterly.

The management fee and administration fee of the Designated Funds are payable monthly, and the trustee's fee are payable quarterly. For more information of each of the Designated Funds' fee and charges, please refer to the relevant Explanatory Memorandum of those Designated Funds. Initial charges are waived for Plan participants.

* *The fee is only applicable to Administration units of the Designated Fund. The fee is payable to the manager of the Designated Fund and paid to the Trustee of the Plan as described in Section 24.1(b). The Trustee of the Plan imposes no other administration fee.*

24.3 Cash Rebates and Soft Commissions

The Sponsor, the Investment Manager and any of their connected person shall not retain the benefit of any cash commission rebate (being cash commission repayment made by a broker or dealer to the Sponsor, the Investment Manager and/or any of their connected person) paid or payable from any such broker or dealer in respect of any business placed with such broker or dealer by the Sponsor, the Investment Manager or any of their connected person for or on behalf of the Plan, save that goods and services (soft dollars) as described in the paragraph below may be retained. Any such cash commission rebate received from any such broker or dealer shall be held by the Sponsor, the Investment Manager and any of their connected person for the account of the Plan.

The Sponsor, the Investment Manager and/or their connected person reserve the right to effect transactions by or through a broker or dealer with whom the Sponsor, the Investment Manager and/or any of their connected person have an arrangement under which that broker or dealer will from time to time provide to or procure for the Sponsor, the Investment Manager and/or their connected person goods or services for which no direct payment is made but instead the Sponsor, the Investment Manager and/or their connected person undertake to place business with that broker or dealer. The Sponsor and the Investment Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the members of the Plan (taken as a body and in their capacity as such); (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; and (iii) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing

and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

24.4 Expenses

(a) Costs payable by employers

Employers are liable for their own costs and expenses in executing or amending the Deed of Adherence by which they join the Plan and any deed required in order to terminate their participation in the Plan or to transfer the assets and accrued benefits to another scheme including the costs of the Trustee relating thereto and the cost of registration under ORSO. Employers are responsible for the cost of printing any explanatory literature required by them and for the annual fees and any other costs arising from their registration or exemption under ORSO. Expenses payable by an employer should be paid directly by the employer but in default may be paid out of the assets of the Plan, normally out of the contributions paid by the employer.

If a Consultative Committee of members is established in respect of an employer's participation in the Plan as permitted by ORSO, the Sponsor and the Trustee may charge the employer if the Sponsor and/or the Trustee is expressly requested to attend. The fee of each will be at an hourly rate not exceeding HK\$3,000 per hour.

An employer will be required to give certain indemnities to the Trustee and the liability of the Trustee and Sponsor are subject to certain exclusions and limitations by the terms of the Trust Deed.

An employer will be liable to pay general expenses payable out of the Plan (see below).

(b) Costs payable out of the Plan

The Trust Deed provides for certain expenses to be payable out of the trust property but generally any expenses as are likely to be incurred will be payable by the employer in accordance with the terms of the relevant Deed of Adherence.

The investment of the trust property will generally be in units of the Designated Fund and therefore the attendant administrative expenses of the Plan will not be substantial. The Designated Funds will bear their own costs and expenses and details of the costs and expenses payable by each of the Designated Funds will be set out in the relevant Explanatory Memorandum.

Where fees are paid out of the assets of the Plan they may come from contributions received from employers in the month or subsequent months from the date the sum is due or from the sale of investments. The Trustee and the Sponsor have the benefit of certain limitations and exclusions of liability in the Trust Deed and in certain limited circumstances have a right to indemnity out of the assets of the Plan. Certain costs payable by employers may, if the employer defaults, be paid out of the Plan.

25. FEES RECEIVED BY THE SPONSOR

The Sponsor also receives a fee as manager of each Designated Fund and if other Designated Funds are designated for the Investment Portfolios of the Plan in future may also receive fees in connection therewith. Details of such fees are in the Explanatory Memorandum of the relevant Designated Fund.

26. BENEFITS

The benefits due to members will be determined by the rules. The standard rules can be amended by each employer but currently provide as follows: -

(a) Retirement

On retirement at 60 years or later, the full value of a member's holding in the Investment Portfolios (i.e. the units of Designated Funds held for a member, including those representing both the employer's and member's contributions) will be paid.

(b) Early and Late Retirement

Early retirement is subject to the employer's consent and the member must be over 45 years of age and have completed 5 years of plan service. Late retirement is permitted but contributions are due until the actual date of retirement. In either case the benefit is calculated in the same way as for normal retirement.

(c) Death

The same benefit as due in the case of retirement is payable at the discretion of the Trustee to the relatives or other beneficiaries of the member or his estate. Members can express their wishes as to the persons to receive their benefits on their death.

(d) Physical or Mental Incapacity

The same benefit as due in the case of retirement is paid to a member. Medical evidence will be required.

(e) Voluntary termination - resignation

A vesting scale applies to the holding in the Investment Portfolios (i.e. the units of relevant Designated Funds) representing the employer's contributions but not the member's contribution (if any) which will be paid in full. This scale depends on the period of employment with the employer and any balance is forfeited. The holding in the Investment Portfolios (i.e. the units of relevant Designated Funds) representing a member's own contributions will be redeemed and the proceeds paid as benefit to the member.

<u>Plan Service of the member</u>	<u>Percentage to be paid</u>
Less than three years	Nil
Three years or more but less than four years	30%
Four (4) years or more but less than five (5) years	40%
Five (5) years or more but less than six (6) years	50%
Six (6) years or more but less than seven (7) years	60%
Seven (7) years or more but less than eight (8) years	70%
Eight (8) years or more but less than Nine (9) years	80%
Nine (9) years or more but less than Ten (10) years	90%
Ten (10) years or more	100%

(f) Dismissal

Where dismissal is in circumstances that an employer can dismiss the member without notice (and the Trustee is satisfied such that is the case) the holding in the Investment Portfolios (i.e. the units of relevant Designated Funds) representing the employer's contributions are forfeited and the member only receives those representing his own contributions (if any). In other cases where the employer terminates the employment of a member, the benefits are calculated as for voluntary termination.

(g) Generally

Benefits will depend on the value of the holding in the Investment Portfolios which depend on the value of units of the relevant Designated Funds at the date they are redeemed to pay benefits. Benefits will normally be paid in Hong Kong dollars by cheque sent via the employer. The Trustee will usually pay benefits within 4 weeks of their being due, unless the market(s) in which a substantial portion of investments of the relevant Investment Portfolio is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of benefits within the aforesaid time period not practicable. In such case, the extended time frame for the payment of benefits shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

Members cannot charge or pledge their interest in the Plan and benefits may be forfeited if they purport to do so. An employer may recover certain debts acknowledged in writing by the member or other sums due to it from benefits which become payable.

Subject to the provisions of the Trust Deed and the rules, where the redemption proceeds of a member's holding in the Investment Portfolios (i.e. all units of Designated Funds held in a member's account) are not applied to the payment of benefits more than 24 months (or such further period approved by the Trustee) after the benefits have fallen due by reason of the failure of the member to claim the benefits or the lack of knowledge by the employer or of the Trustee of the existence or whereabouts of that member or that such person had or claimed to have a right to benefits, the balance will be forfeited and credited to the account of the relevant employer. This sum is held without interest accruing to the employer and usually used to reduce the sum due from the employer in the following month.

27. MODIFICATION OF THE TRUST DEED

- 27.1 (a) The Trustee may without any consent of any employer or members alter, amend, extend or modify the provisions in the Trust Deed provided that the Trustee certifies in writing that in its opinion the proposed alteration, amendment, extension or modification (a) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements (whether or not having the force of law) or (b) does not materially prejudice interests of any employer or member, does not to any extent release the Trustee or the Sponsor from any liability to employers and members and does not increase the costs and charges payable under the Plan and/or Investment Portfolios or (c) is necessary to correct a manifest error.
- (b) The Trustee's power to amend is subject to certain limitations in that no such change can alter to the detriment of a member or his beneficiaries, his accrued rights or vested benefits as these terms are defined in ORSO unless the alteration is approved by 90% of all members in accordance with the terms as set out in the Trust Deed and ORSO or would result in the withdrawal, if applicable, of any regulatory approval required for the Plan or reduce the benefits of any member which have been transferred into the Plan from another scheme or result in payment to an employer of the assets in the Plan save as expressly provided in the Trust Deed or cause the main purpose of the Plan to be other than the provision of benefits for employees who are members of the scheme and their beneficiaries and dependants.
- (c) The Trustee can also by deed, with the consent of employers, make changes for other purposes but subject always to the limits set out above in Section 27.1(b).
- 27.2 Where alterations are made, notice will be given of the alteration to the employer as soon as practicable thereafter and on receipt the employer will be responsible for giving notice to the members. Where amendments are of a type requiring employer's consent, not less than six months' prior written notice will be given to employers and members affected thereby.

28. TERMINATION OF THE PLAN, INVESTMENT PORTFOLIOS OR EMPLOYER'S PARTICIPATION IN THE PLAN

- 28.1 The Plan will close either on 15th June, 2067 or if earlier, 21 years after the death of the last to die of all the lineal descendants of his late Majesty King George V which descendants were alive as at 15th June 1988. The Plan may be dissolved prior to this by the Trustee if in the opinion of the Trustee the Plan is unable to fulfil its function. Subject to the applicable rules and regulations, any proceeds or other cash payable to employers and members upon dissolution of the Plan pursuant to the Trust Deed and held by the Trustee but unclaimed by the relevant employers and members ("Unclaimed Proceeds") 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 Trustee to deduct therefrom any expenses it may incur in making such payment. However, if it is in the opinion of the Sponsor that the expenses required for making an application to pay the Unclaimed Proceeds into court equal or exceed the amount of the Unclaimed Proceeds, the Sponsor may, after consultation with the Trustee, donate the Unclaimed Proceeds to charity.
- 28.2 The Trustee and the Sponsor may at any time and from time to time subject to the relevant regulatory approval terminate an Investment Portfolio and in such case shall give not less than three (3) months' notice to all employers and, if any members are permitted to give member's mandates, to such members. The circumstances that an Investment Portfolio may be terminated include, among others
- (a) if at any time the Designated Fund of the Investment Portfolio or the manager or other administrator thereof shall go into liquidation (except a voluntary liquidation for the purpose of and followed by reconstruction or amalgamation upon terms previously approved by the Trustee) or if a receiver is appointed of any of its assets or any event analogous thereto in any jurisdiction shall occur; or

- (b) if dealings in participations of the Designated Fund of the Investment Portfolio shall be suspended for a period of ten (10) business days; or
- (c) where the Designated Fund of the Investment Portfolio is a trust, the trust shall be terminated or dissolved or a notice of termination is given or a resolution of holders of participations therein is passed approving termination or dissolution thereof.

- 28.3** The participation of an employer can be determined without termination of the Plan. The Trustee may give not less than 6 months' prior notice to an employer requiring it and if applicable relevant members to terminate new contributions. If for some reason the participation of a particular employer became unlawful a shorter notice could be given. An employer may also by not less than one month's prior notice to the Trustee cease to make contributions to the Plan and in such case relevant members will also cease to make contributions. When the contributions cease the existing members continue in the Plan and will be paid benefits in accordance with the relevant rules upon their ceasing employment. ORSO registration must be maintained until all members have received benefits.
- 28.4** The Trustee will notify members where the Plan or the relevant employer's participation is to be closed no later than 14 days after the date that the contributions cease.
- 28.5** Where an employer has ceased to pay contributions they can recommence doing so with the approval of the Trustee.
- 28.6** An employer's participation would also cease automatically if it is wound up or subject to some similar event save a reconstruction or amalgamation with another company approved by the Trustee.
- 28.7** If an employer should default in payment of the contributions for a period of more than two months after a written notice from the Trustee requiring the payment of contributions then the employer's participation will cease at the end of that period. No further contribution will be payable nor may new members join but the assets are preserved and benefits paid to relevant members when they terminate employment. ORSO registration will be required to be maintained in that period.
- 28.8** In addition to the right to cease to pay contributions, an employer is able to close the fund to new members at any time and in those circumstances the employer will continue to pay contributions for existing members whose position will be unaffected but new staff recruited by the employer will not join. The employer may at a future date decide that new members can join.
- 28.9** Where two or more employers participate as a group scheme then each may withdraw individually but only the representative employer may close the scheme for all the participating employers.
- 28.10** If an employer wishes to transfer to a different provident or retirement scheme it will be able to do so by three months' notice to the Trustee and its members. In such case all holdings in the account of the employer and relevant members will be redeemed and the proceeds transferred to the trustees of the new scheme, usually within a month of expiry of the employer's notice or if later the Trustee's receiving the information it requires on the new scheme unless factors beyond the Trustee's reasonable control lead to delay.

29. CHANGE OF THE TRUSTEE/SPONSOR

The Sponsor may retire with the Trustee's consent by giving 3 months' prior written notice to employers and members and on the appointment of a successor approved by the Trustee. If for any reason the Sponsor ceases to hold office (without the appointment of a successor) the Trustee will act as such. However, this is intended to be a temporary measure only and a new sponsor shall be appointed by the Trustee as soon as possible. The Trustee may retire only by appointing another trustee to act in its place approved by the Sponsor and by a majority of the employers.

30. TAXATION

30.1 General

Under the Inland Revenue Ordinance, certain salaries tax benefits apply to members of a Plan which is registered or exempt under ORSO. Employees will not be taxed on lump sum benefits paid from the Plan nor will the monthly sums contributed by the employer to the Plan be subject to salaries tax. Salaries income, out of which employees make contributions to the Plan, will remain subject to

salaries tax. However, these employee contributions are deductible to the extent of the smallest of (i) the actual amounts of the employees' contributions made to the Plan; (ii) the amounts of mandatory contributions that the employees would have been required to pay if they had contributed as employees in an Mandatory Provident Fund scheme; or (iii) HK\$18,000 for the year of assessment 2017-18 and each subsequent year of assessment. Employers will generally be able to deduct their contributions for profits tax purposes subject to the provision that the aggregate of annual contributions made in respect of a particular member under a recognised provident fund scheme or schemes cannot exceed 15% of the total emoluments of that member for the period to which the annual contributions relate, and special contributions may be subject to provisions requiring them to be allocated over a period of up to 5 years.

Employers and members should seek their own professional advice on the taxation implications of their participation in the Plan.

30.2 (a) US Tax Withholding and Reporting under the Foreign Account Tax Compliance Act ("FATCA")

Under the FATCA provisions of the US Hiring Incentives to Restore Employment ("HIRE") Act, 30% US withholding may be levied on certain US sourced income received and after 31 December 2018 on the gross proceeds received from sales of (or receipt of principal repayments on) assets giving rise to US sourced dividend or interest income unless a Foreign Financial Institution ("FFI") complies with FATCA. Under US Treasury Regulations, FATCA compliance can be achieved by the Plan being subject to the terms of an FFI agreement with the US Internal Revenue Service ("IRS") under which the Plan would, among other things, provide certain US tax reporting with respect to the holdings of and payments to certain members in the Plan, including members identified as US persons.

FATCA applies to the Plan. The Plan is a "Reporting HKSAR Financial Institution" and is subject to a Model 2 Intergovernmental Agreement between Hong Kong and the US ("Hong Kong IGA") under which the Plan is required to comply with FATCA, as implemented through the Hong Kong IGA and through applicable provisions of the US Treasury Regulations issued under FATCA, and report any FATCA-required information to the IRS. The Hong Kong IGA modifies certain FATCA requirements set forth in the US Treasury Regulations but generally requires similar information to be disclosed to the IRS. The Plan intends to comply with FATCA, does not expect to be subject to a 30% withholding tax on payments received by the Plan and, at least until 2019, will not impose FATCA withholding on any payments made to members. The Plan has agreed to be subject to the terms of an FFI agreement and has registered with the IRS. If the Plan is unable to satisfy the obligations imposed on it to avoid the imposition of FATCA withholding, certain US sourced payments (and other above-described payments) made to the Plan may be subject to a 30% FATCA withholding tax, which could have adverse impact on the Plan and result in a decrease in the net asset value of the Plan which may give rise to material loss to investors.

The Plan may require a member to (i) provide the Plan with certain information (e.g. the member's status as a US or non-US person and, if he is a US person, his U.S. federal taxpayer identification number), and (ii) consent to the Plan reporting such information and other account information of the member to the IRS where applicable. If a member fails to comply with requests from the Plan relating to FATCA, the Plan may be required to reflect such member's information when the Plan reports information to the IRS (whether such information is reported through an aggregated account balance for, and the number of certain non-consenting U.S. accounts to the IRS or on an individual basis, as appropriate in view of FATCA rules and the Hong Kong IGA).

Prospective members should consult their own tax advisers regarding (i) the possible implications of FATCA on their investment in the Plan based on their particular circumstances and (ii) the information that may be required to be provided and disclosed to the Plan, the Trustee/Administrator, and in certain circumstances ultimately to the IRS. Prospective members may also be affected by FATCA rules as implemented in jurisdictions other than Hong Kong. The application of the FATCA rules and the information that may be required to be reported and disclosed are subject to change.

(b) Automatic Exchange of Information in Tax Matters and Common Reporting Standard (collectively, "AEOI")

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force on 30 June 2016. This provides the legislative framework for the implementation in Hong Kong of AEOI. AEOI generally requires financial institutions ("FIs") in Hong Kong to collect information relating to their account

holders' tax residence jurisdictions and report such information to the Hong Kong Inland Revenue Department ("IRD"), to enable the IRD to exchange such information with certain such tax residence jurisdictions. Generally, tax information will be exchanged with jurisdictions with which Hong Kong has a Competent Authority Agreement ("CAA") in place regarding AEOL. However, the Trustee/Administrator, may also collect information relating to tax residents of other jurisdictions, and may be required to report information on certain tax residents of other jurisdictions to the IRD.

The Plan is required to comply with the requirements of AEOL as implemented by Hong Kong, which means that the Plan, the Trustee/Administrator, will collect and provide to the IRD certain tax information relating to members in the Plan.

The AEOL rules as implemented by Hong Kong require the Plan to, amongst other things: (i) provide the IRD with notification of the Plan's status as a "Reporting Financial Institution" (ii) conduct due diligence on members to identify whether members are considered "Reportable Accounts" for AEOL purposes, and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit relevant information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA (and of any other relevant jurisdictions under AEOL law) and in which holders of the relevant Reportable Accounts are tax resident. In general, AEOL contemplates that Hong Kong FIs would report on: (i) individual or entity account holders that are tax resident in jurisdictions with which Hong Kong has signed a CAA (and any other relevant jurisdictions under AEOL law), and (ii) individuals who control certain entity account holders and who are tax resident in such jurisdictions. Under the Ordinance, details of members, including but not limited to their names, addresses, tax residence jurisdictions, taxpayer identification numbers, their holdings, payments made by the Plan to them and information on certain members' beneficial owners and entity members, may be reported to the IRD and subsequently exchanged by the IRD with government authorities in the relevant tax residence jurisdictions.

Prospective members should consult their own tax advisers regarding the possible implications of AEOL on the Plan and on their investment in the Plan based on their particular circumstances.

By investing in the Plan and/or continuing to invest in the Plan, members acknowledge that they may be required to provide additional information to the Plan, the Trustee/Administrator, in order for the Plan to comply with AEOL, FATCA and the Hong Kong IGA. The members' information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with certain entity members), may be communicated by the IRD to authorities in other jurisdictions (in the case of AEOL) or by the Plan or the Trustee/Administrator to the IRS (in the case of FATCA).

31. RISK FACTORS

- 31.1** Investment risk – The Investment Portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Investment Portfolio may suffer losses. There is no guarantee of the repayment of principal.
- 31.2** Risks of investing in the underlying funds – The Investment Portfolio may invest in one or more underlying funds and will be subject to the risks associated with the underlying funds. The Investment Portfolio does not have control of the investments of the underlying funds and 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 total net asset value of the Investment Portfolio. The underlying funds in which the Investment Portfolio may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Investment Portfolio's redemption requests as and when made.
- 31.3** Risks associated with debt securities – the Investment Portfolio's investment (via investing in the underlying funds) in debt securities are subject to the following risks:
- Investment grade bond risk – An underlying fund may invest in investment grade bonds. Investment grade bonds are assigned ratings within the top rating categories by rating agencies (including but not limited to Fitch, Moody's and/or Standard & Poor's) on the basis of the creditworthiness or risk of default of a bond issue. Rating agencies review, from time to time such ratings and bonds may therefore be downgraded in rating if economic circumstances impact the relevant bond issues.

Downgrading of the bonds may adversely affect the valuation of the relevant bonds and the relevant underlying fund may also face higher risks of default in interest payment and principal repayment. In the event of the debt instruments held by an underlying fund being downgraded, the manager of the relevant underlying fund will ensure the investment objective and policy of the relevant underlying fund continues to be complied with and seek to dispose of the downgraded debt instruments if necessary. Subject to the market conditions, the manager of the relevant underlying fund may or may not be able to dispose of the debt instruments that are being downgraded.

- Below investment grade/lower rated or unrated investment risk – An underlying fund may invest in bonds and other debt securities which are unrated or with ratings below investment grade. Accordingly, such investment will be accompanied by a higher degree of credit and liquidity risk than is present with investment in higher rated securities. During economic downturns such bonds typically fall more in value than investment grade bonds as such are often subject to a higher risk of issuer default. The net asset value of the underlying fund may decline or be negatively affected if there is a default of any of the bonds.
 - Credit risk – If the issuer of any of the securities in which the assets of the underlying funds are invested default, the performance of the Investment Portfolio and/or the underlying funds will be adversely affected and the Investment Portfolio and/or the underlying funds could suffer substantial loss. For fixed income securities, a default on interest or principal may adversely impact the performance of the Investment Portfolio and/or the underlying funds. Decline in credit quality of the issuer may adversely affect the valuation of the relevant bonds, the underlying funds and the Investment Portfolio. The credit ratings assigned by credit rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or the issuer at all times.
 - Interest rates risk – Interest rates in the countries in which the assets of the underlying funds will be invested may be subject to fluctuations. Any such fluctuations may have a direct effect on the income received by the Investment Portfolio and/or the underlying funds and their capital value. Bonds are particularly susceptible to interest rate changes and may experience significant price volatility. The prices of bonds generally increase when interest rates decline and decrease when interest rates rise. Longer term bonds are usually more sensitive to interest rate changes. As a result, investors may get back less than they originally invested.
 - Sovereign debt risk – Certain underlying funds may invest in debt securities (“Sovereign Debt”) issued or guaranteed by governments or their agencies (“governmental entities”), which may be exposed to political, social and economic risks. In adverse situations, governmental entities may not be able or willing to repay the principal and/or interest when due. Holders of Sovereign Debt, including the underlying fund, may be requested to participate in the restructuring/rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part. As a result, investors may get back less than they originally invested.
 - Valuation risk – Valuation of the underlying fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the net asset value calculation of the underlying fund and in turn affect the net asset value of the Investment Portfolio.
- 31.4** Equity risk – The Investment Portfolio’s investment (via investing in the underlying funds) 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.
- 31.5** Small and medium-sized companies risk – The underlying funds may invest in small and medium-sized companies. The stock prices of small and medium-sized companies may tend to be more volatile than large-sized companies due to a lower degree of liquidity, greater sensitivity to changes in economic conditions and higher uncertainty over future growth prospects.
- 31.6** Emerging markets risk – The underlying funds may invest in emerging markets which may involve special considerations and increased risks 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.

- 31.7 Currency risk – The assets in which the Investment Portfolio and/or the underlying funds are invested and the income from the assets will or may be quoted in currencies which are different from their base currency. The performance of the Investment Portfolio and/or the underlying funds will therefore be affected by movements in the exchange rate between the currencies in which the assets are held by the Investment Portfolio and/or the underlying funds and their base currency. Since the Manager aims to maximise returns in terms of the Investment Portfolio's base currency, investors whose base currency is different (or not in a currency linked to the Investment Portfolio's base currency) may be exposed to additional currency risk. The performance of the Investment Portfolio and the underlying funds may also be affected by changes in exchange control regulations.
- 31.8 Hedging risk – The manager/investment manager of the underlying funds of the Investment Portfolios are permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve their desired result.
- 31.9 Derivatives risk – Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative can result in a loss significantly greater than the amount invested in the derivatives by the underlying funds on the Investment Portfolio. Exposure to derivatives may lead to a high risk of significant loss by the Investment Portfolio and/or the Underlying Funds.

32. LIQUIDITY RISK MANAGEMENT

The Investment Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the relevant Investment Portfolios and to ensure that the liquidity profile of the investments of the relevant Investment Portfolio will facilitate compliance with the Investment Portfolio's obligation to meet redemption requests. Such policy, combined with the liquidity management tools that may be employed by the Investment Manager, also seeks to achieve fair treatment of members and safeguard the interests of remaining members in case of sizeable redemption.

The Investment Manager would regularly assess the liquidity profile of the relevant Investment Portfolio under the current and likely future market conditions, against the expected liquidity demands having regard to factors such as past withdrawal patterns.

To manage liquidity risks, the Investment Manager may employ short-term borrowings as permitted under the Trust Deed to meet redemption requests or defraying operating expenses. Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks.

33. GOVERNING LAW

The Trust Deed is governed by the laws of Hong Kong. All parties involved have the right to bring legal action in a Hong Kong court. The Trustee may by declaration provide that the Trust Deed should be governed by the laws of another jurisdiction or that the forum of administration is changed.

34. PARTICIPATING PARTIES

The names and registered addresses of all participating parties in the Plan are as follows:

Sponsor

JPMorgan Funds (Asia) Limited
19th Floor, Chater House
8 Connaught Road Central
Hong Kong

Trustee/Administrator

AIA Company (Trustee) Limited
11/F, AIA Hong Kong Tower,
734 King's Road, Quarry Bay,
Hong Kong

Investment Manager of the Plan

JPMorgan Asset Management (Asia Pacific) Limited
19th Floor, Chater House
8 Connaught Road Central
Hong Kong

Auditors

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

The name and registered address of the Investment Manager of all Designated Funds:

Investment Manager of all Designated Funds

JPMorgan Asset Management (Asia Pacific) Limited
19th Floor, Chater House
8 Connaught Road Central
Hong Kong

35. RESPONSIBILITY STATEMENT

JPMorgan Funds (Asia) Limited accepts responsibility for the accuracy of the information contained in this document as at the date of publication and 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.

36. APPLICATION

Employers wishing to join the Plan should contact JPMorgan Funds (Asia) Limited who will be happy to discuss their requirements. An application form containing the employer's requirements and authorised signatures is required to be completed by each employer but participation in the Plan will not be finalised until a Deed of Adherence is executed by the employer, the Trustee and the Sponsor.

37. "INVESTMENT CHOICE INFORMATION"

The employer will normally be responsible for the choice of Investment Portfolios into which the monthly contributions which it makes are paid. The members may if the employer so provides in the rules be given investment choice. Where members are given the power of investment choice then they are responsible for the investment selection. Employers should carefully consider whether in their view the members should be given this power. The decision on whether or not they should be so empowered is made by the employer and not the Trustee or the Sponsor.

Where members are given investment choice then they will usually be given the choice and responsibility as to the investment of any monies paid into the scheme by them and by the employer in respect of that member. The Trustee would not accept rules whereby a member could make any investment decision over the monies paid in by any other member or paid in by an employer in respect of any other member.

Each Investment Portfolio invests in a Designated Fund which must be an open-ended unit trust or mutual fund or other collective investment entity but it may be established in any part of the world and it may be either a company or some form of trust or other unincorporated form. The Trustee and the Sponsor jointly determine whether or not to designate a fund for investment by an Investment Portfolio of the Plan. It is the intention of the Sponsor that such Designated Funds will always be managed or advised either by the Sponsor or one of its associate companies.

An Investment Portfolio is not intended to be a suitable vehicle for the investment of 100% of the assets held for a particular member or for an employer. The Plan utilises funds to ensure greater possibility of diversification on investment by employers and members. Such diversification is greater if employers and members exercising investment choice, allocate contributions to more than one Investment Portfolio.

At present there are eleven Investment Portfolios, other funds may be added in future. Whether the funds are or are not suitable for a particular employer or members reflects the particular circumstances of the employer or member and where employers exercise investment choice generally they should consider the members' risk tolerance level and financial circumstances. The expected term of the investment and their own position should be considered. Equity funds by their nature are medium to long term investments. Each member may have different requirements determined by their age and the expected date at which their employment may terminate which would result in the redemption of holdings in the Investment Portfolios. Further, the purpose for which they would then use those benefit monies may affect their investment choice. In all circumstances the employer or member should take account of the fact that, due to circumstances, early redemption may occur by the death or other termination of employment or the withdrawal of the employer from the Plan or the withdrawal of the designation of a fund.

The manager of each Designated Fund will issue an Explanatory Memorandum (including products key facts statements if available) describing that fund which will include a statement of its investment objective and investment policies. Such document should be carefully reviewed by those making the investment choice in the corresponding Investment Portfolio. If a new Investment Portfolio is created, the Trustee or Sponsor will notify the employers and any member that can make investment choice of the new Investment Portfolio and its corresponding Designated Fund. The current Explanatory Memorandum (including products key facts statements if available) of each Designated Fund is available on am.jpmorgan.com/hk (the website has not been reviewed by the SFC.). The Trustee shall once each year enquire of the manager or other promoter of a Designated Fund as to the current version of such document but it is not otherwise required to ensure that the documents held and distributed are current and nor is the Sponsor. As current documents are received in respect of the Designated Fund they will be made available. The Sponsor will give to every employer a copy of the current documents when the employer first participates in the Plan.

Thereafter updated documents will be sent by the Sponsor to the employer. It will be the responsibility of the employer to ensure that the copy of such document is given to members joining the Plan who can exercise investment choice initially and when each subsequent member joins the Plan. It must also distribute new documents to all members if those documents have been revised.

Investment choice is limited to Investment Portfolios. There is no mechanism for the Trustee or the Sponsor to intervene and supersede the choice made by an employer or member. Only if an Investment Portfolio ceases to accept subscriptions or is otherwise terminated will monies be retained on deposit. If monies need to be retained pending an investment instruction from an employer or member then they will be held on current account with no interest accruing pending instruction.

In making investment choice employers and members should note that there is an annual opportunity only for the amendment of the instruction as to the Investment Portfolios into which monthly contributions can be allocated. The person giving the instruction must therefore satisfy themselves that they are happy with the instruction they give to apply throughout the following year. They should also note that there are time limits for the giving of new instructions which if not complied with will mean that the previous instruction continues in effect.

Attention is also drawn to the fact that switching out of an Investment Portfolio is only allowed in limited circumstances set out in the trust deed. The instruction for a switch could generally be given once per year free of charge but thereafter if a further switch is made a switching fee will be payable by the employer as described in "Fees of the Plan" in Section 24.2 "Sponsor" and at the same time as a change in monthly contributions and the switch if made must be made to provide for allocation to the same Investment Portfolios into which the future monthly contributions are to be paid. These provisions on change of previous investment decisions should be taken into account when investment selection is made.

Where units or shares are held in a Designated Fund then they will be registered in the name of the Trustee and if circulars or notices are given by the manager of the Designated Fund to its unitholders or shareholders then the Trustee is not required to forward these to the employers or members and can vote any right attaching thereto as it sees fit but in its capacity as Trustee of the Plan. Information that may be considered material relating to the Designated Funds may therefore not be forwarded to employers and members and will only be available to them if the Explanatory Memorandum of the relevant Designated Fund is updated to reflect such circular or notice and will thus be available at a later time.

If a group scheme is set up with one employer being chosen as a representative employer then information is only sent to the representative employer which has responsibilities for circulation through the group. This may result in delay in circulation of information.

The value of the Investment Portfolios can and does fluctuate and any individual investment may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling investments.

Dated July 2023

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J.P.Morgan
ASSET MANAGEMENT