BEA (MPF) MASTER TRUST SCHEME

SECOND ADDENDUM TO THE EXPLANATORY MEMORANDUM DATED DECEMBER, 2016

This Second Addendum should be read in conjunction with and forms part of the Explanatory Memorandum for the BEA (MPF) Master Trust Scheme (the "**Master Trust**") dated December, 2016, as amended by a First Addendum dated 12th December, 2016 (collectively referred to as the "**Explanatory Memorandum**"). All capitalised terms herein contained shall have the same meaning in this Second Addendum as in the Explanatory Memorandum, unless otherwise stated. The Sponsor and the Trustee accept responsibility for the information contained in this Second Addendum as being accurate as at the date of publication.

With effect from 1st April, 2017 (being the commencement date of the MPF default investment strategy), the Explanatory Memorandum shall be amended as follows:

1. The "**TABLE OF CONTENTS**" shall be amended by inserting the words "**MPF Default Investment Strategy ("DIS")**" immediately below the sub-section headed "**INSTRUCTIONS TO CHANGE INVESTMENT**" under the section headed "**CONTRIBUTIONS**".

2. Risk Factors

   (a) Page 17 - The following paragraphs shall be inserted after the sub-section headed "**China market risk**" under the section headed "**Risk Factors**":-

   "**Equity investment risk and volatility risk**

   A Constituent Fund or its underlying fund(s) may invest directly or indirectly in equities and are thus, subject to the risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, issuer-specific factors such as issuers' financial soundness and issuers' financial statements as well as the business and social conditions in local and global marketplace.

   Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Constituent Funds or its underlying fund(s) to losses.

   The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might unexpectedly and sharply decrease in value. Where equity markets are extremely volatile, the net asset value of a Constituent Fund and/or its underlying fund(s) may fluctuate substantially and Members may suffer substantial loss."

   (b) Page 18 - The sub-section headed "**Credit risk**" under the section headed "**Risk Factors**" shall be renamed "**Credit risk and credit rating risk**", and the following paragraphs shall be inserted at the end of the sub-section:-

   "A Constituent Fund or its underlying fund(s) may invest directly or indirectly in bonds, fixed interest securities or other debt securities and thus, subject to credit risk (i.e. the risk that an issuer of securities will be unable to pay principal and interest when due, or that the value of a security will fall because the market believes that the issuer is less able to pay). If the issuer defaults, the performance of a Constituent Fund or its underlying fund(s) can be adversely affected as the Constituent Fund or its underlying fund(s) may be unable to recover any amount due from the issuer.

   This is broadly gauged by the credit ratings of the securities in which a Constituent Fund or its underlying fund(s) invest. Credit ratings may however not always be an accurate or reliable measure of the creditworthiness of the debt securities being invested in. Where such credit ratings prove inaccurate or unreliable, losses may be incurred by the Constituent Fund or its underlying fund(s).

   Further, the credit rating of the debt security directly or indirectly held by a Constituent Fund or its underlying fund(s) may be downgraded. This usually leads to drops in the price of the debt security which may surpass those caused by general market fluctuations. A lowering of the credit rating of a debt security may also adversely affect the debt security's liquidity, making it more difficult to sell."

   (c) Page 19 - The first paragraph under the sub-section headed "**Currency risk**" under the section headed "**Risk Factors**" shall be deleted in its entirety and replaced by the following:-

   "A Constituent Fund or its underlying fund(s) that invests in securities denominated in currencies other than the Constituent Fund's base currency (i.e. Hong Kong dollars) may be exposed to currency exchange risk. Fluctuations in exchange rates between these currencies and the base currency may cause the value of such securities in terms of the base currency to diminish or increase. If the currency in which a Constituent Fund's or its underlying fund(s) portfolio security is denominated depreciates against the base currency of the Constituent Fund's or its underlying fund(s), the value of the security in terms of the base currency will decrease and the net asset value of the Constituent Fund or its underlying fund(s) will be affected unfavourably."

(d) Page 19 - The paragraph under the sub-section headed "**Interest rates risk**" under the section headed "**Risk Factors**" shall be deleted in its entirety and replaced by the following:-

"The prices of fixed income securities tend to vary inversely with market interest rates. The value of such securities is likely to decline in times of rising interest rates. Conversely, when rates fall, the value of these investments is likely to rise. The longer the time to maturity the greater such variations. To the extent a Constituent Fund or its underlying fund(s) hold long-term debt securities, its respective net asset value will be subject to a greater degree of fluctuation than if it held debt securities of a shorter duration."

(e) Page 19 - The following paragraphs shall be inserted after the sub-section headed "**Emerging market risk**" under the section headed "**Risk Factors**":-

"Further, all markets are subject to volatility based on prevailing economic conditions. Securities in "emerging" or "developing" markets may involve a higher degree of risk due to the small current size of the markets for securities of "emerging" or "developing" market issuers and the currently low or non-existent volume of trading, which could result in price volatility. Certain economic and political events in "emerging" or "developing" economies, including changes in foreign exchange policies and current account positions, could also cause greater volatility in exchange rates.

Market practices in certain emerging markets in relation to the settlement of securities transactions and custody of assets may increase the risk of settlement default. The clearing, settlement and registration systems available to effect trades on emerging markets may be significantly less developed than those in more mature world markets which can result in delays and other material difficulties in settling trades and in registering transfers of securities. Such delays could result in substantial losses for a Constituent Fund or its underlying fund(s) if investment opportunities are missed or if they are unable to acquire or dispose of securities as a result. Therefore, problems of settlement in these markets may affect the value of a Constituent Fund or its underlying fund(s)."

(f) Page 19 - The following paragraphs shall be inserted after the sub-section headed "**Market / liquidity risk**" under the section headed "**Risk Factors**":-

"**Hedging risk**

The Investment Manager may acquire financial futures contracts and financial option contracts for hedging purposes. The Investment Manager is permitted, but not obliged, to use hedging techniques to attempt to offset currency and market risks. There is no guarantee that hedging techniques will achieve their desired result. If the techniques and instruments employed by the Investment Manager are incorrect, or the counterparty for such instruments default, the relevant Constituent Fund or its underlying fund(s) may suffer a substantial loss.

Counterparty risk

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Constituent Fund or its underlying fund(s). A Constituent Fund may be exposed to the risk of a counterparty through investments such as bonds, deposits, financial futures and options. To the extent that a counterparty defaults on its obligations and a Constituent Fund or its underlying fund(s) is delayed in exercising or prevented from exercising their respective rights with respect to the investment in their respective portfolio, the net asset value of a Constituent Fund or its underlying fund(s) may be adversely affected due to a decline in the value of the security, loss of income and incurring costs associated with their respective rights attached to the security.

Eurozone risk

The performance of a Constituent Fund or its underlying fund(s) that invest(s) in Europe will be affected by the economic, political, regulatory, geopolitical, market, currency or other conditions in the region. In particular, for the exit of EU members from the Eurozone such as Brexit and the ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse event, such as credit downgrade of a sovereign, may have a negative impact on the value of the Constituent Fund or its underlying fund(s).

Political, economic and social risk

The performance of a constituent fund or its underlying fund(s) and its ability to pay redemption proceeds may be affected by changes in economic conditions and uncertainties such as change in political conditions including strikes and curfew and government policies, the terrorist activities causing the suspension of stock exchange such as 911 attack, the imposition of restrictions on the transfer of capital and changes in laws or regulatory requirements. For example, in respect of the investments in securities issued or guaranteed by governments, in adverse situation, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the constituent fund or its underlying fund(s) to participate in restructuring such debts. The constituent fund or its underlying fund(s) may suffer significant losses when there is a default of sovereign debt issuers."

(g) Page 22 - The following paragraph shall be inserted immediately before the sub-section headed "**Principal risks of investing in DIS**" (introduced by the First Addendum of the Explanatory Memorandum) under the section headed "**Risk Factors**":-

"**Valuation and accounting risk**

A Constituent Fund or its underlying fund(s) intends to adopt Hong Kong Financial Reporting Standard ("**HKFRS**") in drawing up its annual accounts. However, members should note that a Constituent Fund or its underlying fund(s) intends to amortise the preliminary expenses and costs of the Constituent Fund or its underlying fund(s) over the first 5 financial years of the fund commencing on the close of the initial offer period or over such other period as the Trustee shall consider fair. This policy of amortisation is not in accordance with HKFRS and may accordingly result in either a different net asset value being reflected in the annual audited accounts or the auditors qualifying the Constituent Fund's accounts. However, the Trustee believes that the policy of capitalizing and amortising preliminary costs is fairer and more equitable to the initial members.

Valuation of the Constituent Fund's or its underlying fund(s)' investment may involve uncertainties and judgmental determinations. For example, securities held by the Constituent Fund or its underlying fund(s) may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. The market value of such securities may become more difficult or impossible to ascertain. Under this circumstance, the Investment Manager may in consultation with the Trustee apply valuation methods to ascertain the fair value of such securities in accordance with the Trust Deed. If such valuation turns out to be incorrect, this may affect the net asset value calculation of the Constituent Fund or its underlying fund(s)."

3. **Establishment, Termination, Merger and Division of Constituent Funds**

Page 24 - The second paragraph under the section headed "**Establishment, Termination, Merger and Division of Constituent Funds**" shall be deleted in its entirety and replaced by the following:-

"The Trustee may with the consent of the Sponsor terminate a Constituent Fund on giving not less than 1 month's notice to Members and each participating employer (or such other period of notice as the Authority or the Commission may require). If a Constituent Fund is terminated, contributions will cease to be invested in such Constituent Fund and amounts invested in such Constituent Fund must be switched (free of charge) into another Constituent Fund chosen by the relevant Member. If the relevant Member fails to make a choice when requested to do so, the Member's Units in the terminating Constituent Fund will be switched into DIS and future contributions by or on behalf of the Member which would otherwise be invested in the terminating Constituent Fund will be invested in DIS."

4. **MPF Default Investment Strategy**

Page 28 - The first and second paragraphs under the sub-section headed "**Mandates to Invest Contributions**" under the section headed "**Contributions**" shall be deleted in its entirety and replaced by the following:-

"On becoming a member of the Master Trust, a Member will be given an opportunity to give an instruction in a form specified by the Trustee (a "**Mandate**") setting out how contributions made by and on behalf of the Member are to be invested in the Constituent Funds. If a Member elects to invest in a particular Constituent Fund, then the Member's total contributions must be invested in that Constituent Fund in a multiple of 10%. In the absence of a Mandate, the Trustee will invest the relevant contributions in DIS. Upon enrolment, a Member may give a specific investment instruction for employer's mandatory and voluntary contributions and a different specific investment instruction for employee's mandatory and voluntary contributions.

A Member can change the Member's Mandate by giving a new Mandate to the Trustee. The Member's Mandate applies to future contributions and not accrued benefits. A Member may give different Mandates to different types of contributions; to illustrate, a specific investment instruction may be given to a Member's employer's mandatory contributions and a different specific investment instruction may be given to the Member's employer's voluntary contributions. The new Mandate will apply with effect no later than the latest of: the Valuation Date falling on or immediately after the effective date specified in the Mandate (if any), a Valuation Date within 7 Business Days after receipt of the new Mandate by the Trustee, or receipt by the Trustee of any fee payable for changing the Mandate. The new Mandate will only apply to investment of contributions received by the Trustee on or after the Valuation Date on which the new Mandate takes effect. If any change of Mandate given after enrolment does not meet the requirements for a Specific Investment Instruction, then such change of Mandate will be rejected and the existing investment allocation (in respect of future contributions and accrued benefits transferred from another scheme) will remain unchanged."

5. **Switching instructions**

Page 29 - The first paragraph under the sub-section headed "**Instructions to Change Investment**" under the section headed "**Contributions**" shall be deleted in its entirety and replaced by the following:-

"Members have the right (subject to any suspension in the determination of the net asset value of any relevant Constituent Fund) to switch all or (subject as provided below) part of the Units relating to a Constituent Fund credited to their account into Units relating to another Constituent Fund or Constituent Funds by giving an instruction in a form specified by the Trustee (a "**Switching Instruction**"). A Member may give different Switching Instructions to different types of accrued benefits; to illustrate, a Switching Instruction in respect of the accrued benefits attributable to a Member's mandatory contributions can be different from a Switching Instruction given in respect of the accrued benefits attributable to the Member's voluntary contributions. However, where a Member gives a Switching Instruction in respect of Units relating to the BEA (MPF) Long Term Guaranteed Fund, the Switching Instruction must be in respect of all such Units credited to the account of the relevant Member. Any Switching Instruction only applies to accrued benefits already in the relevant Member's account and not future contributions. If any Switching Instruction given after enrolment does not meet the requirements for a Specific Investment Instruction, then such Switching Instruction will be rejected, and the existing investment (in respect of the existing accrued benefits) will remain unchanged."

The Bank of East Asia, Limited and Bank of East Asia (Trustees) Limited
12th December, 2016