Invesco

# INVESCO STRATEGIC MPF SCHEME

## MPF SCHEME BROCHURE

March 2020

Invesco Hong Kong Limited (as Sponsor)
Bank Consortium Trust Company Limited (as Trustee)

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INVESCO STRATEGIC MPF SCHEME (the "Master Trust")
FIRST ADDENDUM TO
THE BROCHURE DATED MARCH 2020

This First Addendum should be read in conjunction with and forms part of the MPF Scheme Brochure of the Master Trust dated March 2020 (the "**Brochure**") (as amended). All capitalised terms used in this First Addendum shall have the same meaning as in the Brochure (as amended), unless otherwise stated. The Sponsor and the Trustee accept responsibility for the information contained in this First Addendum as being accurate as at the date of publication.

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The Brochure (as amended) is amended as follows with effect from 4 December 2020:

## FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES

The "**Fund Options**" table in the "**FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES**" section shall be deleted and replaced with the following:-

| No. | Name of Constituent Funds | Investment Manager | Fund Structure | Fund Descriptor | Investment Focus | Risk and Return Profile# | Unit Classes |
|---|---|---|---|---|---|---|---|
| 1. | Hong Kong and China Equity Fund | Invesco Hong Kong Limited | Investing in a single approved pooled investment fund ("APIF") | Equity Fund – Hong Kong and China | Up to 100% in equities | High; | A, H |
| 2. | Asian Equity Fund | Invesco Hong Kong Limited | Investing in a single APIF | Equity Fund – Asia, excluding ~~Hong Kong and~~ Japan | Up to 100% in equities | High; | A, H |
| 3. | Growth Fund | Invesco Hong Kong Limited | Investing in a single APIF | Equity Fund - Global | Up to 100% in equities | High; | A, H |
| 4. | Balanced Fund | Invesco Hong Kong Limited | Investing in 2 or more APIFs | Mixed Assets Fund – Global – maximum equity 70% | Around 30% in bonds; 70% in equities | Medium to High; | A, H |
| 5. | Capital Stable Fund | Invesco Hong Kong Limited | Investing in 2 or more APIFs | Mixed Assets Fund – Global – maximum equity 30% | Around 70% in bonds; 30% in equities | Low to Medium; | A, H |
| 6. | Global Bond Fund | Invesco Hong Kong Limited | Investing in a single APIF | Bond Fund – Global | Up to 100% in bonds | Low; | A, H |
| 7. | Guaranteed Fund | Invesco Hong Kong | Investing in a single | Guaranteed Fund – | 10%-55% in equities; 25%-90% | Low; | G |

| No. | Name of Constituent Funds | Investment Manager | Fund Structure | Fund Descriptor | Investment Focus | Risk and Return Profile# | Unit Classes |
|---|---|---|---|---|---|---|---|
| | | Limited | APIF that invests in 2 or more APIFs and/or approved index-tracking collective investment scheme ("ITCIS") | Investment Linked | in debt securities; up to 20% in cash and other short term investments | | |
| 8. | MPF Conservative Fund | Invesco Hong Kong Limited | Direct investment | Money Market Fund – Hong Kong | Deposits, money market instruments and debt securities | Minimal; | A, H |
| 9. | RMB Bond Fund | Invesco Hong Kong Limited | Investing in a single APIF | Bond Fund – China | 70%-100% in RMB denominated debt instruments and up to 30% in non-RMB denominated debt instruments and money market instruments | Medium#; | A, H |
| 10. | Invesco Hang Seng Index Tracking Fund | Invesco Hong Kong Limited | Investing in a single ITCIS | Equity Fund – Hong Kong | Up to 100% in equities | High; | A, H |
| 11. | Core Accumulation Fund | Invesco Hong Kong Limited | Investing in a single APIF that invests in 2 other APIFs | Mixed Asset Fund – Global – maximum equity 65% | Around 60% in equities with balance in bonds, cash and money market instruments | Medium to High; The return of the Core Accumulation Fund over the long term is expected to be at least similar to the return of its Reference Portfolio. Please refer to the sub-section headed "Information on Performance of DIS Funds" in the section headed "Default Investment Strategy" for information on the Reference | A, H |

| No. | Name of Constituent Funds | Investment Manager | Fund Structure | Fund Descriptor | Investment Focus | Risk and Return Profile# | Unit Classes |
|---|---|---|---|---|---|---|---|
| | | | | | | Portfolio. | |
| 12. | Age 65 Plus Fund | Invesco Hong Kong Limited | Investing in a single APIF that invests in 2 other APIFs | Mixed Assets Fund – Global – maximum equity 25% | Around 20% in equities with balance in bonds, cash and money market instruments | Low to medium; The return of the Age 65 Plus Fund over the long term is expected to be at least similar to the return of its Reference Portfolio. Please refer to the sub-section headed "Information on Performance of DIS Funds" in the section headed "Default Investment Strategy" for information on the Reference Portfolio. | A, H |

# *The risk and return profile is determined by the Investment Manager based on various factors including the volatility, the investment objectives and asset allocations. Generally, higher volatility represents higher risk. Members should note that this is provided for reference only, and may be reviewed and updated (where necessary) annually based on prevailing market circumstances. The Investment Manager expects the return of the RMB Bond Fund over the long term to exceed Hong Kong inflation.*

Sub-sections (a) and (b) under "**2. Asian Equity Fund**" in the "**Investment Objectives and Policies**" sub-section of the "**FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES**" section shall be deleted and replaced with the following:-

"(a) **Objective**

To achieve long term capital appreciation through investments in Asian (excluding ~~Hong Kong and~~ Japanese) equities."

"(b) **Balance of investments**

To invest up to 100% of its net asset value in Asian (excluding ~~Hong Kong and~~ Japanese) equities (**through investment in an APIF**)."

Invesco Hong Kong Limited

Bank Consortium Trust Company Limited

31 August 2020

Important - If you are in doubt about the meaning or effect of the contents of this Brochure, you should seek independent professional advice.

The Sponsor accepts responsibility for the information contained in this Brochure as being accurate at the date of publication. However, neither the delivery of this Brochure nor the offer of or agreement to participate in the Master Trust shall under any circumstances constitute a representation that the information contained in this Brochure is correct as of any time subsequent to such date. This Brochure may from time to time be updated. Intending participants in the Master Trust should ask the Sponsor if any supplements to this Brochure or any later Brochure have been issued.

The Master Trust has been authorised by the Securities and Futures Commission ("**SFC**") and approved by the Mandatory Provident Fund Schemes Authority ("**MPFA**") in Hong Kong. In granting such authorisation and approval, neither the SFC nor the MPFA takes any responsibility for the financial soundness of the Master Trust or for the accuracy of any of the statements made or opinions expressed in this Brochure. Such authorisation and approval does not imply that participation in the Master Trust is recommended by the SFC or the MPFA.

SFC authorisation is not a recommendation or endorsement of the Master Trust nor does it guarantee the commercial merits of the Master Trust or its performance. It does not mean the Master Trust is suitable for all participants of the Master Trust nor is it an endorsement of its suitability for any particular participant of the Master Trust.

No action has been taken to permit an offering of participation in the Master Trust or the distribution of this Brochure in any jurisdiction where action would be required for such purpose other than Hong Kong. Accordingly, this Brochure may not be used in any jurisdiction where its distribution is not authorised.

Invesco Strategic MPF Scheme

Important Note:

- Invesco Strategic MPF Scheme (the "**Master Trust**") currently offers the Default Investment Strategy and 12 Constituent Funds, comprising the following fund types: equity fund (including index-tracking fund), bond fund, money market fund, guaranteed fund and mixed asset fund.

- The Guaranteed Fund of the Master Trust invests solely in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited, which is also the guarantor (the "**Guarantor**"). Your investments in the Guaranteed Fund are therefore subject to the credit risk of the Guarantor. The Guarantor of the Guaranteed Fund will provide a guarantee of capital and a prescribed guaranteed rate of return only (i) if a qualifying event occurs and the Guarantor receives a valid claim or (ii) in other situations (as described in the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure). You should read this Brochure carefully before investing in the Guaranteed Fund. Please refer to the relevant sections on risk factors and the "Description of the Guaranteed Fund" of this Brochure for details of the credit risk, guarantee features and guarantee conditions.

- The MPF Conservative Fund under the Master Trust does not guarantee the repayment of capital.

- Fees and charges of an MPF Conservative Fund can be deducted from either (i) the assets of the fund or (ii) members' account by way of unit deduction. The MPF Conservative Fund uses method (i) and, therefore, unit prices / NAV / fund performance quoted have incorporated the impact of fees and charges.

- You should consider your own risk tolerance level and financial circumstances before making any investment choices or invest according to the Default Investment Strategy ("**DIS**"). When, in your selection of funds or the Default Investment Strategy, you are in doubt as to whether a certain fund or the Default Investment Strategy is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice and make investment choices most suitable for you taking into account your circumstances.

- In the event that you do not make any investment choices, please be reminded that your contributions made and/or accrued benefits transferred into the Master Trust will unless otherwise provided in this Brochure be invested in accordance with the Default Investment Strategy which may not necessarily be suitable for you.

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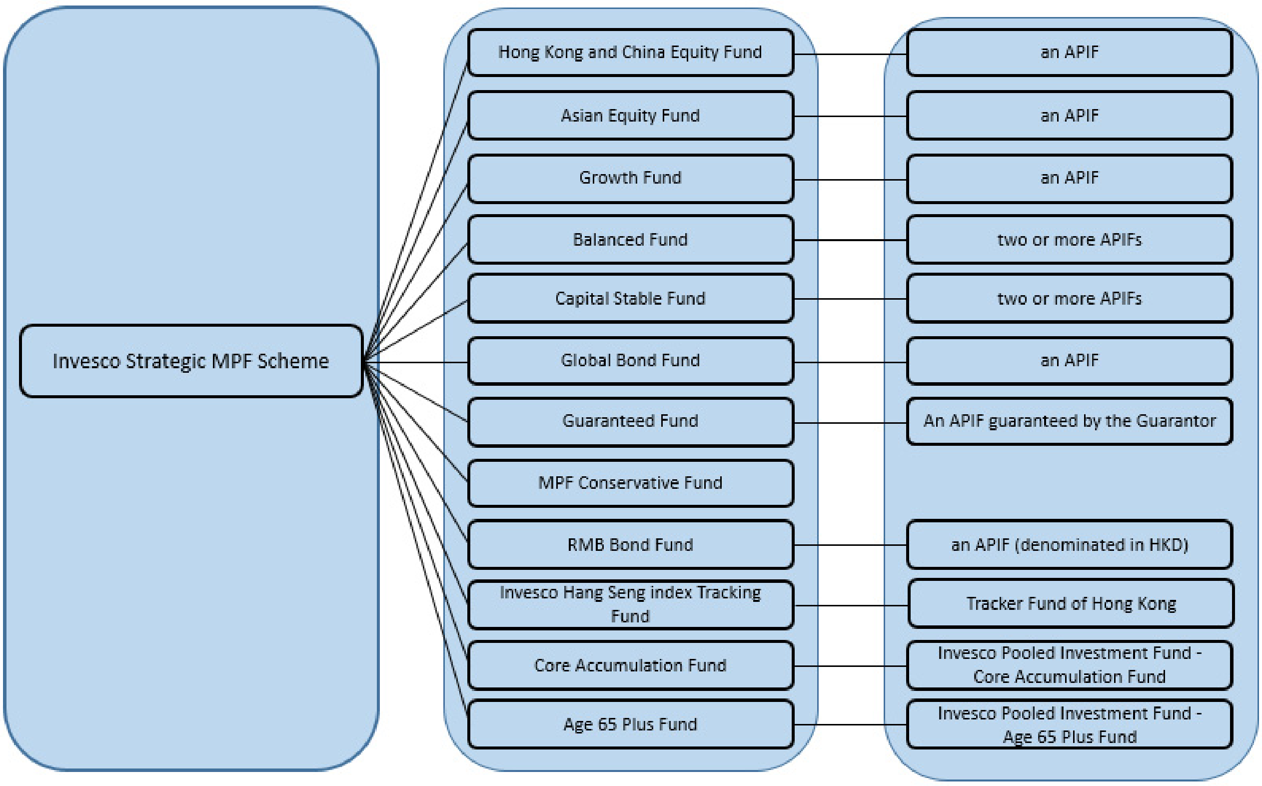
## About Invesco Strategic MPF Scheme

Invesco Strategic MPF Scheme (the "**Master Trust**") is established by a Trust Deed dated 31 January 2000 (as amended from time to time, the "**Trust Deed**"). It is established under and governed by the laws of Hong Kong and complies with the requirements under the Mandatory Provident Fund Schemes Ordinance ("**MPF Ordinance**").

## Scheme Structure

The Master Trust currently offers 12 constituent funds ("**Constituent Funds**"), being:

- Hong Kong and China Equity Fund
- Asian Equity Fund
- Growth Fund
- Balanced Fund
- Capital Stable Fund
- Global Bond Fund
- Guaranteed Fund
- MPF Conservative Fund
- RMB Bond Fund
- Invesco Hang Seng Index Tracking Fund
- Core Accumulation Fund
- Age 65 Plus Fund




For details on investment exposure of each Constituent Fund, please refer to the section headed "Investment Objectives and Policies".

**Trustee, Custodian and Administrator**

Bank Consortium Trust Company Limited
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183 Queen's Road Central
Hong Kong

**Sponsor and Investment Manager**

Invesco Hong Kong Limited#
41/F, Champion Tower
Three Garden Road, Central
Hong Kong

**Solicitors to the Investment Manager**

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

**Auditors**

PricewaterhouseCoopers
22nd Floor, Prince's Building
10 Chater Road
Hong Kong

**Guarantor for Guaranteed Fund**

Principal Insurance Company (Hong Kong) Limited
30/F Millennium City 6
392 Kwun Tong Road
Kwun Tong
Kowloon

# The Investment Manager is licensed by the Securities and Futures Commission in Hong Kong to carry on dealing in securities (Type 1), advising on securities (Type 4), advising on futures contracts (Type 5) and asset management (Type 9) regulated activities and is currently not subject to any licensing condition.

Fund Options

| No. | Name of Constituent Funds | Investment Manager | Fund Structure | Fund Descriptor | Investment Focus | Risk and Return Profile# | Unit Classes |
|---|---|---|---|---|---|---|---|
| 1. | Hong Kong and China Equity Fund | Invesco Hong Kong Limited | Investing in a single approved pooled investment fund (“**APIF**”) | Equity Fund – Hong Kong and China | Up to 100% in equities | High; | A, H |
| 2. | Asian Equity Fund | Invesco Hong Kong Limited | Investing in a single APIF | Equity Fund – Asia, excluding Hong Kong and Japan | Up to 100% in equities | High; | A, H |
| 3. | Growth Fund | Invesco Hong Kong Limited | Investing in a single APIF | Equity Fund – Global | Up to 100% in equities | High; | A, H |
| 4. | Balanced Fund | Invesco Hong Kong Limited | Investing in 2 or more APIFs | Mixed Assets Fund – Global – maximum equity 70% | Around 30% in bonds; 70% in equities | Medium to High; | A, H |
| 5. | Capital Stable Fund | Invesco Hong Kong Limited | Investing in 2 or more APIFs | Mixed Assets Fund – Global – maximum equity 30% | Around 70% in bonds; 30% in equities | Low to Medium; | A, H |
| 6. | Global Bond Fund | Invesco Hong Kong Limited | Investing in a single APIF | Bond Fund – Global | Up to 100% in bonds | Low; | A, H |
| 7. | Guaranteed Fund | Invesco Hong Kong Limited | Investing in a single APIF that invests in 2 or more APIFs and/or approved index-tracking collective investment scheme (“**ITCIS**”) | Guaranteed Fund – Investment Linked | 10%-55% in equities; 25%-90% in debt securities; up to 20% in cash and other short term investments | Low; | G |
| 8. | MPF Conservative Fund | Invesco Hong Kong Limited | Direct investment | Money Market Fund – Hong Kong | Deposits, money market instruments and debt securities | Minimal; | A, H |

| No. | Name of Constituent Funds | Investment Manager | Fund Structure | Fund Descriptor | Investment Focus | Risk and Return Profile# | Unit Classes |
|---|---|---|---|---|---|---|---|
| 9. | RMB Bond Fund | Invesco Hong Kong Limited | Investing in a single APIF | Bond Fund – China | 70%-100% in RMB denominated debt instruments and up to 30% in non-RMB denominated debt instruments and money market instruments | Medium#; | A, H |
| 10. | Invesco Hang Seng Index Tracking Fund | Invesco Hong Kong Limited | Investing in a single ITCIS | Equity Fund – Hong Kong | Up to 100% in equities | High; | A, H |
| 11. | Core Accumulation Fund | Invesco Hong Kong Limited | Investing in a single APIF that invests in 2 other APIFs | Mixed Asset Fund – Global – maximum equity 65% | Around 60% in equities with balance in bonds, cash and money market instruments | Medium to High; The return of the Core Accumulation Fund over the long term is expected to be at least similar to the return of its Reference Portfolio. Please refer to the sub-section headed "Information on Performance of DIS Funds" in the section headed "Default Investment Strategy" for information on the Reference Portfolio. | A, H |
| 12. | Age 65 Plus Fund | Invesco Hong Kong Limited | Investing in a single APIF that invests in 2 other APIFs | Mixed Assets Fund – Global – maximum equity 25% | Around 20% in equities with balance in bonds, cash and money market instruments | Low to medium; The return of the Age 65 Plus Fund over the long term is expected to be at least similar to the return of its Reference Portfolio. Please refer to the sub-section headed | A, H |

| No. | Name of Constituent Funds | Investment Manager | Fund Structure | Fund Descriptor | Investment Focus | Risk and Return Profile# | Unit Classes |
|---|---|---|---|---|---|---|---|
| | | | | | | "Information on Performance of DIS Funds" in the section headed "Default Investment Strategy" for information on the Reference Portfolio. | |

*# The risk and return profile is determined by the Investment Manager based on various factors including the volatility, the investment objectives and asset allocations. Generally, higher volatility represents higher risk. Members should note that this is provided for reference only, and may be reviewed and updated (where necessary) annually based on prevailing market circumstances. The Investment Manager expects the return of the RMB Bond Fund over the long term to exceed Hong Kong inflation.*

## Investment Objectives and Policies

The investment objective and investment policy of each Constituent Fund is set out below.

### 1. Hong Kong and China Equity Fund

Statement of investment policy

(a) Objective

To achieve long term capital appreciation through investments in Hong Kong and China-related securities.

(b) Balance of investments

To invest up to 100% of its net asset value in Hong Kong and China-related securities, which are listed on Hong Kong or other stock exchanges (through investment in an APIF). China-related securities are defined as securities listed on the Hong Kong Stock Exchange or other exchanges, of issuers generating a substantial portion of their revenues and/or profits in the People's Republic of China (including, but not limited to, China A-Shares). The APIF will normally invest up to 100% of its net asset value in Hong Kong and China-related securities. Up to 10% of its net asset value may be invested in Hong Kong and China-related securities listed on a stock exchange that is not an approved stock exchange as defined in the MPF General Regulation.

(c) Security lending and repurchase agreements

The Hong Kong and China Equity Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The Hong Kong and China Equity Fund will not invest in financial futures or options contracts.

(e) Risks

The performance of the Hong Kong and China Equity Fund is subject to a number of risks, including the following: Equities risk, risks associated with Stock Connect Program, risks relating to China A-Shares market, investment in developing markets, China market risk, concentration risk, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

2. Asian Equity Fund

Statement of investment policy

(a) Objective

To achieve long term capital appreciation through investments in Asian (excluding Hong Kong and Japanese) equities.

(b) Balance of investments

To invest up to 100% of its net asset value in Asian (excluding Hong Kong and Japanese) equities (through investment in an APIF).

(c) Security lending and repurchase agreements

The Asian Equity Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The Asian Equity Fund will not invest in financial futures or options contracts.

(e) Risks

The performance of the Asian Equity Fund is subject to a number of risks, including the following: Equities risk, investment in developing markets, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

3. Growth Fund

Statement of investment policy

(a) Objective

To achieve long term capital appreciation through investments in global equities.

(b) Balance of investments

To invest up to 100% of its net asset value in global equities (through investment in an APIF). Equity investments will be made on a global basis with an emphasis on the Hong Kong market.

(c) Security lending and repurchase agreements

The Growth Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The Growth Fund will not invest in financial futures or options contracts.

(e) Risks

The performance of the Growth Fund is subject to a number of risks, including the following: Equities risk, investment in developing markets, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

4. Balanced Fund

Statement of investment policy

(a) Objective

To achieve capital appreciation in excess of Hong Kong salary inflation over the long term.

(b) Balance of investments

To invest around 30% of its net asset value in global bonds and 70% of its net asset value in global equities (through investment in two or more APIFs). Equity investment will be made on a global basis with an emphasis on the Hong Kong market. Fixed income investments will be made on a global basis.

(c) Security lending and repurchase agreements

The Balanced Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The Balanced Fund may invest in financial futures or options contracts for hedging purposes only.

(e) Risks

The performance of the Balanced Fund is subject to a number of risks, including the following: Equities risk, investing in financial derivative instruments, credit risk, investment in developing markets, interest rate risk, specific nature of a fund of funds, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

5. Capital Stable Fund

Statement of investment policy

(a) Objective

To achieve capital preservation over the long term whilst seeking to enhance returns through limited exposure to global equities.

(b) Balance of investments

To invest around 70% of its net asset value in global bonds and 30% of its net asset value in global equities (through investment in two or more APIFs). Equity investment will be made on a global basis with an emphasis on the Hong Kong market. Fixed income investments will be made on a global basis.

(c) Security lending and repurchase agreements

The Capital Stable Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The Capital Stable Fund may invest in financial futures or options contracts for hedging purposes only.

(e) Risks

The performance of the Capital Stable Fund is subject to a number of risks, including the following: Credit risk, equities risk, investing in financial derivative instruments, investment in developing markets, interest rate risk, specific nature of a fund of funds, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

6. Global Bond Fund

Statement of investment policy

(a) Objective

To achieve steady growth over the long term through investment in global bonds.

(b) Balance of investments

To invest around 50% to 90% of its net asset value in global bonds and around 10% to 50% of its net asset value in HK dollar denominated bonds (through investment in an APIF).

(c) Security lending and repurchase agreements

The Global Bond Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The Global Bond Fund will not invest in financial futures or options contracts.

(e) Risks

The performance of the Global Bond Fund is subject to a number of risks, including the following: Credit risk, investment in developing markets, interest rate risk, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

7. Guaranteed Fund

Statement of investment policy

(a) Objective

To provide a competitive, long term, total rate of return, while also providing a minimum guaranteed return rate over the career of the member.

(b) Balance of investments

To invest in an APIF guaranteed by Principal Insurance Company (Hong Kong) Limited (the "**Guarantor**"), which invests in two or more APIFs and/or approved Index-Tracking Collective Investment Schemes (the "**ITCIS**"). The underlying investments will consist of around 25% to 90% in debt securities, 10% to 55% in equity securities both denominated in HK dollars, US dollars or other currencies and up to 20% in cash and short term investments.

(c) Security lending and repurchase agreements

The Guaranteed Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The Guaranteed Fund will not invest in financial futures or options contracts.

(e) Risks

The performance of the Guaranteed Fund is subject to a number of risks, including the following: Specific risks relating to Guaranteed Fund, credit risk, counterparty risk, equities risk, interest rate risk, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

8. MPF Conservative Fund

Statement of investment policy

(a) Objective

To preserve capital with minimal risk.

(b) Balance of investments

To invest in HK dollar deposits, HK dollar denominated money market instruments as well as short-dated fixed interest securities.

(c) Security lending and repurchase agreements

The MPF Conservative Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The MPF Conservative Fund will not invest in financial futures or options contracts.

(e) Risks

The performance of the MPF Conservative Fund is subject to a number of risks, including the following: Specific risks relating to MPF Conservative Fund, interest rate risk, counterparty risk, credit risk and market risk.

Please refer to the "Risk Factor" section for a detailed description of the risks listed above.

9. RMB Bond Fund

Statement of investment policy

(a) Objective

To achieve steady growth over the long term by investing primarily into RMB denominated debt instruments and money market instruments issued or distributed outside Mainland China.

(b) Balance of investments

To invest in an APIF (the APIF is denominated in HKD only and not in RMB) which will primarily invest in Renminbi ("**RMB**") denominated debt instruments and RMB denominated money market instruments in accordance with the following target ranges of asset allocation:-

| By Asset Class | Min % | Max %* |
|---|---|---|
| Debt instruments | 70% | 100% |
| Cash and money market instruments | 0% | 30% |

| By Currency | Min % | Max %* |
|---|---|---|
| RMB denominated instruments | 70% | 100% |
| Non-RMB denominated instruments | 0% | 30% |

**Investors should note that the above ranges of asset allocation is for indication only and long term allocations may vary with changing market conditions.*

The APIF will invest at least 70% of its net asset value in RMB denominated bonds issued outside Mainland China, with a primary focus on RMB denominated bonds issued in Hong Kong. It may also invest in other RMB denominated debt instruments which include but are not limited to convertible bonds, fixed rate and floating rate debt instruments, issued by governmental and supranational bodies, local authorities, national public bodies and corporations worldwide.

The RMB denominated money market instruments of the APIF include but are not limited to commercial papers, certificates of deposit and bank deposits.

The APIF will not invest in securities issued within Mainland China through any Qualified Foreign Institutional Investor (QFII) quota.

The APIF may invest up to 30% of its net asset value in non-RMB denominated bonds, money market instruments, cash and cash equivalents. These non-RMB denominated holdings will be primarily denominated in HK dollar or US dollar but may also be denominated in other currencies in the Asia Pacific region. ♦

♦ *The Investment Manager believes that the non-RMB currency exposure of the APIF will mitigate risks arising from the RMB exchange rate fluctuations and provide flexibility to achieve steady growth over the long term in various market conditions. Such exposure may also help to reduce the cost of hedging in order to provide the effective currency exposure as required under the Schedule 1 to the MPF General Regulation.*

(c) Security lending and repurchase agreements

The RMB Bond Fund will not engage in security lending and repurchase agreements.

(d) Futures and options

The RMB Bond Fund will not invest in financial futures or options contracts. The underlying APIF will enter into financial futures and options contracts for hedging purposes only.

(e) Risks

The performance of the RMB Bond Fund is subject to a number of risks, including the following: Specific risks relating to RMB Bond Fund, credit risk, counterparty risk, investing in financial derivative instruments, interest rate risk, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

10. Invesco Hang Seng Index Tracking Fund

Statement of investment policy

(a) Objective

To achieve long-term capital growth by investing directly in the Tracker Fund of Hong Kong ("TraHK")^ with a view to providing investment results that closely corresponds to the performance of the Hang Seng Index of Hong Kong.

*^TraHK is an Index-Tracking Collective Investment Scheme approved by the MPFA (the* "ITCIS"*).*

(b) Balance of investments

To invest directly in a single approved index-tracking collective investment scheme, namely, TraHK. Invesco Hang Seng Index Tracking Fund may hold cash and bank deposits for ancillary purposes.

TraHK's investment objective is to provide investment results that closely correspond to the performance of the Hang Seng Index of Hong Kong. The manager of TraHK (State Street Global Advisors Asia Limited) seeks to achieve the investment objective of TraHK by investing all, or substantially all, of TraHK's assets in the shares in the constituent companies of the Hang Seng Index in substantially the same weightings as they appear in the Hang Seng Index.

The Hang Seng Index measures the performance of largest and most liquid companies listed on the Main Board of the Stock Exchange of Hong Kong Limited and is compiled by adopting free float-adjusted market capitalisation weighted methodology. Details of the weindex methodology and further information in relation to the Hang Seng Index are available at www.hsi.com.hk[1]. As for other important news of the Hang Seng Index, Hang Seng Indexes Company Limited will also make announcements through press releases and at www.hsi.com.hk. Please also refer to the "Further Information on the Hang Seng Index" section of this Brochure for further information on the Hang Seng Index including the disclaimer of the index provider.

(c) Security lending and repurchase agreements

The Invesco Hang Seng Index Tracking Fund will not engage in security lending and repurchase agreements. TraHK will not engage in security lending.

(d) Futures and options

The Invesco Hang Seng Index Tracking Fund will not invest in financial futures or options contracts. TraHK may use futures contracts and options for hedging purposes or to achieve its investment objective.

(e) Risks

The performance of the Invesco Hang Seng Index Tracking Fund is subject to a number of risks, including the following: Risks applicable to Invesco Hang Seng Index Tracking Fund, general risks of investing in ITCIS, specific

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

risks associated with investment in TraHK and the Hang Seng Index, investing in financial derivative instruments and market risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

11. Core Accumulation Fund

Statement of investment policy

(a) Objective

To achieve capital growth by investing in a globally diversified manner.

(b) Balance of investments

*Investment Structure*

To feed into an APIF, the Invesco Pooled Investment Fund – Core Accumulation Fund, that invests in two other APIFs (the "**Underlying APIFs**"), which in turn invest directly in a portfolio of global equities, and a portfolio of global fixed income securities, as well as cash and money market instruments as allowed under the MPF General Regulation.

*Asset Allocation*

Through the two Underlying APIFs, the APIF invested by the Core Accumulation Fund targets to invest 60% of its net asset value in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds, cash and money market instruments). The asset allocation to higher risk assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. Subject to the above, the investment manager of the APIF invested by the Core Accumulation Fund has discretion as to the asset allocation of the APIF.

*Geographical Allocation*

There is no prescribed allocation for investments in any specific countries or currencies.

*Investment strategy of Underlying APIFs*

The Underlying APIFs adopt an active investment strategy. The Underlying APIFs seek to achieve returns above that of the constituent index for equity securities and the constituent index for fixed income securities under the Reference Portfolio ("**reference indexes**") through active management of portfolios with reference to the constituents / credit rating, sectors, and geographic allocation of the reference indexes. In other words, the constituents of the portfolios may not be identical to the reference indexes in terms of security selection and weighting and the Underlying APIFs may selectively react to the movement of dealings in the portfolios or market fluctuations. This strategy aims to promote efficiency and minimize cost for the purpose of DIS asset rebalancing.

*Hong Kong Dollar Currency Exposure*

The Core Accumulation Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30% through investments in the Underlying APIFs.

(c) Security lending and repurchase agreements

The Core Accumulation Fund will not engage in securities lending and repurchase agreements.

(d) Futures and options

The Core Accumulation Fund will not enter into financial futures and options contracts but one of the Underlying APIFs invested by the Invesco Pooled Investment Fund – Core Accumulation Fund may enter into financial futures and options contracts for hedging purposes only.

(e) Risks

The performance of the Core Accumulation Fund is subject to a number of risks, including the following: Specific risks relating to Core Accumulation Fund and Age 65 Plus Fund, equities risk, credit risk, interest rate risk, investing in financial derivative instruments, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

12. Age 65 Plus Fund

Statement of investment policy

(a) Objective

To achieve stable growth by investing in a globally diversified manner.

(b) Balance of investments

*Investment Structure*

To feed into an APIF, the Invesco Pooled Investment Fund – Age 65 Plus Fund, that invests in two other APIFs (the "**Underlying APIFs**"), which in turn invest directly in a portfolio of global equities, and a portfolio of global fixed income securities, as well as cash and money market instruments as allowed under the MPF General Regulation.

*Asset Allocation*

Through the two Underlying APIFs, the APIF invested by the Age 65 Plus Fund targets to invest 20% of its net asset value in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds, cash and money market instruments). The asset allocation to higher risk assets may vary between 15% and 25% due to differing price movements of various equity and bond markets. Subject to the above, the investment manager of the APIF invested by the Age 65 Plus Fund has discretion as to the asset allocation of the APIF.

*Geographical Allocation*

There is no prescribed allocation for investments in any specific countries or currencies.

*Investment strategy of Underlying APIFs*

The Underlying APIFs adopt an active investment strategy. The Underlying APIFs seek to achieve returns above that of the respective reference indexes through active management of portfolios with reference to the constituents / credit rating, sectors, and geographic allocation of the reference indexes. In other words, the constituents of the portfolios may not be identical to the reference indexes in terms of security selection and weighting and the Underlying APIFs may selectively react to the movement of dealings in the portfolios or market fluctuations. This strategy aims to promote efficiency and minimize cost for the purpose of DIS asset rebalancing.

*Hong Kong Dollar Currency Exposure*

The Age 65 Plus Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30% through investments in the Underlying APIFs.

(c) Security lending and repurchase agreements

The Age 65 Plus Fund will not engage in securities lending and repurchase agreements.

(d) Futures and options

The Age 65 Plus Fund will not enter into financial futures and options contracts but one of the Underlying APIFs invested by the Invesco Pooled Investment Fund – Age 65 Plus Fund may enter into financial futures and options contracts for hedging purposes only.

(e) Risks

The performance of the Age 65 Plus Fund is subject to a number of risks, including the following: Specific risks relating to Core Accumulation Fund and Age 65 Plus Fund, equities risk, credit risk, interest rate risk, investing in financial derivative instruments, market risk and currency exchange risk.

Please refer to the "Risk Factors" section for a detailed description of the risks listed above.

## Default Investment Strategy

Default Arrangements

Default Investment Strategy (or DIS) is a ready-made investment arrangement mainly designed for those members who are not interested or do not wish to make a fund choice, and is also available as an investment choice itself, for members who find it suitable for their own circumstances. For those members who do not give an Investment Mandate or have not given a valid Investment Mandate in respect of an account opened on or after 1 April 2017, their contributions and accrued benefits transferred from another scheme will be invested in accordance with the DIS. The DIS is required by law to be offered in every MPF scheme and is designed to be substantially similar in all schemes.

The key features about the DIS:

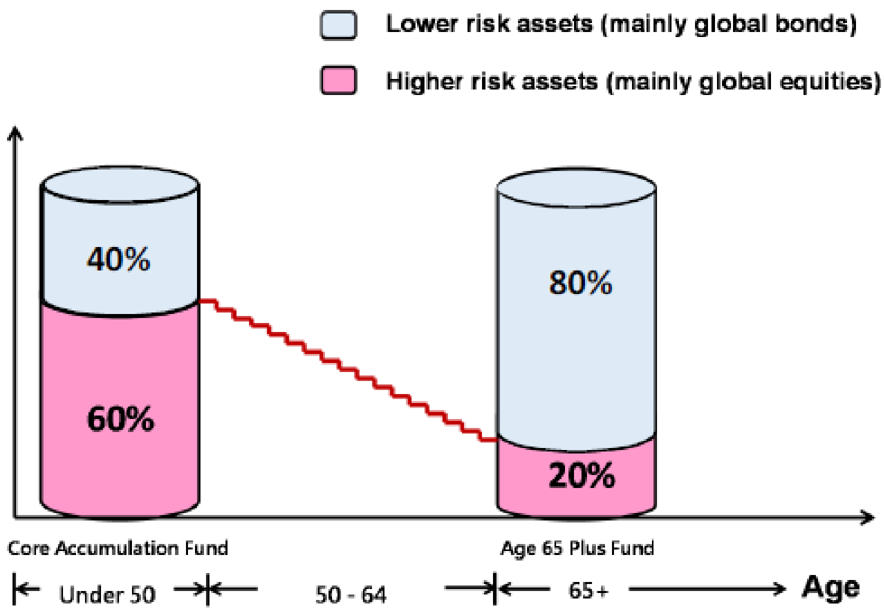
*Asset Allocation of the DIS*

The DIS aims to balance the long term effects of investment risk and return through investing in two Constituent Funds of the Master Trust, namely the CAF and the A65F, according to the pre-set allocation percentages at different ages. The CAF will invest around 60% of its net asset value in higher risk assets (higher risk assets generally mean equities or similar investments) and the remainder of its net asset value in lower risk assets (lower risk assets generally mean bonds, money market instruments, cash or similar investments) whereas the A65F will have exposure of around 20% of its net asset value in higher risk assets and the remainder of its net asset value in lower risk assets. Both DIS Funds adopt globally diversified investment principles and use different classes of assets, including global equities, bonds, money market instruments and cash, and other types of assets allowed under the MPF legislation. For further information on the investment objective and policies of each of the DIS Funds, please refer to the section headed "Investment Objectives and Policies" above.

*De-risking of the DIS*

Accrued benefits invested through the DIS will be invested in a way that adjusts investment risk depending on a member's age. The DIS will manage investment risk exposure by **automatically** reducing the exposure to higher risk assets and correspondingly increasing the exposure to lower risk assets as the member gets older after reaching 50 years of age. Such de-risking is to be achieved by way of reducing the holding in CAF and increasing the holding in A65F throughout the prescribed time span as detailed below. Diagram 1 below shows the target proportion of investment in riskier assets over time. The asset allocation stays the same up until 50 years of age, then reduces steadily until age 64, after which it stays steady again.

**Diagram 1: Asset Allocation between DIS Funds according to the DIS**




Note: The exact proportion of the portfolio in higher/lower risk assets at any point of time may deviate from the target glide path due to market fluctuations. Also, the investment allocation of each relevant member between CAF and A65F will be rounded to one decimal place.

The above de-risking is to be achieved by annual adjustments of asset allocation gradually from the CAF to the A65F under the DIS. Switching of the existing accrued benefits among the CAF and the A65F will be automatically carried out each year ("**annual de-risking**"), generally on the relevant member's birthday and according to the allocation percentages in the DIS De-risking Table as shown in Diagram 2 below. Please refer to the following sub-section for details of dealing day of annual de-risking.

*Dealing day of annual de-risking*

The annual de-risking will be carried out on a member's birthday. Subject to as described in the following paragraph, if a member's birthday falls on a day which is not on a dealing day, then the annual de-risking will be carried out on the next available dealing day. If the birthday of the relevant member falls on the 29th of February and in the year which is not a leap year, then the annual de-risking will be carried out on the 1st of March or the next available dealing day. Members should note that the number of Units will be rounded down to 5 decimal places. Where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a dealing day of annual de-risking unless the Trustee and the Sponsor determine otherwise.

**When one or more of the specified instructions (including but not limited to subscription and redemption) are being processed on the annual date of de-risking for a relevant member, the annual de-risking in respect of such member will normally take place on the next dealing day, after completion of such specified instructions where necessary. For the avoidance of doubt, the sequence for processing de-risking as described above will also apply in all other circumstances involving redemption of accrued benefits from the DIS (provided that the member still has accrued benefits invested in the DIS after the redemption), for example where there is any withdrawal from the Master Trust, or withdrawal as a result of Employee Choice Arrangement or offsetting against long service payment or severance payment, or where an employer elects to transfer out from the Master Trust into other MPF schemes. Members should note that the annual de-risking may be deferred as a result.** Please refer to the sections headed "Contributions" and "Benefits" regarding the procedures for subscription and redemption.

If a member would like to switch out from the DIS and/or change his Investment Mandate to invest into individual Constituent Fund(s) (which may include the DIS Funds as standalone Constituent Funds) before the annual de-risking takes place (generally on a member's birthday), he should submit a Switching Instruction and/or a new Investment Mandate (as applicable) before the dealing cut-off time at 4 p.m. on the member's birthday. If the Switching Instruction and/or the new Investment Mandate are received after such dealing cut-off time, the switching and/or change of Investment Mandate (as applicable) will only be performed after the completion of the de-risking process. Please refer to the section headed "Switching" regarding the procedures for switching.

To the extent practicable, a de-risking notice will be sent at least 60 days prior to a member reaching the age of 50, and a de-risking confirmation statement will be sent to members no later than 5 business days after each annual de-risking is completed.

**Members should be aware that the above de-risking will not apply where a member chooses the CAF and A65F as individual fund choices (rather than as part of the DIS).**

In summary under the DIS:

- When a member is below the age of 50, all his contributions and accrued benefits transferred from another scheme will be invested in the CAF.

- When a member is between the ages of 50 and 64, all his contributions and accrued benefits transferred from another scheme will be invested according to the allocation percentages between the CAF and A65F as shown in the DIS De-risking Table below. The de-risking on the existing accrued benefits will be automatically carried out as described above.

- When a member reaches the age of 64, all contributions and accrued benefits transferred from another scheme will be invested in the A65F.

If the Trustee does not have the full date of birth of the relevant member, the de-risking will be carried out as follows:

- If only the year and month of birth is available, the annual de-risking will take place on the last calendar day of the birth month, or if it is not a dealing day, the next available dealing day.

- If only the year of birth is available, the annual de-risking will take place on the last calendar day of the year, or if it is not a dealing day, the next available dealing day.

- If no information at all on the date of birth, member's accrued benefits will be fully invested in A65F with no de-risking applied.

If the relevant member subsequently provide satisfactory evidence as to his year, month and/or day of birth, the relevant member's birthday based on such new evidence will be adopted, and the corresponding allocation percentages will be applied as soon as practicable.

Diagram 2: DIS De-risking Table

| Age | Core Accumulation Fund ("**CAF**") | Age 65 Plus Fund ("**A65F**") |
|---|---|---|
| **Below 50** | 100.0% | 0.0% |
| **50** | 93.3% | 6.7% |
| **51** | 86.7% | 13.3% |
| **52** | 80.0% | 20.0% |
| **53** | 73.3% | 26.7% |
| **54** | 66.7% | 33.3% |
| **55** | 60.0% | 40.0% |
| **56** | 53.3% | 46.7% |
| **57** | 46.7% | 53.3% |
| **58** | 40.0% | 60.0% |
| **59** | 33.3% | 66.7% |
| **60** | 26.7% | 73.3% |
| **61** | 20.0% | 80.0% |
| **62** | 13.3% | 86.7% |
| **63** | 6.7% | 93.3% |
| **64 and above** | 0.0% | 100.0% |

Note: The above allocation between CAF and A65F is made at the point of annual de-risking and the proportion of CAF and A65F in the DIS portfolio may vary during the year due to market fluctuations.

Please refer to section headed "Investment Objectives and Policies" on the investment policies of the CAF and the A65F.

*Switching in and out of the DIS*

A member can switch into or out of the DIS at any time, subject to the Trust Deed. If a member wishes to switch out of the DIS, he may elect to switch all or part of his accrued benefits in an account invested in the DIS to other Constituent Funds (including the DIS Funds as standalone investments). Members should, however, bear in mind that the DIS has been designed as a long-term investment arrangement. If a member switches his accrued benefits out of the DIS, this will result in the cessation of his investment in accordance with the DIS and may negatively affect the balance between risk and return attributes that has been built into the DIS as a long-term strategy.

*Circumstances for Accrued Benefits to be invested in the DIS*

New accounts set up on or after 1 April 2017

(a) When members join the Master Trust or set up a new account in the Master Trust, they have the opportunity to give an Investment Mandate for their future contributions and accrued benefits transferred from another scheme. Unless otherwise provided in the relevant Participation Agreement and/or the relevant forms, they may choose to invest their future contributions and accrued benefits transferred from another scheme into:

- the DIS; and/or
- one or more Constituent Funds of their own choice from the list under the sub-section headed "Fund Options" above (including the CAF and the A65F) and according to their assigned allocation percentage(s) to relevant Constituent Fund(s) of their choice.

Members should note that, if investments/accrued benefits in CAF or A65F are made under the member's Investment Mandate as a standalone fund choice rather than as part of DIS offered as a choice ("**standalone investments**"), these investments/accrued benefits will not be subject to the de-risking process. If a member's investments/accrued benefits are invested in any combination of (i) CAF and/or A65F as standalone investments and (ii) the DIS (no matter by default or by Investment Mandate), investments/accrued benefits invested under (i) will not be subject to the de-risking process whereas for investments/accrued benefits under (ii) will be subject to the de-risking process. In this connection, members should pay attention to the different on-going administration arrangements applicable to investments/accrued benefits invested in (i) and (ii). In particular, members will, when giving a Switching Instruction, be required to specify to which part of the benefits (namely, under (i) or (ii)) the instruction relates.

(b) If a member does not give an Investment Mandate or where all or part of the Investment Mandate is regarded as invalid (as provided in "Investment Mandates" section below), save for FVC, all or part (as the case may be) of his future contributions and accrued benefits transferred from another scheme will be automatically invested in the DIS.

Existing accounts set up before 1 April 2017

There are special rules to be applied for Pre-existing Accounts and these rules only apply to a member who is under or becoming 60 years of age on 1 April 2017:

(a) For a member's Pre-existing Account with all accrued benefits invested in the Default Fund but no investment instructions being given:

If the accrued benefits in a member's Pre-existing Account are only invested in the Default Fund but no investment instructions have been given, special rules and arrangements will be applied, in due course, to determine whether the accrued benefits in such Pre-existing Account will be transferred to the DIS and whether the future contributions and accrued benefits transferred from another scheme for such account will be invested in DIS. If the member's Pre-existing Account is the one described above, a notice called the DIS Re-investment Notice ("**DRN**") may be sent to the member within 6 months from 1 April 2017 explaining the impact on such account and giving the member an opportunity to give an Investment Mandate to the Trustee before the accrued benefits, future contributions and accrued benefits transferred from another scheme are invested into the DIS. **Members should note that the risk inherent in the arrangement, in particular, the risk of the original default investment arrangement that is the Default Fund may be different from that of the DIS. For example, in the absence of any specification by an employee member's employer, the Default Fund is the Capital Stable Fund. The risk profile of the Capital Stable Fund as determined by the Investment Manager is low to medium, which may** differ from that of the DIS Funds (namely the CAF and A65F) under the DIS, which ranges from low to high. Please call the INVESCall Member Hotline at (852) 2842 7878 if you have any questions on the Default Fund that is applicable to you, including its risk profile as compared to that of the DIS Funds.

Members will also be subject to market risks during the redemption and reinvestment process.

Notwithstanding the aforesaid, in the case of any transfer from one account to another account within the Master Trust (e.g. from a contribution account to a personal account following the cessation of employment), the accrued benefits so transferred will remain invested in the same manner as they were invested immediately before the transfer, unless a new Investment Mandate is received by the Trustee. Accordingly, if the accrued benefits of a member's Pre-existing Account are invested in the Default Fund as a result of a transfer from one account to another account within the Master Trust, the special rules and arrangements relating to DIS and the DRN as described above will not apply. For the avoidance of doubt, the Investment Mandate applicable to the original account will generally not apply to any future contributions and accrued benefits transferred from another scheme to the new account. Unless Investment Mandates are received by the Trustee or unless the continued application of such Investment Mandates on or after 1 April 2017 has been reinforced before 1 April 2017 by certain activities requested by the member (such as the transfer of assets from another scheme) before 1 April 2017, future contributions and accrued benefits transferred from another scheme will be invested according to the DIS.

For details of the arrangement, members should refer to the DRN.

(b) For a member's Pre-existing Account with part of the accrued benefits invested in accordance with the Default Fund:

For a member's Pre-existing Account which part of the accrued benefits is invested in the Default Fund immediately before 1 April 2017, unless the trustee has received any Investment Mandate, accrued benefits of a member will be invested in the same manner as accrued benefits were invested immediately before 1 April 2017. Future contribution and accrued benefits transferred from another scheme will be invested in the DIS, unless the Trustee has received any Investment Mandate.

Members should note that the implementation of the DIS legislation may have impact on their MPF investments or accrued benefits. Please consult the Trustee by calling the INVESCall Member Hotline at (852) 2842 7878 if you have any doubts or questions on how your MPF investments or accrued benefits are being affected.

(c) Members with Pre-existing Account and aged 60 or above before 1 April 2017:

In the case of members who are aged 60 or above before 1 April 2017 and who hold a Pre-existing Account, the accrued benefits, future contributions and accrued benefits transferred from another scheme in the Pre-existing Account will continue to be invested in the same manner as accrued benefits, future contributions and accrued benefits transferred from another scheme (as the case may be) were invested immediately before 1 April 2017, unless the Trustee receives any Investment Mandate or Switching Instructions.

Fees and out-of-pocket expenses of the DIS Funds

In accordance with the MPF legislation, the aggregate of the payments for services of the CAF and A65F must not, in a single day, exceed a daily rate of 0.75% per annum of the net asset value of each of the DIS Funds divided by the number of days in the year.

The above aggregate payments for services include, but are not limited to, the fees paid or payable for the services provided by the trustee, the administrator, the investment manager(s), the custodian, the sponsor and/or promoter (if any) of the Master Trust and the underlying investment fund(s) of the respective DIS Fund, and any of the delegates from these parties and such fees are calculated as a percentage of the net asset value of the respective DIS Fund and its underlying investment fund(s), but does not include any out-of-pocket expenses incurred by each DIS Fund and its underlying investment fund(s).

In accordance with the MPF legislation, the total amount of all payments that are charged to or imposed on a DIS Fund or members who invest in a DIS Fund, for out-of-pocket expenses incurred by the Trustee on a recurrent basis in the discharge of the Trustee's duties to provide services in relation to the DIS Fund, shall not in a single year exceed 0.2% of the net asset value of the DIS Fund. For this purpose, out-of-pocket expenses include, for example, annual audit expenses, printing or postage expenses relating to recurrent activities (such as issuing annual benefit statements), recurrent legal and professional expenses, safe custody charges which are customarily not calculated as a percentage of the net asset value and transaction costs incurred by a DIS Fund in connection with recurrent acquisition of investments for the DIS Fund (including, for example, costs incurred in acquiring underlying investment funds), and annual statutory expenses (such as compensation fund levy where relevant) of the DIS Fund. Members should note that out-of-pocket expenses that are not incurred on a recurrent basis may still be charged to or imposed on a DIS Fund or members who invest in a DIS Fund and such out-of-pocket expenses are not subject to the above statutory limit.

For further details, please refer to the "Fees and Charges" section.

Risks associated with Default Investment Strategy

For general key risks relating to investment funds, please refer to the "Risk Factors" section below.

Members should note that there are a number of attributes of the design of the DIS strategy as set out below, which affect the types of risks associated with the DIS.

*Limitations on the strategy*

(i) Age as the sole factor in determining the asset allocation under the DIS

As set out in more detail above, members should note that the DIS adopts pre-determined asset allocation and automatically adjusts asset allocation based only upon a member's age. The DIS does not take into account factors other than age, such as market and economic conditions nor member's personal circumstances including investment objectives, financial needs, risk tolerance or likely retirement date. Members who want their MPF portfolio to reflect their own personal circumstances can make their own selection of Constituent Funds from the range available in the Master Trust.

(ii) Pre-set asset allocation

Members should note that the two DIS Funds have to follow the prescribed allocation between higher risk assets and lower risk assets at all times subject to a tolerance level of + or – 5%. The prescribed exposure between higher risk and lower risk assets of CAF and A65F will limit the ability of the investment manager of these two DIS Funds and their underlying investment funds (as applicable) to adjust asset allocations in response to sudden market fluctuations; for example through the adoption of either a more defensive asset allocation approach (being an approach which seeks to reduce higher risk assets exposure), or alternatively a more aggressive asset allocation approach (being an approach which seeks to increase higher risk assets exposure) even if, for some reason, the investment manager thought it appropriate to do so.

(iii) Annual de-risking between the DIS Funds

Members should note that de-risking for each relevant member will generally be carried out on a member's birthday, regardless of the prevailing market conditions. While the de-risking process aims at managing risks of the investments through reducing exposure to higher risk assets, it may preclude the DIS from fully capturing the upside in rising equity markets during the de-risking process and therefore would underperform as compared with funds not adopting the de-risking process under the same market conditions. It is possible that the de-risking process is done at a time which may result in members reducing exposure to an asset class which outperforms and increasing exposure to an asset class which underperforms. The asset allocation changes gradually over a 15-year time period. Members should be aware that the de-risking operates automatically regardless of the wish of a member to adopt a strategy which might catch market upside or avoid market downside.

Also, the de-risking process cannot insulate members from "systemic risk", such as broad-based recessions and other economic crises, which will affect the prices of most asset classes at the same time.

(iv) Potential rebalancing within each DIS CF

In order to maintain the prescribed allocation between the higher risk assets and lower risk assets within each of the CAF and A65F, the investments of each of the CAF and A65F may have to be continuously rebalanced. For example, when the higher risk assets perform poorly, the CAF's or A65F's asset allocation may fall outside the respective prescribed limit. In this case, each of the CAF and A65F will have to liquidate some of the better performing lower risk assets in order to invest more in the higher risk assets, even if the Investment Manager is of the view that the higher risk assets might continue to perform poorly.

(v) Additional transaction costs

Due to (a) the potential rebalancing of higher risk assets and lower risks assets in the process of maintaining the prescribed allocation within each of the CAF and A65F and (b) the annual reallocation of accrued benefits for members under the de-risking process, the DIS may incur greater transaction costs than a fund/strategy with more static allocation.

*General investment risk related to DIS*

Although DIS is a statutory arrangement, it does not guarantee capital repayment nor positive investment returns (in particular for those members with only a short investment horizon before retirement). The two DIS Funds are mixed asset funds investing in a mix of equities and bonds. Members should note that the DIS which invests in the DIS Funds is subject to the general investment risks that apply to mixed asset funds. For general key risks relating to investment funds, please refer to the "Risk Factors" section below.

*Risk on early withdrawal and switching*

Since the DIS has been developed having regard to the long-term balance between risks and likely returns, and assumes retirement at the age of 65, any cessation of the strategy (for example through early withdrawal of accrued benefits or switching into other funds) will affect that balance.

*Impact on members keeping benefits in the DIS beyond the age of 64*

Members should note that the de-risking process will discontinue upon reaching the age of 64. Members should be aware that all accrued benefits (including accrued benefits transferred from another scheme)/on-going contribution, if any, will be invested in the A65F which holds around 20% of its assets in higher risk assets which may not be suitable for all members beyond the age of 64.

Information on Performance of DIS Funds

The fund performance and fund expense ratio of the CAF and A65F will be published in the fund factsheet. One of the fund factsheets will be attached to the annual benefit statement. Members can visit INVESNet: www.invesco.com.hk/mpf or call the INVESCall Member Hotline at (852) 2842 7878 for information. Members may also obtain the fund performance information at the website of the MPFA (www.mpfa.org.hk).

To provide a common reference point for performance and asset allocation of the CAF and A65F, the Reference Portfolio is adopted for the purpose of each of the DIS Funds. The fund performance will be reported against the Reference Portfolio published by the Hong Kong Investment Funds Association. Please visit www.hkifa.org.hk[2] for further information regarding the performance of the Reference Portfolio.

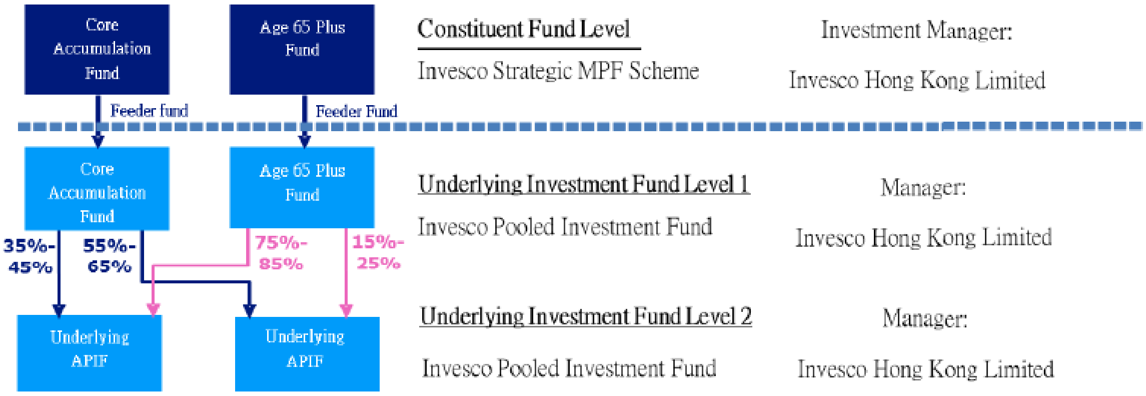
The fund performance is calculated in Hong Kong dollar on NAV-to-NAV basis. Past performance is not indicative of future performance. There is no assurance that investment returns and members' accrued benefits may not suffer significant loss. Members should regularly review the performance of the funds and consider whether the investments still suit their personal needs and circumstances.

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

## Additional Information on the Constituent Funds

### 1. Core Accumulation Fund and the Age 65 Plus Fund

The investment structure of the Core Accumulation Fund and the Age 65 Plus Fund is illustrated as follows:




| Master Trust / Fund | Constituent Fund / Underlying Investment Fund | Investment Manager / Manager |
|---|---|---|
| Invesco Strategic MPF Scheme | Core Accumulation Fund | Invesco Hong Kong Limited |
| | Age 65 Plus Fund | Invesco Hong Kong Limited |
| Invesco Pooled Investment Fund | Core Accumulation Fund | Invesco Hong Kong Limited |
| | Age 65 Plus Fund | Invesco Hong Kong Limited |
| | Underlying APIF | Invesco Hong Kong Limited |
| | Underlying APIF | Invesco Hong Kong Limited |

* *"APIF" means an approved pooled investment fund approved by MPFA in which the Constituent Funds may invest (i.e. an underlying fund).*

### 2. Guaranteed Fund

The operation of the Guaranteed Fund is subject to a number of conditions and is described in detail in the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure. **Members should read the abovementioned section carefully before making a decision to invest contributions in the Guaranteed Fund.**

*Different Classes of Units*

- Class G Units will be issued in respect of contributions to the Master Trust that are to be invested in the Guaranteed Fund.

- For contributions to the Master Trust that are to be invested in the Constituent Funds other than the Guaranteed Fund:

  - Class A Units will be issued in respect of all members other than those eligible for Class H Units.

  - Class H Units will only be issued in respect of members employed by participating employers that have 30,000 or more employees within the group.

## Investment and Borrowing Restrictions

The Constituent Funds and the underlying APIFs or ITCIS(s) are subject to applicable investment restrictions under the MPF Ordinance and MPF General Regulation.

In particular, the Capital Stable Fund and the Balanced Fund must invest in not less than two APIFs. Investment in any one APIF should not exceed 90% of the net asset value of that Constituent Fund.

The Constituent Funds will not enter into financial futures and options contracts except for the Balanced Fund and the Capital Stable Fund, which may enter into such contracts for hedging purposes only. The Constituent Funds will not engage in securities lending and repurchase transactions.

The Trustee may borrow for the account of each Constituent Fund for liquidity purposes to meet benefit payments and for other limited purposes as permitted by the MPF Ordinance. The assets of the relevant Constituent Fund may be charged or pledged as security for any such borrowings.

### Base Currency and Hong Kong Dollar Currency Exposure

Each of the Constituent Funds is denominated in HK dollars. The MPF Conservative Fund will maintain an effective currency exposure to HK dollars of 100%. The other Constituent Funds will each maintain an effective currency exposure to HK dollars of not less than 30%. The currency exposure will be achieved either from investment exposure or through currency hedging operations of the investments.

### Changes to Investment Objectives and Policies

Unless otherwise agreed with the SFC the Investment Manager will give at least one month's prior notice (or such longer period as the MPFA or the SFC may require) to the participating employers and members if there is any change in investment objectives and policies. The Investment Manager will give at least one month's notice (or such other period of notice as the MPFA or the SFC may require) if a Constituent Fund or a class of Units relating to a Constituent Fund is terminated.

### Further Information on the Hang Seng Index

The Hang Seng Index is one of the earliest stock market indexes in Hong Kong, which measures the performance of the largest and most liquid companies listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**SEHK**") and is compiled by Hang Seng Indexes Company Limited ("**HSIL**") by adopting free float-adjusted market capitalisation weighted methodology. Constituent stocks of the Hang Seng Index are selected by a rigorous process of detailed analysis. Only companies with a primary listing on the Main Board of the SEHK are eligible potential constituents. Mainland China enterprises that have H share listing in Hong Kong will be eligible for inclusion in the Hang Seng Index if they meet certain conditions.

The constituent stocks are grouped under finance, utilities, properties, and commerce and industry sub-indexes. The Hang Seng Index is reviewed quarterly. The composition of the Hang Seng Index may change if one of the constituent stocks was changed or if any of the constituent companies were to delist its shares or if a new company were to list its shares on the SEHK and be added to the Hang Seng Index.

As at 31 July 2019, the Hang Seng Index comprises 50 constituent stocks which are representative of the Hong Kong stock market. The aggregate market value of these stocks accounts for about 60 per cent of the total market capitalisation of all stocks for primary listing on the Main Board of SEHK excluding foreign companies. As at 31 July 2019, the respective weightings of the top 10 largest constituent stocks of the Hang Seng Index are:

| Code | Stock Name | Weighting (%) |
|---|---|---|
| 700 | Tencent | 10.69 |
| 1299 | AIA | 10.50 |
| 5 | HSBC Holdings | 9.68 |
| 939 | CCB | 7.17 |
| 2318 | Ping An | 5.69 |
| 941 | China Mobile | 4.47 |
| 1398 | ICBC | 4.27 |
| 388 | HKEX | 3.44 |
| 3988 | Bank of China | 2.77 |
| 883 | CNOOC | 2.52 |

Information taken from: https://www.hsi.com.hk/static/uploads/contents/en/dl_centre/factsheets/hsie.pdf

Real-time update of the Hang Seng Index can be obtained through Thomson Reuters, Bloomberg and the website of HSIL at www.hsi.com.hk. The index rules and further information in relation to the Hang Seng Index are available at www.hsi.com.hk. As for other important news of the Hang Seng Index, HSIL will also make announcements through press releases and at www.hsi.com.hk.

HSIL is the Index Provider of the Hang Seng Index. The Investment Manager, the Trustee and its connected persons are independent of HSIL.

In the event that the Hang Seng Index is terminated, ceases to operate or is not available, the Investment Manager may, subject to the approval of the MPFA and the SFC, seek a replacement of the Hang Seng Index with another index that it deems appropriate as suitable benchmark representing the overall performance of the Hong Kong stock market. If no suitable index is found, subject to the approval of the SFC and the MPFA, the Invesco Hang Seng Index Tracking Fund may be terminated. Unless otherwise agreed with the SFC and the MPFA, the Trustee will give not less than one month's notice of any change in the underlying index.

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Members investing in the Invesco Hang Seng Index Tracking Fund will be regarded as having acknowledged, understood and accepted the disclaimer above and will be bound by it. The level of the Hang Seng Index at any time for the purposes of the Invesco Hang Seng Index Tracking Fund will be the level as calculated by HSIL in its sole discretion.

Each Constituent Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Constituent Fund and the income from them may go down as well as up. All major risks associated with investing in the Constituent Funds are discussed below.

## General Risks

1. General risk

   Since the value of the Units in a Constituent Fund depends on the performance of the investments of its underlying fund(s), if any, and the value of such investments are subject to market fluctuations, no assurance can be given that the investment objective of the Constituent Fund will be achieved and the amounts invested can be returned to the member upon redemption of the Units. Your investment in the Constituent Fund(s) may be affected by various factors, such as activities and results of the issuer of securities, general economic and market conditions, regional or global economic instability and currency and interest rate fluctuations. The value of Units in a Constituent Fund may fall as well as rise.

2. Market Risk

   Investments on an international basis involve certain risks, including the value of the assets of the underlying fund(s) in which a Constituent Fund invests may be affected by uncertainties such as changes in government policies, taxation, fluctuations in foreign exchange rates, the imposition of currency repatriation restrictions, social and religious instability, political, economic or other developments in the law or regulations of the countries in which the underlying fund(s) may invest and, in particular, by changes in legislation relating to the level of foreign ownership in the countries in which the underlying fund(s) may invest.

3. Currency Exchange Risk

   Investments may be denominated in currencies other than HK dollars, and any income from these investments will be received in those currencies, some of which may fall against HK dollars. Therefore, there is a currency exchange risk which may affect the value of the Units of the Constituent Fund.

4. Equities Risk

   Some Constituent Funds may invest in underlying fund(s) that invest(s) in equity securities. The prices of and the income generated by equity securities may decline in response to certain events, including the activities and results of the issuer, general economic and market conditions, regional or global economic instability and currency and interest rate fluctuations. There can be no guarantee that the value of any equity securities held by an underlying fund will increase in value or that any income will be derived from such securities. The value of, and income derived from, equity securities held may fall as well as rise and the underlying fund may not recoup the original amount invested in such securities.

5. Risks associated with Stock Connect Program (“Stock Connect”)

   Certain Constituent Funds may invest in underlying fund(s) that may invest up to 10% of their net asset value in shares listed on a stock exchange that is not an approved stock exchange as defined in MPF General Regulation, including without limitation China A-Shares listed on the PRC stock exchange(s). Investment in China A-Shares may be made via the Stock Connect (as described below).

   The Stock Connect is a securities trading and clearing linked program with an aim to achieve mutual stock market access between the PRC and Hong Kong. The Stock Connect enables the relevant underlying fund(s) to trade eligible China A-Shares listed on the relevant stock exchange(s) in the PRC.

   The Stock Connect is a relatively new trading programme. The relevant regulations are untested and subject to change. The program is subject to quota limitations which may restrict the relevant underlying fund(s)’ ability to invest in China A-Shares through the program on a timely basis and as a result, the Constituent Funds’ ability to access the China A-Shares market (and hence to pursue its investment strategy) will be adversely affected. Apart from restrictions on buying (due to quota limitations), the PRC regulations impose certain restrictions on selling (i.e. requiring that there must be sufficient China A-Shares in the account before an investor sells any China A-Share). Hence, the relevant underlying fund(s) may not be able to dispose of holdings of China A-Shares in a timely manner. Also, a stock may be recalled from the scope of eligible stocks for trading via the Stock Connect. This may adversely affect the investment portfolio or strategies of the relevant underlying fund(s), for example, when the manager wishes to purchase a stock which is recalled from the scope of eligible stocks. Due to the differences in trading days, the relevant underlying fund(s) and hence the Constituent Funds may be subject to a risk of price fluctuations in China A-Shares on a day that the PRC market is open for trading but the Hong Kong market is close.

Trading in securities through the Stock Connect may be subject to clearing and settlement risk. If the PRC clearing house defaults on its obligation to deliver securities / make payment, the relevant underlying fund(s) may suffer delays in recovering its losses or may not be able to fully recover its losses.

The Hong Kong Securities and Clearing Company Limited ("HKSCC") holds the China A-Shares as a nominee on behalf of the relevant underlying fund(s) who is the beneficial owner of such shares. As the nominee holder HKSCC is prepared to provide assistance to beneficial owners of China A-Shares (held through the Stock Connect) where necessary subject to conditions being made, thus, the relevant underlying fund(s) may encounter difficulties or delays in any action to enforce its rights.

The Stock Connect is premised on the functioning of the operational systems of the relevant market participants and may be subject to operational risk due to these new information technology systems.

Further, the relevant underlying fund(s)' investments through the Stock Connect are not covered by the Hong Kong's Investor Compensation Fund.

6. Risks relating to China A-Shares market

Certain Constituent Funds may invest in underlying fund(s) that may invest in China A-Shares via the Stock Connect.

The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. Whilst the number of available share issues continues to increase, availability remains limited as compared with the choice available in other developed financial markets. This can impact on the level of liquidity in the stock markets which in turn can lead to price volatility.

The price at which securities may be purchased or sold by an underlying fund and the net asset value of the underlying fund (and hence the relevant Constituent Fund) may be adversely affected if trading markets for China A-Shares are limited or absent. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of an underlying fund (and hence the relevant Constituent Fund) which invests in the China A-Shares market.

Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the manager to liquidate positions and can thereby expose an underlying fund (and hence the relevant Constituent Fund) which invests in the China A-Share market to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the manager to liquidate positions at a favourable price.

7. Investing in Financial Derivative Instruments

There are certain investment risks which apply in relation to techniques and financial derivative instruments which the manager of a Constituent Fund and its underlying fund(s) may employ for purposes permitted under applicable regulations. However, should the expectations of such manager in employing such techniques and instruments be incorrect, or the counterparty for such instruments default, the Constituent Fund and/or the underlying fund may suffer a substantial loss.

8. Interest Rate risk

Underlying funds that invest in bonds or other fixed income securities may fall in value if interest rates change. Longer term debt securities are usually more sensitive to interest rate changes.

9. Credit Risk

Underlying funds that invest in bonds and other fixed income securities are subject to the risk that issuers do not make payments on such securities. An issuer suffering from an adverse change in its financial condition could lower the quality of a security leading to greater price volatility on that security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell.

Underlying funds may bear the risk of loss on an investment due to the deterioration of an issuer's financial standing. Such a deterioration may result in a reduction of the credit rating of the issuer's securities and may lead to the issuer's inability to honour its contractual obligations, including making timely payment of interest and principal. Credit ratings are a measure of credit quality. Although a downgrade or upgrade of an investment's credit ratings may or may not affect its price, a decline in credit quality may make the investment less attractive, thereby driving its yield up and its price down. Declines in credit quality can result in bankruptcy for the issuer and permanent loss of investment by the underlying funds. In the event of a bankruptcy or other default of the issuer, the relevant underlying fund could experience both delays in liquidating the underlying securities and losses including a possible decline in value of the underlying securities during the period when the relevant fund seeks to enforce its rights thereto. This will have the effect of reducing levels of capital and income in the underlying fund and will thus result in a lack of access to income during this period together with the expense of enforcing the underlying fund's rights.

10. Risks Associated with the China Interbank Bond Market (the "CIBM")

Certain Constituent Funds or the underlying fund(s) in which they invest may invest in Chinese debt securities traded on the CIBM through the Bond Connect which establishes mutual bond market access between Hong Kong and Mainland China and/or such other means as permitted by the relevant regulations from time to time. Market volatility and potential lack of liquidity due to low trading volume may result in prices of debt securities traded on such market fluctuating significantly. The bid and offer spreads of the prices of such debt securities may be large, and the relevant Constituent Fund or underlying fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments. Investments in CIBM may be subject to liquidity, volatility, regulatory, PRC tax risk and risks associated with settlement procedures and default of counterparties.

Under the prevailing regulations in Mainland China, if foreign institutional investors wish to invest in CIBM through the Bond Connect, the relevant filings, registration with People's Bank of China and account opening for investment in the CIBM have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the relevant Constituent Fund or underlying fund is subject to the risks of default or errors on the part of such third parties.

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The relevant Constituent Fund's or underlying fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where a Constituent Fund or an underlying fund invests in the CIBM through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

The relevant rules and regulations on the CIBM are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the CIBM, the relevant Constituent Fund's or underlying fund's ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, the relevant Constituent Fund or underlying fund may suffer substantial losses as a result.

11. Counterparty Risk

Each underlying fund will be exposed to the credit risk of the counterparties with which, or the brokers and dealers and exchanges through which, it deals, whether it engages in exchange traded or off-exchange transactions. In the case of an insolvency or failure of any such party, the underlying fund may recover, even in respect of property specifically traceable to it, only a pro rata share of all properties available for distribution to all of such party's creditors and/or customers. Such amounts may be less than the amounts owed to the underlying fund.

12. Investment in Developing Markets

The following considerations apply to Constituent Funds which invest in underlying fund(s) which may invest in emerging markets or newly industrialised countries.

Investments in emerging markets will be sensitive to any change in political, social or economic development in the region. Many emerging countries have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent.

The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume. The markets may lack liquidity and exhibit high price volatility meaning that the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The market may also exhibit a high concentration of market capitalisation and trading volume in a small number of issuers, representing a limited number of industries, as well as a high concentration of investors and financial intermediaries. Brokers in developing countries typically are fewer in number and less capitalised than brokers in established markets.

At present, some stock markets in emerging market countries restrict foreign investment, resulting in fewer investment opportunities for an underlying fund. This may have an adverse impact on the investment performance of an underlying fund which has as its investment objective to invest substantially in developing countries.

Many emerging markets are undergoing a period of rapid growth and are less regulated than the world's leading stock markets and there may be less publicly available information about companies listed on such markets than is regularly published about companies listed on other stock markets. In addition, market practices in relation to settlement of securities transactions and custody assets in emerging markets can provide increased risk to emerging markets funds.

Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which an underlying fund may invest may differ from those applicable in Hong Kong in that less information is available to investors and such information may be out of date.

Although the manager of the Constituent Fund(s) and its underlying fund(s) considers that a truly diversified global portfolio should include a certain level of exposure to the emerging markets, it recommends that an investment in any one emerging market by a Constituent Fund should not constitute a substantial portion of any investor's portfolio and may not be appropriate for all investors.

13. China Market Risk

Constituent Funds which invest in securities of issuers with exposure to, or operations in, the People's Republic of China (through investment in an underlying fund) are subject to the risks of investing in emerging markets generally and the risks specific to the market in the People's Republic of China. The overall economic conditions in the People's Republic of China may have a significant impact on the relevant Constituent Fund's performance. Economic developments in the People's Republic of China follow patterns different from those in Hong Kong and other developed countries and there may be an increased risk of government intervention in the economy which could affect market conditions. Further, the interpretation or application of current laws or regulations in the People's Republic of China may have adverse effects on the relevant Constituent Fund's investments.

14. Custody Risk

The operation and administration of the Constituent Funds should comply with the requirements in the MPF Ordinance, the MPF General Regulation and any guidelines issued by the MPFA. Under such legislation and regulations, the Trustee is required to hold the assets of the Master Trust on trust and for the benefit of members.

Where the Trustee engages a custodian or a sub-custodian, it is expected that such custodian or sub-custodian shall deal with assets of the Master Trust as trust property, segregate those assets from the custodian's or sub-custodian's own assets and keep separate records. Although the Trustee will take reasonable steps to ensure that such requirements are complied with, certain jurisdictions have different rules regarding the ownership and custody of assets generally and the recognition of the interests of a beneficial owner such as a Constituent Fund. There is a risk that in the event a custodian or sub-custodian becomes insolvent, the relevant Constituent Fund's beneficial ownership of assets may not be recognised in foreign jurisdictions and creditors of the custodian or sub-custodian may seek to have recourse to the Constituent Fund's assets. In jurisdictions where the relevant Constituent Fund's beneficial ownership is ultimately recognised, the Constituent Fund may suffer a delay in recovering its assets, pending the resolution of the relevant insolvency or bankruptcy proceedings.

Due to the fungible nature of cash, it will be held on the balance sheet of the bank with whom cash accounts of the Master Trust are held (whether a sub-custodian or a third party bank), and will not be protected from the bankruptcy of such bank. A Constituent Fund will therefore have counterparty exposure risk to such bank. Subject to any applicable government guarantee or insurance arrangements in respect of bank deposits or cash deposits, where a sub-custodian or third party bank holds cash assets and subsequently becomes insolvent, the Constituent Fund would be required to prove the debt along with other unsecured creditors. The Constituent Fund will monitor its exposure in respect of such cash assets on an ongoing basis.

15. Settlement Risk

The underlying fund(s) will be exposed to a credit risk on parties with whom it trades securities, and may also bear the risk of settlement default, in particular in relation to debt securities such as bonds, notes and similar debt obligations or instruments. Members should also note that settlement mechanisms in emerging markets are generally less developed and reliable than those in more developed countries and that this therefore increases the risk of settlement default, which could result in substantial losses for an underlying fund in respect to investments in emerging markets. An underlying fund will be exposed to the credit risk of the counterparties with which, or the brokers, dealers and exchanges through which, they deal, whether they engage in exchange traded or off-exchange transactions. An underlying fund may be subject to the risk of loss of its assets on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of the underlying fund, or the bankruptcy of an exchange clearing house.

16. Market Suspension Risk

An underlying fund may invest in securities listed on an approved exchange or market. Trading of the securities of a specific issuer on an approved exchange or market may be halted or suspended due to market conditions, technical malfunctions which prevent trades from being processed or otherwise pursuant to its rules, or due to circumstances relating to the issuer. If trading is halted or suspended, the underlying fund will not be able to sell the securities traded on that exchange or market until trading resumes.

17. Market Liquidity Risk

The underlying fund may be adversely affected by a decrease in market liquidity for the securities in which it invests which may impair the underlying fund's ability to execute transactions. In such circumstances, some of the underlying fund's securities may become illiquid which would impact the underlying fund's ability to acquire or dispose of such securities at their intrinsic value.

18. Specific Nature of a Fund of Funds

Most of the Constituent Funds invest through APIFs (i.e. underlying funds). Members should be aware of the specific features of a fund of funds and the consequences of investing in other funds. Members will bear the recurring expenses of a Constituent Fund in addition to the expenses of the underlying funds, and therefore, the returns that they may obtain may not reflect the returns by investing directly in the underlying funds. Also, investment decisions of the underlying funds are made at the level of such underlying funds and it is possible that the managers of such underlying funds will take positions or engage in transactions in the same securities or in issues of the same asset class, industry or country or currency at the same time. Consequently there is a possibility that one underlying fund may purchase an asset at about the same time as another underlying fund may sell it. Transaction costs will have been incurred in effecting the relevant transactions.

19. Suspension Risk

The Manager is entitled under certain circumstances to suspend dealings in the Units. Dealings of the underlying investments of a Constituent Fund may also be suspended under certain circumstances. In this event, valuation of the net asset value of the Constituent Fund or its underlying investments is suspended, and any affected redemption applications and payment of redemption proceeds may be deferred. The risk of decline in net asset value of the Units during the period up to the redemption of the Units is borne by the redeeming member.

20. Concentration Risk

The investments of some of the Constituent Funds may be concentrated in a certain geographic area or a single country. Members should note that these Constituent Funds are likely to be more volatile than funds following a more diversified investment policy, as they are more susceptible to fluctuations in prices resulting from adverse conditions and developments in the markets concerned.

21. Early Termination Risk

A Constituent Fund may be terminated under certain conditions and in the manner specified in the section "Termination of Constituent Funds" below. It is possible that at the time of such termination, certain investments may be worth less than their acquisition cost, resulting in members having to switch to another Constituent Fund at a loss.

## Constituent Fund Specific Risks

1. Guaranteed Fund

The Guaranteed Fund of the Master Trust invests in an insurance policy which includes a guarantee. The insurance policy is issued by the insurer, Principal Insurance Company (Hong Kong) Limited. Investments in the insurance policy are held as the assets of Principal Insurance Company (Hong Kong) Limited. In the event that Principal Insurance Company (Hong Kong) Limited is liquidated, you may not have access to your investments temporarily, or their value may be reduced. Before you invest in this Constituent Fund, you should consider the risk posed by the insurer (referred to as "credit risk") under the circumstances set out above and, if necessary, seek additional information or advice.

Units in the Guaranteed Fund are guaranteed in the manner and in the circumstances described in the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure. Investments in the Guaranteed Fund are subject to the credit risk of the Guarantor.

The Guarantor of the Guaranteed Fund will provide a guarantee of capital and a prescribed rate of return only (i) if a qualifying event occurs and the Guarantor receives a valid claim or (ii) in other situations (as described in the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure). In relation to investments in the Guaranteed Fund, a member who has elected to transfer his accrued benefits (i) from one account to another account within the Master Trust; (ii) to another Constituent Fund within the Master Trust; or (iii) to another registered scheme may not be entitled to the guarantee. Please refer to the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure for further details.

Investment in the Guaranteed Fund is subject to a dilution of performance as a result of the guaranteed structure for the Guaranteed Fund. The Guarantor may terminate the underlying fund (i.e. PIC APIF) at any time on giving at least 3 months' prior notice in writing to the Trustee. Subject to regulatory approval, the Guarantor may also adjust the applicable rate of guarantee, after consultation with the Sponsor.

2. MPF Conservative Fund

Members should note that the purchase of Units in MPF Conservative Fund is not the same as placing funds on deposit with a bank or deposit taking company. The Investment Manager has no obligation to redeem such Units at their issue price. The MPF Conservative Fund is not subject to the supervision of the Hong Kong Monetary Authority. The MPF Conservative Fund does not guarantee the repayment of capital.

3. RMB Bond Fund

The RMB Bond Fund (through its underlying fund) invests in RMB deposits and RMB debt instruments and therefore will be indirectly subject to risks that are applicable to the underlying fund including additional currency and liquidity risks and concentration of credit risk.

*RMB currency risk*

RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no assurance that RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the net asset value of the underlying fund and hence the RMB Bond Fund. Further, the RMB Bond Fund is denominated in HK dollar only and not in RMB whereas it is expected to hold, indirectly through the underlying fund, at least 70% of its net asset value in assets denominated in RMB. Therefore, the performance of the underlying fund and hence the RMB Bond Fund may be adversely affected by changes in the HK dollar to RMB exchange rate if the RMB depreciates against the HK dollar.

*Liquidity risk*

The offshore RMB debt securities market has continued to develop although the trading volume may be less than that of a more developed market. The market liquidity for RMB debt securities has enhanced following measures by the PRC government to gradually expand the use of RMB outside the PRC and the increased number of issues in RMB debt securities in the offshore primary market. However, there is no guarantee that there will be an active secondary market for all offshore RMB debt instruments. In the absence of an active secondary market, the underlying fund may need to hold relevant investments until their maturity date. If sizeable redemption requests are received, the underlying fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and may suffer significant losses in trading such investments. Even if a secondary market is developed, the prices at which the underlying fund's investments are traded may be higher or lower than the initial subscription prices due to many factors including the prevailing interest rates.

In addition, the underlying fund may invest in RMB debt instruments which are not listed. Even if the RMB debt instruments are listed, there may not be a liquid or active market for such instruments. As a result, the bid and offer spreads of the price of such instruments may be substantial and hence the underlying fund may suffer significant losses due to increased trading and realisation costs. In respect of the listed debt instruments, the underlying fund may be subject to the risk of not being able to sell them over the exchange on a timely basis, or may have to sell at a substantial discount to their face values. This may adversely affect the liquidity and net asset value of the underlying fund and hence the RMB Bond Fund.

*Limited supply of RMB denominated debt instruments*

Despite the development of offshore RMB debt instrument market, supply may lag the demand for offshore RMB debt instruments under certain circumstances. In some cases, new issues of offshore RMB debt instruments may be oversubscribed and may be priced higher than and/or trade with a lower yield than equivalent onshore RMB debt instruments. The recent opening up of the onshore RMB debt instruments market may lead to the convergence of the yields in the two markets. This may result in higher yields for the offshore RMB debt instruments and, consequently, decrease the price of such offshore RMB debt instruments. This may adversely affect the net asset value of the underlying fund and hence the RMB Bond Fund.

Certain offshore RMB debt instruments available in the market may not meet the requirements under Schedule 1 to the MPF General Regulation. Although the Investment Manager expects that there will be sufficient issues of debt instruments that meet the requirements for the underlying fund to construct its investment portfolio, the choice of investment may not be as diverse as other types of funds, and this may result in concentration of credit risk. However, this risk is minimised as the exposure to any single issuer is limited to the maximum level of 10% of the net asset value of the underlying fund (except for bodies such as governments as permitted under Schedule 1 to MPF General Regulation).

4. Risks applicable to Invesco Hang Seng Index Tracking Fund

The Invesco Hang Seng Index Tracking Fund achieves its investment objectives by investing in TraHK, an ITCIS to track the performance of an underlying index (i.e. the Hang Seng Index). The Invesco Hang Seng Index Tracking Fund is, therefore, subject to risks associated with investment in ITCIS generally and the specific risks of investing in TraHK and the Hang Seng Index via investment in TraHK.

None of the manager of the TraHK (State Street Global Advisors Asia Limited), the trustee of the TraHK (State Street Bank and Trust Company), Exchange Fund Investment Limited or the Hong Kong Government are related to the Master Trust or the Invesco Hang Seng Index Tracking Fund and none of these entities will have any liability in connection with the Master Trust or the Invesco Hang Seng Index Tracking Fund.

5. General risks of investing in ITCIS

*Market risk of the sector or market tracked by the relevant index / Passive investment*

The Invesco Hang Seng Index Tracking Fund is subject to the fluctuations and adverse conditions in the sector or market which the relevant index seeks to track. The Investment Manager does not have discretion to take defensive positions where the market(s) represented by the relevant index decline. Hence, any fall in the underlying index will result in corresponding fall in the value of the ITCIS and hence the Invesco Hang Seng Index Tracking Fund. Furthermore, since an underlying index may focus on a particular market, geographical region or industry, investments of an ITCIS may be concentrated in the securities of a single issuer or several issuers when the ITCIS endeavours to match as closely as practicable its holdings of constituent stocks of the index. Therefore, the Invesco Hang Seng Index Tracking Fund may be subject to the additional risks of concentration in these markets, regions or industries.

*Risk relating to information used for computation of index*

There is no guarantee that the information used in connection with the computation of the relevant index is free from inaccuracies, omissions, mistakes, errors or incompleteness. The underlying index may not be able to achieve its intended objective in tracking the performance of a particular market, geographical region or industry.

*Risk relating to investment in financial derivatives instrument*

An ITCIS may invest in financial derivatives instruments to gain exposure to the constituent stocks of the underlying index. In such circumstance, the ITCIS will be subject to insolvency or default risk of the issuers or counterparties of these instruments. Any default or failure to perform its obligations by such issuers may lead to substantial loss to the ITCIS, which may in turn affect the value of the Invesco Hang Seng Index Tracking Fund.

*The index composition may change over time which may affect performance*

The index composition may change from time to time and the Investment Manager has no control over the selection of the constituent stocks comprising of the index. Generally, an underlying ITCIS's holding of constituent stock may not exceed the constituent stock's weighting in the relevant index, except where the weighting is exceeded as a result of changes in the composition of the relevant index where the excess is only transitional and temporary in nature, where such excess is due to purchase of board lots or where such excess is due to the implementation of a documented sampling or optimization technique the purpose of which is for the underlying ITCIS to achieve its objective of tracking the relevant index.

*An ITCIS may be traded at a market price, which may be different from its net asset value and may fluctuate*

The market price of the units in an ITCIS may sometimes trade above or below its net asset value. There is a risk, therefore, that the Invesco Hang Seng Index Tracking Fund may not be able to buy or sell at a price close to the net asset value of the ITCIS. The deviation from net asset value is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for the constituent stocks of the index. The "bid/ask" spread (being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers) is another source of deviation from net asset value. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from net asset value.

*An ITCIS or an underlying index may be terminated*

Any license granted to the service provider of the underlying ITCIS for the use of, and reference to, the respective underlying index, may be terminated, or the underlying index may cease to be operated or available. As a result, the underlying ITCIS may be terminated. In such circumstances, the Investment Manager may, subject to the prior approval of the MPFA and the SFC, seek a replacement of the ITCIS. The Invesco Hang Seng Index Tracking Fund may also be terminated if no suitable replacement underlying fund is found.

6. Specific risks associated with investment in TraHK and the Hang Seng Index

*No guarantee of the performance of the TraHK*

Members should be aware that the performance of the TraHK and the performance by the manager of the TraHK and the trustee of the TraHK of their respective obligations are not guaranteed by the Hong Kong Government and that the Hong Kong Government has given no guarantee or assurance that the investment objective of the TraHK will be met. Members may refer to the prospectus of TraHK for further details on risks associated with investment in TraHK, which is available at the TraHK official website: http://www.trahk.com.hk[3].

*Tracking of the Hang Seng Index*

(i) Risk of failure to fully replicate the performance of the Hang Seng Index

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

There can be no assurance that the performance of the Invesco Hang Seng Index Tracking Fund and the ITCIS (i.e. TraHK) will at any time be identical to that of the Hang Seng Index. Further information on the Hang Seng Index can be found in "FURTHER INFORMATION ON THE HANG SENG INDEX" of this Brochure.

*At the TraHK level*

The manager of the TraHK reviews the stocks held in the TraHK's portfolio on each business day, checking those stocks against the constituent stocks of the Hang Seng Index and comparing the weighting of each stock in the TraHK's portfolio to the weighting of the corresponding constituent stock in the Hang Seng Index.

Members should be aware that whilst the Invesco Hang Seng Index Tracking Fund through its investment in the TraHK (which, in turn, invests all, or substantially all, of its assets in the shares in the constituent companies of the Hang Seng Index in substantially the same weightings as they appear in the Hang Seng Index) aims to achieve a return which follows the trend of the Hang Seng Index, there is no guarantee or assurance of exact or identical replication at any time of the performance of the Hang Seng Index.

Changes in the net asset value of the TraHK are unlikely to replicate exactly changes in the Hang Seng Index. This is due to, among other things, the fees and expenses payable by the TraHK and transaction fees and stamp duty incurred in adjusting the composition of the TraHK's portfolio because of changes in the Hang Seng Index and dividends received, but not distributed, by the TraHK. In addition, as a result of the unavailability of the shares listed on the Stock Exchange of Hong Kong Limited of those companies which are for the time being the constituent companies of the Hang Seng Index ("**Index Shares**"), the transaction costs in making an adjustment outweighing the anticipated benefits of such adjustment or for certain other reasons, there may be timing differences between changes in the Hang Seng Index and the corresponding adjustment to the shares which comprise the TraHK's portfolio. During times when Index Shares are unavailable or when the manager of the TraHK determines it is in the best interests of the TraHK to do so, the TraHK may maintain a small cash position or invest in other permitted contracts or investments until Index Shares become available. The TraHK may also hold future Index Shares and/or former Index Shares. Such costs, expenses, cash balances, timing differences or holdings could cause the TraHK's net asset value to be lower or higher than the relative level of the Hang Seng Index.

In the event that there is any deviation between the TraHK's portfolio and the composition and weighting of the Hang Seng Index thereby giving rise to a tracking error which is considered by the manager of the TraHK to be significant taking into account the investment objective, the manager would effect adjustments of the TraHK's portfolio which it considers appropriate as soon as it is reasonably practicable, after considering transaction costs and the impact, if any, on the market. However, it will not always be efficient to replicate or attempt to replicate identically the share composition of the Hang Seng Index, for example, if the transaction costs to be incurred by the TraHK in performing adjustments of the nature just mentioned would outweigh the anticipated reduction in the tracking error, that would result from failure to reflect minor changes in the Hang Seng Index. Minor mis-weightings are, accordingly, likely to occur. It should also be noted that the manager of the TraHK may be restricted from effecting certain adjustments or required to perform certain adjustments by applicable laws and regulations.

*At the constituent fund level*

Due to the delay in actually subscribing for units in the TraHK arising from the time required to process instructions to invest in the Invesco Hang Seng Index Tracking Fund in the initial period, the tracking error and the performance of the Invesco Hang Seng Index Tracking Fund may respectively be bigger and poorer immediately after launch although such a phenomenon is expected to diminish over time as the fund size of the Invesco Hang Seng Index Tracking Fund grows. Other than the above, due to the fact that the Invesco Hang Seng Index Tracking Fund will hold idle cash to meet redemption / switching requests and the calculation of performance of the Invesco Hang Seng Index Tracking Fund is on an after-fee basis, tracking error resulted from such cash holding and fee deduction from the Invesco Hang Seng Index Tracking Fund would be unavoidable.

(ii) Hang Seng Index Risk Factors

(a) Hang Seng Index is subject to fluctuations

The investment objective of the TraHK is to provide investment results that closely correspond to the performance of the Hang Seng Index. In the past, the Hang Seng Index has experienced periods of volatility and decline. The Hang Seng Index may experience such volatility or decline again in the future. If the Hang Seng Index experiences volatility or declines, the price of the units in the TraHK will vary or decline accordingly.

(b) Composition of the Hang Seng Index may change

The companies which comprise the Hang Seng Index are determined by Hang Seng Indexes Company Limited ("**HSIL**") from time to time. The composition of the Hang Seng Index may change if one of the constituent companies were to delist its shares or if a new company were to list its shares on the Stock Exchange of Hong Kong Limited and be added to the Hang Seng Index. If this happens, the weighting or composition of the shares owned by the TraHK would be changed as considered appropriate by its manager in order to achieve its investment objective. Thus, an investment in the TraHK will generally reflect the Hang Seng Index as its constituents change from time to time, and will not be necessarily the way it is comprised at the time of an investment in the TraHK.

(c) Concentration of the Hang Seng Index in certain economic sectors and companies

The constituent companies of the Hang Seng Index may be concentrated in a few industry sectors and as a result, variations in the performance of these sectors could have a larger effect on the price of the units in the TraHK than a similar variation in the performance of other sectors comprised in the Hang Seng Index. Declines in the share price of companies in the Hang Seng Index may result in declines in the price of units in the TraHK.

(d) Licence to use Hang Seng Index may be terminated

The manager and the trustee of the TraHK have been granted a licence by Hang Seng Data Services Limited ("**HSDS**") and HSIL to use the Hang Seng Index as a basis for determining the composition of the TraHK and to use certain trade marks or any copyright in the Hang Seng Index. The TraHK may not be able to fulfil its objective and may be terminated if the licence agreement (the "**HSI Licence Agreement**") between HSDS, HSIL, the trustee and the manager of the TraHK is terminated. The TraHK may also be terminated if the Hang Seng Index ceases to be compiled or published and there is no replacement index, using, in the opinions of the manager, the trustee and the supervisory committee of the TraHK, the same or substantially similar formula for the method of calculation as used in calculating the Hang Seng Index. In the event that the TraHK is terminated in such circumstances, the Invesco Hang Seng Index Tracking Fund may be terminated if no suitable replacement underlying fund is found.

(e) Compilation of Hang Seng Index

No warranty, representation or guarantee is given as to the accuracy or completeness of the Hang Seng Index and its computation or any information related thereto. The process and the basis of computing and compiling the Hang Seng Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by HSIL without notice. HSIL and HSDS accept no responsibility or liability for any inaccuracies, omissions, mistakes or errors of HSIL in the computation of the Hang Seng Index or for any economic or other loss which may be directly or indirectly sustained by an investor as a result thereof. The HSI Licence Agreement expressly excludes any duty on HSIL to exercise reasonable skill, care or diligence in relation to the Hang Seng Index, its computation of the Hang Seng Index, the collection and use of information for computing the Hang Seng Index or the change by HSIL of the composition and weighting of the constituent companies.

7. Core Accumulation Fund and Age 65 Plus Fund

The asset allocation of each of the CAF and A65F is prescribed under the MPF Ordinance. This may limit the ability of the investment manager of the underlying investment funds of the CAF and A65F to adjust the portfolio allocation in accordance with market conditions. It is possible that the underlying investment funds have to continuously buy additional higher risk assets during market crash so as to bring up the exposure of the underlying investment funds to higher risk assets to the prescribed minimum level. In addition, in order to maintain the prescribed asset allocation, investments of the underlying investment funds may be periodically rebalanced and therefore they may incur greater transaction costs than funds with static allocation strategy.

For risk factors relating to investing in the CAF and A65F as part of the DIS, please refer to the section "Risks associated with Default Investment Strategy" above.

## Risk Class

Information about the latest risk class of each Constituent Fund under the Master Trust is available in the latest fund fact sheet of the Master Trust and the following website www.invesco.com.hk/mpf.

Fee Table

The following table describes the fees, expenses and charges that participating employers and members may pay upon and after joining the scheme. Important definitions and explanatory notes are set out at the bottom of the table.

| (A) JOINING FEE & ANNUAL FEE | | |
|---|---|---|
| Type of fees | Current amount (HK$)<br>(All classes of Units) | Payable by |
| Joining fee [1] | Up to $8,000* | Employer and Self-employed person |
| Annual fee [2] | N/A | N/A |

* *The Sponsor shall have full discretion to waive the joining fee for self-employed persons.*

| (B) FEES, EXPENSES AND CHARGES PAYABLE ARISING FROM TRANSACTIONS IN INDIVIDUAL MEMBER'S ACCOUNT | | | |
|---|---|---|---|
| Types of fees, expenses & charges | Name of Constituent Fund | Current level<br>(All classes of Units) | Payable by |
| Contribution charge [3] | All Constituent Funds | N/A | N/A |
| Offer spread [4] | MPF Conservative Fund | N/A | N/A |
| | All other Constituent Funds | currently waived | Member |
| Bid spread [5] | MPF Conservative Fund | N/A | N/A |
| | All other Constituent Funds | currently waived | Member |
| Withdrawal charge [6] | All Constituent Funds | N/A | N/A |

| (C) FEES, EXPENSES AND CHARGES OF CONSTITUENT FUNDS | | | | | |
|---|---|---|---|---|---|
| Type of fees, expenses & charges | Name of Constituent Fund | Current level (Unit Class) | | | Deducted from |
| | | A | G | H | |
| Management fee [7, 17] | MPF Conservative Fund [8] | 0.663% p.a. of NAV | N/A | 0.663% p.a. of NAV | Relevant Constituent Fund assets |
| | Guaranteed Fund [9] | N/A | 1.425% p.a. of NAV | N/A | |
| | Invesco Hang Seng Index Tracking Fund [10] | 0.775% p.a. of NAV | N/A | 0.725% p.a. of NAV | |
| | Core Accumulation Fund[16] | 0.67% p.a. of NAV | N/A | 0.67% p.a. of NAV | |

| | | | | | |
|---|---|---|---|---|---|
| | Age 65 Plus Fund[16] | 0.67% p.a. of NAV | N/A | 0.67% p.a. of NAV | |
| | All other Constituent Funds [10] | 1.075% p.a. of NAV | N/A | 0.955% p.a. of NAV [11] | |
| Guarantee charge | Guaranteed Fund | N/A | N/A | N/A | N/A |
| Other expenses | ▪ Each Constituent Fund will bear the costs set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to a Constituent Fund, each Constituent Fund will bear such costs in proportion to its respective net asset value or in such other manner as the Sponsor with the approval of the Trustee shall consider fair.<br>▪ Such costs include but are not limited to the costs of investing and realizing the investments of the Constituent Funds, the fees and expenses of custodians of the assets of the Master Trust, the fees and expenses of the auditors, valuation costs, legal fees, the statutory compensation fund levy (if any), premiums payable in respect of the Trustee's indemnity insurance, the costs incurred in connection with any regulatory approval (including any ongoing annual fees) and the costs incurred in the preparation and printing of any prospectus. Recurrent out-of-pocket expenses relating to each of the DIS Funds are subject to a statutory annual limit of 0.20% of the net asset value of each of the DIS Funds and will not be imposed on the relevant DIS Fund in excess of that amount. Please refer to note 16 in the sub-section headed "Definitions & Notes" below for further details relating to the DIS Funds.<br>▪ The costs of establishing the Master Trust (excluding the Core Accumulation Fund and the Age 65 Plus Fund) have been amortised in full.<br>▪ The costs of establishing the Core Accumulation Fund and the Age 65 Plus Fund were approximately HK$500,000 and HK$500,000 respectively. The costs are borne by the Core Accumulation Fund and the Age 65 Plus Fund and are being amortised over the first five years from 1 April 2017 unless the Trustee and the Sponsor agree that some other amortisation period is appropriate.<br>▪ Each Constituent Fund investing in an underlying ITCIS is further subject to a licensing fee (for using the underlying index). | | | | |

(D) FEES, EXPENSES AND CHARGES OF UNDERLYING FUNDS

| Type of fees, expenses & charges | Name of Constituent Fund | Name of Underlying Funds | Current level | Deducted from |
|---|---|---|---|---|
| Management fee[7, 18] | Guaranteed Fund | For the APIF guaranteed by the Guarantor ("**PIC APIF**") | 0%[19] | |
| | Invesco Hang Seng Index Tracking Fund | For TraHK | up to 0.10% p.a. of NAV [14] | The TraHK's assets |
| | Core Accumulation Fund | For each APIF managed by the Investment Manager ("**Invesco APIF**") | 0.08% p.a. of NAV[16] | Relevant APIF assets |
| | Age 65 Plus Fund | | | |
| | Hong Kong and China Equity Fund, Asian Equity Fund, Growth | For each underlying Invesco APIF | 0.10% p.a. of NAV[12] | Relevant APIF assets |

| | | | | |
|---|---|---|---|---|
| | Fund, Balanced Fund, Capital Stable Fund, Global Bond Fund and RMB Bond Fund | | | |
| Guarantee charge[13] | For the PIC APIF | | 1.0% p.a. of NAV | Relevant APIF assets |
| Other expenses | In relation to Invesco APIF:<br>▪ Each Invesco APIF will bear the costs set out in its trust deed which are directly attributable to it. Where such costs are not directly attributable to an Invesco APIF, each Invesco APIF will bear such costs in proportion to its respective net asset value or in such other manner as its manager with the approval of its trustee shall consider fair.<br>▪ Such costs include but are not limited to the costs of investing and realizing the investments of the Invesco APIF, the fees and expenses of custodians of the assets of the Invesco APIF, the fees and expenses of the auditors, the costs of obtaining any relevant or necessary insurance, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval (including any ongoing annual fees) and the costs of holding meetings of investors in the Invesco APIFs and the costs incurred in the preparation and printing of any prospectus.<br>In relation to underlying ITCIS:<br>▪ Each underlying ITCIS will bear its costs and operating expenses which may include but not limited to the fees and expenses of custodians, sub-custodians, registrar, auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs incurred in the preparation and printing of any offering document and the license fee (if any).<br>In relation to the underlying investment funds of the DIS Funds, please refer to note 16 in the sub-section headed "Definitions & Notes" below for further details. | | | |

| (E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES |
|---|
| ▪ Statement Fee - Members will receive an annual benefit statement and are entitled to request for additional interim statements 4 times a year free of charge. For any additional request, the Trustee is entitled to charge the member a fee up to HK$100.<br>▪ Necessary Transaction Costs – A member may be required to pay a fee of an amount representing the necessary transaction costs incurred or reasonably likely to be incurred by the Trustee in selling or purchasing investments in order to give effect to a Switching Instruction. Such fees are currently waived.<br>▪ FVC/Voluntary Contributions Withdrawal Fee[15] - Members other than employee members are entitled to make up to 4 withdrawals of their voluntary contributions in each calendar year free of charge. All members are entitled to make up to 4 withdrawals of their FVC in each calendar year free of charge. Each additional withdrawal in the same calendar year is subject to a fee of up to HK$100 payable to the Trustee unless otherwise waived by the Sponsor or the Trustee. The FVC/voluntary contributions withdrawal fee does not apply to the withdrawal of FVC and voluntary contributions invested in the DIS Funds. Such fee shall not be charged to or imposed on the member if such member has all or part of his / her accrued benefits invested in the DIS Funds as at the time when the Trustee receives such request from such member.<br>▪ Copies of the Trust Deed and the documents referred to under "Documents Available for Inspection" can be purchased from the Sponsor on payment of a reasonable fee of up to HK$500. |

Definitions & Notes

1. "**Joining fee**" means the one-off fee the Sponsor is entitled to charge and payable by the employers and self-employed persons upon joining the Master Trust.

2. "**Annual fee**" means a fee charged by the trustee/sponsor of a scheme on an annual basis and payable by the employers and/or members of the scheme.

   - The Trustee/Sponsor does not levy this fee.

3. "**Contribution charge**" means a fee charged by the trustee/sponsor of a scheme against any contributions paid to the scheme. This fee is usually charged as a percentage of contributions and will be deducted from the contributions. This charge does not apply to MPF Conservative Fund.

   The Contribution Charge is not levied on a transfer of accrued benefits into the Master Trust.

   - The Trustee/Sponsor does not levy this charge.

4. "**Offer spread**" is charged by the Sponsor upon subscription of units of a Constituent Fund by a member. Offer spread does not apply to MPF Conservative Fund. Offer spread for a transfer of benefits can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or purchasing investments in order to give effect to the transfer and are payable to a party other than the trustee.

   Except on (1) a transfer to another account within the Master Trust or to another scheme, or (2) switching from a Constituent Fund to another Constituent Fund within the Master Trust, the Sponsor may charge an offer spread of up to 3% of the issue price on each Unit issued.

   - This charge is currently waived.

5. "**Bid spread**" is charged by the Sponsor upon redemption of units of a Constituent Fund by a member. Bid spread does not apply to MPF Conservative Fund. Bid spread for a transfer of benefits, withdrawal of benefits in a lump sum or by instalments can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or purchasing investments in order to give effect to the transfer or withdrawal and are payable to a party other than the trustee.

   Except on (1) a transfer to another account within the Master Trust or to another scheme, or (2) switching from a Constituent Fund to another Constituent Fund within the Master Trust, the Sponsor may charge a bid spread of up to 3% of the realisation price on each Unit realized.

   - This charge is currently waived.

6. "**Withdrawal charge**" means a fee charged by the trustee/sponsor of a scheme upon withdrawal of accrued benefits from the scheme. This fee is usually charged as a percentage of the withdrawal amount and will be deducted from the withdrawal amount. This charge does not apply to MPF Conservative Fund. A withdrawal charge for withdrawal of benefits in a lump sum or by instalments can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or purchasing investments in order to give effect to the withdrawal and are payable to a party other than the trustee.

   - The Trustee/Sponsor does not levy this charge.

7. "**Management fee**" include fees paid to the sponsor or promoter (if any), the trustee, custodian, administrator, and investment manager/manager for providing their services to the relevant fund. They are usually charged as a percentage of the net asset value of the relevant fund. In the case of the DIS Funds, management fees payable to the parties named above, or their delegates, can only (subject to certain exceptions in the MPF Ordinance) be charged as a percentage of the net asset value of a DIS Fund. These management fees are also subject to a statutory daily limit equivalent to 0.75% per annum of the net asset value of the relevant DIS Fund which applies across both the relevant DIS Fund and its underlying investment fund(s).

8. For the MPF Conservative Fund, all fees, charges and expenses will only be payable out of the fund to the extent permitted by the MPF Ordinance and the MPF General Regulation. Fees and charges of an MPF Conservative Fund can be deducted from either (i) the assets of the fund or (ii) members' account by way of unit deduction. The MPF Conservative Fund uses method (i) and, therefore, unit price/net asset value/fund performance quoted have incorporated the impact of fees and charges. The Sponsor will bear any charges or expenses attributable to the MPF Conservative Fund which are not permitted to be payable out of the MPF Conservative Fund.

9. For the Guaranteed Fund, the total fees of 1.425% p.a. include the fees payable to the Sponsor, the Investment Manager, the Trustee, the management fee of 0.68% to 0.74% p.a. payable to the manager of the underlying APIFs including approved ITCIS in which the Guaranteed Fund invests (excluding the guarantee charge).

10. In respect of the Management fee in note 7 above, the fees paid to the Sponsor are subject to a maximum rate of 1% p.a., the fees paid to the Investment Manager are subject to a maximum rate of 2% p.a. and the rate of trustee fee is subject to a maximum rate of 1.5% p.a.. The Trustee is also entitled to receive various transaction and processing fees in accordance with its normal scale of charges. The sponsor's fee, the management fee and trustee fee are calculated and accrued on each valuation date and are paid monthly in arrears.

11. The Investment Manager may in its discretion on giving written notice to the Trustee agree a lower rate of management fee for Class H Units of the Global Bond Fund, Capital Stable Fund, Balanced Fund, Growth Fund, Asian Equity Fund, Hong Kong and China Equity Fund, RMB Bond Fund and Invesco Hang Seng Index Tracking Fund with individual employers eligible for Class H Units.

12. This includes fees paid to the trustee and administrator, and manager of each Invesco APIF. Global Bond Fund, Capital Stable Fund, Balanced Fund, Growth Fund, Asian Equity Fund, Hong Kong and China Equity Fund and RMB Bond Fund invest in Class B Units of the Invesco APIFs. Currently Class B Units of the Invesco APIFs do not bear management fees. The fee paid to the trustee and administrator may be increased up to a maximum rate of 1% p.a. on giving not less than 3 months' notice to affected investors in the Invesco APIFs. This fee accrues daily is calculated on each dealing day and is paid monthly in arrears.

13. "Guarantee charge" refers to an amount that is deducted out of the assets of the PIC APIF on each dealing day and credited to the reserve fund maintained by the Guarantor for the purpose of providing the guarantee. This fee is charged as a percentage of the net asset value of the PIC APIF.

14. This includes the management fee of up to 0.05% p.a. payable to the manager of the underlying ITCIS and the trustee fee of up to 0.05% p.a. payable to the trustee of the underlying ITCIS.

15. "FVC/Voluntary Contributions Withdrawal Fee" refers to a fee charged by the Trustee for providing services to members for withdrawal of FVC/voluntary contributions.

16. In accordance with the MPF legislation, the aggregate of the payments for services of the DIS Funds, i.e. the Core Accumulation Fund and Age 65 Plus Fund must not, in a single day, exceed a daily rate of 0.75% per annum of the net asset value of each of the DIS Funds divided by the number of days in the year.

    The above aggregate payments for services include, but is not limited to, the fees paid or payable for the services provided by the trustee (i.e. for providing trustee and administrative services to the Master Trust in accordance with the Trust Deed and the MPF legislation), the administrator (i.e. for providing administrative services to the Master Trust), the investment manager(s) (i.e. for providing investment management services), the custodian and the sponsor and/or promotor (if any) (i.e. for providing employer and member services to the Master Trust and determining the product features of the Master Trust, including but not limited to the investment objectives and policies of the Constituent Funds) of the Master Trust and the underlying investment fund(s) of the respective DIS Fund and any of the delegates from these parties and such fees are calculated as a percentage of the net asset value of the respective DIS Fund and its underlying investment fund(s), but does not include any out-of pocket expenses incurred by each DIS Fund and its underlying investment fund(s).

    In accordance with the MPF legislation, the total amount of all payments that are charged to or imposed on a DIS Fund or members who invest in a DIS Fund, for out-of-pocket expenses incurred by the Trustee on a recurrent basis in the discharge of the Trustee's duties to provide services in relation to the DIS Fund, shall not in a single year exceed 0.2% of the net asset value of the DIS Fund. For this purpose, out-of-pocket expenses include, for example, annual audit expenses, printing or postage expenses relating to recurrent activities (such as issuing annual benefit statements), recurrent legal and professional expenses, safe custody charges which are customarily not calculated as a percentage of the net asset value and transaction costs incurred by a DIS Fund in connection with recurrent acquisition of investments for the DIS Fund (including, for example, costs incurred in acquiring underlying investment funds) and annual statutory expenses (such as compensation fund levy where relevant) of the DIS Fund. Members should note that out-of-pocket expenses that are not incurred on a recurrent basis may still be charged to or imposed on a DIS Fund or members who invest in a DIS Fund and such out-of-pocket expenses are not subject to the above statutory limit.

17. The breakdown of the management fees of the Constituent Funds is as follows:

| Name of Constituent Fund | Unit Class(es) | Trustee fee / Administration fee (p.a. of NAV) | Investment management fee (p.a. of NAV) | Sponsor fee (p.a. of NAV) |
|---|---|---|---|---|
| MPF Conservative Fund | A and H | 0.363% | 0.2% | 0.1% |
| Guaranteed Fund | G | 0.525% | 0.8%* | 0.1% |
| Invesco Hang Seng Index Tracking Fund | A | 0.325% | 0.35% | 0.1% |
| | H | 0.295% | 0.33% | 0.1% |
| Core Accumulation Fund | A and H | 0.22% | 0.35% | 0.1% |
| Age 65 Plus Fund | A and H | 0.22% | 0.35% | 0.1% |
| All other Constituent Funds | A | 0.525% | 0.45% | 0.1% |
| | H | 0.525% | 0.33% | 0.1% |

* excluding the management fee allocated to the manager of the underlying APIFs as detailed in note 19 below, the investment management fee payable to the Investment Manager is 0.06% to 0.12% p.a..

18. The breakdown of the management fees of the underlying funds is as follows:

| Name of Constituent Fund | Name of underlying funds | Trustee fee* (p.a. of NAV) | Investment management fee (p.a. of NAV) |
|---|---|---|---|
| Guaranteed Fund | For the PIC APIF | N/A | 0%[19] |
| Invesco Hang Seng Index Tracking Fund | For TraHK | Up to 0.05% | Up to 0.05% |
| Core Accumulation Fund | For each underlying Invesco APIF | 0.08% | 0% |
| Age 65 Plus Fund | | | |
| Hong Kong and China Equity Fund, Asian Equity Fund, Growth Fund, Balanced Fund, Capital Stable Fund, Global Bond Fund and RMB Bond Fund | For each underlying Invesco APIF | 0.1% | 0% |

* includes an administration fee charged by the trustee

19. As set out in note 9 and note 17 above, the management fee of 0.68% to 0.74% p.a. payable to the manager of the underlying APIFs including approved ITCIS in which the Guaranteed Fund invests (excluding the guarantee charge) is allocated out of the investment management fee payable at the Constituent Fund level.

General

In respect of any increase in fees and charges of the Constituent Funds from the current level as stated above, at least three months prior notice must be given to all members and participating employers.

The fee table provided above does not take into account any fee rebate that may be offered to some members of the Master Trust.

No advertising or promotional expenses will be charged to the Master Trust or to the APIFs or ITCIS(s) in which the Master Trust invests.

A document that illustrates the on-going costs on contributions to the Constituent Funds in the Master Trust (except for the MPF Conservative Fund) is available for distribution with the prospectus. An illustrative example for the MPF Conservative Fund is currently available for distribution with this Brochure. Before making any investment decisions concerning investments in the Master Trust, you should ensure that you have the latest version of these documents. A copy of these documents can be obtained during normal office hours at the offices of the Sponsor and Trustee.

### Cash rebates / soft dollars

Neither the Investment Manager nor any of its connected persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them.

The Investment Manager and any of its connected or associated persons may effect transactions by or through the agency of another person who may from time to time provide to or procure for the Investment Manager or any of its connected persons, goods, services or other benefits, such as research and advisory services, computer hardware associated with specialised software or research services and performance measures etc., the nature of which is such that their provision can reasonably be expected to benefit the Master Trust as a whole and may contribute to an improvement in the Master Trust's performance and that of the Investment Manager or any of its connected persons in providing services to the Master Trust and for which no direct payment is made but instead the Investment Manager or any of its connected persons undertake to place business with that party. For the avoidance of doubt such goods and services do not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the Master Trust's accounts.

## Joining the Scheme

Employers, self-employed persons and all other eligible persons may join the Master Trust by executing a Participation Agreement. Under the Participation Agreement, they agree to be bound by the terms of the Trust Deed and to make mandatory contributions to the Master Trust as required by the MPF Ordinance. They may also agree to make voluntary contributions.

Any person who falls under any one of the following categories may open a TVC account (as defined in the MPF Ordinance) by completing the appropriate prescribed form:

- an employee member of an MPF scheme;
- a self-employed person member of an MPF scheme;
- a personal account holder of an MPF scheme;
- a member of an MPF exempted ORSO scheme (i.e. an occupational retirement scheme (as defined in the MPF Ordinance) exempted under section 5 of the MPF Ordinance).

Each eligible person can only have one TVC account under the Master Trust.

The Trustee may reject an application to make flexible voluntary contribution ("**FVC**"), 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 ("**Specified Grounds**").

## Contributions

### 1. Mandatory Contributions

Employee members and self-employed members who are 18 years of age or over and below 65 years of age and employers of such employee members are required to make mandatory contributions according to rates as specified in accordance with the MPF Ordinance.

Mandatory contributions must be paid to the Trustee within such times as are required by the MPF Ordinance.

### 2. Voluntary Contributions

On top of mandatory contributions, voluntary contributions may be made to the Master Trust, either on a regular basis or from time to time.

Voluntary contributions should be paid to the Trustee, at the same time and in the same manner as mandatory contributions. Unless otherwise specified by the employer in the relevant Participation Agreement, voluntary contributions made by an employer in respect of an employee member vest in that employee member immediately.

### 3. Special Contributions

Under the MPF Ordinance, the MPFA may pay a special contribution into the account of a member of a registered scheme. Any special contribution paid into the Master Trust will be handled by the Trustee in accordance with the MPF Ordinance and the Mandatory Provident Fund Schemes (General) Regulation ("**MPF General Regulation**").

Members can choose to make FVC at any time by giving notice to the Trustee in the specified form. The Trustee may reject FVC from members on any one or more of the Specified Grounds. FVC may be regular monthly contributions (subject to a minimum of HK$1,000 per contribution) and/or irregular lump sum contributions (subject to a minimum of HK$5,000 per contribution). Regular monthly contributions should be made by direct debit from a bank account in Hong Kong. Irregular lump sum contributions may be made by cheque or telegraphic transfer.

4. **Tax Deductible Voluntary Contributions** ("TVC")

Any person, who fulfils the eligibility requirements can set up a TVC account (having the meaning defined in the MPF Ordinance) and pay TVC into such account. TVC paid into the TVC account will be eligible for tax deduction up to a maximum tax deductible limit per year of assessment in accordance with the Inland Revenue Ordinance. With effect from 1 April 2019, the Master Trust offers TVC account to eligible persons.

The characteristics of TVC are as follows:

- TVC can only be made directly by eligible persons into a TVC account of an MPF scheme (meaning a registered scheme as defined in the MPF Ordinance) in order to enjoy tax concession, subject to relevant conditions set out below;

- Involvement of employers is not required;

- Though 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) will be preserved and can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation. Please refer to the sub-section "Entitlement to Benefits" under the section headed "Benefits" for details.

*Tax Concession Arrangement in TVC*

The maximum tax deductible limit per year of assessment for TVC is set out in the Inland Revenue Ordinance, and in the year of assessment 2019/2020, is HK$60,000. It should be noted that such maximum tax deductible limit is an aggregate limit for TVC and any premiums for qualifying deferred annuity policy ("**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. Investment involves risks and the accrued benefits derived from TVC ("**TVC balance**") in a TVC account (which is tax incentivized retirement savings) may go up as well as down.

To facilitate the tax return filing by TVC members, the Trustee will provide a tax deductible voluntary contributions summary to each TVC member if TVC is made by the TVC member to the Master Trust during a year of assessment. Such summary will be made available around the 10th of May after the end of the relevant year of assessment (i.e. before the end of a period of 40 days from the beginning of the next year of assessment commencing on 1 April).

*Contribution to TVC Account*

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 employers will not be eligible for claiming TVC tax deduction).

TVC is subject to the same vesting and preservation rules and withdrawal restrictions applicable to as mandatory contributions. This also applies to contributions that exceed the maximum tax deductible limit per year of assessment.

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. A TVC member can choose to make TVC at any time by giving notice to the Trustee in the prescribed form, which will provide further details as to the minimum amount, frequency and payment means of TVC contributions.

TVC will be fully vested in the TVC member once it is paid into the Master Trust.

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

TVC members can make their own fund selection or choose to invest in accordance with the DIS (as defined below) under the Master Trust according to their circumstances and risk appetite. If a TVC member fails to submit to the Trustee a valid specific investment instruction or does not make any investment choice at the time the TVC account is opened, his / her TVC will be invested in accordance with the DIS. Please refer to the section headed "Default Investment Strategy" for details of the DIS arrangement.

## Investment

### 1. Investment

The Trustee will apply contributions made to acquire Units in the Constituent Funds ("Units") in accordance with the specific investment instructions given by the member to the Trustee to invest his accrued benefits in the account according to the member's selection as permitted under the Trust Deed ("Investment Mandates"). Fractions of a Unit (rounded down to 5 decimal places) may be issued. Units will only be issued on a valuation date, normally within 5 business days after receipt of such contributions in cleared funds and in any event within 20 business days of such receipt. A valuation date refers to a business day, unless otherwise agreed by the Trustee and the Sponsor. No units will be issued where the determination of the net asset value of the relevant Constituent Fund is suspended. Pending the acquisition of Units in the Constituent Funds, the Trustee may hold contributions in an interest bearing deposit account with its bankers and any interest accrued will be used to offset the operating expenses of the Master Trust.

### 2. Investment Mandates

A member must inform the Trustee (by submitting a properly completed member enrolment form for new accounts and the prescribed forms for the Investment Mandate) how contributions (and accrued benefits transferred from other schemes) are to be invested in the Constituent Funds.

Members should give a valid Investment Mandate for each account specifying the investment allocations (in percentage terms) to the Constituent Fund(s) in respect of mandatory contributions (and accrued benefits transferred from other schemes), voluntary contributions (and accrued benefits transferred from other schemes, if any), flexible voluntary contributions (if any) and TVC (and accrued benefits transferred from a TVC account in other registered schemes, if any)(each a "**category of contributions**").

An Investment Mandate, in respect of a category of contributions, will only be regarded as valid if it complies with the following:

- the investment allocation to a Constituent Fund or the Default Investment Strategy is specified as an integer, i.e. minimum of 1%; and
- the total investment allocations to the selected Constituent Funds and/or the Default Investment Strategy are equal to 100%.

If an Investment Mandate does not comply with the above, including but not limited to cases where the investment allocation to a Constituent Fund and/or the Default Investment Strategy in respect of a category of contributions is specified as less than an integer of 1% or where the investment allocations to the selected Constituent Funds and/or the Default Investment Strategy in respect of a category of contributions add up to more than 100%, the Investment Mandate in respect of such category of contributions will be regarded as invalid. In addition, if the investment allocations to the selected Constituent Funds and/or the Default Investment Strategy in respect of a category of contributions add up to less than 100%, then (a) where the Investment Mandate in question is given in respect of enrolment of the member, then the relevant member will be regarded as not having given a valid Investment Mandate in respect of the shortfall, or (b) where the Investment Mandate in question is in respect of a change of Investment Mandate, then the relevant member will be regarded as not having given any valid Investment Mandate in respect of the change and all investments will be made in the same way as before until valid Investment Mandate is received by the Trustee. If a member does not give any Investment Mandate or where all or part of the Investment Mandate is regarded as invalid:

- Regular FVC will not be debited from the relevant member's bank account.
- Lump sum FVC will be returned without interest to the member by cheque or telegraphic transfer at the risk and expense of the relevant member.

- In respect of new accounts set up on or after 1 April 2017, the Trustee will invest all or part (as the case may be) of non-FVC in the DIS. For further details, please refer to the sub-section headed "Circumstances for Accrued Benefits to be Invested in the DIS" in the section headed "Default Investment Strategy".

The amount of FVC a member may invest in the Guaranteed Fund in any one financial year is subject to a maximum determined by the Guarantor. The current maximum is HK$300,000. **Any FVC made to the Guaranteed Fund in any one financial year (including as a result of a switching instruction) in excess of the current maximum will be invested in the MPF Conservative Fund.** Such maximum amount may be adjusted in the future. The Sponsor will give at least three months' notice (or such other period of notice as the MPFA or the SFC may agree) to participating employers and members of any change in the maximum amount of FVC that can be invested in the Guaranteed Fund in any one financial year.

## Benefits

### 1. Entitlement to Benefits

A member will become entitled to benefits in respect of "**mandatory contributions**" and "**TVC**" to the Master Trust in the circumstances set out in the MPF Ordinance.

An employee member will become entitled to benefits in respect of "**voluntary contributions**" to the Master Trust on leaving employment (or other circumstances set out in the Trust Deed and the relevant Participation Agreement).

Members other than employee members are entitled to request the Trustee to pay all or part of the benefits in respect of the members' voluntary contributions at any time. All members are entitled to request the Trustee to pay all or part of their benefits in respect of their FVC at any time. The first 4 withdrawals of the voluntary contributions and the first 4 withdrawals of the FVC in each calendar year are free of charge. There is no minimum withdrawal amount. Please refer to the "Fees and Charges" section above.

Unclaimed benefits will continue to be held and invested in the Master Trust, subject to the provisions of the MPF Ordinance.

### 2. Realisation of Units

Where a member becomes entitled to benefits and a claim is submitted for such benefits, the Trustee will realise Units credited to the account of the member to meet such claim for benefits. Units will normally be realised within 5 business days of the later of:

(i) the entitlement date; and

(ii) the date on which the Trustee receives satisfactory notice of such entitlement (together with appropriate supporting documentation)

In any event, Units will be realised within 20 business days of the later date of the above.

For calculation of realisation price, please refer to "Calculation of Issue and Realisation Prices" below.

Realisation of Units will be suspended and payment of benefits will be delayed where the determination of the net asset value of the relevant Constituent Fund is suspended (for further details see "Suspension of Calculation of Net Asset Value" below).

To protect the interests of members, the Trustee is entitled to limit the number of Units relating to any Constituent Fund realised on any valuation date to 10% of the total value of Units relating to that Constituent Fund in issue. In this event, the limitation will apply pro rata to all members in respect of whom Units of that Constituent Fund are realised on that valuation date so that the proportion by value of such Units realised in respect of each member is the same. Units not realised as a result of such limit will be carried forward to the next valuation date for realisation, subject to the same limitation. If realisations are so carried forward, the Trustee will inform the members concerned.

### 3. Payment of Benefits

*Withdrawal in a lump sum*

Subject as noted below, lump sum benefits (including amounts attributable to voluntary contributions, but excluding amounts subject to offset as described below) will be paid as soon as reasonably practicable and in any event not later than the later of (i) 30 days after the date on which the claim is lodged and (ii) 30 days after the contribution day in respect of the last contribution period that ends before the claim is lodged.

*Withdrawal by instalment*

A Member ("**Eligible Member**") who becomes entitled to benefits in respect of mandatory contributions, TVC and, where applicable, voluntary contributions (together "**Eligible Benefits**") upon reaching the age of 65 or, after reaching the age of 60 and has permanently ceased employment or self-employment, may elect to have his Eligible Benefits paid in a lump sum or by instalments (i.e. partial payment). Such election is not available in other circumstances when a member becomes entitled to benefits in respect of mandatory contributions, TVC and/or voluntary contributions and the benefits will be paid in a lump sum only.

If an Eligible Member elects to have his benefits paid by instalments (i.e. partial payment), for each instalment, he is required to give instructions to the Trustee by submitting a separate claim form (available from the Trustee) specifying the account and the amount of withdrawal.

To meet each withdrawal request, the Eligible Benefits in all of the Constituent Funds (including the Guaranteed Fund) held by the Eligible Member in the relevant account will be realised on a pro rata basis, or in such other manner as the Trustee shall, in consultation with the Sponsor, deem appropriate and notify to the relevant Eligible Member. Such withdrawal instructions will apply to benefits (i) in respect of TVC and (ii) in respect of mandatory contributions and, where applicable, voluntary contributions in the same account on a pro rata basis. In the following illustrative example where realisation is on a pro rata basis, the Eligible Member is entitled to Eligible Benefits derived from mandatory contributions and voluntary contributions in total of HK$100,000, and he has given a withdrawal request to withdraw HK$10,000 (i.e. 10% of his Eligible Benefits):

| *Balance before withdrawal of HK$10,000* | Eligible Benefits derived from mandatory contributions | Eligible Benefits derived from voluntary contributions | Total Eligible Benefits |
|---|---|---|---|
| Constituent Fund A | HK$50,000 | HK$30,000 | HK$80,000 |
| Constituent Fund B | HK$0 | HK$20,000 | HK$20,000 |
| Total | HK$50,000 | HK$50,000 | HK$100,000 |

| *Withdrawal of HK$10,000* | Eligible Benefits derived from mandatory contributions | Eligible Benefits derived from voluntary contributions | Total withdrawal |
|---|---|---|---|
| Constituent Fund A | HK$5,000 | HK$3,000 | HK$8,000 |
| Constituent Fund B | HK$0 | HK$2,000 | HK$2,000 |
| Total | HK$5,000 | HK$5,000 | HK$10,000 |

| *Balance after withdrawal of HK$10,000* | Eligible Benefits derived from mandatory contributions | Eligible Benefits derived from voluntary contributions | Total Eligible Benefits |
|---|---|---|---|
| Constituent Fund A | HK$45,000 | HK$27,000 | HK$72,000 |
| Constituent Fund B | HK$0 | HK$18,000 | HK$18,000 |
| Total | HK$45,000 | HK$45,000 | HK$90,000 |

Unless otherwise agreed between the Trustee and the Eligible Member, and subject as noted in "Other points to note" below in this section, the Trustee will pay each instalment to such Eligible Member no later than 30 days after the date on which the Eligible Member instructs the Trustee to pay that instalment.

Eligible Members who hold any Eligible Benefits in the Guaranteed Fund should take note of the effect of partial withdrawal on guarantee entitlement in the Guaranteed Fund. For further details, please refer to the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure, including the sections "Provision of Guarantee" and "Meaning of "valid claim"".

**If you are currently investing in the Guaranteed Fund, a partial withdrawal of the Eligible Benefits may affect your entitlement to the guarantee and you may lose your guarantee. The guarantee charge will continue to apply to investments that remain in the Guaranteed Fund. For details please carefully review the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure, or contact us at INVESCall Member Hotline at (852) 2842 7878 before making any such withdrawal.**

Members should note that in the case of withdrawal of benefits by instalments, any balance remaining in a Member's account will continue to be invested in the relevant Constituent Fund(s) and therefore subject to investment risks.

*Other points to note*

If an Eligible Member who ceases employment fails to file a claim for his Eligible Benefits under the Master Trust and does not make an election pursuant to section 146 of the Mandatory Provident Fund Schemes (General) Regulation, then the Eligible Benefits will be transferred to a personal account under the Master Trust pursuant to the applicable regulations and the Trust Deed.

Benefits derived from employer contributions made by an employer of an employee member may be applied towards offsetting against any severance payment or long service payment made by the employer to the employee member. Subject to the relevant Participation Agreement, the trust deed and to the extent permitted by the MPF Ordinance, the amount subject to offset will be borne firstly out of the vested portion of the employer's voluntary contribution balance (which, for the avoidance of doubt, may include the employer's contribution balance transferred from ORSO, if applicable) (if any), and then out of the employer's mandatory contribution balance. For the effect on investment in the Guaranteed Fund on any claim by an employer for severance or long service payment, see "Effect of investment in Guaranteed Fund on Employer's claim for severance or long service payment".

Payment of benefits may be delayed in certain circumstances pursuant to the MPF Ordinance, including where the Master Trust is being audited or investigated at the instigation of the MPFA. Benefits will be paid in HK dollars to the relevant recipient, at the recipient's risk, by cheque unless otherwise agreed between the Trustee and the relevant recipient. Bank charges (if any, and to the extent permitted by the MPF Ordinance) incurred in making payment may be borne by the relevant recipient and accordingly may be deducted from the amount of the benefit.

### Switching

Members can switch all or part of the Units of a Constituent Fund credited to his account to another Constituent Fund or Constituent Funds or the DIS by giving a switching instruction to the Trustee in a prescribed format **("Switching Instruction"). The amount of FVC a member may invest in the Guaranteed Fund in any one financial year (including as a result of a Switching Instruction) may not exceed HK$300,000. If a Switching Instruction would result in the amount of a member's FVC invested in the Guaranteed Fund in any one financial year exceeding HK$300,000, the excess amount will be invested in the MPF Conservative Fund.**

If a member gives a Switching Instruction relating to a member's scheme account that is invested in the Guaranteed Fund e.g. member's voluntary contributions (even only relating to a portion of Units in the member's voluntary contribution scheme accounts), the remaining Units in the member's voluntary contribution scheme accounts will be treated as a new investment in the Guaranteed Fund. **That means the 36-month period of investment required for the relevant scheme account to qualify for the guarantee in the circumstances of termination of employment will be reduced to zero and begin anew from the effective date of the Switching Instruction. In addition, the guaranteed rate of return on contributions credited to the relevant scheme account and invested (through the Guaranteed Fund) in the underlying APIF in which the Guaranteed Fund invests on or before 30 September 2004 will be reduced to the "new applicable rate", currently 1% p.a., as described in the sub-section headed "Description of the Guaranteed Fund" under the section headed**

"Other Information" in this Brochure. Please refer to the abovementioned section to this Brochure for further description as to how the guaranteed amount would be calculated following a switch out of the Guaranteed Fund.

Generally, if a valid Switching Instruction, which may be sent by mail, facsimile, online via www.invesco.com.hk/mpf, through interactive voice response system or other permissible means as specified by the Trustee from time to time, is received by the Trustee before the dealing cut-off time at 4 p.m. on a valuation date, the redemption of units in the original Constituent Fund (the "**Existing Units**") and subscription for units in the new Constituent Fund (the "**New Units**") will generally be processed by using the Unit prices on the valuation date on which the Switching Instruction is received by the Trustee (except a Switching Instruction involving the redemption of or reinvestment into the Guaranteed Fund). For amounts switched out of and into a Constituent Fund other than the Guaranteed Fund, redemption of the Existing Units and reinvestment in the New Units will generally be made on the same valuation date.

If a valid Switching Instruction is received by the Trustee at or after the dealing cut-off time at 4 p.m. on a valuation date, such Switching Instruction is generally deemed to be received by the Trustee on the next valuation date.

For amounts switched out of the Guaranteed Fund and into a Constituent Fund other than the Guaranteed Fund, redemption of the Existing Units and reinvestment in the New Units will generally be made on the next valuation date. For amounts switched into the Guaranteed Fund, reinvestment in the New Units will generally be made on a valuation date within 6 business days of redemption of the Existing Units.

Please note that for a member who would like to give Switching Instruction to switch out of the DIS before the annual de-risking takes place (generally on a member's birthday), a valid Switching Instruction should be received by the Trustee before the dealing cut-off time at 4 p.m. on the member's birthday. Please refer to the sub-section headed "Dealing day of annual de-risking" in the section "Default Investment Strategy" for further details.

A Switching Instruction will generally be dealt with on the later of the following:-

(i) the valuation date falling on or immediately after the designated effective date for switching as specified in the Switching Instruction (if any); and

(ii) a valuation date within 5 business days after receipt of the Switching Instruction by the Trustee.

**Members should note that Switching Instructions only apply to accrued benefits and are not equivalent to a change of the Investment Mandate for future contributions, and vice versa.**

### Changing Investment Mandate

A member can change his Investment Mandate for future contributions by giving a new Investment Mandate to the Trustee. The new Mandate will take effect on the later of the following:

(i) the valuation date falling on or immediately after the effective date as specified in the Investment Mandate (if any); and

(ii) a valuation date within 5 business days after receipt of the new Investment Mandate by the Trustee.

Changes of Investment Mandate are free of charge.

The Trustee will not be responsible to any member for any loss resulting from acting in good faith in accordance with an Investment Mandate or Switching Instruction given or purported to be given by the relevant member, the non-receipt of an Investment Mandate or Switching Instruction or any amendment made to an Investment Mandate or a Switching Instruction prior to receipt by the Trustee.

### Transfers and Cessation of Membership

#### 1. Transfers to another account of the Master Trust or Other Schemes

(a) Employers

A participating employer may elect to transfer to another registered scheme the amounts held to the credit of members employed by the participating employer under the Master Trust and which relate to the members' employment with the participating employer in accordance with the MPF Ordinance.

(b) Employee Members

*Transfers of Mandatory Contributions*

On termination of his employment, an employee member may elect to transfer his benefits under the Master Trust to

- another account in the Master Trust; or
- a contribution account in another registered scheme in which the member's new employer is participating in relation to that member; or
- an account in another master trust scheme nominated by the member; or
- an existing account of the member in an industry scheme.

Subject to the MPF General Regulation, an employee member may, at any time:

(i) transfer all accrued benefits in relation to the employee member's mandatory contributions in respect of his current employment to

(a) a personal account in the Master Trust; or

(b) a personal account in another registered scheme, which is a master trust scheme or an industry scheme,

once per calendar year (or more frequently as otherwise notified to members); or

(ii) transfer all accrued benefits in relation to the mandatory contributions paid by or in respect of the member that are attributable to his former employments or former self-employments to

(a) a personal account or a contribution account in the Master Trust nominated by the member; or

(b) a personal account in another registered scheme, which is a master trust scheme or an industry scheme, or a contribution account in another registered scheme, nominated by the member.

*Transfers of Voluntary Contributions*

Subject to the conditions in the Trust Deed, this Brochure, and provided that it is permissible under the relevant Participation Agreement, employee members may at any time elect to

(i) transfer all accrued benefits arising from their employee member's voluntary contributions in respect of their current employment to another registered scheme once per calendar year (or as otherwise notified to members); or

(ii) transfer all accrued benefits arising from the voluntary contributions in respect of the employee members' former employments or former self-employments to another registered scheme.

(c) Members who are self-employed persons

A member who is a self-employed person may at any time elect to have his accrued benefits under the Master Trust transferred to

(i) an account in another master trust scheme nominated by the member;

(ii) an existing account of the member in an industry scheme;

(iii) an account in an industry scheme to which the member is eligible to belong; or

(iv) where the member subsequently becomes employed, the contribution account in the registered scheme in which the employer is participating in relation to the member.

(d) For all members

Any member who has accrued benefits held in one or more than one personal account in the Master Trust may at any time elect to have all the amounts held in one or more of the personal account(s), transferred to

(i) a personal account or a contribution account in the Master Trust nominated by the member; or

(ii) a personal account in another registered scheme, which is a master trust scheme or an industry scheme, or a contribution account in another registered scheme, nominated by the member.

(e) TVC members

TVC is portable and TVC members should note that:

(i) TVC member may at any time choose to transfer his/her entire TVC balances to his/her TVC account in another MPF scheme. Requests to transfer TVC balances to an account other than a TVC account will not be accepted.

(ii) The transfer must be in a lump sum (full account balance). Requests to transfer TVC balances in part will not be accepted.

(iii) The TVC account in the original scheme from which the accrued benefits are transferred (resulting in zero balance) may be terminated upon such transfer.

(iv) For the avoidance of doubt, transfer of accrued benefits derived from a TVC account in one MPF scheme to a TVC account of another MPF scheme cannot be claimed as deductions for taxation purpose.

(v) 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.

*General*

No bid/offer spread or other charge may be made by the Trustee in respect of any such transfer unless it is an amount representing the necessary transaction costs permitted by applicable regulations and is used to reimburse the relevant Constituent Fund. However, the redemption price of the APIF(s) or ITCIS(s) in which the relevant Constituent Fund(s) invest may be adjusted to take account of necessary transaction costs including (but not limited to) brokerage; stamp duty; transaction fees, any bid/offer spread of underlying investments; registration and transfer fees; bank charges; conversion charges; and any other transaction costs. Such adjustment is not normally expected to exceed 1% although it may be higher depending on the particular circumstances.

An election to transfer must be made in the form specified by the MPFA and available from trustees. Subject to the MPF General Regulation, the Trustee will normally effect a transfer within 30 days of being notified of an election or, if an election is made by an employee member who ceases to be employed by his employer, 30 days after the last contribution day in respect of the employment that has ceased, whichever is later. Transfers may be delayed where valuations of the Constituent Funds are suspended (see "Suspension of Calculation of Net Asset Value") and in certain circumstances specified pursuant to the MPF Ordinance.

In relation to a transfer from one account to another account (“**new account**”) within the Master Trust, the accrued benefits so transferred will remain invested in the same manner as they were invested immediately before the transfer, unless a new Investment Mandate is received by the Trustee. For the avoidance of doubt, the Investment Mandate applicable to the original account will generally not apply to any future contributions and accrued benefits transferred from another scheme to the new account. Unless Investment Mandates are received by the Trustee or unless the continued application of such Investment Mandates on or after 1 April 2017 has been reinforced before 1 April 2017 by certain activities requested by the member (such as the transfer of assets from another scheme) before 1 April 2017, future contributions and accrued benefits transferred from another scheme will be invested according to the DIS. For the avoidance of doubt, in such case, the member’s existing accrued benefits held in the relevant Constituent Funds will remain so invested and will not be switched into the DIS.

In relation to a transfer out of the Master Trust, the Trustee will issue a transfer statement containing the information prescribed by the MPF General Regulation, including the amount of accrued benefits transferred and the name of the registered scheme to which the member's benefits have been transferred.

For the effect of a transfer of accrued benefits on an investment in the Guaranteed Fund, please refer to the sub-section headed "Description of the Guaranteed Fund" under the section headed "Other Information" in this Brochure.

2. Transfers from Other Schemes

The Trustee has power to accept transfers from other schemes in respect of a member. Class A, G or H Units in the Constituent Funds (whichever applicable) will be issued in accordance with the member's Investment Mandate on a valuation date, normally within 5 business days of receipt of such amounts in cleared funds and in any event within 20 business days of such receipt. No bid / offer spread or other charge may be made by the Trustee in respect of any such transfer unless it is an amount representing the necessary transaction costs permitted by applicable regulations and is used to reimburse the relevant Constituent Fund. Pending the acquisition of Units in the Constituent Funds, the Trustee may hold such amounts in an interest bearing deposit account with its bankers and any interest accrued will be used to offset the operating expenses of the Master Trust.

3. Cessation of Membership of a TVC Member

The membership of a TVC member may be terminated by the Trustee with the written agreement of the TVC member given not earlier than 60 days before the termination.

In addition, the membership of a TVC member may be terminated by the Trustee if at termination, the TVC account has no accrued benefits and has had no activity for 365 days. In the case of such termination, the requirement for a written agreement of the TVC member (as described in the preceding paragraph) does not apply.

## Valuation / Unit Pricing

### 1. Calculation of Net Asset Value

The Trustee will value each Constituent Fund and calculate the issue and realisation prices of Units in accordance with the Trust Deed as at the close of business in the last relevant market to close on each valuation date. The Trust Deed provides (inter alia) that:-

(i) the value of any interest in a collective investment scheme shall be calculated by reference to the price of such interest quoted at the relevant time by the manager of the relevant collective investment scheme (or if more than one price is quoted, the bid price);

(ii) the value of any investment not included in paragraph (i) above which is listed, quoted or dealt in on a recognized stock exchange or recognised futures exchange shall be calculated by reference to the last traded price of such investment;

(iii) the value of any other investment (or in the case of any investment included in paragraphs (i) or (ii) above the prevailing price of which is not considered to be fair by the Trustee) shall be determined by any person (including the Sponsor) approved by the Trustee as qualified to value the relevant investment;

(iv) notwithstanding the foregoing, the Trustee may make such adjustments as it thinks appropriate to take account of any other assets or liabilities attributable to the relevant Constituent Fund not otherwise reflected in a valuation; and

(v) amounts expressed in currencies other than HK dollars shall be converted into HK dollars at such prevailing rates of exchange as the Trustee shall consider appropriate.

### 2. Calculation of Issue and Realisation Prices

The issue price and realisation price of a Unit of a class relating to a Constituent Fund on a valuation date is the net asset value per Unit of such class rounded to four decimal places (with HK$0.00005 or more rounded up and smaller fractions rounded down).

The net asset value per Unit of a class relating to a Constituent Fund is calculated by valuing the assets of that Constituent Fund attributable to the relevant class of Units, deducting the liabilities attributable to the relevant class of Units and dividing the resultant sum by the number of Units of the relevant class in issue.

### 3. Publication of Prices

The issue and realisation prices per Unit of each class relating to a Constituent Fund will be published daily (other than Sundays and public holidays) in the South China Morning Post and Hong Kong Economic Times.

### 4. Suspension of Calculation of Net Asset Value

Unless otherwise prohibited by the MPF Ordinance, the Trustee may declare a suspension of the determination of the net asset value of any Constituent Fund:

(a) during any period when any stock exchange or other market on which any of the investments for the time being held for the account of such Constituent Fund are quoted is closed otherwise than for ordinary holidays; or

(b) during any period when any dealings on any such stock exchange or other market are restricted or suspended; or

(c) during the existence of any state of affairs as a result of which disposal of investments for the time being comprised in such Constituent Fund cannot in the opinion of the Trustee be effected normally; or

(d) during any breakdown in the means of communication normally employed in determining the value of such Constituent Fund or part thereof or the issue price or realisation price of Units relating to such Constituent Fund or when for any other reason the value of any investment for the time being comprised in such Constituent Fund and representing a significant part of the value thereof cannot be promptly and accurately ascertained; or

(e) during any period when the realisation of any investments for the time being comprised in such Constituent Fund or the transfer of funds involved in such realisation cannot in the opinion of the Trustee be effected at normal prices or normal rates of exchange respectively; or

(f) during any suspension of payment of benefits from the Master Trust pursuant to the MPF Ordinance.

Whenever the Trustee declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post and Hong Kong Economic Times stating that such declaration has been made.

## Other Information

### 1. Accounts, Reports and Statements

The year end of the Master Trust is 31 March in each year.

As soon as practicable after each financial year, the Trustee will prepare a consolidated report consisting of (i) the audited accounts of the Master Trust prepared in accordance with Hong Kong Financial Reporting Standards, (ii) the Trustee's report on the Master Trust for the relevant financial year and (iii) the Investment Manager's investment report for the relevant financial year.

The Trustee will send each member an annual benefit statement within 3 months of the end of each financial year. The annual benefit statement will include, details of annual contributions to the Master Trust, the Units held credited to the member’s account in each Constituent Fund and the value of the accrued benefits under the Master Trust as at the start and end of the relevant financial year.

### 2. Taxation

Under current legislation and practice, the tax implications are:

*For Employers*

Initial and special lump sum contributions are allowable for profits tax purposes in five equal instalments over five years.

Annual contributions made by the employer in respect of an employee of up to 15% of the total emoluments of that employee are allowable as a deduction for profits tax purposes. Excess contributions are not deductible.

*For Employees*

Lump sum benefits derived from mandatory contributions on retirement, total incapacity, terminal illness or death are not subject to salaries tax.

If an employee leaves service other than on retirement, death, incapacity or terminal illness, the employee’s accrued benefits paid to the employee and derived from mandatory contributions or employee’s voluntary contributions are tax exempt whilst accrued benefits paid to the employee and derived from employer’s voluntary contributions may be exempt if they fall within the limits set out in the Inland Revenue Ordinance.

For salaries tax purposes, an employee will be able to deduct his mandatory contributions to the Master Trust (subject to the maximum amount that may be deducted under the Inland Revenue Ordinance). However, employees’ voluntary contributions to the Master Trust are not tax deductible.

*For Self-Employed Persons*

Self-employed persons will be eligible to deduct mandatory contributions to the Master Trust from assessable profits (subject to the maximum amount that may be deducted under the Inland Revenue Ordinance).

*Employers and prospective members should seek professional advice regarding their particular tax circumstances.*

*For the Master Trust*

The Master Trust is not expected to be subject to Hong Kong tax in respect of any of its authorised activities.

## 3. Automatic Exchange of Financial Account Information ("AEOI")

AEOI is promulgated by the Organization for Economic Co-operation and Development to facilitate the exchange of financial account information between relevant jurisdictions around the globe in an international and standardized manner. As part of Hong Kong's commitment in meeting the global standard for AEOI in enhancing tax transparency and combatting cross-border tax evasion, the Government of Hong Kong Special Administrative Region has enacted local legislations to implement AEOI through the Inland Revenue (Amendment) (No. 3) Ordinance 2016 (as the same may be amended from time to time, the "AEOI Ordinance") which came into effect on 30 June 2016.

With effect from 1 January 2017, financial institutions (as defined under the AEOI Ordinance) in Hong Kong are required under the AEOI Ordinance to perform due diligence on the account holders, obtain certain information from the account holders (including, but not limited to, tax residency and tax identification number etc.) and report information on any reportable accounts to the Hong Kong Inland Revenue Department ("IRD"). The IRD will then exchange the information collected with competent authorities of the jurisdictions with which Hong Kong has activated exchange relationships under AEOI (the "Reportable Jurisdictions") on an annual basis, to support tax compliance of the Reportable Jurisdictions and assist competent authorities of the Reportable Jurisdictions in identifying and taking follow-up actions against taxpayers who have not properly disclosed their offshore financial assets / income in their local jurisdictions. In parallel, the IRD will also receive financial account information of Hong Kong tax residents from competent authorities of the Reportable Jurisdictions.

Under the Inland Revenue (Amendment) (No.2) Ordinance 2019, with effect from 1 January 2020, the Master Trust and/or the relevant Constituent Fund would be regarded as a reporting "Financial Institution" for Hong Kong AEOI purposes by virtue of being a "2020-covered institution".

In order to comply with AEOI, the Master Trust and/or the relevant Constituent Fund, as a reporting "Financial Institution", is required to perform due diligence on the employers and/or members (assuming they are treated as "account holders") and to obtain self-certifications and/or further information and documentation, if needed, from the employers and/or members (including the establishment of tax residence statuses) for AEOI purposes. The information provided by the employers and/or members to the Master Trust or the relevant Constituent Fund may be disclosed and reported to the IRD. The IRD may further exchange such information with competent authorities of the Reportable Jurisdiction in which the employers and/or members may be resident for tax purposes. For the avoidance of doubt, such information is not required to be exchanged with any competent authority outside of Hong Kong if the employer / member is not a tax resident in any jurisdiction outside of Hong Kong.

Further, if there is any change in circumstances that would affect an employer's or a member's tax residence status or if the Trustee or the Sponsor knows, or has reason to know, that an employer's or a member's self-certification is incorrect or unreliable, a new self-certification and/or additional documentation may be required from the employer or a member. The employer or member should notify the Trustee or the Sponsor whenever any information provided to the Master Trust or the relevant Constituent Fund is changed or becomes untrue, incomplete, inaccurate or misleading and provide the Trustee or the Sponsor with an updated self-certification and/or documentation within 30 days of such change in circumstances.

If an employer or a member does not provide the required self-certifications, information and/or documentation or fails to take action as is specified by the Trustee or the Sponsor within the time period specified, the Master Trust or the relevant Constituent Fund (i) (for existing employer or member) may report the relevant account information based on indicia identified pursuant to the requirements under the AEOI and (for new employer or member) may not be able to complete the account opening process and/or (ii) take other action as permitted under the Trust Deed.

The information provided herein in relation to AEOI is of a general nature only and is not meant to serve as a basis for professional advice or decision making. Changes in circumstances over time may affect the contents of this section. The employers or members should not act or make any decisions based upon this section without seeking appropriate professional advice regarding their particular circumstances.

## 4. Trust Deed and Participation Agreements

All members and participating employers are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed. Therefore, members, participating employers and intending applicants are advised to consult the terms of the Trust Deed.

The Trustee and the Sponsor may agree to modify the Trust Deed by supplemental deed, subject to the approval by MPFA and SFC. Notice will be given to members accordingly.

The Participation Agreement may be amended if agreed by the relevant parties concerned.

5. Restructuring of Master Trust

Pursuant to the MPF Ordinance, the Trustee may apply to the MPFA for consent to the restructuring of the Master Trust. Restructuring means any arrangement under which members of the Master Trust, or their accrued benefits, are transferred to another registered scheme or other registered schemes. The Trustee will give members and participating employers not less than 1 month's notice (or such other period as the MPFA or the SFC may agree or may require) of any restructuring of the Master Trust.

6. Termination of Constituent Funds

The Trustee may, subject to any applicable regulatory requirements and approvals, make arrangements to terminate any Constituent Funds.

In case of termination of a Constituent Fund, the Trustee will give members and participating employers not less than 1 month's notice (or such other period of notice as the MPFA or the SFC may require).

7. Documents Available for Inspection

Copies of the Trust Deed, an investment management agreement dated 31 January 2000, the insurance policy relating to the Guaranteed Fund (together with the endorsements to the insurance policy) and any amendments thereto and the latest consolidated report for the Master Trust (if any) are available for inspection free of charge at any time during normal office hours on any business day at the offices of the Sponsor and the Trustee (18/F., Cosco Tower, 183 Queen's Road Central, Hong Kong). Copies of the Trust Deed and the documents referred to above can be purchased from the Sponsor on payment of a reasonable fee.

Members may request the Trustee to provide them with copies of the consolidated reports for the Master Trust for any of the preceding 7 financial years.

A copy of the liquidity risk management policy of the Investment Manager in respect of the Master Trust and the Constituent Funds is available for inspection free of charge from the Investment Manager at any time during normal office hours on any business day at its offices at 41/F, Champion Tower, Three Garden Road, Central, Hong Kong.

Description of the Guaranteed Fund

The Guaranteed Fund of the Master Trust invests in an insurance policy which includes a guarantee. The insurance policy is issued by the insurer, Principal Insurance Company (Hong Kong) Limited. Investments in the insurance policy are held as the assets of Principal Insurance Company (Hong Kong) Limited. In the event where Principal Insurance Company (Hong Kong) Limited is liquidated, you may not have access to your investments temporarily, or their value may be reduced. Before you invest in this Constituent Fund, you should consider the risk posed by the insurer (referred to as "credit risk") under the circumstances set out above and, if necessary, seek additional information or advice.

The Guaranteed Fund invests in an APIF (the "**PIC APIF**") guaranteed by Principal Insurance Company (Hong Kong) Limited (the "**Guarantor**"). This section describes the operation of the Guaranteed Fund and the PIC APIF and gives case examples of how the guarantee operates in different situations. **Members should read this section and review the case examples at the end of the section carefully before making a decision to invest in the Guaranteed Fund.**

*Provision of guarantee*

Contributions made for the subscription of Units of the Guaranteed Fund (net of any offer spread - see "Fees and Charges" above) will receive a guarantee of capital as well as a prescribed guarantee rate of return over the period such contributions are deposited in the PIC APIF in the circumstances and in the manner described below.

<u>Guarantee on occurrence of a "qualifying event"</u>

Subject to the situations described under "Additional situations where guarantee will apply" below, the guarantee of capital and return will only be offered if (i) the contributions invested in the PIC APIF (through the Guaranteed Fund) are withdrawn upon the occurrence of a "qualifying event", in the circumstances (a) to (g) below (except that qualifying event (g) does not apply to self-employed persons, personal account holders or

TVC members) and (ii) the Guarantor receives a valid claim (as defined below) of the "accrued benefits" of the member (being the amounts credited to the account of the member in the books of the Master Trust) that are invested in the PIC APIF (through the Guaranteed Fund):

(a) Attainment of the normal retirement age or retirement at or after the early retirement age but before the normal retirement age

(b) Total incapacity

(c) Terminal illness

(d) Death

(e) Permanent departure from Hong Kong

(f) Claim of "small balance"

(circumstances (a) to (f) above corresponding to the circumstances prescribed under sections 159 to 162 of the MPF General Regulation)

(g) Termination of the member's employment and the continuous period for which the member has been investing in the PIC APIF (through the Guaranteed Fund) up to and including the last day of his employment ("qualifying period") is at least 36 complete months.

Notes:

1. The qualifying period is determined at the scheme account level and, subject to Note 2., commences from the first investment of that scheme account in the PIC APIF (see the description in the "Guarantee Mechanism" section below).

2. However, for the purpose of calculation, the qualifying period in respect of a scheme account will be reset to zero and, subject to Note 3., begin anew (i) if the member (or, on the death of the member, his personal representative) effects a redemption, switching out or withdrawal of any Units of the Guaranteed Fund in that scheme account other than upon the occurrence of a qualifying event, or (ii) as a result of the operation of law (such as pursuant to a court order) or the Trust Deed, the Trustee is required to effect a redemption or withdrawal of Units of the Guaranteed Fund in that scheme account other than upon the occurrence of a qualifying event.

3. If the normal balance (as defined under "Effect of any redemption, switching or withdrawal other than upon qualifying events (a)-(g)" below) of a scheme account is zero following a redemption, switching out or withdrawal, the qualifying period, once reset to zero, will remain at zero until the normal balance again becomes positive following the making of new contributions (or other allocations) to that scheme account (further details are set out under "Effect of any redemption, switching or withdrawal other than upon qualifying events (a)-(g)" below).

4. Generally, an employee member will only become entitled to claim his benefits in respect of voluntary contributions on leaving employment. If an employee member continues his employment and makes a claim for accrued benefits on the ground of terminal illness (i.e. under qualifying event (c)), such member will only be entitled to claim his accrued benefits in respect of mandatory contributions. Following the claim, the qualifying period of the member's scheme account in respect of mandatory contributions will be reset to zero.

   When the employee member leaves employment, he will become entitled to claim his benefits in respect of voluntary contributions, and provided that the requirements of a qualifying event are met and subject to any redemption or switching out prior to the claim, the member's investments made from voluntary contributions in the Guaranteed Fund will have the benefits of the guarantee.

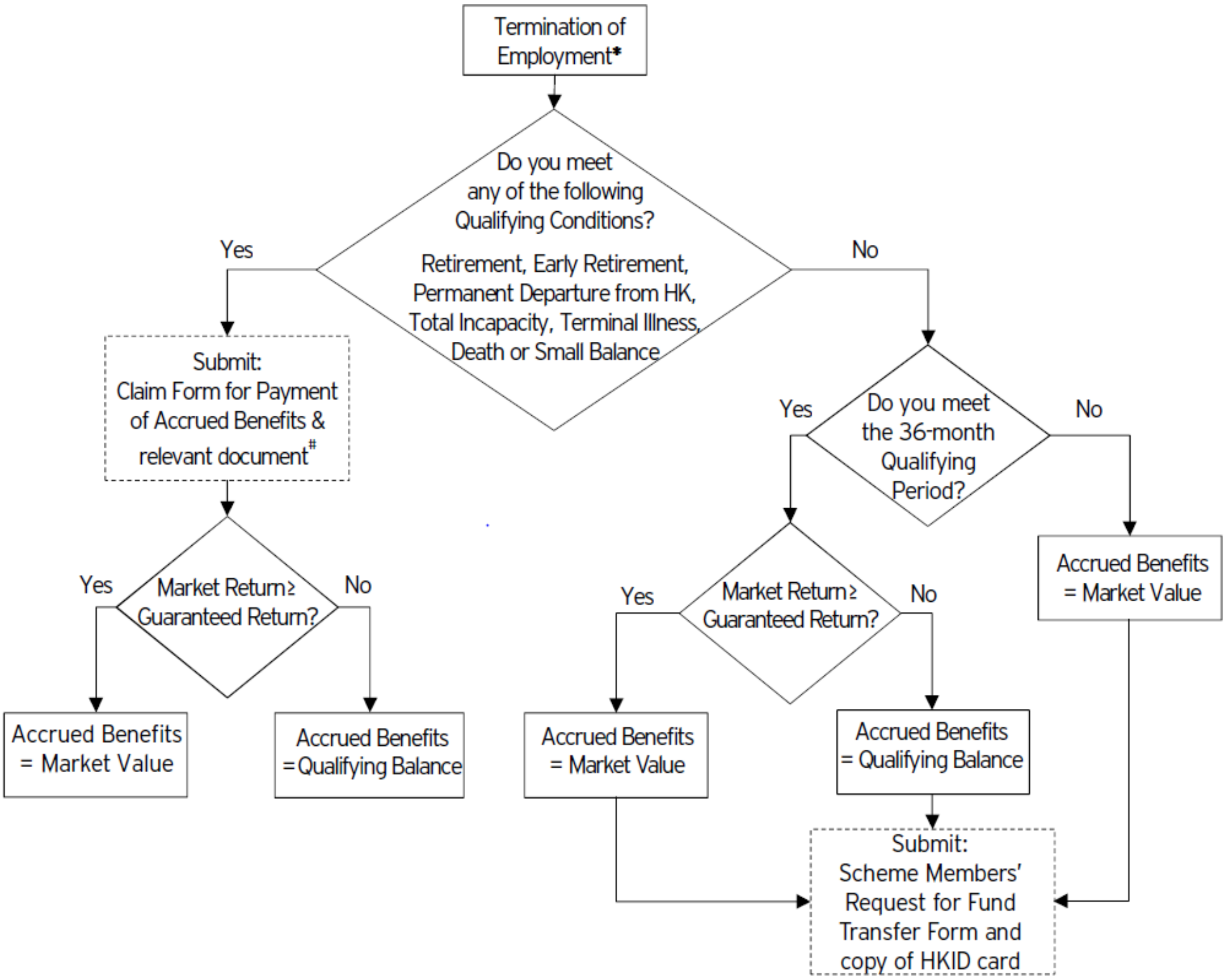
   As further described in the "Guarantee Mechanism" section below, the guarantee is offered to contributions made to each scheme account of a member separately. Accordingly, the qualifying period and the guaranteed rate of return applicable to the member's scheme account in respect of voluntary contributions will not be adversely impacted by the member's claim of benefits in respect of mandatory contributions.

5. Please refer to the paragraphs titled "2. Phased withdrawal for Eligible Member" under "Additional situations where guarantee will apply" below for the situations under which the guarantee may apply in the case of an Eligible Member (as described in the section "Benefits" – "Payment of Benefits") electing to be paid his accrued benefits by instalments."

If you are currently investing in the Guaranteed Fund, (i) a withdrawal of the accrued benefits on ground of terminal illness may or may not affect your entitlement to the guarantee, and (ii) a partial withdrawal of accrued benefits may affect your entitlement to the guarantee and you may lose your guarantee. The guarantee charge will continue to apply to investments that remain in the Guaranteed Fund. For details please carefully review this section, including this section "Provision of Guarantee" and the section "Case studies of how Guaranteed Fund works" below, or contact us at INVESCall Member Hotline at (852) 2842 7878 before making any such withdrawal.

The above qualifying events (a) to (f) apply to personal account holders i.e. members who were entitled to (or otherwise accrued) benefits in the past but have elected (or been deemed to have elected) to retain (or transfer) these benefits in (or to) the Master Trust, employee members, self-employed persons and TVC members. Qualifying event (g) only applies to employee members; it does not apply to self-employed persons, personal account holders or TVC members.

The diagram below details how the Guaranteed Fund operates and the necessary forms to complete when you claim/withdraw/transfer benefits as an employee member:




* For claims under the ground of Terminal Illness, termination of employment is not a necessary precondition.

# If you are eligible to withdraw accrued benefits by instalments and elects to be paid by instalments, the guarantee of capital and return will not be available in respect of the benefits held in the Guaranteed Fund that are paid out by instalments, and the market value of the investments in the Guaranteed Fund will be paid. For further information, please refer to the section "Additional situations where guarantee will apply" below.

Meaning of "valid claim"

For this purpose, a "valid claim" means:

(i) a claim of **all** accrued benefits;

(ii) in respect of a self-employed person:

(A) who remains in self-employment notwithstanding attaining the normal retirement age, the **first claim** to occur of any of the following (and for the avoidance of doubt, excluding any subsequent claims);

(1) a claim for all of the accrued benefits attributable to the mandatory contributions (the "**Mandatory Benefits**");

(2) a claim for all of the accrued benefits attributable to the voluntary contributions (the "**Voluntary Benefits**");

(3) a claim for part of the Mandatory Benefits; or

(4) a claim for part of the Voluntary Benefits;

in each case of (1) to (4), upon occurrence of reaching normal retirement age, and the guarantee will apply to all units in the relevant scheme accounts maintained for the Mandatory Benefits and for the Voluntary Benefits of the self-employed person, regardless of whether the first claim to occur is for all or part of the Mandatory or Voluntary Benefits; or

(B) a claim of **all** accrued benefits (i.e. all of the Mandatory Benefits and the Voluntary Benefits) upon the occurrence of the qualifying event (c);

(iii) in respect of an employee member:

(A) who remains in employment notwithstanding attaining normal retirement age, the **first claim** to occur of either of the following (for the avoidance of doubt, excluding any subsequent claims):

(1) a claim of all of the Mandatory Benefits, or

(2) a claim of part of the Mandatory Benefits,

upon the occurrence of reaching normal retirement age, and the guarantee will apply to all units in the relevant scheme account maintained for the Mandatory Benefits, regardless of whether the first claim to occur is for all or part of the Mandatory Benefits; or

(B) a claim of **all** units in the relevant scheme account maintained for the Mandatory Benefits upon the occurrence of the qualifying event (c).

The "valid claim" should be submitted by the member or his personal representative, as the case may be, pursuant to, and with all the necessary supporting documentation as prescribed by and within the time required by, the applicable regulations and the Trust Deed. Such claim must be received by the Guarantor through the Trustee. For the avoidance of doubt, in case a member participates in the PIC APIF in his capacity of an employee of more than one employment, a "valid claim" made by the member in respect of one employment shall mean a valid claim submitted by him (or in respect of him) of his accrued benefits under that (but not any other) employment.

In the case of a claim made upon the occurrence of qualifying event (a) or (c) by an employee member, and such employee member remains in employment at the time of the claim, a claim of all mandatory benefits submitted by or in respect of such employee member pursuant to, with all the necessary supporting documentation as prescribed by and within the time required by, the applicable regulations and the Trust Deed, will still be considered a "valid claim". Such claim must be received by the Guarantor through the Trustee. For the avoidance of doubt, in case such a member participates in the PIC APIF in his capacity of an employee of more than one employment, a "valid claim" made by the member in respect of one employment shall mean a claim submitted by him (or in respect of him) of all his mandatory benefits under that (but not any other) employment.

Additional situations where guarantee will apply

In addition, the guarantee will also apply in the circumstances described below.

1. Transfer to personal account on normal retirement or death

If the member retires upon or after the attainment of the normal retirement age (qualifying event (a), other than early retirement) or dies (qualifying event (d)), but he (or his personal representative) has failed to file a valid claim of his accrued benefits under the Master Trust and to make an election pursuant to section 146 of the MPF General Regulation, then, his actual amount of accrued benefits (after the application of the guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as appropriate) will be transferred to a personal account under the Master Trust pursuant to the applicable regulations and the Trust Deed. Following the transfer, when the member files a valid claim in respect of all of his accrued benefits from the personal account upon occurrence of one of the qualifying events, the guarantee will apply to his personal account in respect of the balances so credited at the "new applicable rate", currently 1% p.a. (as described in the "New Applicable Rate" section below) for the period from the date of transfer to the date of withdrawal of such amounts from the PIC APIF.

2. Phased withdrawal for Eligible Member

If an Eligible Member elects to be paid his Eligible Benefits by instalments (the terms "Eligible Member" and "Eligible Benefits" as described in the section "Benefits" – "Payment of Benefits"), the following arrangements will apply:

(i) An employee member or a self-employed person who retires upon or after reaching the age of 60 (early retirement) or 65 (normal retirement): upon receipt of an election from the employee member or self-employed person to withdraw Eligible Benefits by instalments, all of his Eligible Benefits will be transferred from a contribution account to a personal account under the Master Trust. The guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as appropriate, will apply to the Eligible Benefits held in the Guaranteed Fund so transferred when Units in the Guaranteed Fund attributable to Eligible Benefits are redeemed to meet the first withdrawal by instalment ("First Withdrawal"). Thereafter, the guarantee at the "new applicable rate", currently 1% p.a. will only apply to a valid claim in respect of all (and not part only) remaining Eligible Benefits in the personal account upon occurrence of a qualifying event for the period from the First Withdrawal to the date of redemption from the PIC APIF. For the avoidance of doubt, where the employee member or self-employed person wishes to withdraw only part (and not all) of the remaining Eligible Benefits in the personal account by instalment, such claim would not be a "valid claim" and accordingly the guarantee will not apply to such partial withdrawal. For the avoidance of doubt, this paragraph does not apply to members who are not employee members or self-employed persons.

(ii) An Eligible Member who is an employee member and who continues employment after reaching the age of 65: in respect of such Eligible Member, generally Voluntary Benefits will not be available for withdrawal and only Mandatory Benefits held in a contribution account may be withdrawn by way of instalment. (Note: The qualifying balance and qualifying period for the Voluntary Benefits will not be affected and the Voluntary Benefits will be handled separately when the Eligible Member subsequently ceases employment and becomes eligible to such benefits.) Upon receipt of an election from the Eligible Member to withdraw Mandatory Benefits by instalments, the guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as appropriate, will apply once to all Mandatory Benefits held in the Guaranteed Fund when Units in the Guaranteed Fund attributable to the Mandatory Benefits are redeemed to meet the first withdrawal by instalment ("First Withdrawal of Mandatory Benefits"). Thereafter, the guarantee at the "new applicable rate", currently 1% p.a. will only apply to a valid claim in respect of all (and not part only) remaining Mandatory Benefits upon occurrence of a qualifying event for the period from the First Withdrawal of Mandatory Benefits to the date of redemption from the PIC APIF.

(iii) An Eligible Member who is a self-employed person and who continues employment after reaching the age of 65: the guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as appropriate, will apply once to the Eligible Benefits (i.e. Mandatory Benefits and Voluntary Benefits (if any)) held in the Guaranteed Fund when Units in the Guaranteed Fund attributable to the Eligible Benefits are redeemed to meet the first withdrawal by instalment ("First Withdrawal"). Thereafter, the guarantee at the "new applicable rate", currently 1% p.a. will only apply to a valid claim in respect of all (and not only part of) remaining Eligible Benefits upon occurrence of a qualifying event for the period from the First Withdrawal to the date of redemption from the PIC APIF.

(iv) It is worth noting that, in respect of an employee member or a self-employed person who remains in employment or self employment (as the case may be) upon or after reaching the age of 65, **ONLY** the first claim (but not any subsequent claims) for all or part of the (a) Mandatory Benefits (in case of employee members) or (b) Mandatory Benefits and Voluntary Benefits (if any) (in the case of self-employed persons) will be regarded as "valid claim".

(v) A personal account holder (including a personal account holder who makes FVC to the Master Trust) or a TVC member who has met qualifying event (a) and wishes to withdraw part, but not all his accrued benefits under the Guaranteed Fund will **lose the guarantee entitlement in respect of such partial withdrawal** of accrued benefits in his personal account or TVC account (as the case may be) as such partial withdrawal fails to meet the requirement of a valid claim which requires a claim for all accrued benefits in his personal account or TVC account (as the case may be). If, however, the member subsequently files a valid claim upon occurrence of a qualifying event, the 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 personal account or TVC account (as the case may be) 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.

The above mechanisms are subject to the effect of an employer's claim for severance or long service payment. For further details, please refer to the section "Effect of investment in Guaranteed Fund on Employer's claim for severance or long service payment" below.

3. Transfer to personal account on termination of employment (with a qualifying period of 36 complete months or more)

   In case of qualifying event (g), if the employment of the member is terminated with a qualifying period of 36 complete months or more but he has failed to file a valid claim of his accrued benefits under the Master Trust and to make an election pursuant to section 146 of the MPF General Regulation, then, his accrued benefits (after the application of the guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as applicable) will be transferred to a personal account under the Master Trust pursuant to the applicable regulations and the Trust Deed. Subsequent to the transfer, when the member files a valid claim from the personal accounts upon occurrence of qualifying events as applicable, the guarantee will apply to his personal account in respect of the balances so credited at the "new applicable rate", currently 1% p.a. for the period from the date of transfer to the date of withdrawal of such amounts from the PIC APIF.

   **Note: Members should note that if a member fails to file a valid claim of his accrued benefits and, as a result, the member's accrued benefits are transferred to a personal account, then, unless otherwise provided in 1. or 2. above, (i) no guarantee will apply at the time when the accrued benefits are transferred to the personal account, (ii) any guarantee entitlements in respect of the member prior to the transfer will be forfeited, and (iii) the "new applicable rate", currently 1% p.a., will be applied to the personal account from the date of transfer of the accrued benefits to the personal account.**

4. Intra-group transfer of employment

   If there is any intra-group transfer of an employee member, his new employer is also participating in the Master Trust, an election is given to transfer the member's accrued benefits to the new employer's account within the Master Trust and the relevant employers properly notify the Trustee with completed prescribed documentation, the accrued benefits of the member (before the application of the guarantee) will be transferred to his new scheme accounts under the Master Trust of his new employer, and such new scheme accounts will, for the purpose of the guarantee, be treated as a continuation of his original scheme accounts and all the guarantee entitlements which he has accrued under the old scheme accounts will continue under his new scheme accounts as if there had never been any transfer. Thus, any continuous period for which the member has been investing in the PIC APIF (through the Guaranteed Fund) under the original employer immediately preceding such transfer will also be taken into account in determining the qualifying period of that member under his employment with the new employer. The guaranteed rate of return which is applicable to the old scheme accounts will also be applicable to the new scheme accounts unless there is a redemption, switching out or withdrawal of Units other than upon the occurrence of a qualifying event (please see the "Guarantee Mechanism" section below for details). If the member subsequently claims all of his accrued benefits from the new scheme accounts upon the occurrence of a qualifying event, the guarantee will apply from the date of enrolment in the Master Trust under the original employer.

5. Termination of the PIC APIF by Guarantor

   The Guarantor may terminate the PIC APIF at any time on giving at least 3 months' prior notice in writing to the Trustee. Upon termination, the Guarantor will redeem all the units of the PIC APIF relating to the Guaranteed Fund. For this purpose, the value of the amount payable by the Guarantor to the Trustee will be calculated as if all the units of the PIC APIF were being redeemed upon the occurrence of a qualifying event on the date of termination i.e. the benefit of the guarantee will apply in calculating the amount payable by the Guarantor to the Trustee.

*Guarantee Mechanism*

The guarantee will be offered to contributions made to each scheme account of a member separately. For this purpose, "**scheme accounts**" mean the sub-accounts and TVC accounts maintained by the Trustee for the member under the Master Trust pursuant to the MPF Ordinance (e.g. one or more separate scheme sub-accounts will be maintained for each of employer's mandatory contributions, member's mandatory contributions, employer's voluntary contributions, member's voluntary contributions etc.) and a "**qualifying balance**" will be maintained in respect of each scheme account of the member. When a contribution is made to a particular scheme account, an amount equal to the contribution made will be credited to the qualifying balance of that scheme account. Interest will then be credited to the qualifying balance of that scheme account in the manner as set out in the "Rate of guarantee" section below. In respect of each scheme account, for the purpose of qualifying event (g), the qualifying period will be determined upon termination of employment of the member (i.e. the continuous period as described under qualifying event (g) for which that scheme account has been investing in the PIC APIF (through the Guaranteed Fund) up to and including the member's last day of employment).

**Notes: 1. The qualifying period in respect of a scheme account will be re-set to zero if the member (or his personal representative) effects a redemption, switching out or withdrawal of any Units of the Guaranteed Fund from that scheme account other than upon the occurrence of a qualifying event. See the "Adjustments to the Guarantee" section below for details.**

**2. Due to the nature of the guarantee, the Guaranteed Fund is expected to be a "long term" investment for the members. Members should note that any redemption, switching out or withdrawal of part or all of their Units in the Guaranteed Fund (whether by the members themselves or as a result of the operation of law or the Trust Deed) or any transfer of their accrued benefits invested in the Guaranteed Fund between accounts within the Master Trust or to another registered scheme may have an adverse effect on their qualifying balance(s) and guarantee entitlement under the PIC APIF. For details, members should refer to the "Adjustment to the Guarantee" section below. Hence, members are strongly advised to consider the appropriateness of the Guaranteed Fund for their circumstances before investing in it and, after having invested in the Guaranteed Fund, not to redeem, switch out, transfer or withdraw part or all of their Units in the Guaranteed Fund other than upon occurrence of a qualifying event.**

Rate of guarantee

In respect of contributions made to a scheme account and invested in the PIC APIF (through the Guaranteed Fund) on or before 30 September 2004, interest will be credited to the qualifying balance of that scheme account at the rate of 4.5% p.a.; and in respect of contributions made to a scheme account or amounts switched to and invested in the PIC APIF (through the Guaranteed Fund) after 30 September 2004, interest will be credited to the qualifying balance of that scheme account at the "new applicable rate", currently 1% p.a.

**Note: If the member (or his personal representative) effects a redemption, switching out or withdrawal of the Units of the Guaranteed Fund from a scheme account after 30 September 2004 other than on the occurrence of a qualifying event, the remaining qualifying balance of that scheme account (regardless of whether it includes contributions made and invested in the PIC APIF (through the Guaranteed Fund) on or before 30 September 2004) will be credited with interest at the "new applicable rate", currently 1% p.a.** For the avoidance of doubt, no interest will be credited if the remaining qualifying balance is negative. See case 4 at the end of this section for situations where the remaining qualifying balance may become negative.

Meaning of "New Applicable Rate"

The "**new applicable rate**" will be 1% p.a. which took effect from 1 October 2004, and subject to the approval of the MPFA, such rate may also be adjusted by the Guarantor, after consultation with the Sponsor, at a frequency of not more than once every three years but will not be less than zero. If the "**new applicable rate**" is adjusted, the Guarantor will notify the Trustee at least 3 months prior to the effective date of the adjustment and the Sponsor will notify employers and members participating in the Master Trust upon notification from the Guarantor. For the avoidance of doubt, if the "**new applicable rate**" is applicable to a qualifying balance, any adjustment to the "**new applicable rate**" will also be applicable to the qualifying balance from the date of adjustment and will not affect the application of the guarantee rate(s) prior thereto i.e. if the "new applicable rate" is reduced, the guaranteed rate that will be applied to the qualifying balance from the date of the reduction will be the reduced rate. For illustration, please refer to case 8 at the end of this section.

Calculation of amount payable under the guarantee mechanism

The guarantee will be offered to a member when all his accrued benefits are withdrawn upon (i) the occurrence of a qualifying event and (ii) the receipt by the Guarantor of a valid claim (as defined above), in which case, if the available redemption proceeds based on the net asset value ("**NAV**") of the Units of the Guaranteed Fund (after deduction (at the PIC APIF level) of any offer spread and bid spread but before application of any guarantee and before deduction of any applicable bid spread under the Master Trust) in any scheme account is smaller than the qualifying balance maintained for that scheme account, the qualifying balance of that scheme account will be paid and the "**shortfall**" will be made up by the Guarantor. On the other hand, if the NAV of the Units of the Guaranteed Fund (after deduction (at the PIC APIF level) of any offer spread and bid spread but before application of any guarantee and before deduction of any applicable bid spread under the Master Trust) in any scheme account is equal to or greater than the qualifying balance for that scheme account, the member will be entitled to the NAV of such Units (less any applicable offer spread and bid spread (at the PIC APIF level) and any applicable bid spread under the Master Trust), instead of the qualifying balance. The bid spread under the Master Trust on Units realised is currently waived. Such a comparison will be carried out for each scheme account of the member and the Guarantor will pay an amount (if any) equal to the aggregate of the shortfalls as a result of the comparisons.

Adjustment to the Guarantee

*Effect of any redemption, switching or withdrawal other than upon qualifying events (a)-(g)*

Members should also note that the guarantee of capital and return offered to each scheme account (as reflected in the value of the qualifying balance of that scheme account) for Units of the Guaranteed Fund is made on the condition that all amounts invested in that scheme account will NOT be redeemed, switched out or otherwise withdrawn in part or in whole other than on the occurrence of a qualifying event and submission of a valid claim (as defined above).

If a member effects a redemption, switching out or withdrawal of any Units of the Guaranteed Fund in a scheme account (including any transfer of the member's accrued benefits invested in the Guaranteed Fund between accounts within the Master Trust or to another registered scheme) other than upon the occurrence of a qualifying event, and there are units remaining in the PIC APIF in respect of that scheme account which are not withdrawn, the guarantee entitlement of that scheme account will be affected and, subject as described in paragraphs 1. or 2. under "Additional situations where guarantee will apply" above, the following will apply:

(i) the NAV of the withdrawn Units of the Guaranteed Fund (after deduction of any applicable bid spread under the Master Trust) will be paid from that scheme account;

(ii) the qualifying period (referred to in the description of the qualifying event (g)) of that scheme account will be reset to zero and re-commence from the date on which the qualifying balance of that scheme account is adjusted (as stated in (iii) below), provided that if the normal balance (as defined in (iii) below) is zero in respect of the scheme account, the qualifying period of that scheme account will only re-commence from the date on which new contributions (or other allocations) are made to the Guaranteed Fund and invested in the PIC APIF for that scheme account;

(iii) the qualifying balance of that scheme account will be adjusted based on the NAV of the Units of the Guaranteed Fund in the scheme account ("normal balance") and qualifying balance at the time immediately prior to such withdrawal:

    (a) if the qualifying balance is less than or equal to the normal balance, the qualifying balance of that scheme account will be reduced by the amount by which the normal balance has decreased as a result of the redemption, switching out or withdrawal and so may become negative if the amount redeemed, switched out or withdrawn is greater than the qualifying balance.

    (b) if the qualifying balance is greater than the normal balance, the qualifying balance of that scheme account will be reset to the same amount as the normal balance (as determined after the redemption, switching out or withdrawal); and

(iv) the adjusted qualifying balance (together with any future contributions credited thereto) of that scheme account will be credited with interest at the "new applicable rate", currently 1% p.a., after the withdrawal (but no interest will be credited whilst the qualifying balance is zero or negative).

Where the qualifying balance of a scheme account becomes negative or zero as described above, it will only subsequently become positive once sufficient contributions (or other allocations) have been made to the scheme account and invested in the PIC APIF (through the Guaranteed Fund) to offset the negative qualifying balance.

For illustration, please refer to case 4 at the end of this section.

Calculation of Interest

Members should also note that in crediting interest to the qualifying balance(s) of scheme accounts of the members, the following will apply:

(i) subject to (ii) below, in respect of a contribution made to the Guaranteed Fund by or in respect of a member, interest shall be accrued to the relevant qualifying balance in respect of such contribution from (and including) the dealing day for the PIC APIF on which it is invested in the PIC APIF up to (and excluding) the dealing day for the PIC APIF on which it is redeemed by the member (or his personal representative) upon the occurrence of a qualifying event.

(ii) if there is a redemption, switching or withdrawal by the member from the Guaranteed Fund other than on the occurrence of a qualifying event, interest shall be accrued to the adjusted qualifying balance (provided that it is greater than zero) from (and including) the dealing day for the PIC APIF on which such adjustment is made up to (and excluding) the dealing day on which accrued benefits are redeemed by the member (or his personal representative) upon the occurrence of a qualifying event.

*Effect of investment in Guaranteed Fund on Employer's claim for severance or long service payment*

If an employer submits a claim under the MPF Ordinance for a payment from the employee member's accrued benefits for the purpose of offsetting the severance payment or long service payment made to the leaving employee member and, as a result, it is necessary to redeem Units of the Guaranteed Fund to meet such payment, the claim will only be processed after the earliest of:

(i) receipt by the Trustee of the member's election form or claim form in accordance with section 146 or sections 159-165 of the MPF General Regulation;

(ii) in cases where it is reasonably expected that the member's benefits are to be transferred to a personal account, a date on or before such date of transfer determined by the Trustee; and

(iii) such other date as required by any applicable law or in accordance with a decision or direction of a court, relevant tribunal or relevant regulatory authority.

In the case where paragraph (i) or (iii) applies, the redemption will be processed in accordance with the requirements of applicable law or in accordance with a decision or direction of a court, relevant tribunal or relevant regulatory authority as applicable.

In cases where paragraph (ii) applies, the redemption of all of the employer-contributed scheme accounts invested in the Guaranteed Fund may need to be effected prior to the actual date of transfer of benefits ("**Offset Redemption Date**") to the personal account. Accordingly, in cases where paragraph (ii) applies, due to the operation of the guarantee, such scheme accounts will be completely redeemed (i.e. any scheme accounts redeemed at the Offset Redemption Date will be completely redeemed, even if such total redemption amount is greater than required to meet the employer's offset application) and any excess amount resulting from the redemptions occurring at the Offset Redemption Date will if necessary be re-invested in Constituent Funds within the member's scheme accounts according to the member's existing asset allocation, except that amounts indicated under the asset allocation to be invested in the Guaranteed Fund will instead be invested in the MPF Conservative Fund. Following the transfer referred to in (ii) to the personal account, the member's asset allocation between Constituent Funds will remain the same as that immediately prior to such transfer. If any interest under the Guaranteed Fund is received after the date of transfer to the personal account, such interest will be allocated according to the member's most recent investment mandate.

*Reserve*

In order to assure proper functioning of the PIC APIF, a reserve for contingency has been established by the Guarantor. There will be a guarantee charge (currently 1% p.a. of the asset value of the PIC APIF) which will be deducted from the value of the PIC APIF. No part of the reserve will form part of the assets of the PIC APIF or the Guaranteed Fund. If the reserve is insufficient to meet the guarantees of the PIC APIF, the guarantees will be met with assets of the Guarantor. Upon termination of the PIC APIF, the Guarantor shall:

(a) distribute to the then existing policyholders (including the Trustee), on a pro rata basis in accordance with the respective net asset values of their investments in the PIC APIF or if in the Guarantor's reasonable opinion it is not fair and equitable to do so on such other basis as the Guarantor may consider fair and equitable under the circumstances prevailing at the time of distribution, an amount equal to (i) the aggregated guarantee charges deducted from the asset value of each guarantee class of the PIC APIF after 30 September 2004, less (ii) the aggregate amount of shortfalls paid or payable by the Guarantor out of the reserve after the 30 September 2004; and

(b) retain for its own use and benefit the amount (if any) of the guarantee charges deducted from the asset value of each guaranteed class on or before 30 September 2004 which have not been used to meet payments by the Guarantor.

*Changes to PIC APIF policy*

The Guarantor may amend the insurance policy with the Trustee in relation to the PIC APIF (including the terms of the guarantee) subject to consent of the Trustee (which consent, under the terms of the insurance policy, cannot be unreasonably withheld) and approval by the MPFA and on giving such notice of the amendment as the MPFA may require. The Sponsor will give to employers and members participating in the Master Trust such notice of the amendments to the insurance policy as the MPFA may require.

Although every effort has been made to ensure the accuracy of the facts and matters described in this section, in the event of any conflict, the provisions of the insurance policy between the Guarantor and the Trustee relating to the PIC APIF will prevail.

*Case studies of how the Guaranteed Fund works*

Below are some common cases that show how the Guaranteed Fund works.

**The following are case examples only and are given based on the assumptions set out in the case studies. The application of the guarantee in relation to a member and the value of a member's investment in the Guaranteed Fund will depend on the circumstances relating to that member's investment in the Guaranteed Fund.**

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Case 1 — Michael is about to terminate his employment and has submitted a Scheme Members' Request for Fund Transfer Form to transfer his accrued benefits to a personal account. He has invested in the Guaranteed Fund for 28 months and has not performed any asset switch during this period.

Analysis

1. Since Michael's continuous investment period in the PIC APIF (through the Guaranteed Fund) is less than 36 months, he does not meet any of the qualifying events. Hence, he is not entitled to the guaranteed return.
2. Michael's accrued benefits, which are equal to the market value of his investments in the Guaranteed Fund, will be transferred to a personal account.
3. In Michael's personal account, the qualifying balance is equal to the market value of his investments in the Guaranteed Fund transferred in (and any other amounts transferred in and invested in the Guaranteed Fund).

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Case 2 — Joyce's case is similar to Michael's, except that she has invested in the PIC APIF (through the Guaranteed Fund) for over 3 years and has not performed any asset switch during this period. Upon termination of employment, Joyce elects to withdraw the voluntary portion of her accrued benefits ("voluntary benefits") and transfer the mandatory portion of her accrued benefits ("mandatory benefits") to a personal account. Over this period, the guaranteed return on her investments in the PIC APIF (through the Guaranteed Fund) is greater than the increase in the market value of her investments in the Guaranteed Fund (the "market return").

**Analysis**

1. Since Joyce meets the 36-month qualifying period, she is entitled to the guaranteed return, being 4.5% p.a. for contributions made on or before 30 September 2004 and 1% p.a. for contributions made thereafter. Because the guaranteed return is greater than the market return, Joyce's accrued benefits are therefore equal to her qualifying balance.
2. The voluntary benefits will be paid out in cash whereas the mandatory benefits will be transferred to her personal account accordingly.
3. To speed up the payment process, the accrued benefits will be calculated in two steps:

   (a) The initial payment will be equal to the market value of her investment in the Guaranteed Fund. The *voluntary benefits* will be paid in cash and the *mandatory benefits* will be transferred to the personal account;

   (b) The subsequent payment, which represents the excess of her qualifying balance over the market value of the Guaranteed Fund, will be paid in cash (*voluntary benefits)* or transferred to the personal account (*mandatory benefits)* upon completion of the computation process.

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**Case 3**

Upon termination of employment, Emma elects to transfer her accrued benefits to a personal account. She has her voluntary contribution and FVC invested in the Guaranteed Fund for 45 months. Two years ago, Emma performed an asset switch by switching her mandatory balance from the Growth Fund to the Guaranteed Fund. Since then, she has not performed any further asset switch. Over the 45-month period, the guaranteed return is greater than the market return.

**Analysis**

*Voluntary Benefits*

1. Since Emma has her voluntary contribution and FVC invested in the PIC APIF (through the Guaranteed Fund) continuously for over 36 months, she is entitled to the guaranteed return.
2. Since the guaranteed return is greater than the market return, Emma's benefits derived from her voluntary contributions and FVC are therefore equal to her qualifying balance. Such benefits will be transferred to her personal account in two stages: a) The initial amount of transfer payment will be equal to the market value of her investment in the Guaranteed Fund. The *voluntary (including FVC) benefits* will be transferred to the personal account; b) The subsequent amount of transfer payment, which represents the excess of her qualifying balance over the market value of the Guaranteed Fund, will be transferred to the personal account upon completion of the computation process.
3. The qualifying balance of the voluntary contributions and FVC portion in Emma's personal account will be reset to the market value of the voluntary benefits when they are transferred to the personal account.

*Mandatory Benefits*

1. Since Emma has her mandatory contribution invested in the PIC APIF (through the Guaranteed Fund) for less than 36 months, she is not entitled to the guaranteed return.
2. Emma's mandatory benefits will be transferred to the personal account based on the Guaranteed Fund's market value.
3. The qualifying balance of the mandatory portion in Emma's personal account will be reset to the market value of the mandatory benefits when they are transferred to the personal account.

**Smart Tips**

You may perform asset switch for your mandatory balance independently, without affecting the guaranteed return of your voluntary balance; and vice versa.

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Case 4 Victor has always been investing in the Guaranteed Fund. A year ago, when the market value of the Guaranteed Fund was HK$12,000 and his qualifying balance was HK$10,500, Victor switched his investment in the Guaranteed Fund (i.e. HK$12,000) to the Balanced Fund and redirected his future contributions to the Growth Fund. Now that the markets have fallen, Victor's investment in the Balanced Fund has fallen to HK$10,800. He intends to continue investing his future contributions in the Growth Fund but switch all his accrued assets in the Balanced Fund back to the Guaranteed Fund.

Analysis

1. A year ago when Victor switched his investment from the Guaranteed Fund to the Balanced Fund, since the market value of the Guaranteed Fund was greater than his qualifying balance, upon the asset switch, Victor's qualifying balance became -HK$1,500 (i.e. HK$10,500 - HK$12,000).
2. If Victor switches his assets from the Balanced Fund back to the Guaranteed Fund, he will be purchasing units of the Guaranteed Fund with the market value of the Balanced Fund (i.e. HK$10,800). Because Victor has accumulated a qualifying balance of -HK$1,500 in the Guaranteed Fund previously, after he performs the asset switch, his qualifying balance will become HK$9,300 (i.e. -HK$1,500 + HK$10,800).
3. Five years later, if Victor terminates his employment and has not performed any asset switch during this period, his qualifying balance will be HK$9,300 plus the guaranteed return for this subsequent 5-year period.

Smart Tips If you elect to switch out your assets from the Guaranteed Fund when the market value is greater than your qualifying balance, think twice before you switch any assets back into the Guaranteed Fund because the negative qualifying balance derived from your last asset switch will reduce the qualifying balance for your subsequent investments.

Case 5 Marco joined his company 3 years ago and has invested in the Guaranteed Fund and the MPF Conservative Fund. Now Marco decides to switch out 50% of his assets in the Guaranteed Fund and invest the proceeds in the Growth Fund.

Analysis

1. The switching of assets out from the Guaranteed Fund to the Growth Fund does not qualify as one of the qualifying events.
2. Although Marco has invested in the Guaranteed Fund for 3 years, the assets switched out from the Guaranteed Fund will not be entitled to any guaranteed return. Instead, the asset switch will be performed at the prevailing market value.
3. Marco's qualifying period for the purposes of the guarantee will be reset to zero.
4. Marco's qualifying balance will be adjusted to reflect the switch. If his qualifying balance before the switch was less than the market value of his investment in the Guaranteed Fund, the new qualifying balance will be the old qualifying balance less the amount switched. Otherwise, the new qualifying balance will be the market value of his investment in the Guaranteed Fund less the amount switched.
5. The remaining qualifying balance in the Guaranteed Fund will be subject to the prevailing guaranteed rate, currently 1% p.a.

**Case 6** Uncle Sam is 61 years old. Two years ago, he switched his assets into the Guaranteed Fund and has not made any asset switch since then. Uncle Sam stopped working 3 months ago but forgot to file a claim for accrued benefits based on early retirement.

**Analysis**

1. Since Uncle Sam fails to declare his intention within 3 months after the Trustee has received the termination notice from his employer or the date of his termination (whichever is later), the Trustee will transfer Uncle Sam's accrued benefits to a personal account.

2. Since Uncle Sam's continuous investment period in the PIC APIF (through the Guaranteed Fund) is less than 36 months, and he failed to claim his accrued benefits by reason of early retirement, he will not be entitled to the guaranteed return.

3. Uncle Sam's accrued benefits will be calculated based on the market value of the Guaranteed Fund, which will then be transferred to his personal account.

4. In future, when Uncle Sam claims benefits under the condition of early retirement, retirement, total incapacity, terminal illness or permanent departure from Hong Kong, he will be entitled to the market value of the Guaranteed Fund or his qualifying balance (whichever is higher) for the period between the transfer of the accrued benefits to the personal account and withdrawal of his accrued benefits.

**Smart Tips**

- Members will be entitled to the guaranteed return if they claim their accrued benefits by reason of early retirement at the age of 60 or beyond.

- When you claim for benefits, it is crucial that you complete and return the Claim Form for Payment of Accrued Benefits and all necessary documents to the Trustee as soon as possible.

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**Case 7** Diane received long service payment ("**LSP**") from her employer upon termination of employment. She forgot to file a fund transfer request before her employer filed a claim with the Trustee for reimbursement of the LSP from the employer's portion of Diane's account. Diane has invested in the Guaranteed Fund throughout her 10 years of employment and her qualifying balance is greater than the market value of the Guaranteed Fund.

**Analysis**

1. Employers are entitled to request payments out of the employer-contributed scheme accounts to offset severance or long service payment.

2. Under normal circumstances, the Trustee will only process such claim from an employer upon receipt of the Scheme Members' Request for Fund Transfer Form from the employee member, or when the employee member's accrued benefits are transferred to a personal account, whichever is earlier.

3. When offsetting the severance or long service payment, the Trustee will redeem all of the employer-contributed scheme accounts on the Offset Redemption Date (although the amount redeemed may be greater than the amount necessary for the offset of the severance or long service payment).

   When the employee member elects to transfer the accrued benefits to a personal account or such benefits are to be transferred pursuant to the applicable regulations and the Trust Deed, the Trustee will re-invest the excess amount (if any) according to the employee member's existing asset allocation. The only exception is that the amount which should be invested in the Guaranteed Fund will be invested in the MPF Conservative Fund.

4. In Diane's case, since she only invested in the Guaranteed Fund and she has not submitted the Scheme Members' Request for Fund Transfer Form, all of the excess amount will be invested in the MPF Conservative Fund.

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| Smart Tips | When you receive severance or long service payment, please remember to submit the Scheme Members' Request for Fund Transfer Form to the Trustee as soon as possible. |

**Case 8**

Mrs. Cheung started her first MPF contribution in October 2004 and has invested in the Guaranteed Fund since then. The Guarantor then announced a change of the guaranteed rate from 1 October 2007 onwards. Mrs Cheung has not performed any asset switch throughout her investment period in the Guaranteed Fund.

**Analysis**

1. The current guaranteed rate is 1% p.a. Contributions made by Mrs. Cheung from October 2004 to 30 September 2007 will be entitled to a guaranteed return of 1% p.a.
2. As the new guaranteed rate becomes effective on 1 October 2007, all contributions made on or after such date and the qualifying balance accrued up to 30 September 2007 will be calculated based on the new guaranteed rate.

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| Smart Tips | Note that the guaranteed rate may change in the future. Any such change will be communicated to members in advance. |

**Case 9**

John has been investing in the Guaranteed Fund for both mandatory and voluntary contributions since he joined the company 5 years ago. Now John decides to transfer his accrued benefits derived from member's mandatory contribution in respect of his current employment to a scheme offered by another MPF service provider but future contributions will continue to be made to the Guaranteed Fund. Over this period, the guaranteed return is greater than the market return.

**Analysis**

Benefits in member's mandatory contributions account (in respect of current employment)

1. Although John has been investing in the Guaranteed Fund for more than 3 years, the transfer of asset to a scheme offered by another MPF service provider is not regarded as one of the qualifying events. Therefore, the transfer amount will be calculated based on the market value of the Guaranteed Fund.
2. The qualifying period of this portion of benefits will be reset to zero.

Benefits other than in member's mandatory contribution account (in respect of current employment)

1. The guarantee will be offered to contributions made to each scheme account of a member separately.
2. Since John has initially elected to invest both mandatory and voluntary contributions in the PIC APIF (through the Guaranteed Fund), the qualifying balance and period under the Employer's mandatory portion and voluntary portions within his account will not be affected.
3. In this case, since John does not elect to transfer his accrued benefits derived from member's voluntary contributions, benefits in his member's voluntary contribution account will not be affected.

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| Smart Tips | If contributions are invested in the Guaranteed Fund, you may need to think twice before making the decision to transfer amounts attributable to your member's mandatory contribution to a scheme offered by another service provider, as it may lead to a loss of the guaranteed return and reset of the qualifying period for the relevant portion of benefits within your account. |

**Case 10**

Mary is currently an employee member and she has always been investing in the Guaranteed Fund. Recently, medical doctor has issued a medical certificate certifying Mary suffers from terminal illness. Upon the confirmation of terminal illness, Mary decides to withdraw all of her accrued benefits derived from mandatory contributions. Over the period when Mary invests in the

Guaranteed Fund, the guaranteed return on her investments in the Guaranteed Fund is greater than the increase in the market value of her investments in the Guaranteed Fund (the "market return").

**Analysis**

Terminal illness is considered to be a qualifying event. Mary needs to provide a medical certificate for certifying terminal illness to the Trustee.

Since the guaranteed return is greater than the market return, Mary's accrued benefits derived from mandatory contributions are therefore equal to her qualifying balance. With the proof of the medical certificate, such benefits will be paid in cash.

**Case 11**

Nancy has been investing mandatory and voluntary contributions in the Guaranteed Fund for 10 years and has been diagnosed with terminal illness. Nancy decided to withdraw all her accrued benefits derived from mandatory contributions on the ground of terminal illness ("First Claim"). Over the period of commencement of investment in the Guaranteed Fund until the First Claim, the guaranteed return was greater than the market return under the Guaranteed Fund.

Nancy continued her employment even though she suffered from terminal illness, and she continued to invest mandatory and voluntary contributions in the Guaranteed Fund. Two years later after Nancy made the First Claim, Nancy was again diagnosed with terminal illness. Nancy decided to withdraw all the accrued benefits derived from mandatory contributions made since the First Claim on the ground of terminal illness ("Second Claim"). Over the period of between the First Claim and the Second Claim, the market return under the Guaranteed Fund was greater than the guaranteed return.

**Analysis**

Terminal illness is a qualifying event and claims must be supported by the required medical certificate.

On a claim on the ground of terminal illness, Nancy was entitled to guarantee entitlement in the First Claim and the Second Claim. In the First Claim, the guaranteed return was greater than the market return. Accordingly in the First Claim Nancy was entitled to receive the guaranteed return in respect of her investments in the Guaranteed Fund derived from mandatory contributions.

1. The qualifying balance and qualifying period start date in respect of the investments from mandatory contributions in the Guaranteed Fund would be reset to zero after the First Claim.

2. The qualifying balance and qualifying period start date in respect of the investments in the Guaranteed Fund derived from voluntary contributions will be treated independently and will not be affected.

In the Second Claim, the market return was greater than the guaranteed return. Accordingly in the Second Claim Nancy was entitled to receive the market return in respect of her investments in the Guaranteed Fund derived from mandatory contributions.

1. The qualifying balance and qualifying period start date in respect of the investments from mandatory contributions in the Guaranteed Fund would be reset to zero after the Second Claim.

2. The qualifying balance and qualifying period start date in respect of the investments in the Guaranteed Fund derived from voluntary contributions will be treated independently and will not be affected.

As Nancy has continued her employment, subject as otherwise provided in the Trust Deed and the Participation Agreement, she was not entitled to withdraw the accrued benefits derived from voluntary contributions in the First Claim and in the Second Claim. When Nancy leaves employment, she will become entitled to withdraw the accrued benefits from voluntary contributions. If the requirements of one of the qualifying events are met, subject to any redemption or switching out prior to the claim, Nancy will be entitled to guarantee entitlement in respect of the accrued benefits invested in the Guaranteed Fund.

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| Case 12 | Peter has always been investing mandatory contributions and voluntary contributions in the Guaranteed Fund. Peter is now 61 years old and goes on early retirement. He files a claim to be paid his accrued benefits by instalments in the amount of HK$2,000. |
| Analysis | Upon receipt of Peter's claim, the Trustee transfers Peter's Eligible Benefits derived from mandatory contributions and voluntary contributions in the Guaranteed Fund held in his contribution account to his personal account. As part of the transfer, the market value and the qualifying balance of the transferred benefits will be carried over to the personal account. Following the transfer, when Units held in the Guaranteed Fund attributable to Eligible Benefits are redeemed to meet the first payment by instalment of HK$2,000 ("First Withdrawal"), the guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as appropriate, will apply to all Eligible Benefits held in the Guaranteed Fund that have been transferred to the personal account as described above.<br><br>The market value and qualifying balance in respect of mandatory contributions and voluntary contributions in the Guaranteed Fund as at the First Withdrawal were HK$20,000 and HK$22,000, respectively. Accordingly, as the qualifying balance was greater than the market value, Peter's Eligible Benefits in the personal account will be credited with the qualifying balance of HK$22,000, and the qualifying balance and the market value in respect of the transferred benefits will both become HK$22,000. The Trustee then pays the instalment of HK$2,000 to Peter from his personal account. As the partial withdrawal of HK$2,000 is not a valid claim, it will be effected as a redemption from the Guaranteed Fund. After payment of the first withdrawal of HK$2,000, the qualifying balance and the market value both become HK$20,000 (HK$22,000 – HK$2,000).<br><br>Likewise, as any further partial withdrawal of Eligible Benefits from the personal account will not be a valid claim, such further withdrawal will also be effected as a redemption from the Guaranteed Fund, and no guarantee will apply to such withdrawn amount. The guarantee (at the "new applicable rate", currently 1% p.a.) will only apply to the remaining Eligible Benefits in the Guaranteed Fund if Peter subsequently files a valid claim in respect of all (and not part only) of such remaining Eligible Benefits upon occurrence of a qualifying event. Such guarantee will apply to the remaining Eligible Benefits for the period from the First Withdrawal to the date of redemption from the PIC APIF (i.e. the underlying fund of the Guaranteed Fund). |
| Case 13(a) | Victor is an employee member and has always been investing mandatory contributions and voluntary contributions in the Guaranteed Fund. Victor continues employment after reaching the age of 65, and accordingly, he is only entitled to withdraw his benefits in respect of mandatory contributions. Victor makes a claim of withdrawal of his Eligible Benefits, which would be accrued benefits derived from mandatory contributions ("Mandatory Benefits"), by instalments in the amount of HK$1,000. The market value of Victor's benefits in respect of mandatory contributions and voluntary contributions in the Guaranteed Fund were HK$12,000 and HK$12,000, respectively. |
| Analysis | Upon receipt of Victor's claim to withdraw Mandatory Benefits by instalments, Units held in the Guaranteed Fund attributable to the Mandatory Benefits will be redeemed to meet the first payment by instalment of HK$1,000 ("First Withdrawal of Mandatory Benefits"). At the time of the First Withdrawal of Mandatory Benefits, the guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as appropriate, will apply to the Mandatory Benefits held in the Guaranteed Fund. The market value and the qualifying balance of the Mandatory Benefits in the Guaranteed Fund were HK$12,000 and HK$10,000, respectively.<br><br>As the market value was greater than the qualifying balance, Victor's contribution account will be credited with the market value of HK$12,000, in which case the qualifying balance and the market value of Mandatory Benefits will become HK$12,000. The Trustee then pays the instalment of HK$1,000 to Victor from his contribution account. As the partial withdrawal of HK$1,000 is not a valid claim, it will be effected as a redemption from the Guaranteed Fund. After payment of the first withdrawal of HK$1,000, the qualifying balance and the market value of the Mandatory Benefits then become HK$11,000 (HK$12,000 – HK$1,000). |

Likewise, as any further partial withdrawal of Mandatory Benefits from Victor's contribution account will not be a valid claim, such further withdrawal will also be effected as a redemption from the Guaranteed Fund, and no guarantee will apply to such withdrawn amount. The guarantee (at the "new applicable rate", currently 1% p.a.) will only apply if Victor subsequently files a valid claim in respect of all (and not part only) of any remaining Eligible Benefits upon occurrence of a qualifying event. Such guarantee will apply to the remaining Mandatory Benefits for the period from the First Withdrawal of Mandatory Benefits to the date of redemption from the PIC APIF (i.e. the underlying fund of the Guaranteed Fund).

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Case 13(b) At the age of 66, Victor retires from work, and upon cessation of employment, he becomes entitled to benefits derived from voluntary contributions. Within 3 months of cessation of employment, Victor makes a claim to withdraw all his accrued benefits on the ground of terminal illness. Upon receipt of Victor's claim, the Trustee withdraws all of Victor's accrued benefits derived from voluntary contributions ("**Voluntary Benefits**") held in Victor's contribution account.

Analysis As the claim qualifies as a valid claim, the guarantee will apply as follows:

(a) Mandatory Benefits: the guarantee (at the "new applicable rate", currently 1% p.a.) will apply to all remaining Mandatory Benefits held in the Guaranteed Fund for the period from the First Withdrawal of Mandatory Benefits to the date of redemption from the PIC APIF. The market value and qualifying balance of the remaining Mandatory Benefits were HK$10,000 (the value of which had fallen from HK$11,000 to HK$10,000) and HK$11,000, respectively.

(b) Voluntary Benefits: the guarantee at the rate of 4.5% p.a. or the "new applicable rate", currently 1% p.a., as appropriate, will apply to the Voluntary Benefits held in the Guaranteed Fund that have been withdrawn from the contribution account as described above. The market value and qualifying balance of the Voluntary Benefits in the Guaranteed Fund were HK$10,500 and HK$11,500, respectively.

Accordingly, Victor is entitled to be paid the qualifying balance of HK$22,500 (HK$11,000 + HK$11,500) in the Guaranteed Fund.

If you have any questions on the above cases, please do not hesitate to call INVESCall Member Hotline.

The defined terms used in this Brochure have the following meanings:-

| | |
|---|---|
| "A65F" | the Age 65 Plus Fund, a Constituent Fund under the Master Trust |
| "CAF" | the Core Accumulation Fund, a Constituent Fund under the Master Trust |
| "Default Fund" | the Constituent Fund as specified by an employee member's employer, other than the Guaranteed Fund, or in the absence of such specification, the Capital Stable Fund |
| "Default Investment Strategy" or "DIS" | an investment strategy that complies with Part 2, Schedule 10 to the MPF Ordinance, as summarised in the section headed "Default Investment Strategy" |
| "DIS Funds" | the Core Accumulation Fund and the Age 65 Plus Fund and the "DIS Fund" means any of them |
| "high risk assets" | any assets identified as such in the relevant guidelines issued by the MPFA (as amended from time to time), including:<br>(a) shares;<br>(b) warrants;<br>(c) financial futures contracts and financial option contracts that are used other than for hedging purposes;<br>(d) interest in an index-tracking collective investment scheme ("ITCIS") that tracks an index comprised of equities or equities-like securities; and<br>(e) any investment approved by the MPFA under section 8(1)(c), 8(2)(b) or 8(2)(c) of Schedule 1 to the MPF General Regulation except that part of a unit trust or mutual fund authorized by the SFC that is invested in assets or securities other than those set out in paragraphs (a) to (d) above |
| "lower risk assets" | any assets other than higher risk assets as permitted under the MPF General Regulation such as bonds and money market instruments |
| "Pre-existing Account" | an account which exists or is set up before 1 April 2017 |
| "Reference Portfolio" | in respect of a DIS Fund, a reference portfolio developed by the MPF industry and published by the Hong Kong Investment Funds Association, to provide a common reference point for the performance and asset allocation of the DIS Fund. For further details, please refer to the sub-section headed "Information on Performance of DIS Funds" in the section headed "Default Investment Strategy". |

# INVESCO STRATEGIC MPF SCHEME

## ON-GOING COST ILLUSTRATIONS

30 September 2020

This is an illustration of the total effect of fees and charges on each HK$1,000 contributed in the funds named below. The fees and charges of a fund are one of the factors that you should consider in making investment decisions across funds. You should however also consider other important information such as the risks of the fund, the nature of the fund, the attributes of relevant parties, the range and quality of services being offered and, most importantly, your own personal circumstances and expectations. The information about fees and charges set out in this table is intended to help you compare the cost of investing in one constituent fund with the cost of investing in other constituent funds.

The illustration has been prepared based on some assumptions that are the same for all funds. The illustration assumes the following:

(a) a gross contribution of HK$1,000 is made in the respective constituent fund now and, being eligible to do so, you withdraw all of your accrued benefits arising from this contribution at the end of each time period indicated;

(b) for the purpose of this illustration only, the contribution has a 5% gross return each year (Please note that the assumed rate of return is for illustrative and comparative purposes only. The return is neither guaranteed nor based on past performance. The actual return may be different); and

(c) the expenses of the funds (expressed as a percentage called the ‘fund expense ratio’ below) remain the same for each fund for all the periods shown in this illustration.

Based on the above assumptions, your costs on each HK$1,000 contributed are illustrated in the following table. Please note that the actual costs will depend on various factors and may be different from the numbers shown below.

| Name of Constituent Funds | | Fund Expense Ratio for financial period ended 03/2020 | Cost on each HK$1,000 contributed | | |
|---|---|---|---|---|---|
| | | | After 1 year (HK$) | After 3 years (HK$) | After 5 years (HK$) |
| Hong Kong and China Equity Fund | Unit Class A | 1.27% | 13 | 41 | 72 |
| | Unit Class H | 1.15% | 12 | 38 | 65 |
| Asian Equity Fund | Unit Class A | 1.33% | 14 | 43 | 75 |
| | Unit Class H | 1.21% | 13 | 40 | 68 |
| Growth Fund | Unit Class A | 1.28% | 13 | 42 | 72 |
| | Unit Class H | 1.16% | 12 | 38 | 66 |
| Balanced Fund | Unit Class A | 1.28% | 13 | 42 | 72 |
| | Unit Class H | 1.16% | 12 | 38 | 66 |
| Capital Stable Fund | Unit Class A | 1.27% | 13 | 41 | 72 |
| | Unit Class H | 1.15% | 12 | 38 | 65 |
| Global Bond Fund | Unit Class A | 1.25% | 13 | 41 | 71 |
| | Unit Class H | 1.13% | 12 | 37 | 64 |
| Guaranteed Fund | Unit Class G | 2.47% | 26 | 80 | 136 |
| RMB Bond Fund | Unit Class A | 1.26% | 13 | 41 | 71 |
| | Unit Class H | 1.14% | 12 | 37 | 65 |
| Invesco Hang Seng Index Tracking Fund | Unit Class A | 0.96% | 10 | 31 | 55 |
| | Unit Class H | 0.91% | 10 | 30 | 52 |
| Age 65 Plus Fund | Unit Class A | 0.85% | 9 | 28 | 48 |
| | Unit Class H | 0.83% | 9 | 27 | 47 |
| Core Accumulation Fund | Unit Class A | 0.82% | 9 | 27 | 47 |
| | Unit Class H | 0.83% | 9 | 27 | 47 |

Note: The example does not take into account any fee rebates that may be offered to certain members of the Scheme.

Invesco

# ILLUSTRATIVE EXAMPLE FOR MPF CONSERVATIVE FUND OF INVESCO STRATEGIC MPF SCHEME

30 September 2020

This example is intended to help you compare the total amounts of annual fees and charges payable under this Scheme with those under other registered schemes.

This example assumes that:

*Your MPF Account Activities*

(a) your monthly relevant income is HK$8,000
(b) you have put all your accrued benefits into the MPF Conservative Fund; you have not switched your accrued benefits to other constituent funds during the financial period
(c) you have not transferred any accrued benefits into or out of this Scheme during the financial period

*Your Company Profile*

(d) 5 employees (including yourself) of your employer participate in this Scheme
(e) the monthly relevant income of each employee is HK$8,000
(f) no voluntary contribution is made
(g) each of the other 4 employees has the same MPF account activities as yours

*Investment Return and Savings Rate*

(h) the monthly rate of investment return is 0.5% on total assets
(i) the prescribed savings rate is 3.25% per annum throughout the financial period

Based on these assumptions, the total amounts of annual fees you need to pay under this Scheme in one financial period would be:

| | |
|---|---|
| Unit Class A | HK$30 |
| Unit Class H | HK$30 |

Warning: This is just an illustrative example. The actual amount of fees you need to pay may be higher or lower, depending on your choice of investments and activities taken during the financial period.