INVESCO STRATEGIC MPF SCHEME

NOTICE TO PARTICIPATING EMPLOYERS AND MEMBERS

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional financial advice. Invesco Hong Kong Limited and Bank Consortium Trust Company Limited, the sponsor and trustee of Invesco Strategic MPF Scheme, accept responsibility for the information contained in this document.

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

Dear Participating Employers and Members,

Thank you for your continued support for the Invesco Strategic MPF Scheme (the "Master Trust"). We are writing to you in relation to the introduction of tax deductible voluntary contributions.

Summary of 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 policy ("**qualifying annuity premiums**") are (subject to an aggregate maximum tax deductible limit per year of assessment) tax deductible in accordance with the Inland Revenue Ordinance.
- The aggregate maximum tax deductible limit for the year of assessment 2019/2020 is HK$60,000.
- 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 In particular, members should note that the accrued benefits held in a TVC account (as defined below) can only be withdrawn upon retirement age 65 or on other statutory grounds under the MPF legislation.
- Where a TVC member holding units in the Guaranteed Fund elects to withdraw TVC balances by instalment, he will lose the guarantee entitlement in respect of such partial withdrawal as partial withdrawals do not meet the requirement of a valid claim.

Should you have any enquiries regarding the contents of this notice, please contact the INVESCall Member Hotline at (852) 2842 7878.

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 Prospectus 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, 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 person who is admitted to participate in the Master Trust to make TVC ("**TVC member**") can make his own fund selection or choose to invest in accordance with the DIS (i.e. Default Investment Strategy) under the Master Trust according to their circumstances and risk appetite. If a TVC member fails to submit to the Trustee a specific 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 the section headed "**INVESTMENT**" of the Prospectus for details of the DIS arrangement.

TVC can only be made into a TVC account, which is separate from a contribution account or a personal account. Any other form of contribution that is not made into the TVC account is not TVC (for example, voluntary contributions that are made by employee members through their participating employers will not be eligible for claiming TVC tax deduction).

For the avoidance of doubt, the protection of accrued benefits under section 16 of the MPF Ordinance is not applicable to TVC balances, which means TVC balances will generally be vested in the trustee-in-bankruptcy or official receiver as part of the property of the TVC member who has become bankrupt.

(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 HK$60,000. 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. A "year of assessment" is the period from 1 April in any year to 31 March in the immediately succeeding year, both days inclusive.

Same as the tax deduction for mandatory contributions and other tax concessions, **each individual tax payer (not the Trustee, the Sponsor or other operators of the Master Trust) is responsible for the application for tax deduction and keeping track of how the 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 member to the Master Trust 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 Master Trust.

The Trustee may reject an application to open a TVC account or refuse to accept a transfer or payment of TVC to the Master Trust 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 or a TVC member 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.

There is no maximum limit imposed on the amount or frequency of contribution made to the TVC account, unless otherwise specified in the relevant prescribed form. TVC may be regular monthly contributions (subject to a minimum of HK$300 per contribution currently) and/or irregular lump sum contributions (subject to a minimum HK$500 per contribution currently).

(c) Transfer of TVC Balances

TVC members may, at any time, choose to have all TVC balances in the TVC account in the Master Trust transferred to another registered scheme 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, such TVC balance transfer amount cannot be claimed as deductions for taxation purpose.

TVC accounts with zero balance and in respect of which there is no transaction activity for 365 days may be terminated by the Trustee.

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

Accrued benefits derived from TVC transferred to another registered scheme will also be subject to the same vesting and preservation rules and withdrawal restrictions applicable to mandatory contributions in the MPF legislation.

(d) Payment of TVC Balances

A TVC member who is entitled to payment of TVC balances may request to withdraw such benefits in one lump sum. As an alternative to withdrawing the TVC balances in a lump sum, a TVC member who has attained the age of 65 years or on early retirement (attaining the age of 60 and ceased all employment or self-employment with no intention of becoming employed or self-employed again) may elect to withdraw his TVC balances by instalments.

Withdrawal by instalment from the Guaranteed Fund

As with the case for a personal account holder (including a personal account holder who makes FVC to the Master Trust), if a TVC member holds Units in the Guaranteed Fund and elects to withdraw his TVC balances by instalment (i.e. withdraw his TVC balances in part but not all), he will ***lose the guarantee entitlement in respect of such partial withdrawal***, as such partial withdrawal fails to meet the requirement of a valid claim which requires a claim for all accrued benefits in his TVC account. If the TVC member subsequently files a valid claim upon occurrence of a qualifying event, the TVC member will still be entitled to the guarantee in respect of such remaining benefits in the Guaranteed Fund. But before withdrawal of the remaining benefits in the TVC account is made, a guarantee charge of up to 1% p.a. shall continue to apply to which the remaining benefits of the member in the Guaranteed Fund relate. For further details, please refer to "Appendix – Description of the Guaranteed Fund" in the Prospectus.

3. Amendments to the Prospectus and Trust Deed

The Prospectus is amended by way of the first addendum to reflect the arrangements for TVC as set out above and other miscellaneous changes for clarification and enhancement. The Trust Deed of the Master Trust is revised by way of a Tenth Supplemental Deed to reflect the changes set out above where applicable. The changes described in this document are in summary form only. Members should review the Prospectus (as amended) for further details on the changes made.

Copies of the Prospectus (as amended) can be obtained free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of Invesco Hong Kong Limited, 41/F, Champion Tower, Three Garden Road, Central, Hong Kong. Copies of the Prospectus (as amended) are also available (in hard copies or by electronic/internet-based means at the member's option) at the offices of Invesco Hong Kong Limited at the above address or can be downloaded from INVESNet: www.invesco.com.hk/mpf.

The Trust Deed (as amended) is available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of Invesco Hong Kong Limited at the address set out above.

If you have any queries, please do not hesitate to call the INVESCall Member Hotline at (852) 2842 7878.

Invesco Hong Kong Limited
Bank Consortium Trust Company Limited

8 April 2019

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