Dated: 1 April 2019

Important Notice: This document requires your immediate attention. It contains information regarding changes to the Explanatory Memorandum dated December 2018 (the "EM") and the Trust Deed of Haitong MPF Retirement Fund (the "Retirement Fund").

If you are in any doubt about the contents of this document, you should seek independent professional advice. Haitong International Investment Managers Limited, the sponsor of the Retirement Fund (the "Sponsor") and HSBC Institutional Trust Services (Asia) Limited, the trustee of the Retirement Fund (the "Trustee"), each accepts full responsibility for the accuracy of the information contained in this document and each confirms, having made all reasonably enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading as at the date of publication.

All capitalised terms used in this notice shall have the meanings as ascribed to them in the EM (as amended), unless otherwise stated.

Dear Valued Participating Employers and Members

We are writing to you in relation to tax deductible voluntary contributions in relation to the Retirement Fund.

Summary

1. What are tax deductible voluntary contributions?

- With effect from 1 April 2019, tax deductible voluntary contributions ("**TVC**") to an MPF scheme and premiums paid for qualifying deferred annuity policies ("**qualifying annuity premiums**") (subject to an aggregate maximum tax deductible limit per Year of Assessment (as defined below)) are tax deductible in accordance with the Inland Revenue Ordinance.
- The aggregate maximum tax deductible limit for the Year of Assessment 2019/2020 is HKD60,000.
- All accrued benefits derived from TVC will be subject to the same vesting and preservation rules and withdrawal restrictions which apply to accrued benefits derived from mandatory contributions made to an MPF scheme. In particular, members should note that the accrued benefits held in a TVC account can only be withdrawn upon retirement age 65 or on other statutory grounds under the MPF legislation.

2. Any query?

If you have any question regarding the information in this Notice, please contact our Haitong MPF Employers Hotline at (852) 3663 7288, or for member, Haitong MPF 24 Hours Auto-Info-line at (852) 2500 1600.

Tax Deductible Voluntary Contributions

1. Introduction

Changes to the Inland Revenue Ordinance will take effect on 1 April 2019. With effect from 1 April 2019, similar to qualifying annuity premiums, MPF voluntary contributions (i.e. TVC) made in a specified account set up by members (namely, **TVC account**) can also enjoy tax concession in order for them to meet the long-term saving objective for retirement protection.

Your investment decision should not be based on this notice alone. We encourage you to read the first addendum to the EM carefully because the new arrangement may affect your retirement planning and tax benefits associated with the TVC account.

2. What is TVC?

TVC is a new type of contributions and can only be paid into a TVC account of an MPF scheme. TVC may enjoy tax concession. Other characteristics of TVC are as follows:

- TVC can only be made directly by persons who fulfil the eligibility requirements mentioned in sub-paragraph (b) below;
- Involvement of employers is not required;
- Although it is voluntary in nature, TVC is subject to the same vesting and preservation rules and withdrawal restrictions applicable to mandatory contributions.

Accordingly, any accrued benefits derived from TVC (including any TVC made in excess of the maximum tax deductible limit per Year of Assessment) ("**TVC Balances**") will be preserved **and can only be withdrawn on statutory grounds under the MPF legislation, as follows:**

(i) Retirement (attaining the age of 65) / early retirement (attaining the age of 60 and ceased all employment/ self-employment with no intention of becoming employed or self-employed again)
(ii) Death
(iii) Small balances
(iv) Permanent departure from Hong Kong SAR
(v) Total incapacity
(vi) Terminal illness

A TVC Member who is entitled to payment of TVC Balances may request to withdraw such benefits in one lump sum. In addition, a TVC Member who has met a statutory ground under (i) in the preceding paragraph may elect to withdraw his TVC Balances by instalments. A request for payment of TVC Balances shall be made in a specified form and accompanied by the applicable supporting documents.

TVC Members can make their own fund selection or choose to invest in accordance with the DIS (i.e. Default Investment Strategy) under the Retirement Fund according to their circumstances and risk appetite. If a TVC Member fails to submit to the Trustee a valid investment instruction or does not make any investment choice at the time the TVC account is opened, his TVC will be invested in accordance with the DIS. Please refer to section headed "**CONSTITUENT FUNDS**" of the EM for details of the DIS arrangement.

(a) Tax Concessions for TVC

TVC may be eligible for tax concessions starting from the Year of Assessment 2019/2020. The aggregate maximum tax deductible limit for the Year of Assessment 2019/2020 is HKD60,000. A year of assessment ("**Year of Assessment**") is the period from 1 April in any year to 31 March in the immediately succeeding year, both days inclusive. It should be noted that the above aggregate maximum tax deductible limit is an aggregate limit for TVC and any qualifying annuity premiums paid in a Year of Assessment, rather than for TVC only, and any claim for tax deductions will be applied to TVC before qualifying annuity premiums.

Same as the tax deduction for mandatory contributions and other tax concessions, **each individual tax payer (not the Trustee, the Sponsor, the Investment Manager or other operators of the Retirement Fund) is responsible for the application of tax deduction and keeping track of how maximum tax deductible limit is fully utilized.** In this regard, the Trustee will provide a tax deductible voluntary contributions summary to facilitate TVC Members in filling in the relevant tax concession information on their tax return if TVC is made by the TVC Member to the Retirement Fund during a Year of Assessment.

(b) Eligibility

Any person who is:

- **a current holder of a contribution account or personal account of an MPF scheme; or**
- **a current member of an MPF exempted ORSO scheme**

can make TVC to an MPF scheme by opening a TVC account.

Each eligible person can only have one TVC account under the Retirement Fund.

A TVC Member can choose to make regular monthly TVC (subject to a minimum of HK$500 per contribution). Regular monthly TVC may only be effected by way of a direct debit arrangement on a fixed Business Day predetermined by the Trustee. A TVC Member may also make irregular lump sum contributions to the Retirement Fund. Such irregular lump sum contributions can only be made to the Trustee by a cheque issued by the TVC Member (subject to a minimum of HK$1,000 per irregular lump sum contribution). The TVC contributions are vested immediately in the TVC Member.

The Trustee may reject an application to open a TVC account in the event of (i) having reason to know that information and documents provided to the Trustee are incorrect or incomplete; (ii) failure of an applicant to provide information and documents as required by the Trustee to ensure compliance with applicable laws and regulations relating to anti-money laundering / tax reporting; and/or (iii) other circumstances which the Trustee and the Sponsor may consider appropriate.

For compliance purposes, there could be circumstances (such as (i) to (iii) set out in the preceding paragraph) in which payment or transfer of TVC to the Retirement Fund may be rejected. Any rejected TVC (with no interest) will be refunded within 45 days of receipt of any such TVC unless for some exceptional regulatory reasons the Trustee is unable to effect a refund within such timeframe.

(c) Transfer of TVC Balances

- TVC Members may, at any time, choose to have ALL TVC Balances in the Retirement Fund transferred to another TVC account in another MPF scheme nominated by the TVC Member and in which the TVC Member holds a TVC account. **Transfer of TVC Balances in part or to a contribution account / personal account, however, will not be accepted.**
- For the avoidance of doubt, transfer of TVC Balances cannot be claimed as deductions for taxation purposes.
- TVC accounts with zero balance and in respect of which there is no transaction activity for 365 days may be terminated by the Trustee. (For further details on the cessation of membership of a TVC Member, please refer to sub-paragraph (d) below.)
- Accrued benefits derived from TVC transferred to another MPF scheme will also be subject to the same vesting and preservation rules and withdrawal restrictions applicable to mandatory contributions in the MPF legislation.

For further details on the transfer of TVC Balances from the Retirement Fund, please refer to the section headed "**TRANSFERS TO AND FROM OTHER SCHEMES AND CESSATION OF CONTRIBUTIONS**" of the EM.

(d) Cessation of Membership of a TVC Member

The membership of a TVC Member may be terminated by the Trustee (i) with the written agreement of the TVC Member given not earlier than 60 days before the termination or (ii) if at termination, the TVC account has no accrued benefits, and there is no transaction activity in respect of the TVC account for 365 days, in which case the requirement for a written agreement of the TVC Member does not apply.

<u>Note: Investment involves risks and the TVC Balances in a TVC account (as tax incentivized retirement savings) may go up as well as down.</u>

The EM is revised by way of a first addendum to reflect the changes set out above. The Trust Deed of the Retirement Fund is revised by way of a thirteenth supplemental deed to reflect the applicable changes set out above. This document only describes major changes to the Retirement Fund. You are advised to refer to the EM (as amended) and the thirteenth supplemental deed for further details on the changes made.

All the above changes are fully set out in the EM (as amended). Participating Employers and Members may access the latest EM (as amended) of the Retirement Fund via our Interactive Website http://www.htisec.com/asm after 1 April 2019 or request for a copy of the EM (as amended) by contacting our Haitong MPF Employers Hotline at (852) 3663 7288, or for member, Haitong MPF 24 Hours Auto-Info-line at (852) 2500 1600.

Should you have any enquiries in relation to the above changes, please do not hesitate to contact our Haitong MPF Employers Hotline at (852) 3663 7288, or for member, Haitong MPF 24 Hours Auto-Info-line at (852) 2500 1600.

Yours faithfully

For and on behalf of
Haitong International Investment Managers Limited