

# BEA (MPF) VALUE SCHEME

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## MPF SCHEME BROCHURE

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# MPF

Mandatory Provident Fund

Sponsor	: The Bank of East Asia, Limited
Trustee	: Bank of East Asia (Trustees) Limited
Version date	: May 2023
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**IMPORTANT:**

- **Important — If you are in doubt about the meaning or effect of the contents of this MPF Scheme Brochure, you should seek independent professional advice.**
- The Master Trust offers different Constituent Funds (i) investing in one or more APIFs and/or approved ITCISs which invest in equities or bonds; or (ii) making direct investments. Each Constituent Fund has a different risk profile.
- The BEA MPF Conservative Fund does not provide any guarantee of the repayment of capital.
- Investment involves risks. You should consider your own risk tolerance level and financial circumstances before making any investment choices. In your selection of Constituent Funds, if you are in doubt as to whether a certain Constituent Fund is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice and choose the Constituent Fund(s) most suitable for you taking into account your circumstances.
- You should consider your own risk tolerance level and financial circumstances before investing in the DIS. You should note that the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund may not be suitable for you, and there may be a risk mismatch between the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund and your risk profile (the resulting portfolio risk may be greater than your risk preference). You should seek financial and/or professional advice if you are in doubt as to whether the DIS is suitable for you, and make the investment decision most suitable for you taking into account your circumstances.
- You should note that the implementation of the DIS may have an impact on your MPF investments and accrued benefits. You should consult with the Trustee if you have doubts on how you are being affected.

# TABLE OF CONTENTS

Heading	Page Number
<b>1. INTRODUCTION.....</b>	<b>1</b>
1.1 About the BEA (MPF) Value Scheme .....	1
1.2 Investment of contributions.....	1
<b>2. DIRECTORY OF APPROVED TRUSTEE AND OTHER SERVICE PROVIDERS.....</b>	<b>2</b>
2.1 Sponsor.....	2
2.2 Trustee .....	2
2.3 Investment Manager .....	2
<b>3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES.....</b>	<b>3</b>
3.1 Scheme structure .....	3
3.2 Table for Constituent Funds .....	4
3.3 Investment objectives and policies.....	6
3.4 Currency exposure.....	20
3.5 Investment and borrowing restrictions.....	20
3.6 Consequences of exceeding the investment limit.....	21
3.7 Establishment, termination, merger and division of Constituent Funds .....	22
<b>4. RISKS.....</b>	<b>23</b>
4.1 Risk categories.....	23
4.2 Risk factors .....	23
<b>5. FEES AND CHARGES.....</b>	<b>41</b>
5.1 Fee table.....	41
5.2 Definitions.....	47
5.3 No switching fee.....	50
5.4 Change in Mandate fee.....	50
5.5 Fees and out-of-pocket expenses related to the BEA MPF Conservative Fund.....	50
5.6 Other charges and expenses.....	50
5.7 Fees and out-of-pocket expenses of the DIS .....	51
5.8 Cash rebates and soft commissions .....	52
5.9 Explanatory notes.....	52

<b>6. ADMINISTRATIVE PROCEDURES.....</b>	<b>54</b>
6.1 How to join.....	54
6.2 Contributions.....	55
6.3 Investment in Constituent Funds.....	57
6.4 Entitlement to accrued benefits.....	66
6.5 Realisation of Units .....	68
6.6 Payment of accrued benefits.....	69
6.7 Other points to note .....	70
6.8 Transfers .....	70
<b>7. OTHER INFORMATION .....</b>	<b>74</b>
7.1 Calculation.....	74
7.2 Taxation.....	75
7.3 Accounts, reports and statements.....	77
7.4 Trust Deed .....	77
7.5 Modification of Trust Deed and participation agreements .....	77
7.6 Termination, merger or division of Master Trust .....	78
7.7 Documents available .....	78
7.8 Automatic exchange of financial account information .....	78
<b>8. GLOSSARY .....</b>	<b>80</b>
<b>APPENDIX Further Information on the Indexes .....</b>	<b>85</b>

# 1. INTRODUCTION

The Trustee and the Sponsor each accepts responsibility for the information contained in this MPF Scheme Brochure as being accurate at the date of publication. However, neither the delivery of this MPF Scheme 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 MPF Scheme Brochure is correct as of any time subsequent to such date. This MPF Scheme Brochure may from time to time be updated. Intending participants in the Master Trust should ask the Trustee or the Sponsor if any supplements to this MPF Scheme Brochure or any later MPF Scheme Brochure have been issued.

The Master Trust has been authorised by the SFC and approved by the 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 MPF Scheme 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 an MPF scheme or pooled investment fund nor does it guarantee the commercial merits of an MPF scheme or pooled investment fund or its performance. It does not mean the MPF scheme or pooled investment fund is suitable for all scheme participants or fund holders nor is it an endorsement of its suitability for any particular scheme participant or fund holder.

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

## 1.1 About the BEA (MPF) Value Scheme

The BEA (MPF) Value Scheme is a master trust established by a trust deed dated as of 17<sup>th</sup> August, 2012 (as amended from time to time) between The Bank of East Asia, Limited as Sponsor and Bank of East Asia (Trustees) Limited as Trustee. It is established under and governed by the laws of Hong Kong.

## 1.2 Investment of contributions

Contributions are invested in one or more of the Constituent Funds established under the Master Trust, in accordance with instructions given from time to time by Members. For details, please refer to the "6.2. CONTRIBUTIONS" sub-section under the "6. ADMINISTRATIVE PROCEDURES" section of this MPF Scheme Brochure.

## 2. DIRECTORY OF APPROVED TRUSTEE AND OTHER SERVICE PROVIDERS

<b>Sponsor</b>	The Bank of East Asia, Limited	10 Des Voeux Road Central, Hong Kong
<b>Trustee, Custodian and Administrator</b>	Bank of East Asia (Trustees) Limited	32 <sup>nd</sup> Floor, BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
<b>Investment Manager</b>	BEA Union Investment Management Limited	5 <sup>th</sup> Floor, 10 Des Voeux Road Central, Hong Kong
<b>Legal Advisers</b>	Baker & McKenzie	14 <sup>th</sup> Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
<b>Auditors</b>	KPMG	8 <sup>th</sup> Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

### 2.1 Sponsor

The Bank of East Asia, Limited (the “**Bank**”) was incorporated in Hong Kong in 1918 and is the sponsor of the Master Trust. The Bank is dedicated to providing comprehensive retail banking, commercial banking, wealth management, and investment services to its customers in Hong Kong, Mainland China, and other major markets around the world. The Bank is the largest independent local bank in Hong Kong, with total consolidated assets of HKD839.5 billion (USD107.2 billion) as of 31<sup>st</sup> December, 2018. The Bank is listed on The Stock Exchange of Hong Kong. The Sponsor is responsible for business development, marketing, and product development, as well as ancillary and support services to the Trustee as may be agreed between them from time to time.

Where contributions and accrued benefits deriving from contributions to the Master Trust and other amounts are held in an interest bearing account with the Bank as described in this MPF Scheme Brochure, the Bank will pay interest on such amounts at a rate no lower than the prevailing commercial rate for deposits of a similar size and duration.

### 2.2 Trustee

Bank of East Asia (Trustees) Limited was incorporated in Hong Kong in 1975 and is the trustee of the Master Trust. The Trustee is registered as a trust company in Hong Kong and has been approved by the MPFA as an approved trustee for MPF purposes<sup>1</sup>. The Trustee is also a wholly owned subsidiary of the Bank.

Under the Trust Deed, the Trustee is responsible for the administration of the Master Trust and the safekeeping of the assets of the Master Trust. The Trustee also acts as custodian of the assets of the Master Trust.

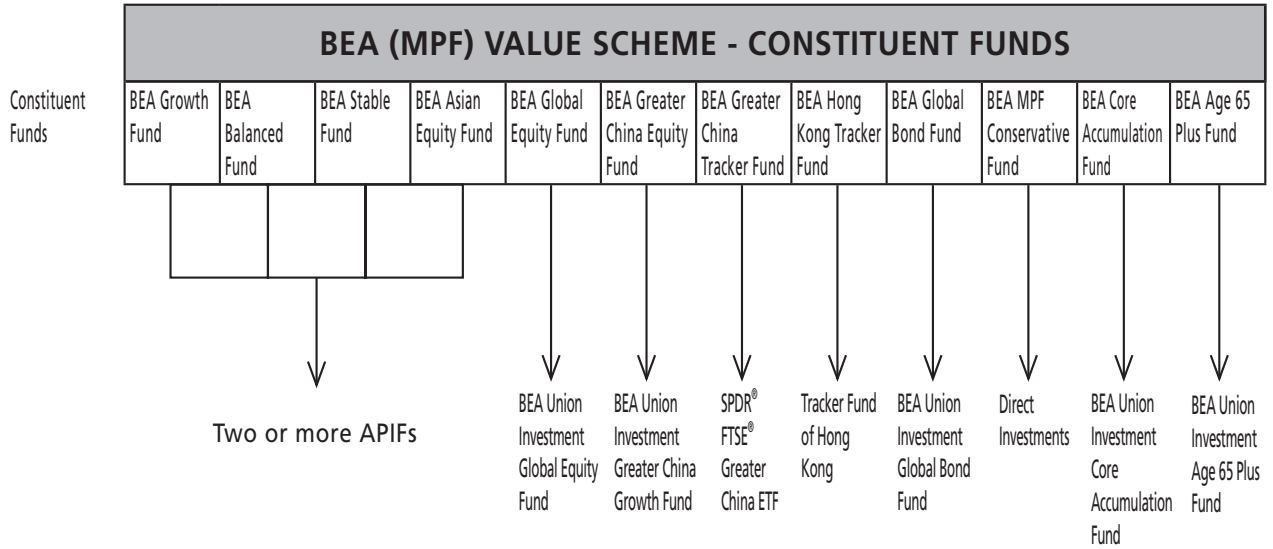
### 2.3 Investment Manager

BEA Union Investment Management Limited was incorporated in Hong Kong in 1988 and is the investment manager of the Master Trust. Previously known as East Asia Asset Management Company Limited, the Investment Manager is jointly owned by the Bank and Union Asset Management Holding AG.

<sup>1</sup> Such approval does not imply recommendation by the MPFA

## 3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES

### 3.1 Scheme structure



### 3.2 Table for Constituent Funds

Under the Trust Deed, the Trustee is required to establish and maintain separate Constituent Funds in which contributions and accrued benefits may be invested. The Constituent Funds are notional funds established within the Master Trust and are only available for investment by Members.

The Master Trust currently offers the following Constituent Funds for investment:

No.	Name of Constituent Fund	Investment Manager	Fund structure	Fund descriptor	Investment focus
1.	BEA Growth Fund	BEA Union Investment Management Limited	Portfolio management fund	Mixed Assets Fund – Global – Maximum 90% in equities	60% to 90% in equities, 10% to 40% in cash, debt securities and/ or money market instruments
2.	BEA Balanced Fund	BEA Union Investment Management Limited	Portfolio management fund	Mixed Assets Fund – Global – Maximum 60% in equities	40% to 60% in equities, 40% to 60% in cash, debt securities and/ or money market instruments
3.	BEA Stable Fund	BEA Union Investment Management Limited	Portfolio management fund	Mixed Assets Fund – Global – Maximum 40% in equities	10% to 40% in equities, 60% to 90% in cash, debt securities and/ or money market instruments
4.	BEA Global Equity Fund	BEA Union Investment Management Limited	Feeder fund	Equity Fund – Global	Not less than 70% in equities with the remainder held in money market instruments, cash or cash equivalents
5.	BEA Asian Equity Fund	BEA Union Investment Management Limited	Portfolio management fund	Equity Fund – Asia ex-Japan	At least 70% in equities, up to 30% in cash, debt securities and/ or money market instruments
6.	BEA Greater China Equity Fund	BEA Union Investment Management Limited	Feeder fund	Equity Fund – Greater China	Not less than 70% in equities, up to 10% in other securities (as permitted under the General Regulation) with the remainder held in cash or cash equivalents



No.	Name of Constituent Fund	Investment Manager	Fund structure	Fund descriptor	Investment focus
7.	BEA Greater China Tracker Fund	BEA Union Investment Management Limited	Feeder fund	Equity Fund – Greater China	100% in equities
8.	BEA Hong Kong Tracker Fund	BEA Union Investment Management Limited	Feeder fund	Equity Fund – Hong Kong	100% in equities
9.	BEA Global Bond Fund	BEA Union Investment Management Limited	Feeder fund	Bond Fund – Global	20% to 100% in short to long term government bonds, 0% to 80% in short to long term corporate bonds
10.	BEA MPF Conservative Fund	BEA Union Investment Management Limited	Direct investment	Money Market Fund – Hong Kong	100% in short-term deposits and debt securities
11.	BEA Core Accumulation Fund	BEA Union Investment Management Limited	Feeder fund	Mixed Assets Fund – Global – Maximum 65% in Higher Risk Assets	55% to 65% in Higher Risk Assets with the remainder invested in Lower Risk Assets
12.	BEA Age 65 Plus Fund	BEA Union Investment Management Limited	Feeder fund	Mixed Assets Fund – Global – Maximum 25% in Higher Risk Assets	15% to 25% in Higher Risk Assets with the remainder invested in Lower Risk Assets

### 3.3 Investment objectives and policies

Each Constituent Fund has a separate and distinct investment objective and policy, as described in more detail below.

**Investors should note that the statements of expected return for each Constituent Fund set out below represent the Investment Manager's expectations based on the Investment Manager's past experience. However, there is no guarantee that such returns will be achieved. In addition, the return of a Constituent Fund over the short term may be greater than or less than the return of a Constituent Fund over the long term, due to market fluctuations and other factors. The information in section (e) below is provided for reference only.**

#### 3.3.1 BEA Growth Fund

##### (a) Objective

To achieve long-term capital appreciation within a controlled risk/return framework through investing mainly in global equities with some exposure in global debt securities/money market instruments.

##### (b) Balance of investments

The BEA Growth Fund will invest primarily in global equity and bond markets. The BEA Growth Fund will invest in a range of APIFs managed by the Investment Manager to obtain exposure to such markets, selected by the Investment Manager having regard to the investment objective and investment policy. The underlying assets of the BEA Growth Fund are expected normally to be invested 60% to 90% in equities and 10% to 40% in cash, debt securities and/or money market instruments.

##### (c) Security lending and repurchase agreements

The BEA Growth Fund will not engage in security lending and will not enter into repurchase agreements. The underlying APIFs may, however, engage in security lending.

##### (d) Futures and options

Both the BEA Growth Fund and the underlying APIFs will enter into financial futures and options contracts for hedging purposes only.

##### (e) Risks

The BEA Growth Fund is suitable for investors who are willing to assume a higher level of risk to achieve potentially higher long-term returns. The Investment Manager expects the return of the BEA Growth Fund over the long term to reflect movements in the global equity markets.

The performance of the BEA Growth Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risks in relation to futures and options contracts
- risk of investment in Europe

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### **3.3.2 BEA Balanced Fund**

#### **(a) Objective**

To achieve a stable rate of return with an opportunity for capital appreciation through a balanced weighting of investments in global equities and debt securities.

#### **(b) Balance of investments**

The BEA Balanced Fund will invest primarily in global equity and bond markets. The BEA Balanced Fund will invest in a range of APIFs managed by the Investment Manager to obtain exposure to such markets, selected by the Investment Manager having regard to the investment objective and investment policy. The underlying assets of the BEA Balanced Fund are expected normally to be invested 40% to 60% in equities and 40% to 60% in cash, debt securities and/or money market instruments.

#### **(c) Security lending and repurchase agreements**

The BEA Balanced Fund will not engage in security lending and will not enter into repurchase agreements. The underlying APIFs may, however, engage in security lending.

#### **(d) Futures and options**

Both the BEA Balanced Fund and the underlying APIFs will enter into financial futures and options contracts for hedging purposes only.

#### **(e) Risks**

The BEA Balanced Fund is suitable for investors who are willing to assume some degree of risk. The Investment Manager expects the return of the BEA Balanced Fund over the long term to reflect a rate of return between the returns of the BEA Growth Fund (reflecting movements of the global equity markets) and the BEA Stable Fund (a return expected to exceed the Hong Kong inflation rate).

The performance of the BEA Balanced Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risks in relation to futures and options contracts
- risk of investment in Europe

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### 3.3.3 BEA Stable Fund

#### (a) Objective

To minimise short-term capital risk with modest capital growth over the long term through a higher weighting of investments in global debt securities to provide steady income and a lower exposure to global equities to provide modest potential for capital appreciation.

#### (b) Balance of investments

The BEA Stable Fund will invest primarily in the global equity and bond markets. The BEA Stable Fund will invest in a range of APIFs managed by the Investment Manager to obtain exposure to such markets, selected by the Investment Manager having regard to the investment objective and investment policy. The underlying assets of the BEA Stable Fund are expected normally to be invested 10% to 40% in equities and 60% to 90% in cash, debt securities and/or money market instruments.

#### (c) Security lending and repurchase agreements

The BEA Stable Fund will not engage in security lending and will not enter into repurchase agreements. The underlying APIFs may, however, engage in security lending.

#### (d) Futures and options

Both the BEA Stable Fund and the underlying APIFs will enter into financial futures and options contracts for hedging purposes only.

#### (e) Risks

The BEA Stable Fund is suitable for investors who want a stable return with reduced risk through diversification. The Investment Manager expects the return of the BEA Stable Fund over the long term to exceed the Hong Kong inflation rate.

The performance of the BEA Stable Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risks in relation to futures and options contracts
- risk of investment in Europe

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### 3.3.4 BEA Global Equity Fund

#### (a) Objective

To provide investors with long-term capital growth through investing in a diversified global portfolio.

## **(b) Balance of investments**

The BEA Global Equity Fund will invest directly in a single APIF, namely the BEA Union Investment Global Equity Fund (a sub-fund of the BEA Union Investment Capital Growth Fund), to obtain exposure to the global equity markets. The underlying APIF's portfolio will primarily consist of global equity securities, including but not limited to common stocks, preferred stocks, American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), International Depositary Receipts ("IDRs"), approved exchange traded funds ("ETFs"), warrants, or debt securities convertible into common or preferred stocks, or ADRs, GDRs or IDRs, to the extent permitted under Schedule 1 to the General Regulation.

In managing the asset allocation of the underlying APIF's portfolio, the manager of the underlying APIF will from time to time make reference to the geographic allocation by one or more global stock market indexes. As an indication, the geographic allocation of the underlying APIF is expected to be:

United States	–	0%-65%
Europe	–	0%-40%
Others	–	0%-50%

Please note that the above figures are for indicative purposes only. The actual allocation of the underlying APIF's portfolio between countries and regions may vary from time to time and may be different from that as shown above according to the perception of the underlying APIF's manager of prevailing and anticipated global market conditions and will be decided on the basis of the macro-economic analysis of the underlying APIF's manager of the global markets and economic growth, inflation and interest rate trends.

Normally not less than 70% of the underlying APIF's assets will be invested in equities. Any remaining assets may be held in money market instruments, cash or cash equivalents. In times of extreme volatility of the markets or during severe adverse market conditions, the underlying APIF may hold a substantial portion of its assets in money market instruments, cash or cash equivalents to safeguard the investment portfolio of the APIF. Up to 10% of the assets of the underlying APIF may be invested in other securities (as permitted under Schedule 1 to the General Regulation).

The BEA Global Equity Fund may hold cash and bank deposits for ancillary purposes, such as for meeting redemption requests or defraying operating expenses.

Investment Manager, BEA Union Investment Management Limited, is also the manager of the underlying APIF.

## **(c) Security lending and repurchase agreements**

The BEA Global Equity Fund will not engage in security lending and will not enter into repurchase agreements. The underlying APIF may, however, engage in security lending.

## **(d) Futures and options**

The BEA Global Equity Fund will not enter into financial futures and options contracts for any purposes. Subject to the restrictions imposed by the MPF Ordinance, the underlying APIF may, however, enter into currency forward contracts, financial futures and options contracts for hedging purposes to reduce risk and protect asset value, consistent with the investment objective of the underlying APIF.

## **(e) Risks**

The BEA Global Equity Fund is suitable for investors who are willing to assume a higher level of risk to achieve potentially higher long-term returns. The Investment Manager expects the return of the BEA Global Equity Fund over the long term to reflect movements in the global equity markets.

The performance of the BEA Global Equity Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risks in relation to futures and options contracts
- risk of investment in Europe
- risk associated with small-capitalisation/ mid-capitalisation companies

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### **3.3.5 BEA Asian Equity Fund**

#### **(a) Objective**

To achieve long-term capital appreciation within a controlled risk/return framework through investing mainly in Asian (ex-Japan) equities.

#### **(b) Balance of investments**

The BEA Asian Equity Fund will invest in a range of APIFs managed by the Investment Manager to obtain exposure to the Asian (ex-Japan) equity markets, selected by the Investment Manager having regard to the investment objective and investment policy. The underlying assets of the BEA Asian Equity Fund are expected normally to be invested at least 70% in equities of companies listed in the Asian equity markets (including but not limited to Singapore, Malaysia, Korea, Taiwan, Thailand, Indonesia, the Philippines, India, China and Hong Kong, but excluding Japan) and up to 30% in cash, debt securities and/or money market instruments for cash management purposes.

The BEA Asian Equity Fund may hold cash and bank deposits for ancillary purposes, such as for meeting redemption requests or defraying operating expenses.

#### **(c) Security lending and repurchase agreements**

The BEA Asian Equity Fund will not engage in security lending and will not enter into repurchase agreements. The underlying APIFs may, however, engage in security lending.

#### **(d) Futures and options**

The BEA Asian Equity Fund and the underlying APIFs will enter into financial futures and options contracts for hedging purposes only.

## **(e) Risks**

The BEA Asian Equity Fund is suitable for investors who are willing to assume a higher level of risk to achieve potentially higher long-term returns. The Investment Manager expects the return of the BEA Asian Equity Fund over the long term to reflect movements in the Asian (ex-Japan) equity markets.

The performance of the BEA Asian Equity Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- early termination risk
- risks in relation to futures and options contracts
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- restricted markets risk
- risk associated with small-capitalisation/ mid-capitalisation companies

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### **3.3.6 BEA Greater China Equity Fund**

#### **(a) Objective**

To provide investors with long-term capital growth through exposure to the Greater China equity markets.

#### **(b) Balance of investments**

The BEA Greater China Equity Fund will invest directly in a single APIF, namely the BEA Union Investment Greater China Growth Fund (a sub fund of the BEA Union Investment Capital Growth Fund) to obtain exposure to the Greater China equity markets. The underlying APIF will invest in a diversified portfolio primarily consisting of securities that are either (a) listed in Greater China or (b) issued by companies that are incorporated in Greater China or companies which have significant operations in or derive a significant portion of revenue or profits from Greater China. Normally not less than 70% of the assets of the underlying APIF will be invested directly in equities, which may include less than 30% in China A-shares and/or China B-shares. Up to 10% of the assets of the underlying APIF may be invested in other securities (as permitted under Schedule 1 to the General Regulation). Any remaining assets may be held in cash or cash equivalents. In times of extreme volatility of the markets or during severe adverse market conditions, the underlying APIF may hold a substantial portion of its asset in cash or cash equivalents, or invest in short-term money market instruments to safeguard the investment portfolio of the underlying APIF.

The BEA Greater China Equity Fund may hold cash and bank deposits for ancillary purposes, such as for meeting redemption requests or defraying operating expenses.

The Investment Manager, BEA Union Investment Management Limited, is also the manager of the underlying APIF.

### **(c) Security lending and repurchase agreements**

The BEA Greater China Equity Fund will not engage in security lending and will not enter into repurchase agreements. The underlying APIF may, however, engage in security lending.

### **(d) Futures and options**

The BEA Greater China Equity Fund will not enter into financial futures and options contracts for any purposes. The underlying APIF may, however, enter into financial futures and options contracts for hedging purposes.

### **(e) Risks**

The BEA Greater China Equity Fund is suitable for investors who are willing to assume a higher level of risk to achieve potentially higher long-term returns. The Investment Manager expects the return of the BEA Greater China Equity Fund over the long term to reflect movements in the Greater China equity markets.

The performance of the BEA Greater China Equity Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- early termination risk
- risks in relation to futures and options contracts
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- restricted markets risk
- risk associated with small-capitalisation/ mid-capitalisation companies

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

## **3.3.7 BEA Greater China Tracker Fund**

### **(a) Objective**

To provide investment returns, before fees and expenses, that closely correspond to the performance of the FTSE<sup>®</sup> Greater China HKD Index.

### **(b) Balance of investment**

The BEA Greater China Tracker Fund will invest directly in a single approved ITCIS, namely the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF (a sub-fund of the SPDR<sup>®</sup> ETFs). The underlying approved ITCIS aims to provide investment returns, before fees and expenses, that closely correspond to the performance of the FTSE<sup>®</sup> Greater China HKD Index. The FTSE<sup>®</sup> Greater China HKD Index comprises of stocks listed in Hong Kong, Taiwan, Shanghai (China B-shares and with effect from 23<sup>rd</sup> March, 2020, China A-shares), Shenzhen (China B-shares and with effect from 23<sup>rd</sup> March, 2020, China A-shares) and Singapore, where the Singapore listed stocks are classified as Hong Kong nationality in accordance with FTSE nationality rules.



The underlying approved ITCIS may receive other derivatives, such as warrants or options, as a result of corporate action from underlying investments.

The BEA Greater China Tracker Fund may hold cash and bank deposits for ancillary purposes, such as for meeting redemption requests or defraying operating expenses.

Whilst the investment objective of the BEA Greater China Tracker Fund and the underlying approved ITCIS is to track the FTSE® Greater China HKD Index, there can be no assurance that the performance of the BEA Greater China Tracker Fund and the underlying approved ITCIS will at any time be identical to that of the FTSE® Greater China HKD Index. Further information on the FTSE® Greater China HKD Index can be found in the Appendix to this MPF Scheme Brochure.

None of State Street Global Advisors Asia Limited (the manager of the underlying approved ITCIS) and State Street Trust (HK) Limited (the trustee of the underlying approved ITCIS) are related to the Master Trust or the BEA Greater China Tracker Fund and none of these entities will have any liability in connection with the Master Trust or the BEA Greater China Tracker Fund.

**(c) Security lending and repurchase agreements**

The BEA Greater China Tracker Fund and the underlying approved ITCIS will not engage in security lending and will not enter into repurchase agreements.

**(d) Futures and options**

The BEA Greater China Tracker Fund will not enter into financial futures and options contracts for any purposes. However, the underlying approved ITCIS may use futures contracts listed on futures exchanges in Hong Kong, Taiwan and Singapore.

**(e) Risks**

The BEA Greater China Tracker Fund is suitable for investors who are willing to assume a higher level of risk to achieve potentially higher returns over the short to medium term. The Investment Manager expects the return of the BEA Greater China Tracker Fund to reflect movements in the Greater China equity markets over the short to medium term.

The performance of the BEA Greater China Tracker Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- emerging market risk
- counterparty risk
- early termination risk
- risks in relation to futures and options contracts
- risks in relation to investments in index-tracking funds
- equity investment risk and volatility risk
- currency risk
- market/liquidity risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- risks associated with the BEA Greater China Tracker Fund

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### 3.3.8 BEA Hong Kong Tracker Fund

#### (a) Objective

To provide investment returns that closely correspond to the performance of the Hang Seng Index.

#### (b) Balance of investments

The BEA Hong Kong Tracker Fund will invest directly in a single approved ITCIS, namely the Tracker Fund of Hong Kong. The underlying approved ITCIS aims to provide investment results that closely correspond to the performance of the Hang Seng Index. There can, however, be no assurance that the performance of the BEA Hong Kong Tracker Fund and the underlying approved ITCIS will at any time be identical to that of the Hang Seng Index. Further information on the Hang Seng Index can be found in the Appendix to this MPF Scheme Brochure.

The BEA Hong Kong Tracker Fund may hold cash and bank deposits for ancillary purposes, such as for meeting redemption requests or defraying operating expenses.

None of Hang Seng Investment Management Limited (the manager of the underlying approved ITCIS), State Street Bank and Trust Company (the trustee of the Tracker Fund of Hong Kong), or the government of Hong Kong are related to the Master Trust or the BEA Hong Kong Tracker Fund and none of these entities will have any liability in connection with the Master Trust or the BEA Hong Kong Tracker Fund.

#### (c) Security lending and repurchase agreements

The BEA Hong Kong Tracker Fund and the underlying approved ITCIS will not engage in security lending and will not enter into repurchase agreements.

#### (d) Futures and options

The BEA Hong Kong Tracker Fund will not enter into financial futures and options contracts for any purposes. However, the underlying approved ITCIS may use futures contracts and options for hedging purposes or to achieve its investment objective.

#### (e) Risks

The BEA Hong Kong Tracker Fund is suitable for investors who are willing to assume a higher level of risk to achieve potentially higher returns over the short to medium term. The Investment Manager expects the return of the BEA Hong Kong Tracker Fund to reflect movements in the Hong Kong equity market over the short to medium term.

The performance of the BEA Hong Kong Tracker Fund is subject to a number of risks, including the following:

- Equity investment risk and volatility risk
- currency risk
- counterparty risk
- early termination risk
- risks in relation to futures and options contracts
- risks in relation to investments in index-tracking funds
- concentration risk
- market/liquidity risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- risks associated with the BEA Hong Kong Tracker Fund

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### 3.3.9 BEA Global Bond Fund

#### (a) Objective

To provide investors with total investment return over the medium to long term through investing into a diversified range of global bonds.

#### (b) Balance of investments

The BEA Global Bond Fund will invest directly in a single APIF, namely the BEA Union Investment Global Bond Fund (a sub-fund of the BEA Union Investment Capital Growth Fund) to obtain exposure to global bond markets. The underlying APIF will invest in a diversified range of global bonds denominated in various major currencies (including but not limited to, US dollars, Euro, Pounds Sterling, Japanese Yen and HK dollars). The underlying APIF's assets will normally be invested between 20% to 100% in short to long term government bonds and 0% to 80% in short to long term corporate bonds. Such investments will be made mainly in the United States, Europe and Asia, but may include other markets.

The BEA Global Bond Fund may hold cash and bank deposits for ancillary purposes, such as for meeting redemption requests or defraying operating expenses.

The Investment Manager, BEA Union Investment Management Limited, is also the manager of the underlying APIF.

#### (c) Security lending and repurchase agreements

The BEA Global Bond Fund will not engage in security lending and will not enter into repurchase agreements. The underlying APIF, however, may engage in security lending.

#### (d) Futures and options

The BEA Global Bond Fund will not enter into financial futures and options contracts for any purposes. The underlying APIF, however, may enter into financial futures contracts for hedging purposes.

#### (e) Risks

The BEA Global Bond Fund is suitable for investors who are willing to assume a lower level of risk to achieve potentially stable return over the medium to long term. The Investment Manager expects the return of the BEA Global Bond Fund over the long term to reflect movements in the global bond markets.

The performance of the BEA Global Bond Fund is subject to a number of risks, including the following:

- China market risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risks in relation to futures and options contracts
- risk of investment in Europe
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

### 3.3.10 BEA MPF Conservative Fund

#### (a) Objective

To achieve a minimum rate of return while maintaining stability of the principal amount invested.

#### (b) Balance of investments

The BEA MPF Conservative Fund will solely invest in HK dollar-denominated instruments, namely, short-term deposits and debt securities issued by banks, corporations and governments and such instruments will satisfy the requirements set out in section 37 of the General Regulation.

Note: Fees and charges of an MPF conservative fund can be deducted from either (i) the assets of such fund or (ii) Member's account by way of unit deduction. The BEA MPF Conservative Fund uses method (i) and, therefore, its unit prices, NAV and fund performance quoted have reflected the impact of fees and charges.

#### (c) Security lending and repurchase agreements

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

#### (d) Futures and options

The BEA MPF Conservative Fund will not enter into financial futures and options contracts for any purposes.

#### (e) Risks

Investment in the BEA MPF Conservative Fund is not equivalent to placing funds on deposit. A Member's rights to accrued benefits in respect of any Units held for the account of the Member in the BEA MPF Conservative Fund are limited to the realisation price of such Units at the relevant time, which may be more or less than the price at which such Units were issued. The BEA MPF Conservative Fund is not subject to the supervision of the Hong Kong Monetary Authority.

The BEA MPF Conservative Fund is designed for conservative investors with very low capital risk. The Investment Manager expects the return of the BEA MPF Conservative Fund over the long term to be in line with the interest rate payable from time to time by major banks in Hong Kong on HK dollar savings accounts.

The performance of the BEA MPF Conservative Fund is subject to a number of risks, including the following:

- China market risk
- credit risk and credit rating risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- concentration risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risk of investment in Europe

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

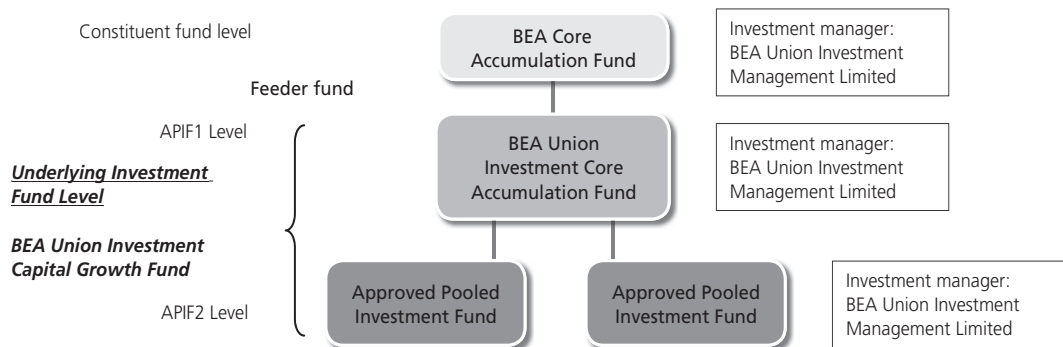
### 3.3.11 BEA Core Accumulation Fund

#### (a) Objective

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

#### (b) Balance of investments

The BEA Core Accumulation Fund will invest in a single APIF, namely the BEA Union Investment Core Accumulation Fund under the BEA Union Investment Capital Growth Fund, which in turn invests in two APIFs as allowed under the General Regulation. The investment manager of the BEA Union Investment Core Accumulation Fund will from time to time rebalance the allocation between the two APIFs. Please refer to the following product structural chart illustrating the fund structure of the BEA Core Accumulation Fund:



Subject to the discretion of the investment manager of the BEA Union Investment Core Accumulation Fund and through an active asset allocation strategy investing in the two APIFs (which in turn adopt relevant active investment strategy in selecting particular global equities or global bonds), the BEA Core Accumulation Fund will hold around 60% of its NAV in Higher Risk Assets, with the remainder investing in Lower Risk Assets. The asset allocation to Higher Risk Assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. There is no prescribed allocation for investments in any specific countries or currencies. Through the BEA Core Accumulation Fund's investment in the BEA Union Investment Core Accumulation Fund, at least 30% of the assets of the BEA Core Accumulation Fund will be held in HK dollar currency investments as measured by effective currency exposure (determined in accordance with Schedule 1 to the General Regulation).

The BEA Core Accumulation Fund adopts an active investment strategy. With this strategy, the investment manager of the BEA Union Investment Core Accumulation Fund may allocate the assets among the two underlying APIF(s) at its discretion.

The Investment Manager, BEA Union Investment Management Limited, is also the manager of the underlying APIF.

#### (c) Security lending and repurchase agreements

The BEA Core Accumulation Fund will not engage in security lending and will not enter into repurchase agreements. The BEA Union Investment Core Accumulation Fund will not invest in any structured deposits or products, and will not enter into any security lending, repurchase transactions or other similar transactions.

#### **(d) Futures and options**

The BEA Core Accumulation Fund will not enter into currency forward contracts, financial futures and options contracts for any purposes. However, the BEA Union Investment Core Accumulation Fund may enter into currency forward contracts, financial futures and options contracts for hedging purposes to reduce risk and protect asset value, consistent with the investment objective of the BEA Union Investment Core Accumulation Fund.

#### **(e) Risks**

Investors should regard the BEA Core Accumulation Fund as a medium-to-high-risk investment. The Sponsor and the Trustee, with the opinion from the Investment Manager determines the risk profile of the BEA Core Accumulation Fund, which is for your reference only. The risk profile is based on relative exposure to equities/bonds and will be reviewed semi-annually. The Investment Manager expects the return of the BEA Core Accumulation Fund over the long term to reflect movements between the global equity market and global bond market, with an emphasis on the asset allocation applicable to the BEA Core Accumulation Fund, targeting to outperform the Reference Portfolio (as defined in the “6.3.3 MPF Default Investment Strategy” sub-section under the “6. ADMINISTRATIVE PROCEDURES” section).

The performance of the BEA Core Accumulation Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- risk of investment in Europe
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risks in relation to futures and options contracts
- principal risks of investing in the DIS

Please refer to the “4. RISKS” section for a detailed description of each of the risks listed above.

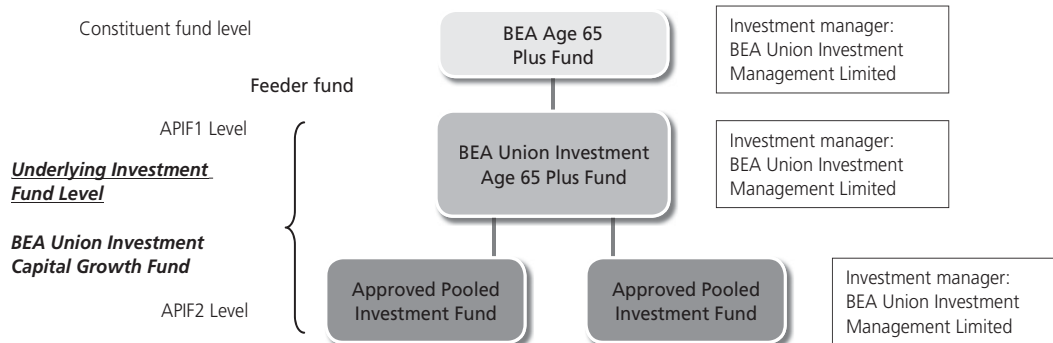
### **3.3.12 BEA Age 65 Plus Fund**

#### **(a) Objective**

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

#### **(b) Balance of investments**

The BEA Age 65 Plus Fund will invest in a single APIF, namely the BEA Union Investment Age 65 Plus Fund under the BEA Union Investment Capital Growth Fund, which in turn invests in two APIFs as allowed under the General Regulation. The investment manager of the BEA Union Investment Age 65 Plus Fund will from time to time rebalance the allocation between the two APIFs. Please refer to the following product structural chart illustrating the fund structure of the BEA Age 65 Plus Fund:



Subject to the discretion of the investment manager of the BEA Union Investment Age 65 Plus Fund and through an active asset allocation strategy investing in the two APIFs (which in turn adopt relevant active investment strategy in selecting particular global equities or global bonds), the BEA Age 65 Plus Fund will hold around 20% of its NAV in Higher Risk Assets, with the remainder investing in Lower Risk Assets. The asset allocation to Higher Risk Assets may vary between 15% and 25% due to differing price movements of various equity and bond markets. There is no prescribed allocation for investments in any specific countries or currencies. Through the BEA Age 65 Plus Fund's investment in the BEA Union Investment Age 65 Plus Fund, at least 30% of the assets of the BEA Age 65 Plus Fund will be held in HK dollar currency investments as measured by effective currency exposure (determined in accordance with Schedule 1 to the General Regulation).

The BEA Age 65 Plus Fund adopts an active investment strategy. With this strategy, the investment manager of the BEA Union Investment Age 65 Plus Fund may allocate the assets among the two underlying APIF(s) at its discretion.

The Investment Manager, BEA Union Investment Management Limited, is also the manager of the underlying APIF.

**(c) Security lending and repurchase agreements**

The BEA Age 65 Plus Fund will not engage in security lending and will not enter into repurchase agreements. The BEA Union Investment Age 65 Plus Fund will not invest in any structured deposits or products, and will not enter into any security lending, repurchase transactions or other similar transactions.

**(d) Futures and options**

The BEA Age 65 Plus Fund will not enter into currency forward contracts, financial futures and options contracts for any purposes. However, the BEA Union Investment Age 65 Plus Fund may enter into currency forward contracts, financial futures and options contracts for hedging purposes to reduce risk and protect asset value, consistent with the investment objective of the BEA Union Investment Age 65 Plus Fund.

## (e) Risks

Due to its investments mainly in Lower Risk Assets (such as global bonds and money market instruments), investors should regard the BEA Age 65 Plus Fund as a low-to-medium-risk investment. The Sponsor and the Trustee, with the opinion from the Investment Manager, determine the risk profile of the BEA Age 65 Plus Fund, which is for your reference only. The risk profile is based on relative exposure to equities and/or bonds and will be reviewed semi-annually. The Investment Manager expects the return of the BEA Age 65 Plus Fund over the long term to reflect movements between the global equity market and global bond market, with an emphasis on the asset allocation applicable to the BEA Age 65 Plus Fund, targeting to outperform the Reference Portfolio (as defined in the "6.3.3 MPF Default Investment Strategy " sub-section under the "6. ADMINISTRATIVE PROCEDURES" section).

The performance of the BEA Age 65 Plus Fund is subject to a number of risks, including the following:

- China market risk
- concentration risk
- currency risk
- emerging market risk
- counterparty risk
- political, economic and social risk
- valuation and accounting risk
- hedging risk
- risk of investment in Europe
- equity investment risk and volatility risk
- credit risk and credit rating risk
- interest rates risk
- market/liquidity risk
- Eurozone risk
- early termination risk
- risks in relation to futures and options contracts
- principal risks of investing in the DIS

Please refer to the "4. RISKS" section for a detailed description of each of the risks listed above.

Note: Unless otherwise agreed with the SFC and the MPFA, the Trustee will give not less than one month's written notice of any change in the investment objectives and policies of a Constituent Fund to Members and to participating employers.

### 3.4 Currency exposure

Each Constituent Fund is unitised and denominated in HK dollars. The BEA MPF Conservative Fund will maintain an effective currency exposure to HK dollars of 100%. The other Constituent Funds will maintain an effective currency exposure to HK dollars of not less than 30%.

### 3.5 Investment and borrowing restrictions

Each Constituent Fund is subject to the investment and borrowing restrictions in the MPF Ordinance (as set out in Schedule 1 to the General Regulation), the MPF Guidelines, and the MPFA's Code on MPF Investment Funds. The investment and borrowing restrictions applicable to each Constituent Fund are described below:

#### 3.5.1 BEA MPF Conservative Fund

The BEA MPF Conservative Fund is subject to the investment restrictions applicable to MPF conservative funds pursuant to the MPF Ordinance (as set out in section 37 and Schedule 1 to the General Regulation), the MPF Guidelines and the MPFA's Code on MPF Investment Funds.



### **3.5.2 BEA Greater China Tracker Fund and BEA Hong Kong Tracker Fund**

Each of the BEA Greater China Tracker Fund and the BEA Hong Kong Tracker Fund is a feeder fund which invests in a single approved ITCIS (as referred to in the "3.3 Investment objectives and policies" sub-section above). Each underlying approved ITCIS has been approved by the MPFA pursuant to the MPF Ordinance (as set out in Schedule 1 to the General Regulation), the MPF Guidelines and the MPFA's Code on MPF Investment Funds.

### **3.5.3 Portfolio management funds**

Each of the Constituent Funds in the form of portfolio management funds is subject to the following investment restrictions:

- (a) the relevant Constituent Fund may only invest in APIFs and approved ITCISs;
- (b) the relevant Constituent Fund must invest in not less than two APIFs and/or approved ITCISs;
- (c) no investment may be made for the account of the relevant Constituent Fund if as a result the value of that Constituent Fund's holding of interests in any one APIF or approved ITCIS would exceed 90% of the NAV of that Constituent Fund; and
- (d) the Investment Manager may enter into currency forward contracts, futures contracts and options contracts for the account of the relevant Constituent Fund for hedging purposes only.

Each APIF in which the Constituent Funds invest is subject to the investment and borrowing restrictions applicable to APIFs as set out in the MPF Ordinance, the General Regulation, the MPF Guidelines, and the MPFA's Code on MPF Investment Funds.

### **3.5.4 Investment restrictions**

The Investment Manager currently does not intend to enter into any repurchase agreements in respect of any Constituent Fund. Please refer to the "3.3 Investment objectives and policies" sub-section above.

### **3.5.5 Borrowing restrictions**

The Trustee may borrow for the account of each Constituent Fund for liquidity purposes to meet accrued benefit payments and for other limited purposes as permitted pursuant to the MPF Ordinance (as set out in Schedule 1 to the General Regulation), the MPF Guidelines and the MPFA's Code on MPF Investment Funds. The assets of the relevant Constituent Fund may be charged or pledged as security for any such borrowings.

### **3.6 Consequences of exceeding the investment limit**

The Investment Manager is not immediately required to sell applicable investments if any of the investment limit is exceeded as a result of changes in the value of a Constituent Fund's investments, reconstructions or amalgamations, payments out of the assets of the Constituent Fund or realisations of Units. For so long as such limits are exceeded, the Investment Manager will not acquire any further investments subject to the relevant restriction and will as a priority objective take all reasonable steps to restore the position so that the limits are no longer exceeded, at all times having regard to the interests of Members.

### **3.7 Establishment, termination, merger and division of Constituent Funds**

The Trustee may, with the consent of the Sponsor, establish new Constituent Funds. The Trustee will notify participating employers and Members where a new Constituent Fund is established.

A Constituent Fund which is a feeder fund shall terminate on the termination of the APIF or the approved ITCIS in which such Constituent Fund invests unless the Trustee with the consent of the Sponsor and (if required) the approval of the MPFA and the SFC shall determine that such Constituent Fund shall invest in some other APIF or approved ITCIS.

The Trustee may, with the consent of the Sponsor, terminate a Constituent Fund on giving not less than one month's notice to each Member and each participating employer (or such other period of notice as the MPFA or the SFC may require). If a Constituent Fund is terminated, contributions will cease to be invested in such Constituent Fund and accrued benefits 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 accrued benefits in the terminating Constituent Fund will be switched into the 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 the DIS.

Subject to the prior approval of the MPFA and the SFC, the Trustee may with the prior approval of the Sponsor, from time to time merge or subdivide any Constituent Fund by giving not less than one month's written notice (or such other period of notice as the MPFA and the SFC may agree or require) to each participating employer and each Member.

## 4. RISKS

### 4.1 Risk categories

The Constituent Funds are not guaranteed and accordingly are subject to market fluctuations and to the risks inherent in all investments. Investment involves risks. 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.

**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: <http://www.hkbea.com>.**

### 4.2 Risk factors

#### 4.2.1 China market risk

A Constituent Fund or its underlying fund(s) may invest in securities of companies that are domiciled or conduct a significant portion of their business activities in, or derive or are expected to derive a significant portion of their revenues from, China. To the extent that such Constituent Fund or its underlying fund(s) has exposure to such companies, the value of the assets of such Constituent Fund or its underlying fund(s) may be affected by political, legal, economic and fiscal uncertainties within China. Existing laws and regulations may not be consistently applied.

Since 1978, the Chinese government has implemented economic reform measures which emphasise decentralisation on and the utilisation of market forces in the development of the Chinese economy. Such reforms have resulted in significant economic growth and social progress. Many of the reforms are unprecedented or experimental and are expected to be refined or changed. Other political, economic and social factors could also lead to further readjustments to the reform measures. The operations and financial results of the companies that a Constituent Fund or its underlying fund(s) invests in could be adversely affected by adjustments in Chinese state plans, political, economic and social conditions, changes in the policies of the Chinese government such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. This may adversely affect the performance of the relevant Constituent Fund.

The transformation from a centrally planned, socialist economy to a more market-oriented economy has resulted in many economic and social disruptions and distortions. Moreover, there can be no assurance that the economic and political initiatives necessary to achieve and sustain such a transformation will continue or, if such initiatives continue and are sustained, that they will be successful. In the past the Chinese government has applied nationalisation, expropriation, confiscatory levels of taxation and currency blockage. Any changes in these policies and regulations may adversely impact on the companies or securities in which the relevant Constituent Fund or its underlying fund(s) invests in.

Accounting, auditing and financial reporting standards in China may not be equivalent to standards applicable in Hong Kong or in other developed countries. As a result, the lower levels of disclosure and transparency of certain material information may impact on the value of investments made by the relevant Constituent Fund or its underlying fund(s). This, if combined with a weak regulatory environment, could result in lower standards of corporate governance and less protection of minority shareholder rights of the companies in which the relevant Constituent Fund or its underlying fund(s) invest.

#### **4.2.2 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 NAV of a Constituent Fund and/or its underlying fund(s) may fluctuate substantially and Members may suffer substantial loss.

#### **4.2.3 Concentration risk**

Some of the Constituent Funds or their underlying fund(s) may invest only in a specific country or region. Their portfolios may not be well diversified in terms of the number of holdings. Investors should be aware that such Constituent Funds or their underlying fund(s) are likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or adverse conditions in their respective countries.

#### **4.2.4 Credit risk and credit rating risk**

The value of a Constituent Fund may be affected if any of the financial institutions with which the cash of the Constituent Fund is invested or deposited, or a counterparty of a Constituent Fund or its underlying fund(s), suffers insolvency or other financial difficulties. This risk is minimised to the extent that the exposure to any one institution is limited under Schedule 1 to the General Regulation.

A Constituent Fund or its underlying fund(s) may invest directly or indirectly in bonds, fixed interest securities or other debt securities and therefore are 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. The credit ratings of fixed income securities by credit rating agencies are a generally accepted barometer of credit risk. Credit ratings are however subject to certain limitations and may not always be an accurate or reliable measure of the creditworthiness of the debt securities being invested in. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. 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. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the value of the relevant debt security may decline rapidly 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. Thus, the value of a Constituent Fund or its underlying fund(s) may be adversely affected. The Investment Manager and/or the manager(s) of the underlying fund(s) may be required to dispose of the securities being downgraded at an undesirable price in order to meet the requirements under Schedule 1 to the General Regulation and/or the investment objectives of the relevant Constituent Fund(s) or underlying fund(s), which may reduce the value of the relevant Constituent Fund.

#### **4.2.5 Currency risk**

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. HK 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 NAV of the Constituent Fund or its underlying fund(s) will be affected unfavourably.

#### **4.2.6 Interest rates risk**

The prices of debt 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 NAV will be subject to a greater degree of fluctuation than if it held debt securities of a shorter duration.

#### **4.2.7 Emerging market risk**

Various countries in which certain Constituent Funds or their underlying funds will invest are considered as emerging markets. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk. The securities markets of some of the emerging countries are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. Accounting, auditing and financial reporting standards in some of the emerging markets may be less vigorous than international standards. As a result, certain material disclosures may not be made by some companies. In many cases, governments of emerging markets retain a high degree of direct control over the economy and may take actions having sudden and widespread effects such as suspension of trade and moratorium which may affect valuation of assets. Investments in products of emerging market may also become illiquid which may constrain the Investment Manager's ability to realise some or all of the portfolio and thus affect the repatriation of capital.

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).

#### **4.2.8 Market/liquidity risk**

Weak financial and credit conditions may have a negative impact on the equities markets resulting in increased volatility. Investors should note that a Constituent Fund or its underlying fund(s) that invests in equities will be subject to market/liquidity risk. Investment expectations may therefore fail to be realised in such instances. This risk is minimised to the extent that investment in equities and other securities is subject to the diversification requirements of Schedule 1 to the General Regulation, under which the investment of a Constituent Fund is limited to 10% of shares of a particular class issued by any issuer and any investment representing not more than 10% of total NAV of such Constituent Fund issued by any one issuer.

Further, a Constituent Fund or its underlying fund(s) may encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

#### **4.2.9 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 contracts. 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 NAV 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.

#### **4.2.10 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).

#### **4.2.11 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, terrorist activities, 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.

#### **4.2.12 Early termination risk**

The Trustee may, with the consent of the Sponsor, terminate a Constituent Fund on giving not less than one month's written notice to each Member and each participating employer (or such other period of notice as the MPFA or the SFC may require).

If a Constituent Fund is terminated, contributions will cease to be invested in such Constituent Fund and accrued benefits in such Constituent Fund must be transferred (free of charge) into another Constituent Fund chosen by the relevant Member. Members should note that such amount to be transferred from the terminating Constituent Fund may be less than the amount contributed by them.

Further, the Master Trust may be wound up by the court in accordance with the MPF Ordinance on application by the MPFA to the court. The Trustee shall give not less than one month's written notice (or such other period as the MPFA or the SFC may agree or require) to participating employers and Members of the termination of the Master Trust and arrangements will be made for the transfer of Members' accrued benefits in the Master Trust to another registered scheme. Members should note that the accrued benefits to be transferred to another registered scheme may be less than the amount contributed by them.

For further details, please refer to the "3.7 Establishment, termination, merger and division of Constituent Funds" sub-section under the "3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES" section above and the "7.6 Termination, merger or division of Master Trust" sub-section under the "7. OTHER INFORMATION" section below.

#### **4.2.13 Valuation and accounting risk**

Each Constituent Fund or its underlying fund(s) intend to adopt Hong Kong Financial Reporting Standard ("HKFRS") in drawing up its annual accounts. However, Members should note that each Constituent Fund or its underlying fund(s) intend to amortise the preliminary expenses and costs of the Constituent Fund or its underlying fund(s) over the first five financial periods 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 NAV being reflected in the annual audited accounts or the auditors qualifying the Constituent Fund's accounts. However, the Trustee believes that the policy of capitalising 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 NAV calculation of the Constituent Fund or its underlying fund(s).

#### **4.2.14 Risk in relation to futures and options contracts**

Some of the Constituent Funds may use futures and options contracts for hedging purposes. The value or return of these types of instruments is based on the performance of an underlying asset. These instruments may be volatile and involve various risks, including market risk, the risk of lack of correlation or leverage effect, liquidity risk, the risk of non-performance by the counterparty.

#### 4.2.15 Hedging risk

The Investment Manager may acquire financial futures contracts and financial options 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.

#### 4.2.16 Risk in relation to investments in index-tracking funds

Investors should note that certain Constituent Funds that invest in approved ITCISs would be subject to the following risks:

##### **(a) Market risk of the sector or market tracked by the relevant index**

Each relevant Constituent Fund tracks an underlying index by investing in an approved ITCIS. As a result, such Constituent Funds are 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 approved ITCIS and hence the Constituent Fund. Furthermore, since an underlying index may focus on a particular geographical region or industry, investments of an approved ITCIS may be concentrated in the securities of a single issuer or several issuers when the approved ITCIS endeavours to match as closely as practicable its holdings of constituent stocks of the index. Therefore, the Constituent Funds may be subject to the additional risks of concentration in these markets or regions.

Further, 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 geographical region or industry.

An approved ITCIS may invest in financial derivatives instruments to gain exposure to the constituent stocks of the underlying index. As such, the approved 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 approved ITCIS, which may in turn affect the value of the relevant Constituent Fund.

##### **(b) Failure to fully replicate the performance of the index**

While the approved ITCIS in which a Constituent Fund invests will seek to track the performance of the underlying index, changes in the NAV of such Constituent Fund may not replicate exactly changes in the relevant index. This is due to, among other factors, the fees and expenses payable by the Constituent Fund and transaction fees and stamp duty incurred in adjusting the composition of the investment portfolio according to changes in the relevant index, and dividends received, but not distributed, by the relevant approved ITCIS.

In addition, as a result of the unavailability of constituent stocks of an underlying index, 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 underlying index and the corresponding adjustment to the shares which comprise the approved ITCIS's portfolio.



During times when the constituent stocks of an underlying index are unavailable or when the investment manager of the approved ITCIS determines it is in the best interest of the approved ITCIS to do so, the approved ITCIS may maintain a cash position or invest in other contracts or investments as permitted by the applicable laws and regulations until the constituent stocks become available. Such costs, expenses, cash balances or timing differences could cause the approved ITCIS's NAV to be lower or higher than the relative level of the index it tracks. The magnitude of tracking error of an approved ITCIS would depend on the cashflow, size of the portfolio and the extent of use of financial instruments and may be higher or lower than other index tracking funds.

**(c) 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 approved 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 optimisation technique the purpose of which is for the underlying approved ITCIS to achieve its objective of tracking the relevant index.

**(d) An approved ITCIS may be traded at a market price, which may be different from its NAV and may fluctuate**

The market price of the units in an approved ITCIS may sometimes trade above or below its NAV. There is a risk, therefore, that the relevant Constituent Fund may not be able to buy or sell at a price close to the NAV of the approved ITCIS. The deviation from NAV 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 NAV. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from NAV.

**(e) An approved ITCIS or an underlying index may be terminated**

Any license granted to the service provider of the underlying approved 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 approved 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 approved ITCIS. The relevant Constituent Fund may also be terminated if no suitable replacement underlying fund is found.

#### **4.2.17 Risks associated with the BEA Greater China Tracker Fund**

The BEA Greater China Tracker Fund tracks the FTSE<sup>®</sup> Greater China HKD Index, and invests directly in the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF which aims to produce investment returns, before fees and expenses, that closely correspond to the performance of the FTSE<sup>®</sup> Greater China HKD Index.

**(a) Tracking of the FTSE<sup>®</sup> Greater China HKD Index at the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF level**

The manager of the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF reviews the securities held in the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF's portfolio on each Business Day, checking those securities against the securities constituting the FTSE<sup>®</sup> Greater China HKD Index and

comparing the weighting of each security in the SPDR® FTSE® Greater China ETF's portfolio to the weighting of the corresponding constituent security in the FTSE® Greater China HKD Index.

Members should be aware that while the BEA Greater China Tracker Fund through its investment in the SPDR® FTSE® Greater China ETF (which, in turn, invests all, or substantially all, of its assets in the constituent securities of the FTSE® Greater China HKD Index in the same, or substantially the same weightings as they appear therein) aims to provide investment returns that closely correspond to the performance of the FTSE® Greater China HKD Index, there is no guarantee or assurance of exact or identical replication at any time of the performance of the FTSE® Greater China HKD Index.

In the event that there is any deviation between the SPDR® FTSE® Greater China ETF's portfolio and the composition and weighting of the FTSE® Greater China HKD Index thereby giving rise to a tracking error which is considered by the manager of the SPDR® FTSE® Greater China ETF to be significant taking into account the investment objective, the manager would effect adjustments of the SPDR® FTSE® Greater China ETF'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 constituent securities of the FTSE® Greater China HKD Index if, for example, transaction costs incurred by the SPDR® FTSE® Greater China ETF in performing any necessary adjustments would outweigh the anticipated reduction in tracking error that would result from the failure to reflect minor changes in the FTSE® Greater China HKD Index. Therefore, minor misweightings are likely to occur. Further, the manager of the SPDR® FTSE® Greater China ETF may be restricted from effecting certain adjustments or may be required to perform certain adjustments by applicable laws and regulations.

**(b) Tracking of the FTSE® Greater China HKD Index at the BEA Greater China Tracker Fund level**

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

**(c) The PRC Tax Risk**

By investing in China A-shares through the Stock Connect as well as China B-shares, the SPDR® FTSE® Greater China ETF may be subject to enterprise income tax ("EIT") and other taxes imposed by tax authorities in the PRC. The SPDR® FTSE® Greater China ETF will invest less than 10% of its investments in China A-shares and China B-shares.

For the avoidance of doubt, disclosure related to China A-shares in this paragraph (c) shall be effective from 23<sup>rd</sup> March, 2020.

**(i) EIT**

According to prevailing tax regulation, a non-Chinese tax resident enterprise which:

- has no business establishment or place under the applicable EIT regulations (“**Establishment**”) or permanent establishment under an applicable double tax treaty or arrangement (“**PE**”) in the PRC; or
- has an Establishment or PE in the PRC but the income derived is not effectively connected with such an Establishment or PE,

is generally subject to 10% EIT on PRC-sourced dividends and capital gains on a withholding basis, unless reduced or exempt under specific Chinese tax regulations or an applicable double tax treaty or arrangement.

#### *Investment in China A-shares*

Pursuant to Cai Shui [2014] No. 81 (“**Circular 81**”), which was effective from 17<sup>th</sup> November, 2014 and Cai Shui [2016] No. 127 (“**Circular 127**”), which was effective from 5<sup>th</sup> December, 2016, dividends derived by corporate and individual investors of the Hong Kong stock market (“**HK Investors**”) from their investment in China A-shares via the Stock Connect will be subject to EIT at 10% and the China A-share listed enterprises distributing the dividends will have an obligation to withhold such EIT. If the recipient of the dividends is entitled to a lower rate as specified by the applicable double tax treaty or arrangement, it can apply for a tax refund by going through the relevant process for claiming treaty benefits.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (“**China-HK Tax Arrangement**”), dividends received by a Hong Kong tax resident from shares issued by a Chinese tax resident enterprise may be eligible for a reduced EIT rate of 5% provided that: (i) the Hong Kong tax resident is the beneficial owner of the dividends; and (ii) the Hong Kong tax resident is a company holding at least 25% of the equity of the Chinese tax resident enterprise. If the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF will not hold at least 25% equity of the Chinese issuer, it will not be eligible for the reduced EIT rate of 5% under the China-HK Tax Arrangement and therefore the EIT rate of 10% shall apply.

Circular 81 and Circular 127 also provide that HK Investors are temporarily exempt from income tax on capital gains derived from trading of China A-shares listed on the SSE and the SZSE through the Stock Connect. There is a risk the PRC tax authorities may withdraw the temporary capital gains tax exemption in the future and seek to collect capital gains tax realised on the sale of China A-shares to the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF without giving any prior notice. Under such circumstances, the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF may apply for an exemption under the Second Protocol of the China-HK Tax Arrangement, if the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF is a Hong Kong tax resident which has a participation of less than 25% capital of the transferred Chinese tax resident enterprise directly or indirectly at any time within the 12 months before the sale of the shares. Alternatively, an exemption may also apply under the Fourth Protocol of the China-HK Tax Arrangement if the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF is a Hong Kong tax resident or a qualified investment fund in Hong Kong and the capital gains derived from purchasing and selling of shares of Chinese tax resident enterprises on the same recognised stock exchange.

If the temporary capital gains tax exemption is withdrawn and the exemption under the China-HK Tax Arrangement is not applicable, any capital gains tax arising from or to the China A-shares of the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF may be directly borne by or indirectly passed on to the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF and may result in a substantial impact to its NAV. As with any NAV adjustment, investors may be advantaged or disadvantaged depending on when the investors purchased/subscribed and/or sold/redeemed the units of the SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF.

## *Investment in China B-shares*

Pursuant to Guo Shui Han [2009] No. 394, a Chinese tax resident enterprise that publicly issues and lists China B-shares shall withhold and pay a 10% EIT when it distributes dividends attributable to the year 2008 or any subsequent years to non-Chinese tax resident enterprises. If the non-Chinese tax resident enterprises are entitled to a lower rate as specified by an applicable double tax treaty or arrangement, they shall go through the relevant process in accordance with the relevant implementation rules of the tax treaty or arrangement. Similar to investment in China A-shares as set out above, the 10% EIT rate may be reduced to 5% under the China-HK Tax Arrangement, but the SPDR® FTSE® Greater China ETF may not be eligible for the reduced EIT rate if it holds less than 25% equity of the Chinese tax resident enterprises that distribute dividends, and therefore the EIT rate of 10% may still apply.

With respect to capital gains derived by non-Chinese tax resident enterprises from trading of China B-shares, in the absence of an explicit exemption under domestic tax rules, such gains may be subject to a 10% EIT rate in the PRC, unless they are exempt under the Second and Fourth Protocols of the China-HK Tax Arrangement, as mentioned above.

### **(ii) Value-added tax (“VAT”) and local surcharges**

Pursuant to Cai Shui [2016] No.36 (“Circular 36”), from 1<sup>st</sup> May 2016, a transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at a rate of 6% on the taxable turnover (which is the balance of the sales price upon deduction of the purchase price), for a general or a foreign VAT taxpayer. Also, a VAT taxpayer shall also be subject to urban maintenance and construction tax at 7%, 5% or 1% (depending on the locality), education surcharge at 3% and local education surcharge at 2% (collectively, “Local Surcharges”) on the VAT payment, if any, which may result in a combined effective rate of 6.72% for both VAT and Local Surcharges.

Nevertheless, according to Circular 36 and Circular 127, VAT is exempted on the gains derived by HK Investors from the transfer of China A-shares through the Stock Connect. As such, the SPDR® FTSE® Greater China ETF is exempt from VAT on the trading of China A-shares via the Stock Connect, but may still be subject to VAT and Local Surcharges on trading of China B-shares in the absence of explicit exemption under PRC tax rules.

### **(iii) Stamp duty**

With respect to the contracts for trading of China A-shares and China B-shares on the PRC stock exchanges, stamp duty is levied at a rate of 0.1% and on sellers only.

Circular 81 and Circular 127 further clarify that HK Investors are required to pay stamp duty in accordance with the above rules upon the sale, succession and donation of China A-shares through the Stock Connect.

### **(d) Stock Connect, China A-shares and other PRC related risks**

*China A-share market suspension and volatility risk (with effect from 23<sup>rd</sup> March, 2020)*

China A-shares may only be bought from, or sold to, the SPDR® FTSE® Greater China ETF from time to time where the relevant China A-shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the China A-share market is considered volatile and unstable (with the risk of suspension and/or limit trading of a particular stock or government intervention), the creation and redemption of units

may also be disrupted. Such volatility and suspensions/limitations could contribute to tracking error of the SPDR® FTSE® Greater China ETF and may cause units to trade at a premium or discount to the SPDR® FTSE® Greater China ETF's NAV. An Authorised Participant (within the meaning of the Prospectus of the SPDR® FTSE® Greater China ETF) is unlikely to redeem or create units if it considers that China A-shares may not be available. High market volatility and potential settlement difficulties in the China A-shares market may also result in significant fluctuations in the prices of the securities traded on the China A-shares market and thereby may adversely affect the value of the SPDR® FTSE® Greater China ETF.

*Risks associated with the Stock Connect (with effect from 23<sup>rd</sup> March, 2020)*

The Stock Connect is a securities trading and clearing linked programme developed by the Hong Kong Exchanges and Clearing Limited, the SSE, the SZSE and the China Securities Depository and Clearing Co., Ltd ("**CSDCC**"), with an aim to achieve mutual stock market access between the PRC and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. State Street Global Advisors Asia Limited (the manager of the underlying approved ITCIS) intends to utilise such channels to invest in China A-shares.

Further information about the Stock Connect is available at the website: [http://www.hkex.com.hk/mutual-market/stock-connect?sc\\_lang=en](http://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en).

The Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the SPDR® FTSE® Greater China ETF), through their Hong Kong brokers and securities trading service companies established by the SEHK and Hong Kong Securities Clearing Company Limited (the "**HKSCC**"), are able to trade eligible shares listed on the SSE (the "**SSE Securities**") or the SZSE (the "**SZSE Securities**") by routing orders to the SSE or the SZSE (as the case may be).

The SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-shares that are not included as constituent stocks of the relevant indexes but which have corresponding H shares listed on the SEHK, except the following:

- (a) SSE-listed shares which are not traded in RMB; and
- (b) SSE-listed shares which are included in the "risk alert board".

The SZSE Securities include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed China A-shares which have corresponding H shares listed on SEHK, except the following:

- (a) SZSE-listed shares which are not traded in RMB; and
- (b) SZSE-listed shares which are included in the "risk alert board".

China A-shares traded through the Stock Connect are issued in scripless form, so investors of the SPDR® FTSE® Greater China ETF will not hold any physical China A-shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound Trading should maintain the SSE Securities or SZSE Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System ("**CCASS**") for the clearing securities listed or traded on the stock exchange.

The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through the programme is effected, the SPDR® FTSE® Greater China ETF's ability to invest in China A-shares or access the PRC market through the programme will be adversely

affected. In such event, the SPDR® FTSE® Greater China ETF's ability to achieve its investment objective could be negatively affected. In addition to the risks associated with the PRC market and risks relating to RMB, the SPDR® FTSE® Greater China ETF is also subject to the following additional risks associated with the Stock Connect:

- (i) *Daily Quota limitations:* Trading through the Stock Connect is subject to a daily quota limitation for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect ("**Daily Quota**"). The Daily Quota imposes a limit on the maximum net value of all cross-boundary purchases of China A-shares through the Stock Connect on a daily basis. The Daily Quota is not applied specifically to the SPDR® FTSE® Greater China ETF and is utilised on a first-come-first-serve basis. For Northbound buy orders, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, such new buy orders for China A-shares will be rejected (though the SPDR® FTSE® Greater China ETF will be allowed to sell its China A-shares via the Stock Connect regardless of the Northbound quota balance). If the SPDR® FTSE® Greater China ETF's ability to invest in China A-shares through the Stock Connect is restricted by the Daily Quota to make new buy orders on a Dealing Day, the SPDR® FTSE® Greater China ETF may decide to reject creation orders from the Authorised Participant (within the meaning of the Prospectus of the SPDR® FTSE® Greater China ETF) on such Dealing Day.
- (ii) *Front-end monitoring risk:* PRC regulations require that in order for an investor to sell any China A-shares on a certain trading day, there must be sufficient China A-shares in the investor's account before market opens on that day. If there are insufficient China A-shares in the investor's account, the sell order will be rejected by the SSE or the SZSE. The SEHK carries out pre-trade checking on SSE Securities and SZSE Securities sell orders of its participants (i.e. stock brokers) to ensure that this requirement is satisfied. This means that investors must transfer SSE Securities and SZSE Securities to the accounts of its brokers before the market opens on the day of selling. If an investor fails to meet this deadline, it will not be able to sell SSE Securities or SZSE Securities on the relevant trading day. Because of this requirement, investors may not be able to dispose of holdings of SSE Securities or SZSE Securities in a timely manner. This also raises concerns as to counterparty risks as securities may need to be kept by brokers overnight.

To enable investors whose SSE Securities or SZSE Securities are maintained with custodians to sell their SSE Securities or SZSE Securities without having to pre-deliver the SSE Securities or SZSE Securities from their custodians to their executing brokers, the SEHK introduced an enhanced pre-trade checking model in March 2015, under which an investor may request its custodian to open a Special Segregated Account ("**SPSA**") in CCASS to maintain its holdings in SSE Securities and SZSE Securities. Such investors only need to transfer SSE Securities or SZSE Securities from its SPSA to its designated broker's account after execution and not before placing the sell order. This enhanced model is novel and initial market reaction has been varied. If the SPDR® FTSE® Greater China ETF is unable to utilise this model, it would have to deliver SSE Securities or SZSE Securities to brokers before the trading day and the above risks may still apply.

- (iii) *Suspension risk:* It is contemplated that each of the SEHK, the SSE and the SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the SPDR® FTSE® Greater China ETF's ability to access the PRC market through the Stock Connect will be adversely affected.
- (iv) *Differences in trading day:* As the SSE and the SZSE may be open when units in the SPDR® FTSE® Greater China ETF are not priced, the value of the securities in

the SPDR® FTSE® Greater China ETF's portfolio may change on days when investors will not be able to purchase or sell the SPDR® FTSE® Greater China ETF's units. Differences in trading hours between the SSE or the SZSE and the SEHK may also increase the level of premium or discount of the unit price to its NAV. China A-shares are also subject to trading bands which restrict increases and decreases in the trading price whilst units listed on the SEHK are not. This difference may also increase the level of premium or discount of the unit price to its NAV.

- (v) *Operational risk:* The Stock Connect provides a channel for investors from Hong Kong and overseas to access the PRC stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis. The manager of the SPDR® FTSE® Greater China ETF will work with relevant third parties to ensure that the information technology systems are compliant with the requirements as may be specified by the relevant exchange and/or clearing house so as to minimise disruption in trading on the PRC markets.

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programme could be disrupted.

- (vi) *Recalling of eligible stocks:* If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the SPDR® FTSE® Greater China ETF's tracking of the FTSE® Greater China HKD Index if, for example, an Index Security of the FTSE® Greater China HKD Index is recalled from the scope of eligible stocks.

- (vii) *Clearing and settlement risk:* The HKSCC and CSDCC have established clearing links and each has become a participant of the other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the SPDR® FTSE® Greater China ETF may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

- (viii) *Regulatory risk:* The Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

- (ix) *No Protection by Investor Compensation Fund:* The SPDR® FTSE® Greater China ETF's investments through the Stock Connect will not be covered by Hong

Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Since default matters in Northbound trading via the Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. On the other hand, since the SPDR® FTSE® Greater China ETF may be carrying out Northbound trading through securities brokers in Hong Kong but not brokers in the PRC, it may not be protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC. Therefore the SPDR® FTSE® Greater China ETF may be exposed to the risks of default of the broker(s) it engages in its trading in China A-shares through the programme.

#### RMB Currency and Conversion Risks

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against investors' base currencies will not depreciate. Any depreciation of RMB could adversely affect the value of the investor's investment in the SPDR® FTSE® Greater China ETF. Although offshore RMB ("CNH") and onshore RMB ("CNY") are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and dividends in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

#### Accounting and Reporting Standards Risk

Accounting, auditing and financial reporting standards and practices applicable to PRC companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

#### Government Intervention and Restriction Risk

Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, the suspension of trading and/or short selling for certain stocks. This may affect the operation and market making activities of the SPDR® FTSE® Greater China ETF, and may have an unpredictable impact on the SPDR® FTSE® Greater China ETF. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the FTSE® Greater China HKD Index and as a result the performance of the SPDR® FTSE® Greater China ETF.

#### Restricted Markets Risk

The SPDR® FTSE® Greater China ETF may invest in Index Securities in respect of which the PRC imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of the holdings in SPDR® FTSE® Greater China ETF as compared to the performance of the FTSE® Greater China HKD Index. This may increase the risk of tracking error and, at the worst, the SPDR® FTSE® Greater China ETF may not be able to achieve its investment objective.



**(e) United States Resolution Stay Rules risk**

Under applicable law or contractual provisions, including if the SPDR® FTSE® Greater China ETF enters into an investment or transaction with a financial institution and such financial institution (or an affiliate of the financial institution) experiences financial difficulties, the SPDR® FTSE® Greater China ETF may in certain situations be prevented or delayed from exercising its rights to terminate the investment or transaction, or to realise on any collateral and may result in the suspension of payment and delivery obligations of the parties under such investment or transactions or in another institution being substituted for that financial institution without the consent of the SPDR® FTSE® Greater China ETF. Further, the SPDR® FTSE® Greater China ETF may be subject to a “bail-in” risk under applicable law whereby, if required by the financial institution’s authority, the financial institution’s liabilities could be written down, eliminated or converted into equity or an alternative instrument of ownership. A bail-in of a financial institution may result in a reduction in value of some or all of its securities and if the SPDR® FTSE® Greater China ETF holds such securities or has entered into a transaction with such a financial security when a bail-in occurs, it may also be similarly impacted.

**4.2.18 Risks associated with the BEA Hong Kong Tracker Fund**

The BEA Hong Kong Tracker Fund tracks the Hang Seng Index, and invests directly in the Tracker Fund of Hong Kong which aims to produce investment results that closely correspond to the performance of the Hang Seng Index.

**(a) Tracking of the Hang Seng Index at the Tracker Fund of Hong Kong level**

The manager of the Tracker Fund of Hong Kong reviews the securities held in the Tracker Fund of Hong Kong’s portfolio on each Business Day, checking those securities against the securities constituting the Hang Seng Index and comparing the weighting of each security in the Tracker Fund of Hong Kong’s portfolio to the weighting of the corresponding constituent security in the Hang Seng Index.

Members should be aware that while the BEA Hong Kong Tracker Fund, through its investment in the Tracker Fund of Hong Kong (which, in turn, invests all, or substantially all, of its assets in the constituent securities of the Hang Seng Index in substantially similar composition and weighting as they appear therein), 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.

In the event that there is any deviation between the Tracker Fund of Hong Kong’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 Tracker Fund of Hong Kong to be significant taking into account the investment objective, the manager would effect adjustments of the Tracker Fund of Hong Kong’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 constituent securities of the Hang Seng Index. For example, if the transaction costs to be incurred by the Tracker Fund of Hong Kong in performing any necessary adjustments would outweigh the anticipated reduction in tracking error that would result from the failure to reflect minor changes in the Hang Seng Index. Therefore, minor misweightings are likely to occur. Further, the manager of the Tracker Fund of Hong Kong may be restricted from effecting certain adjustments or may be required to perform certain adjustments by applicable laws and regulations.

## **(b) Tracking of the Hang Seng Index at the BEA Hong Kong Tracker Fund level**

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

### **4.2.19 Principal risks of investing in the DIS**

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

#### **(a) Limitations on the strategy**

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

As set out in more detail in the "6.3.3 MPF Default Investment Strategy" subsection under the "6. ADMINISTRATIVE PROCEDURES" section, 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, and does not consider a 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 funds from the range available in the Master Trust.

##### **(ii) Pre-set asset allocation**

The BEA Core Accumulation Fund and the BEA Age 65 Plus Fund have to follow the prescribed allocation between Higher Risk Assets and Lower Risk Assets at all times subject to a tolerance level of +/- 5%. The prescribed exposure between Higher Risk Assets and Lower Risk Assets of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund will limit the ability of the Investment Manager of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund 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 BEA Core Accumulation Fund and the BEA Age 65 Plus Fund**

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 an investment 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 of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund**

In order to maintain the prescribed allocation between the Higher Risk Assets and Lower Risk Assets within each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund, the investments of each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund may have to be continuously rebalanced regardless of the prevailing market conditions. For example, when the Higher Risk Assets perform poorly, the BEA Core Accumulation Fund’s or the BEA Age 65 Plus Fund’s asset allocation may fall outside the respective prescribed limit. In this case, each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund 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**

The DIS may incur greater transaction costs than an investment strategy with more static allocation due to the following reasons:

- the potential rebalancing of Higher Risk Assets and Lower Risk Assets in the process of maintaining the prescribed allocation within each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund; and
- the annual reallocation of accrued benefits for Members under the de-risking process.

**(b) General investment risk related to the DIS**

Although the DIS is a statutory arrangement, it neither guarantees capital repayment nor positive investment returns (in particular for those Members with only a short investment horizon before retirement). The two designated Constituent Funds for the DIS are mixed-asset funds investing in a mix of equities and bonds. Members should note that the DIS, which invests in these Constituent 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 other sub-sections under this “4. RISKS” section.

**(c) Risk on early withdrawal and switching**

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

**(d) Impact on Members keeping benefits in the DIS beyond the age of 64**

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 registered scheme)/on-going contributions, if any, will be invested in the BEA Age

65 Plus Fund which holds around 20% of its assets in Higher Risk Assets with the remainder invested in Lower Risk Assets, which may not be suitable for all Members beyond the age of 64.

#### **4.2.20 Risk of investment in Europe**

Certain Constituent Funds or their underlying fund(s) may invest in global equity securities which may include a substantial investment in European securities. The current economic and financial difficulties in Europe may continue to get worse and may spread within and outside Europe. It is possible that measures taken by the governments of the European countries, central banks and other authorities to address the economic and financial problems, such as austerity measures and reforms, may not work and such failure may result in adverse consequences. The impact of any adverse economic or financial events in Europe may be significant and may adversely affect the value of the relevant Constituent Funds' investment in European securities. In addition, the Constituent Funds' investments in European securities may be subject to increased risks of volatility, liquidity, credit and currency fluctuations as a result of concerns over the fiscal conditions and sovereign credit risks that may be faced by one or more European countries.

#### **4.2.21 Restricted markets risk**

An underlying fund in which a Constituent Fund invests may invest in securities in jurisdictions (including Mainland China) which may impose limitations or restrictions on foreign offshore ownership or holdings. The underlying fund may be required to make such investments directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors including (without limitation) repatriation limitations, unfavourable tax treatments, higher commission costs, dealing restrictions, regulatory reporting requirements and reliance on services of local custodians and service providers and other factors.

For example, an underlying fund which invests in China A-share markets may be subject to uncertainties and difficulties in settlement and recording of transactions and in interpreting and applying relevant regulations. These may lead to a higher level of volatility and instability associated with the China A-share markets. The liquidity and price volatility associated with China A-share markets are subject to greater risks of government intervention and imposition of trading band restrictions. Such factors may affect the performance of the underlying fund. The underlying fund may also invest in the China A-shares via Stock Connect. The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is also subject to quota limitations. Where a suspension in the trading through the programme is effected, the underlying fund's ability to invest in China A-shares through the programme will be adversely affected. In such event, the underlying fund's ability to achieve its investment objective could be negatively affected. There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains derived from underlying fund's trading of China A-shares via the Stock Connect. Any increased tax liabilities on the underlying fund may adversely affect the underlying fund's value.

#### **4.2.22 Risk associated with small-capitalisation/mid-capitalisation companies**

For a Constituent Fund's underlying fund which invests directly in equities of small and medium-sized companies, the stock prices of such companies may tend to be more volatile than large-sized companies due to a lower degree of liquidity, greater sensitivity to changes in economic conditions and higher uncertainty over future growth prospects.

## 5. FEES AND CHARGES

### 5.1 Fee table

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

<b>(A) JOINING FEE &amp; ANNUAL FEE</b>		
<b>Type of fees</b>	<b>Current amount</b>	<b>Payable by</b>
Joining fee <sup>(a)</sup>	Nil	N/A
Annual fee <sup>(b)</sup>	Nil	N/A

<b>(B) FEES AND CHARGES PAYABLE ARISING FROM TRANSACTIONS IN INDIVIDUAL MEMBER'S ACCOUNT</b>			
<b>Type of fees &amp; charges</b>	<b>Name of Constituent Fund</b>	<b>Current level</b>	<b>Payable by</b>
Contribution charge <sup>(c)</sup>	BEA Growth Fund	Nil	N/A
	BEA Balanced Fund		
	BEA Stable Fund		
	BEA Global Equity Fund		
	BEA Asian Equity Fund		
	BEA Greater China Equity Fund		
	BEA Greater China Tracker Fund		
	BEA Hong Kong Tracker Fund		
	BEA Global Bond Fund		
	BEA MPF Conservative Fund		
	BEA Core Accumulation Fund	Nil	N/A
BEA Age 65 Plus Fund			
Offer spread <sup>(d)</sup>	BEA Growth Fund	Currently Waived	N/A
	BEA Balanced Fund		
	BEA Stable Fund		
	BEA Global Equity Fund		
	BEA Asian Equity Fund		
	BEA Greater China Equity Fund		
	BEA Greater China Tracker Fund		
	BEA Hong Kong Tracker Fund		
	BEA Global Bond Fund		
	BEA MPF Conservative Fund		
	BEA Core Accumulation Fund	Currently Waived	N/A
	BEA Age 65 Plus Fund		

<b>(B) FEES AND CHARGES PAYABLE ARISING FROM TRANSACTIONS IN INDIVIDUAL MEMBER'S ACCOUNT</b>			
<b>Type of fees &amp; charges</b>	<b>Name of Constituent Fund</b>	<b>Current level</b>	<b>Payable by</b>
Bid spread <sup>(e)</sup>	BEA Growth Fund	Currently Waived	N/A
	BEA Balanced Fund		
	BEA Stable Fund		
	BEA Global Equity Fund		
	BEA Asian Equity Fund		
	BEA Greater China Equity Fund		
	BEA Greater China Tracker Fund		
	BEA Hong Kong Tracker Fund		
	BEA Global Bond Fund		
	BEA MPF Conservative Fund	N/A	
	BEA Core Accumulation Fund	Currently Waived	N/A
BEA Age 65 Plus Fund			
Withdrawal charge <sup>(f)</sup>	BEA Growth Fund	Nil	N/A
	BEA Balanced Fund		
	BEA Stable Fund		
	BEA Global Equity Fund		
	BEA Asian Equity Fund		
	BEA Greater China Equity Fund		
	BEA Greater China Tracker Fund		
	BEA Hong Kong Tracker Fund		
	BEA Global Bond Fund		
	BEA MPF Conservative Fund	N/A	
	BEA Core Accumulation Fund	Nil	N/A
BEA Age 65 Plus Fund			

<b>(C) FUND OPERATING CHARGES &amp; EXPENSES OF CONSTITUENT FUNDS</b>			
<b>Type of charges &amp; expenses</b>	<b>Name of Constituent Fund</b>	<b>Current level (Refer to paragraph (g)(i) under the "5.2 Definitions" sub-section for fee breakdown)</b>	<b>Deducted from</b>
Management fees <sup>(g)</sup>	BEA Growth Fund	0.90% p.a. of NAV	Relevant Constituent Fund assets
	BEA Balanced Fund		
	BEA Stable Fund		
	BEA Global Equity Fund		
	BEA Asian Equity Fund		
	BEA Greater China Equity Fund		
	BEA Greater China Tracker Fund	0.60% p.a. of NAV	
	BEA Hong Kong Tracker Fund		
	BEA Global Bond Fund	0.90% p.a. of NAV	
	BEA Core Accumulation Fund	0.75% p.a. of NAV	
	BEA Age 65 Plus Fund		
	BEA MPF Conservative Fund	0.79% p.a. of NAV	
Other expenses	<p>The Constituent Funds will bear the operating expenses of the Master Trust (e.g. compensation fund levy (if any), indemnity insurance, auditor's fees and legal charges) in proportion to their respective NAVs or in such other manner as the Trustee shall consider fair. Such expenses are summarised in paragraph (f) of the "5.9 Explanatory notes" sub-section below.</p> <p>Certain recurrent expenses relating to the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund are subject to a statutory annual limit of 0.20% of the NAV of each of those Constituent Funds and will not be charged to or imposed on the Constituent Fund in excess of that amount. Please refer to the "5.7 Fees and out-of-pocket expenses of the DIS" sub-section below for details.</p> <p>The establishment costs and payments incurred in the establishment of each of the following Constituent Funds are estimated as follows:</p> <ul style="list-style-type: none"> <li>• BEA Core Accumulation Fund - HKD73,500</li> <li>• BEA Age 65 Plus Fund - HKD73,500</li> </ul> <p>Such establishment costs and payments will be borne by these Constituent Funds and amortised over a period of five years, commencing from the first anniversary of the formation of the respective Constituent Fund.</p>		Relevant Constituent Fund assets

<b>(D) FEES AND CHARGES PAYABLE OUT OF THE UNDERLYING FUNDS</b>			
<b>Type of charges &amp; expenses</b>	<b>Name of Constituent Fund</b>	<b>Current level (Refer to paragraph (g)(ii) under the "5.2 Definitions" sub-section for fee breakdown)</b>	<b>Deducted from</b>
Management fees <sup>(g)</sup>	BEA Growth Fund	Nil	Relevant underlying fund assets
	BEA Balanced Fund	Nil	
	BEA Stable Fund	Nil	
	BEA Global Equity Fund	Nil	
	BEA Asian Equity Fund	Nil	
	BEA Greater China Equity Fund	Nil	
	BEA Greater China Tracker Fund	0.31% p.a. of NAV	
	BEA Hong Kong Tracker Fund	Up to 0.09% p.a. of NAV	
	BEA Global Bond Fund	Nil	
	BEA MPF Conservative Fund	Nil	
	BEA Core Accumulation Fund	Nil	
	BEA Age 65 Plus Fund	Nil	
Other expenses	Each underlying fund may bear its costs and operating expenses (e.g. establishment cost of the underlying fund, indemnity insurance, auditor's fees and legal charges). Such expenses are summarised in point (g) of the "5.9 Explanatory notes" sub-section below.		Relevant underlying fund assets



<b>(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES</b>			
<b>Copying Services for Member</b>	<b>Charges</b>	<b>Payable By</b>	<b>Receivable By</b>
Copy of "Trust Deed"	HKD500 (per copy)	Member	Trustee
Copy of "participation agreement" (for self-employed person and personal account holder only) Re-issuance of "notice of participation" (for self-employed person and personal account holder only)	HKD50 (per copy)		
Copy of "Member – membership application form" Re-issuance of "notice of participation"/"enrolment confirmation"	HKD50 (per copy)		
Copy of the latest "specimen signature" "Member – declaration/statement of accounts (self-employed person)" form "Member – change of details" form "Member – addition/change of additional voluntary contribution" form "Member – change of Mandate to invest contributions/fund switching instruction" form "Member – claim/election form for transfer of accrued benefits"	HKD50 (per copy)		
Copy of the latest "benefit payment statement" "unit transfer statement" "annual benefit statement"	HKD50 (per copy)		
Copy of "quarterly benefit statement" in the latest scheme year	HKD50 (per quarterly)		
Copy of MPF contribution "pay-in slip" (for self-employed person only)	HKD50 (per each Pay-in Slip)		
Copy of "contribution receipt" (for self-employed person only)	HKD50 (per each contribution period)		
Details of Member contribution	HKD50 (per each financial period)		
Total amount of MPF accrued benefits	HKD50 (per copy)		
Copy of other form	HKD50 (per copy)		

<b>(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES</b>			
<b>Copying Services for Employer</b>	<b>Charges</b>	<b>Payable By</b>	<b>Receivable By</b>
Copy of "Trust Deed"	HKD500 (per copy)	Employer	Trustee
Copy of "participation agreement" Re-issuance of "notice of participation"	HKD50 (per copy)		
Copy of the latest "specimen signature" "participating employer's request for fund transfer form" "employer – supplement of employer voluntary contribution (relevant employee)"	HKD50 (per copy)		
Copy of the latest "employer – change of details" form "employer – notice of termination (relevant employee)" (per each member)	HKD50 (per copy)		
Copy of "employer – remittance statement" (for relevant employee contribution) "contribution receipt" (for relevant employee contribution)	HKD50 (per each contribution period)		
Copy of the latest "anniversary report"	HKD50 (per copy)		
Copy of MPF contribution "pay-in slip"	HKD50 (per each Pay-in Slip)		
Copy of "Member pay record"	HKD50 (per each Member in each contribution period)		
Details of Member contribution	HKD50 (per each Member in each financial period)		
Copy of other form	HKD50 (per copy)		

<b>(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES</b>			
<b>Payment of accrued benefits from mandatory or voluntary contributions (as the case may be) by withdrawal by instalments, if applicable</b>	<b>Charges</b>	<b>Payable By</b>	<b>Receivable By</b>
First 12 instalments (or such further number of instalments as determined by the Trustee) in any calendar year	Free of charge (other than any necessary transaction costs payable to a party other than the Trustee as permitted under the General Regulation)		
Each additional instalment after the first 12 instalments (or such further number of free instalments as determined by the Trustee) in the same calendar year	HKD100 per instalment (in addition to any necessary transaction costs payable to a party other than the Trustee as permitted under the General Regulation)  <i>Note: Such charge is not applicable to:</i> <ul style="list-style-type: none"> <li>• a Member who has all or part of the accrued benefits invested in the BEA Core Accumulation Fund and/or the BEA Age 65 Plus Fund as at the time when the Trustee receives the valid withdrawal request from the Member;</li> <li>• any withdrawal of accrued benefits from a TVC account.</li> </ul>	Member	Trustee

## 5.2 Definitions

The following are the definitions of the different types of fees and charges.

- (a) **“Joining fee”** means the one-off fee charged by the Trustee/Sponsor of the Master Trust and payable by the participating employers and/or Members upon joining the Master Trust.
- (b) **“Annual fee”** means the fee charged by the Trustee/Sponsor of the Master Trust on an annual basis and payable by the participating employers and/or Members of the Master Trust.
- (c) **“Contribution charge”** means the fee charged by the Trustee/Sponsor of the Master Trust against any contributions paid to the Master Trust. This fee is usually charged as a percentage of contributions and will be deducted from the contributions. This charge does not apply to the BEA MPF Conservative Fund.
- (d) **“Offer spread”** is charged by the Trustee/Sponsor upon subscription of Units of a Constituent Fund by a Member. Offer spread does not apply to the BEA MPF Conservative Fund. Offer spread for a transfer of accrued 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.

Although the Sponsor has the power to levy an offer spread of up to 5% of the issue price per Unit issued (other than the BEA MPF Conservative Fund, the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund in respect of which no offer spread is allowed), the Sponsor does not currently intend to levy such charge. The

Sponsor will give not less than three months' notice to Members of any change in such intention. In any event, no offer spread shall be charged other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred, in selling or purchasing investments in order to give effect to the transfer of accrued benefits:

- (i) from another registered scheme into the Master Trust;
  - (ii) from an account within the Master Trust to another account within the Master Trust;
  - (iii) in the same account within the Master Trust, from a Constituent Fund to another Constituent Fund.
- (e) **"Bid spread"** is charged by the Trustee/Sponsor upon redemption of Units of a Constituent Fund by a Member. Bid spread does not apply to the BEA MPF Conservative Fund. Bid spread for a transfer of accrued benefits, or withdrawal of accrued benefits in a lump sum, or the first 12 instalments of withdrawal of accrued benefits in a calendar year 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.

Although the Sponsor has the power to levy a bid spread of up to 0.5% of the realisation price of each Unit realised (other than the BEA MPF Conservative Fund, the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund in respect of which no bid spread is allowed), the Sponsor does not currently intend to levy such charge. The Sponsor will give not less than three months' notice to Members of any change in such intention. In any event, no bid spread shall be charged other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred, in selling or purchasing investments in order to give effect to:

- (i) the transfer of accrued benefits:
    - (A) from the Master Trust to another registered scheme;
    - (B) from an account within the Master Trust to another account within the Master Trust;
    - (C) in the same account within the Master Trust, from a Constituent Fund to another Constituent Fund; and
  - (ii) the payment of accrued benefits.
- (f) **"Withdrawal charge"** means the fee charged by the Trustee/Sponsor of the Master Trust upon withdrawal of accrued benefits from the Master Trust. 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 the BEA MPF Conservative Fund. A withdrawal charge for withdrawal of accrued benefits in a lump sum, or the first 12 instalments of withdrawal of accrued benefits in a calendar year 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.
- (g) **"Management fees"** include fees paid to the Trustee, Custodian, Administrator, Investment Manager (including fees based on fund performance, if any) and Sponsor of the Master Trust for providing their services to the relevant Constituent Fund. They are usually charged as a percentage of the NAV of a Constituent Fund. In the case of each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund 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 NAV of the fund. These management fees are also subject to a statutory daily limit equivalent to 0.75% p.a. of the NAV of the relevant Constituent Fund which applies across both the Constituent Fund and underlying funds. The fees payable to the Trustee are for its trustee and administrative functions, while the fees payable to the Investment Manager are for its investment management functions. As for the Sponsor, its fees are for its services related to product support, dissemination of MPF marketing materials and product development activities.

- (i) The breakdown of the management fees payable out of the Constituent Funds is as follows:

Name of Constituent Fund	Fees payable at the Constituent Fund level		
	Sponsor (p.a. of NAV)	Trustee/ Administrator/ Custodian (p.a. of NAV)	Investment Manager (p.a. of NAV)
BEA Growth Fund	0.30%	0.30%	0.30%
BEA Balanced Fund	0.30%	0.30%	0.30%
BEA Stable Fund	0.30%	0.30%	0.30%
BEA Global Equity Fund	0.30%	0.30%	0.30%
BEA Asian Equity Fund	0.30%	0.30%	0.30%
BEA Greater China Equity Fund	0.30%	0.30%	0.30%
BEA Greater China Tracker Fund	0.20%	0.20%	0.20%
BEA Hong Kong Tracker Fund	0.20%	0.20%	0.20%
BEA Global Bond Fund	0.30%	0.30%	0.30%
BEA MPF Conservative Fund	0.264%	0.263%	0.263%
BEA Core Accumulation Fund	0.295%	0.295%	0.16%
BEA Age 65 Plus Fund	0.295%	0.295%	0.16%

- (ii) The breakdown of the management fees payable out of the underlying funds is as follows:

Name of Constituent Fund	Fees payable at the underlying fund level			
	Investment Manager (p.a. of NAV)	Administrator (p.a. of NAV)	Trustee (p.a. of NAV)	Custodian (p.a. of NAV)
BEA Growth Fund	Nil	Nil	Nil	Nil
BEA Balanced Fund	Nil	Nil	Nil	Nil
BEA Stable Fund	Nil	Nil	Nil	Nil
BEA Global Equity Fund	Nil	Nil	Nil	Nil
BEA Asian Equity Fund	Nil	Nil	Nil	Nil
BEA Greater China Equity Fund	Nil	Nil	Nil	Nil
BEA Greater China Tracker Fund	0.20%	Nil	0.11%	Nil
BEA Hong Kong Tracker Fund	Up to 0.045%	Nil	Up to 0.045%	Nil

Name of Constituent Fund	Fees payable at the underlying fund level			
	Investment Manager (p.a. of NAV)	Administrator (p.a. of NAV)	Trustee (p.a. of NAV)	Custodian (p.a. of NAV)
BEA Global Bond Fund	Nil	Nil	Nil	Nil
BEA MPF Conservative Fund	Nil	Nil	Nil	Nil
BEA Core Accumulation Fund	Nil	Nil	Nil	Nil
BEA Age 65 Plus Fund	Nil	Nil	Nil	Nil

A document that illustrates the on-going costs on contributions to the Constituent Funds in the Master Trust (except for the BEA MPF Conservative Fund) will be distributed with this MPF Scheme Brochure and an illustrative example for the BEA MPF Conservative Fund is currently available for distribution with this MPF Scheme Brochure. Before making any investment decisions concerning investments in the Master Trust, you should ensure that you have the latest version of these documents. Copies can be obtained from the offices of the Trustee.

### 5.3 No switching fee

No fees may be charged, and no financial penalties may be imposed on any Member in relation to any Switching Instruction other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred by the Trustee in selling or purchasing investments in order to give effect to the Switching Instruction and are payable to a party other than the Trustee. Such necessary transaction costs may include, but are not limited to, items such as brokerage commissions, fiscal charges and levies, government charges, bank charges, exchange fees, costs and commissions, registration fees and charges, collection fees and expenses, etc. Furthermore, any such necessary transaction costs imposed and received shall be used to reimburse the relevant Constituent Fund.

### 5.4 Change in Mandate fee

Currently, no fee will be charged for implementing a change in Mandate. Under the Trust Deed, the Trustee may elect to charge a change in Mandate fee of up to HKD200. The Trustee will give three months' notice to Members of any election to charge such change in Mandate fee.

### 5.5 Fees and out-of-pocket expenses related to the BEA MPF Conservative Fund

The Sponsor is entitled to receive a fee equal to 0.79% p.a. of the NAV of the BEA MPF Conservative Fund. Fees, charges and expenses will only be payable out of the BEA MPF Conservative Fund to the extent permitted by the MPF Ordinance. The Sponsor will bear any charges or expenses attributable to the BEA MPF Conservative Fund which are not permitted to be payable out of the BEA MPF Conservative Fund.

### 5.6 Other charges and expenses

Subject as provided in the "5.5 Fees and out-of-pocket expenses related to the BEA MPF Conservative Fund" sub-section, each Constituent Fund will bear the costs set out in the Trust Deed which are directly attributable to such Constituent Fund. Where such costs are not directly attributable to a Constituent Fund, each Constituent Fund will bear such costs in proportion to its respective NAV or in such other manner as the Trustee shall consider fair. Such costs include but are not limited to the costs of investing and realising the investments of the Constituent Funds, the fees and expenses of sub-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 and the costs incurred in the preparation and printing of any MPF scheme brochure, reports and statements.

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

## **5.7 Fees and out-of-pocket expenses of the DIS**

In accordance with section 34DD(4) and Schedule 11 to the MPF Ordinance, the aggregate of the payments for services specified in section 34DD(2) of the MPF Ordinance of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund must not, in a single day, exceed a daily rate (being 0.75% p.a. of the NAV of each of these two Constituent Funds divided by the number of days in the year). This statutory daily limit applies across the Constituent Funds and the underlying funds.

The above aggregate payments for services (i.e. "Management fees" as defined in (g) of "5.2 Definitions" sub-section in this "5. FEES AND CHARGES" section) include, but are not limited to, the fees paid or payable for the services provided by the Trustee, the Administrator, the Sponsor and/or the Investment Manager of the Master Trust and the underlying investment funds of each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund, and any of the delegates from these parties and such fees are calculated as a percentage of the NAV of each of the Constituent Funds and its underlying investment fund(s), but does not include any out-of-pocket expenses incurred by each Constituent Fund and its underlying investment fund(s).

In addition, in accordance with section 34DD(4) and Schedule 11 to the MPF Ordinance, the total amount of all payments that are charged to or imposed on each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund or Members who invest in each of the BEA Core Accumulation Fund and the BEA Age 65 Plus 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 each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund, shall not in a single year exceed 0.2% of the NAV of each of the BEA Core Accumulation Fund and the BEA Age 65 Plus 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 NAV and transaction costs incurred by each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund in connection with recurrent acquisition of investments for each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund (including, for example, costs incurred in acquiring underlying funds) and annual statutory expenses (such as compensation fund levy where relevant) of each of the BEA Core Accumulation Fund and the BEA Age 65 Plus 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 the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund. Such fees are not subject to the statutory caps mentioned in the preceding paragraphs.

For further details, please refer to the fee table "(C) FUND OPERATING CHARGES & EXPENSES OF CONSTITUENT FUNDS" under the "5.1 Fee table" sub-section in this "5. FEES AND CHARGES" section of this MPF Scheme Brochure.

## 5.8 Cash rebates and soft commissions

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 its associates (as defined in Schedule 8 to the MPF Ordinance) may with the consent of the Trustee deal with any Constituent Fund, both as principal and agent.

The Investment Manager and any of its associates may effect transactions by or through the agency of another person with whom the Investment Manager or any of its associates have an arrangement under which that party will from time to time provide to or procure for the Investment Manager or any of its associates, 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 associates in providing services to the Master Trust and for which no direct payment is made but instead the Investment Manager or any of its associates 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.

## 5.9 Explanatory notes

- (a) In respect of any increase in fees and charges from the current level as stated, at least three months' prior written notice must be given to all Members and participating employers. Imposition of any additional fees and charges will be subject to the prior approval of the MPFA and the SFC and at least three months' prior written notice (or such other period of notice as the MPFA or the SFC may require) will be given to all Members and participating employers.
- (b) All of the Constituent Funds except the BEA MPF Conservative Fund will, indirectly, bear the fees, charges and expenses of the underlying fund in which they invest. Where a Constituent Fund invests in an underlying fund managed by the Investment Manager and where the Trustee acts as trustee, no fee for investment manager or trustee will be charged on such underlying fund.
- (c) The rate of the management fees (except for the management fee of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund), may be increased up to or towards a maximum rate of 3% p.a. of the NAV of each Constituent Fund on giving not less than three months' written notice to the affected Members.
- (d) It is the present intention of the Sponsor that the management fees charged to each Constituent Fund (except the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund) will not exceed 0.90% p.a. of the NAV of the Constituent Fund.
- (e) The Sponsor's fees are inclusive of the fees payable to the Trustee and the Investment Manager and the Sponsor will pay the fees of the Trustee and the Investment Manager out of its own fee. The Sponsor may share any fees it receives with distributors or agents procuring subscriptions to the Master Trust. The fees payable to the Trustee are inclusive of administration and custody fees payable to the Trustee in its capacity as the Administrator and Custodian (but, exclusive of fees payable to sub-custodians which will be paid from the assets of the Master Trust).
- (f) A Constituent Fund will bear its operating expenses and the operating expenses of the Master Trust, in the proportion which its NAV bears to the NAVs of the other



Constituent Funds, if such expenses are not directly attributable to a Constituent Fund (provided that such operating expenses will only be paid out of the BEA MPF Conservative Fund to the extent permitted by the MPF Ordinance). Such expenses include but are not limited to the costs of investing and realising the investments of the Constituent Funds, the fees and expenses of custodians and sub-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, the costs incurred in the preparation and printing of any MPF scheme brochure, reports and statements and license fee (if any) (applicable to Constituent Funds that invest in a single approved ITCIS).

- (g) Each underlying fund may bear its costs and operating expenses to the extent permitted by the MPF Ordinance which may include but not limited to the fees and expenses (calculated not by reference to NAV of the underlying fund) of custodians, sub-custodians, auditors, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs incurred in the preparation and printing of any MPF scheme brochure and the license fee (if any) (applicable to the underlying approved ITCISs in which the Constituent Funds invest).
- (h) The Fee Table does not take into account any fee rebate that may be offered to some participating employers/Members of the Master Trust.
- (i) The rate of the management fees for the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund will not exceed the statutory requirement for the DIS.

## 6. ADMINISTRATIVE PROCEDURES

### 6.1 How to join

#### 6.1.1 General

The following persons are eligible to join the Master Trust:

- (a) any employer;
- (b) any self-employed person;
- (c) any employee who wishes to transfer to the Master Trust, his/her accrued benefits attributable to (i) the mandatory contributions made by him/her in respect of his/her current employment; or (ii) the mandatory contributions paid by or in respect of such employee that are attributable to his/her former employments or former self-employments; or (iii) all or any one or more of his/her personal accounts with another registered scheme;
- (d) any person who wishes to join the Master Trust as a personal account holder;
- (e) any person who wishes to make special voluntary contributions to the Master Trust, as a Special Voluntary Contribution Account Member (see further in the paragraphs headed "6.1.2 Special Voluntary Contribution Account Member" below); and
- (f) any person who is eligible and wishes to make TVC in the Master Trust (see further in the paragraphs headed "6.1.3 TVC Account Holder" below).

Every eligible applicant needs to execute a participation agreement to join the Master Trust. A sample participation agreement may be obtained from the Sponsor or the Trustee. The completed participation agreement must be returned to the Trustee in the manner as set out in the participation agreement, together with such information and documents as may be reasonably required or requested by the Trustee. Under the participation agreement, each person that joins the Master Trust agrees to be bound by the terms of the Trust Deed.

#### 6.1.2 Special Voluntary Contribution Account Member

Currently, the Trustee will only accept a person who falls under any one of the following categories to join as a Special Voluntary Contribution Account Member:

- (a) an employee;
- (b) a self-employed person; and
- (c) a member or a former member of a registered scheme or an ORSO exempted scheme or an ORSO registered scheme.

#### 6.1.3 TVC Account Holder

Any person who falls under any one of the following categories may open a TVC account:

- (a) an employee member of a registered scheme;
- (b) a self-employed person member of a registered scheme;
- (c) a personal account holder of a registered scheme; or

(d) a member of an MPF exempted ORSO scheme.

Each eligible person can only have one TVC account under a registered scheme.

The Trustee may reject any application to open a TVC account in the Master Trust in the event of any Relevant Circumstances.

## 6.2 Contributions

### 6.2.1 Mandatory contributions

A participating employer must make mandatory contributions to the Master Trust in respect of each Member employed by it and, except as provided below, must deduct mandatory contributions from the relevant income of each Member employed by it and pay those mandatory contributions to the Master Trust.

#### Calculation of Mandatory Contributions

The amount of the participating employer's mandatory contributions and the Member's mandatory contributions is as follows:

Participating employer's mandatory contributions	5% (or any other percentage as may be prescribed by the MPF Ordinance) of relevant income*
Member's mandatory contributions	if monthly relevant income is less than the statutory minimum level of relevant income, nil; otherwise, 5% (or any other percentage as may be prescribed by the MPF Ordinance) of relevant income*

*Note: Member's mandatory contributions are not required in respect of:*

- (a) where the Member is paid monthly or more frequently, any wage period that commences on or before the Member's 30<sup>th</sup> day of employment; and*
- (b) where the Member is paid less frequently than monthly, the period from commencement of the Member's employment to the last day in the calendar month in which the Member's 30<sup>th</sup> day of employment falls.*

*Participating employer's mandatory contributions are required in respect of these periods.*

Members who are self-employed must pay mandatory contributions to the Master Trust unless their relevant income is less than the statutory minimum level of relevant income. The amount of such mandatory contributions is 5% (or any other percentage as may be prescribed by the MPF Ordinance) of the Member's relevant income\*.

Members who are interested in knowing the current statutory minimum and maximum level of relevant income may call the BEA (MPF) Hotline on (+852) 2211 1777 (operated by Bank of East Asia (Trustees) Limited), request via electronic mail to BEAMPF@hkbea.com or visit the following web site: <http://www.hkbea.com>.

\* provided that mandatory contributions are not required on relevant income in excess of the statutory maximum level of relevant income

### 6.2.2 Voluntary contributions

The following persons may elect to make voluntary contributions to the Master Trust on giving such prior notice as the Trustee may require in a form specified by the Trustee:

- (a) participating employers;
- (b) Members who are employees of such participating employers;
- (c) Members who are self-employed persons; and
- (d) Special Voluntary Contribution Account Members.

A participation agreement and/or supplement to the participation agreement may require the relevant participating employer and/or Members to make contributions to the Master Trust in addition to mandatory contributions (where relevant). Such additional contributions are treated as voluntary contributions for the purposes of the Master Trust.

Special Voluntary Contribution Account Members may elect to make special voluntary contributions to the Master Trust on giving not less than one month's notice (or such shorter period of notice as the Trustee may in its discretion agree to accept) in a form specified by the Trustee. Such contributions are treated as voluntary contributions for the purpose of the Master Trust. Payments of special voluntary contributions into the Master Trust are subject to the following requirements, unless otherwise provided in the participation agreement and/or supplement to the participation agreement:

- Minimum contribution for monthly contribution: HKD100; and
- Minimum contribution for lump sum contribution: HKD500.

The Trustee may revise the above minimum special voluntary contributions on giving not less than one month's prior written notice to Members (or such other period of notice as the MPFA or the SFC may require).

Unless otherwise agreed with the Trustee, voluntary contributions should be paid at the same time and in the same manner as mandatory contributions.

### 6.2.3 TVC

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

TVC is subject to the same vesting, preservation and withdrawal requirements applicable to mandatory contributions. This also applies to contributions that exceed the maximum tax deductible amount per assessment year.

The relevant participation agreement sets out the minimum limit imposed on the amount and/or frequency of contribution made to the TVC account. TVC will be fully vested in the TVC Account Holder as accrued benefits once it is paid into the Master Trust.

For risk management and compliance purposes, there could be circumstances (such as the Relevant Circumstances) that TVC may be rejected. Any rejected TVC (with no interest) will be refunded within 45 days of receipt of any such TVC unless for some exceptional regulatory reason(s) the Trustee is unable to effect a refund within such timeframe.

TVC paid into a TVC account will be eligible for tax deduction in accordance with the

Inland Revenue Ordinance. With effect from 1<sup>st</sup> April, 2019, the Master Trust offers TVC accounts to eligible persons.

The characteristics of TVC are as follows:

- (a) TVC can only be made directly by eligible persons into TVC account of a registered scheme in order to enjoy tax concession, subject to relevant conditions. Please refer to the paragraphs headed "(d) For TVC Account Holders" in the "7.2 Taxation" subsection under the "7. OTHER INFORMATION" section for details;
- (b) involvement of employers is not required; and
- (c) though it is voluntary in nature, TVC is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions. Accordingly, any accrued benefits derived from TVC (including any TVC made in excess of the maximum tax deduction limit during a tax assessment year) will be preserved and can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation.

For the avoidance of doubt, the protection of accrued benefits under the MPF Ordinance is not applicable to the TVC account, meaning that accrued benefits derived from TVC will generally be vested in the trustee-in-bankruptcy or official receiver as part of the property of a bankrupt TVC Account Holder.

Apart from the withdrawal of accrued benefits, the Trustee may terminate the Member's TVC account if:

- (a) the balance of the TVC account is zero; and
- (b) there is no transaction activity in respect of the TVC account for 365 days.

#### **6.2.4 Payment of contributions generally**

Contributions to the Master Trust should only be paid to the Trustee until such time as specified by the MPF Ordinance, or in the case of voluntary contribution, as specified in the participation agreement and/or supplement to the participation agreement.

#### **6.2.5 Fractions of a Unit represented by the contributions**

Fractions of not less than 1/1,000 of a Unit will be issued. Contributions representing smaller fractions of a Unit will be retained by the relevant Constituent Fund.

### **6.3 Investment in Constituent Funds**

#### **6.3.1 Mandate to invest contributions**

On becoming a Member of the Master Trust, the Member will be given an opportunity to give an instruction in a form specified by the Trustee (i.e. 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 the DIS.

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 future transfer-in assets, and not accrued benefits. A Member may give different Mandates to different types of contributions; to illustrate:

- (a) a Mandate may be given to a Member's participating employer's mandatory

contributions and a different Mandate may be given to the Member's participating employer's voluntary contributions; or

- (b) a Mandate for participating employer's mandatory and voluntary contributions and a different Mandate for employee's mandatory and voluntary contributions.

The new Mandate will apply with effect no later than the latest of:

- (a) the Valuation Date falling on or immediately after the effective date specified in the Mandate (if any),
- (b) a Valuation Date within seven Business Days after receipt of the new Mandate by the Trustee, and
- (c) 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 future accrued benefits transferred from another registered scheme) will remain unchanged.

Members may give an unlimited number of instructions to change Mandates free of charge.

Forms for a change of Mandate are available from the Trustee and the Sponsor. Mandates may be given to the Trustee by written notice or other authenticated means of communication. However, the Trustee will not be responsible to any Member for any loss resulting from the non-receipt of a Mandate or any amendment to a Mandate prior to receipt by the Trustee.

The Trustee will apply contributions made by or on behalf of a Member to acquire Units in the Constituent Funds in accordance with the Mandates of the Member. Dealings for a Constituent Fund will be available on every Valuation Date. Where the Trustee receives the correct amount of contributions in cleared funds and a duly completed remittance statement, the Trustee will apply the contributions received to acquire Units on a Valuation Date within 20 Business Days of receipt. Pending the acquisition of Units in the Constituent Funds, the Trustee will hold contributions in an interest bearing account with The Bank of East Asia, Limited. Interest earned will be used by the Trustee to meet general operating expenses of the Master Trust.

### **6.3.2 Switching Instructions to change investment**

Members have the right (subject to any suspension in the determination of the NAV of any relevant Constituent Fund) to switch all or part (subject as provided below) of the Units relating to a Constituent Fund credited to their account into Units relating to other Constituent Fund by giving 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. A Switching Instruction only applies to accrued benefits already in the relevant Member's account and not future contributions. If a 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.

Members may give an unlimited number of Switching Instructions free of charge.

Forms for Switching Instructions are available from the Trustee and the Sponsor. Switching Instructions may be given to the Trustee by written notice or other authenticated means of communication. However, the Trustee will not be responsible to any Member for any loss resulting from the non-receipt of a Switching Instruction or any amendment to a Switching Instruction prior to receipt by the Trustee.

The cut-off time for Switching Instruction is 4 p.m. on a Business Day.

In respect of a Switching Instruction, Units relating to a Constituent Fund (the “**Existing Units**”) will be realised on a Valuation Date within seven Business Days of receipt of the Switching Instruction by the Trustee or, if later, the Valuation Date falling on or immediately after the effective date specified in the Switching Instruction (if any) or the Valuation Date falling on or immediately after the day on which the Trustee receives any fee payable in respect of the Switching Instruction. The day on which Units relating to the Constituent Fund into which part or all of the holding are to be switched will be issued (the “**New Units**”) shall be on a Valuation Date falling no later than five Business Days after the Valuation Date on which the Existing Units were realised. The Existing Units will be realised and the New Units will be issued at rates determined by reference to their respective Unit prices on the respective Valuation Dates. Pending investment in the Constituent Fund relating to the New Units, the Trustee will hold the realisation proceeds of the Existing Units in an interest bearing account with The Bank of East Asia, Limited. Interest earned will be credited to the Constituent Fund relating to the Existing Units.

Currently, no offer spread or bid spread will be charged for implementing a Switching Instruction. Under the Trust Deed no fees may be charged, and no financial penalties may be imposed on any Member in relation to any Switching Instruction other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred by the Trustee in selling or purchasing investments in order to give effect to the Switching Instruction and are payable to a party other than the Trustee. Any such necessary transaction costs imposed and received shall be used to reimburse the relevant Constituent Fund. Please refer to “5.3 No switching fee” sub-section in the “5. FEES AND CHARGES” section for further details.

Any fraction smaller than 1/1,000 of a New Unit arising as the result of a switch will be ignored and moneys representing any such fraction will be retained as part of the Constituent Fund to which the New Units relate.

### **6.3.3 MPF Default Investment Strategy**

The DIS is a ready-made investment arrangement mainly designed for those Members who are not interested or do not wish to make an investment 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 make an investment choice, their contributions and accrued benefits transferred from another registered scheme will be invested in accordance with the DIS. The DIS is required by law to be offered in every registered scheme and is designed to be substantially similar in all registered schemes.

#### **(a) Asset allocation**

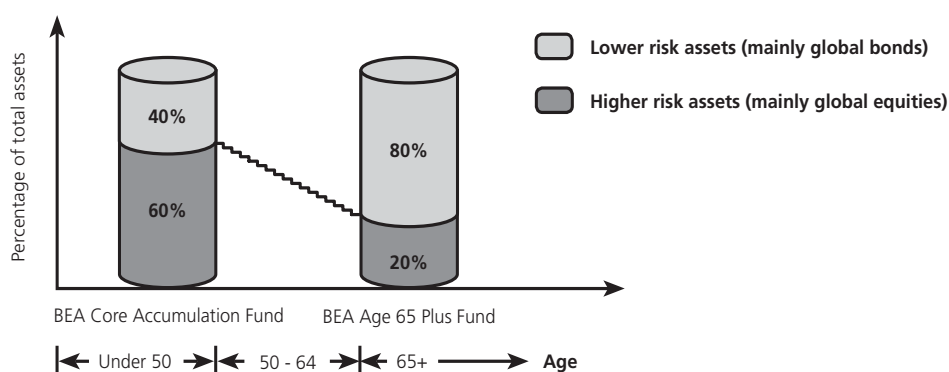
The DIS aims to balance the long-term effects of risk and return through investing in two Constituent Funds, namely the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund, according to the pre-set allocation percentages at different ages. The BEA Core Accumulation Fund will invest around 60% in Higher Risk Assets (Higher Risk Assets generally mean equities or similar investments) and 40% in Lower Risk Assets (Lower Risk Assets generally mean bonds or similar investments) of its NAV whereas the BEA Age 65 Plus Fund will invest around 20% in Higher Risk Assets and 80% in Lower Risk Assets. Both Constituent Funds adopt globally diversified investment

principles and use different classes of assets, including global equities, fixed income, money market, cash, and other types of assets allowed under the MPF legislation.

**(b) De-risking of the DIS**

Accrued benefits invested through the DIS will be invested in a way that adjusts 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. Such de-risking is to be achieved by way of reducing the holding in the BEA Core Accumulation Fund and increasing the holding in the BEA Age 65 Plus Fund 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 Constituent Funds in the DIS



Note: The exact proportion of the portfolio in Higher Risk Assets /Lower Risk Assets at any point in time may deviate from the target glide path due to market fluctuations.

The above de-risking is to be achieved by annual adjustments of asset allocation gradually from the BEA Core Accumulation Fund to the BEA Age 65 Plus Fund under the DIS. Save for the circumstances set out in these paragraphs headed “(b) De-risking of the DIS”, switching of the existing accrued benefits among the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund will be automatically carried out each year on a Member’s birthday and according to the allocation percentages as shown in the DIS De-risking Table as shown in Diagram 2 below. If the Member’s birthday is not on a Business Day, then the investments will be moved on the next available Business Day. Alternatively, if the Member’s birthday falls on the 29<sup>th</sup> of February and in a year which is not a leap year, then the investments will be moved on 1<sup>st</sup> of March or the next available Business Day. If there is any exceptional circumstance, e.g. market closure or suspension of dealing, on the Member’s birthday which makes it impossible for the investments to be moved on that day, the investments will be moved on the next available Business Day.

If the relevant Member notifies the Trustee of his/her updated birthday, then the Trustee will, as soon as practicable, and in any case within two weeks, after being so notified, adjust the allocation between the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund according to his/her updated birthday, and effect the de-risking in the future years according to the DIS De-risking Table in Diagram 2 below and his/her updated birthday. When one or more of the specified instructions (including but not limited to subscription, redemption, switching or withdrawal instructions) are being received prior to or on the annual date of de-risking for a relevant Member and being processed on that date, the annual de-risking may be deferred and will only take place after completion of these specified instructions. The smallest amount of Units of each of the BEA Age 65 Plus Fund and/or the BEA Core Accumulation Fund that can be issued in the annual de-risking under the DIS shall be a fraction of not less than 1/1,000 of a Unit.



Please refer to this "6. ADMINISTRATIVE PROCEDURES" section for details regarding the handling procedures for subscription, redemption and switching, respectively.

Members should be aware that the above de-risking will not apply where the Member chooses the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund as individual fund choices (rather than as part of the DIS).

In summary, under the DIS:

- (i) when a Member is below the age of 50, all existing accrued benefits and all contributions and accrued benefits transferred from another registered scheme will be invested in the BEA Core Accumulation Fund;
- (ii) when a Member is between the ages of 50 and 64, all existing accrued benefits and all contributions and accrued benefits transferred from another registered scheme will be invested according to the allocation percentages between the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund as shown in the DIS De-risking Table as shown in Diagram 2 below. The de-risking on the existing accrued benefits will be automatically carried out as described above;
- (iii) when a Member reaches the age of 64, all existing accrued benefits and all contributions and accrued benefits transferred from another registered scheme will be invested in the BEA Age 65 Plus Fund;
- (iv) if the relevant Member has reached 60 years of age before 1<sup>st</sup> April, 2017, unless the Member has given a Specific Investment Instruction, the Member's accrued benefits (including new contributions and accrued benefits transferred from another registered scheme) will be invested in the same manner as at 31<sup>st</sup> March, 2017;
- (v) for a deceased Member, de-risking will cease once the Trustee has received proof of the death of the Member to the Trustee's satisfaction. If de-risking has already been taken place between the death of the Member and the time at which the Trustee received the satisfactory proof of such death, such de-risking will not be undone, although no further de-risking will take place in respect of the deceased Member.

If the Trustee does not have the full date of birth of the relevant Member:

- (i) if only the year and month of birth is available, the annual de-risking will use the last calendar day of the birth month, or if it is not a Business Day, the next available Business Day;
- (ii) if only the year of birth is available, the annual de-risking will use the last calendar day of the year, or if it is not a Business Day, the next available Business Day;
- (iii) if no information at all on the date of birth, Member's accrued benefits will be fully invested in the BEA Age 65 Plus Fund with no de-risking applied.

Diagram 2: DIS De-risking Table

Age	BEA Core Accumulation Fund	BEA Age 65 Plus Fund
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 BEA Core Accumulation Fund and BEA Age 65 Plus Fund is made at the point of annual de-risking and the proportion of BEA Core Accumulation Fund and BEA Age 65 Plus Fund in the DIS portfolio may vary during the year due to market fluctuations.

The investment allocation of each relevant Member between the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund will be rounded off to one decimal place.

The Trustee will, to the extent practicable, issue a notice to the relevant Member at least 60 days prior to his/her 50<sup>th</sup> birthday informing him/her of the commencement of the de-risking process. Also, a confirmation statement will be sent to the relevant Member no later than five Business Days after the de-risking process has been completed.

Please refer to the "3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES" section for the investment policies and objectives and the other pages of this "6.3.3 MPF Default Investment Strategy" sub-section of the "6. ADMINISTRATIVE PROCEDURES" section for the specific operational arrangements of the Constituent Funds which are under the DIS.

**(c) Switching in and out of the DIS**

Members can switch into or out of the DIS at any time, subject to the rules of the Master Trust. Members should, however, bear in mind that the DIS has been designed as a long-term investment arrangement. Where the relevant Member's existing investment is under the DIS, he/she may only switch out of the DIS if he/she elects to have both the accrued benefits and new contributions and accrued benefits transferred from another registered scheme under all sub-accounts invested outside of the DIS. Conversely, where the relevant Member wishes to transfer into the DIS, he/she can elect to have either:

- (i) the accrued benefits, or
- (ii) new contributions and accrued benefits transferred from another registered scheme invested in the DIS.

If a Member only elects to switch the existing accrued benefits out of the DIS without providing a new Mandate, new contributions and accrued benefits transferred from another registered scheme will still be invested in the DIS. Also, Members may change their investment instructions to invest in the DIS at any time.

**(d) Circumstances for accrued benefits to be invested in the DIS**

**(i) New accounts set up on or after 1<sup>st</sup> April, 2017**

- When a Member (including a Member who is a Special Voluntary Contribution Account Member or a TVC Account Holder) joins the Master Trust or sets up a new account in the Master Trust, they have the opportunity to give a Mandate for their future contributions and accrued benefits transferred from another registered scheme. They may choose to invest their future contributions and accrued benefits transferred from another registered scheme into:
  - o the DIS; or
  - o one or more Constituent Funds of their own choice from the list under the “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” section (including the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund) and according to their assigned allocation percentage(s) to relevant fund(s) of their choice;
- TVC Account Holders can make their own fund selection or choose to invest in the DIS under the Master Trust according to their circumstance and risk appetite. If a TVC Account Holder fails to submit to the Trustee a valid Mandate or does not make any investment choice at the time of TVC account opening, his/her TVC will be invested in the DIS.
- Members should note that, if investments/benefits in the BEA Core Accumulation Fund or the BEA Age 65 Plus Fund are made under the Member’s Specific Investment Instructions for investment in such Constituent Fund (as a standalone fund choice rather than as part of the DIS offered as a choice) (“**standalone investments**”), those investments/benefits will not be subject to the de-risking process. If a Member’s accrued benefits are invested in any combination of (i) the BEA Core Accumulation Fund and/or the BEA Age 65 Plus Fund as standalone investments and (ii) the DIS (no matter by default or by a Specific Investment Instruction), accrued benefits invested under (i) will not be subject to the de-risking mechanism whereas for 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 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;
- If a Member opts for investing their future contributions and accrued benefits transferred from another registered scheme into one or more Constituent Funds of their own choice and according to their assigned allocation percentage(s) to relevant Constituent Fund(s) of their choice, the investment instruction must meet the requirements for a Specific Investment Instruction. The following table sets out the different investment instructions and the consequences of each investment instruction given upon enrolment being invalid:

Investment instruction	Consequences
A. The total investment allocation is less than 100%	The remaining percentage of contributions and accrued benefits transferred from another scheme will be invested into the DIS.
B. The total exceeds 100%	The entire contributions and accrued benefits transferred from another scheme will be invested into the DIS.
C. The investment allocation is not in a multiple of 10%	
D. The investment instruction is not legible and the Trustee is unable to process	
E. No investment allocation is given	

- If Members do not give Mandates, their future contributions and accrued benefits transferred from another registered scheme will be automatically invested in the DIS;
- Where a Member has multiple capacities under the Master Trust (e.g. a Member being an employee member and a personal account holder), the investment arrangement applies to the accounts of the Member in each capacity individually. In other words, if a Member is an employee member and a personal account holder and wishes to switch his/her accrued benefits and contributions under the accounts related to his/her employee member status into the DIS, such switching will only impact the accounts related to his/her employee member status and not the accounts related to his/her personal account holder status.

**(ii) Existing accounts set up before 1<sup>st</sup> April, 2017**

There are special rules to be applied for accounts which exist or are set up before 1<sup>st</sup> April, 2017 ("**Pre-existing Accounts**") and these rules only apply to Members who were under or becoming 60 years of age on 1<sup>st</sup> April, 2017:

- For a Member's Pre-existing Account with all accrued benefits being invested according to the original default investment arrangement which was generally resulted from no investment instruction being given on the existing accrued benefits (such Member being a "**DIA Member**"):
 

If, as of 1<sup>st</sup> April, 2017, the accrued benefits in a Member's Pre-existing Account were only invested in the original default investment arrangement of the Master Trust (i.e. the BEA Stable Fund), special rules and arrangements will be applied, in due course, to determine whether the accrued benefits in such account will be transferred to the DIS and whether the future contributions and accrued benefits transferred from another registered scheme for such account will be invested in the DIS. If a Member's Pre-existing Account is the one described above, a notice called the DIS Re-investment Notice (the "**DRN**") may be sent to the DIA Member within six months from 1<sup>st</sup> April, 2017 explaining the impact on such account and giving the DIA Member an opportunity to give a specified investment instruction to the Trustee before the accrued benefits, future contributions and accrued benefits transferred from another registered scheme are invested into the DIS. If the Trustee is not aware of any contact details of the Member that enable the Trustee to give the DRN, the Trustee will proceed to locate the Member in the manner, and within the time limit, specified in the MPF Guidelines. Members should note that the risk inherent in the arrangement, in particular, the risk of the original default investment arrangement may be different from that of the DIS. They will also be subject to market risks during the redemption and

reinvestment process. The following table summarises the risk levels of each of the original default investment arrangement, the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund:

Name of the Constituent Fund	Risk level
BEA Stable Fund	Low to medium
BEA Core Accumulation Fund	Medium to high
BEA Age 65 Plus Fund	Low to medium

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

- For a Member's Pre-existing Account which accrued benefits are partly invested in the original default investment arrangement immediately before 1<sup>st</sup> April, 2017 (as a result of no valid investment instruction being given in respect of that part of the accrued benefits), unless the Trustee has received any Specific Investment Instructions, accrued benefits of a Member (including future contributions and accrued benefits transferred from another registered scheme) will be invested in the same manner as immediately before 1<sup>st</sup> April, 2017;
- For a Member's Pre-existing Account which, as of 31<sup>st</sup> March, 2017, has all of the accrued benefits in it invested in Constituent Funds other than the original default investment arrangement for whatever reasons (e.g. as a result of Switching Instructions or accrued benefits from another account within the Master Trust being transferred to the Pre-existing Account) and no investment instruction has ever been given for the Pre-existing Account in respect of new contributions and accrued benefits transferred from another registered scheme, unless the Trustee has received any Specific Investment Instructions, the Member's accrued benefits will be invested in the same manner as they were invested immediately before 1<sup>st</sup> April, 2017, while the new contributions and accrued benefits transferred from another registered scheme paid to the Member's Pre-existing Account on or after 1<sup>st</sup> April, 2017 will be invested in the DIS.

#### **6.3.4 Treatment of benefits transferred from a contribution account to a personal account**

Where a Member ceases employment with a participating employer and:

- (a) in the absence of his/her election to transfer such accrued benefits as described in the paragraphs headed "6.8.1 Transfers to other registered schemes or other account(s) within the Master Trust" in the "6.8 Transfers" sub-section under this "6. ADMINISTRATIVE PROCEDURES" section, and his/her accrued benefits in respect of such employment are automatically transferred to a personal account under the Master Trust upon the expiry of the three months' period after the Trustee has been notified of the termination of his/her employment; or
- (b) the Member has given instruction to transfer the accrued benefits from such employment to a personal account and his/her accrued benefits are therefore transferred to the personal account,

the accrued benefits transferred from the Member's contribution account to the Member's personal account will be invested in the same manner immediately before the transfer, and, unless the Trustee receives a Specific Investment Instruction from the Member with regard to the Member's personal account, any future contributions and accrued benefits from another registered scheme may be invested in the DIS.

### **6.3.5 Information on Performance of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund**

The fund performance (including the definition and actual figures of the fund expense ratio) and Reference Portfolios of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund will be published in the fund fact sheets (and one of which will be attached to annual benefit statement). Members can visit <http://www.hkbea.com> or call the customer service hotline for information. Members may also obtain the fund performance information at the website of the MPFA ([www.mpfa.org.hk](http://www.mpfa.org.hk)).

The Reference Portfolio is adopted for the purpose of the DIS. The fund performance will be reported against the Reference Portfolio published by the Hong Kong Investment Funds Association. Please visit [www.hkifa.org.hk](http://www.hkifa.org.hk) for further information regarding the performance of the Reference Portfolio.

The fund performance is calculated in HK 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 BEA Core Accumulation Fund and the BEA Age 65 Plus Fund and consider whether the investments still suit their personal needs and circumstances.

### **6.4 Entitlement to accrued benefits**

The accrued benefits payable to a Member on retirement or in other allowable circumstances are dependent on the contributions paid during the Member's period of membership in the Master Trust and the investment return on the accrued benefits deriving from those contributions during the period.

#### **6.4.1 Mandatory contribution/TVC**

Accrued benefits in respect of mandatory contributions and/or TVC (as applicable) to the Master Trust are payable in the circumstances set out in the MPF Ordinance. Currently, these circumstances include where the Member:

- (a) reaches the age of 65;
- (b) permanently ceases employment or self-employment after reaching the age of 60;
- (c) ceases employment or self-employment as a result of total incapacity;
- (d) has a terminal illness;
- (e) permanently departs from Hong Kong;
- (f) dies; or
- (g) has the right to claim a small balance pursuant to the MPF Ordinance.

#### **6.4.2 Voluntary contribution**

- (a) Member's entitlement to accrued benefits

Accrued benefits in respect of voluntary contributions to the Master Trust are payable in the circumstances set out in the Trust Deed and the relevant participation agreement and/or supplement to the participation agreement, subject to the vesting conditions as described below:

- (i) on retirement on or after the Member's 60<sup>th</sup> birthday;

- (ii) on the total incapacity of the Member;
- (iii) on the Member's death;
- (iv) except on dismissal for cause as described below, on cessation of employment for any other reason, his/her entitlement to the accrued benefits due to the participating employer's voluntary contribution is determined by reference to the period of the Member's employment with the participating employer (and with any other employer nominated by the relevant participating employer) ("**Service**") in accordance with the following table:

<u>Years of Service</u>	<u>Vested Percentage</u>
less than 3	Nil
3 or more but less than 4	30%
4 or more but less than 5	40%
5 or more but less than 6	50%
6 or more but less than 7	60%
7 or more but less than 8	70%
8 or more but less than 9	80%
9 or more but less than 10	90%
10 or more	100%

**(b) Member's dismissal from employment**

If a Member is dismissed from employment on any of the following grounds:

- (i) wilfully disobeying a lawful and reasonable order;
- (ii) misconduct, such conduct being inconsistent with the due and faithful discharge of the Member's duties;
- (iii) being guilty of fraud or dishonesty;
- (iv) being habitually neglectful in the Member's duties; or
- (v) upon any other ground on which the Member's participating employer would be entitled to terminate the Member's contract of employment without notice at common law,

and the Trustee is satisfied that dismissal was made upon any of the above grounds then all accrued benefits derived from voluntary contributions made by the Member's participating employer in respect of that Member are forfeited.

**(c) Self-employed person's/Special Voluntary Contribution Account Member's voluntary contribution**

Subject as provided in the participation agreement and/or supplement to the participation agreement:

- (i) a Member who is a self-employed person may request the Trustee to pay the Member all (but not part only) of the amounts attributable to the Member's voluntary contributions at any time; and
- (ii) a Special Voluntary Contribution Account Member is entitled to request the Trustee to pay the Member all or part only of the amounts attributable to the Member's special voluntary contributions at any time. Unless otherwise provided in the participation agreement and/or supplement to the participation agreement,

each request for withdrawal of only part of the amounts attributable to a Special Voluntary Contribution Account Member's special voluntary contributions is subject to a minimum withdrawal amount of HKD5,000. There is no limit on the number of withdrawals of special voluntary contributions that can be made in any one calendar year.

**(d) Member's additional voluntary contributions**

Where a Member who is an employee of a participating employer has made voluntary contributions in addition to those required by the terms of the relevant participation agreement and/or supplement to the participation agreement ("**Additional Voluntary Contributions**"), the Member is entitled to request the Trustee to pay the Member amounts attributable to the Member's Additional Voluntary Contributions. The following will apply, unless the Trustee agrees otherwise:

- (i) the request must be in a form specified by the Trustee;
- (ii) the request must relate to all amounts attributable to the Member's Additional Voluntary Contributions; and
- (iii) not more than two requests may be made in any one financial period of the Master Trust.

**(e) Unclaimed accrued benefits**

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

**6.5 Realisation of Units**

Where a Member becomes entitled to accrued benefits and a claim is submitted for such accrued benefits, the Trustee will realise the Units credited to the account of the Member to meet such claim for accrued benefits. Subject as noted below, Units will be realised on a Valuation Date, within 20 Business Days of the later of (i) the date the entitlement arises and (ii) the date the Trustee receives satisfactory notice of such entitlement (together with appropriate supporting documentation).

Units realised on a Valuation Date will be realised at a price calculated by reference to the NAV per Unit of the relevant Constituent Fund as at the close of business on that Valuation Date (for further details, please refer to the "7. OTHER INFORMATION" section).

Realisation of Units will be suspended and payment of accrued benefits will be delayed where the determination of the NAV of the relevant Constituent Fund is suspended (Please refer to the paragraphs headed "(d) Suspension of Calculation of NAV" in the "7.1 Calculation" sub-section under the "7. OTHER INFORMATION" section).

In addition, with a view to protecting 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 number of Units relating to that Constituent Fund in issue (disregarding any Units that are to be issued on such Valuation Date). In this event, the limitation will apply pro rata to all Members in respect of whom Units relating to that Constituent Fund are to be realised on that Valuation Date so that the proportion of such Units realised in respect of each Member is the same. Units not realised (but which would otherwise have been realised) will be carried forward for realisation, subject to the same limitation, on the next Valuation Date. If realisations are so carried forward, the Trustee will inform the Members concerned.



## 6.6 Payment of accrued benefits

### 6.6.1 Lump sum payment

Subject as noted below, lump sum accrued benefits (including amounts attributable to voluntary contributions) will be paid as soon as reasonably practicable and in any event not later than (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.

### 6.6.2 Withdrawal by instalments

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

If an Eligible Member elects to have his/her Eligible Benefits paid by instalments, for each instalment, he/she is required to give instructions to the Trustee by submitting a separate claim form (available from the Trustee and the Sponsor) specifying the amount of withdrawal.

Such withdrawal instructions will apply to accrued benefits both in respect of mandatory contributions and, where applicable, voluntary contributions, on a pro-rata basis. For example, if an Eligible Member is entitled to accrued benefits of HKD80,000 which are derived from mandatory contributions ("**Mandatory Benefits**") and HKD20,000 which are derived from voluntary contributions ("**Voluntary Benefits**"), and the Eligible Member wishes to withdraw HKD5,000, then HKD4,000 will be withdrawn from the Mandatory Benefits, and HKD1,000 will be withdrawn from the Voluntary Benefits, in proportion to the accrued benefits attributable to mandatory contributions and voluntary contributions, respectively.

Unless otherwise agreed between the Trustee and the Eligible Member, and subject as noted below, the Trustee will pay each withdrawal to such Eligible Member no later than 30 days after the date on which the Eligible Member instructs the Trustee to pay that withdrawal.

In respect of withdrawal by instalments, the first 12 instalments (or such further number of instalments as determined by the Trustee) in any calendar year will be paid free of charge (other than any necessary transaction costs permitted under the General Regulation). Thereafter, each additional withdrawal by instalment in the same calendar year is subject to a fee of HKD100, which shall be paid to a bank account designated by the Trustee as specified in the claim form. Please note that bank charges may apply to Members' banking accounts if Members choose to be paid the withdrawal amount directly to their bank account. For further details, please refer to the table headed "(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES" in the "5.1 Fee table" sub-section under the "5. FEES AND CHARGES" section.

To meet each withdrawal request, the Eligible Benefits in all of the Constituent Funds held by the Eligible Member will be realised, so far as practicable, on a pro-rata basis.

Members should note that in the case of withdrawal of accrued 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.

## **6.7 Other points to note**

Accrued 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.

Save as disclosed above, no fees or financial penalties shall be charged or imposed for payment of accrued benefits (in a lump sum or by instalments for the first 12 instalments in a calendar year) other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred, by the Trustee in selling or purchasing investments in order to give effect to the payment and are payable to a party other than the Trustee. Such necessary transaction costs would include, but are not limited to, items such as brokerage commissions, fiscal charges and levies, government charges, bank charges, exchange fees, costs and commissions, registration fees and charges, collection fees and expenses, etc. Any amount of such fees and charges imposed and received must be used to reimburse the relevant Constituent Fund.

Payment 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. Pending the payment of accrued benefits, the Trustee will hold realisation proceeds of Units in an interest bearing account with The Bank of East Asia, Limited. Interest earned will be credited to the Constituent Fund(s) in which such amounts were invested immediately prior to realisation of Units.

## **6.8 Transfers**

### **6.8.1 Transfers to other registered schemes or other account(s) within the Master Trust**

A participating employer may elect by notice in writing to the trustee of another registered scheme to transfer amounts held to the credit of Members employed by the relevant participating employer under the Master Trust and that relate to the Members' employment with the participating employer to that other registered scheme in which the participating employer will participate on the merger, division or winding up of the Master Trust in accordance with the MPF Ordinance or where the participating employer gives notice, personally or through the trustee of another registered scheme, of its intention to cease participation in the Master Trust in respect of such Members.

Where a Member who is an employee of a participating employer ceases to be so employed, the Member may elect by notice in writing to the Trustee or the trustee of the transferee registered scheme, as the case may be, to have amounts held to the credit of the Member under the Master Trust transferred to:

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

A Member who is an employee may at any time elect to have:

- (a) all the amounts held to the credit of the relevant Member under the Master Trust attributable to the relevant Member's accrued benefits deriving from mandatory contributions in respect of the relevant Member's current employment, transferred to (i) a personal account in the Master Trust nominated by the relevant Member by notice in writing to the Trustee; or (ii) a personal account in another registered scheme which is a master trust scheme or an industry scheme nominated by the relevant Member by notice in writing to the trustee of the transferee registered scheme. Such election to

transfer may only be made once in every calendar year; and

- (b) all the amounts held to the credit of the relevant Member under the Master Trust attributable to all accrued benefits deriving from mandatory contributions paid by or in respect of the relevant Member that are attributable to the Member's former employments or former self-employments, transferred to (i) a personal account or contribution account in the Master Trust nominated by the relevant Member by notice in writing to the Trustee; or (ii) a contribution account within another registered scheme or a personal account within another registered scheme which is a master trust scheme or an industry scheme, in each case as nominated by the relevant Member by notice in writing to the trustee of the transferee registered scheme.

A 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 accounts of the relevant Member, transferred to:

- (i) a personal account or contribution account in the Master Trust nominated by the relevant Member by notice in writing to the Trustee; or
- (ii) a contribution account within another registered scheme or a personal account within another registered scheme which is a master trust scheme or an industry scheme, in each case as nominated by the relevant Member by notice in writing to the trustee of the transferee registered scheme.

A Member who is a self-employed person may at any time elect by notice in writing to the trustee of the transferee registered scheme to have amounts held to the credit of the Member under the Master Trust transferred to:

- (a) an account in another master trust scheme nominated by the Member; or
- (b) an existing account of the Member in an industry scheme; or
- (c) an account in an industry scheme to which the Member is eligible to belong; or
- (d) where the Member subsequently becomes employed, a contribution account in the registered scheme in which the Member's employer is participating in relation to the Member.

No fees shall be charged and no financial penalties shall be imposed for transferring accrued benefits:

- from a registered scheme to another registered scheme;
- from an account within the Master Trust to another account within the Master Trust;
- in the same account within the Master Trust, from a Constituent Fund to another Constituent Fund,

other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred, by the Trustee in selling or purchasing investments in order to give effect to the transfer and are payable to a party other than the Trustee. Such necessary transaction costs would include, but are not limited to brokerage commissions, fiscal charges and levies, government charges, bank charges, exchange fees, costs and commissions, registration fees and charges, collection fees and expenses. Any amount of such necessary transaction costs imposed and received shall be used to reimburse the relevant Constituent Fund.

The redemption price of the APIF(s) in which the relevant Constituent Fund(s) invest may be adjusted to take account of realisation expenses including (but not limited to)

brokerage, stamp duty, transaction fees, any bid/offer spread of underlying investment, registration and transfer fees, bank charges, conversion charges; and any other transaction costs. In the normal course, such adjustment is not expected to exceed 1% of the redemption price.

An election to transfer must be made in the form specified by the MPFA and available from registered scheme trustees. The Trustee on receipt from another trustee of notification of an election to transfer (for transfer to other registered schemes) and receipt of notification of an election to transfer (for transfer within the Master Trust) will effect a transfer within 30 days of such notification or if an election is made by a Member who is an employee of a participating employer who ceases to be so employed, within 30 days after the last contribution day in respect of the employment that has ceased, whichever is the later. Transfers may be delayed where valuation of the Constituent Funds are suspended (please refer to the "7. OTHER INFORMATION" section below) and in certain circumstances specified pursuant to the MPF Ordinance, including in respect of a transfer made under section 150 or section 150A of the General Regulation there are contributions or contribution surcharges or both which are outstanding at the time of notification of such transfer. Pending the transfer of accrued benefits, the Trustee will hold the realised proceeds of Units in an interest bearing account with The Bank of East Asia, Limited. Interest earned will be credited to the Constituent Fund(s) in which such amounts were invested immediately prior to the realisation of Units.

For details with regard to transfer of accrued benefits from a TVC account from the Master Trust to another scheme, please refer to the paragraphs headed "6.8.3 Portability of TVC" below.

#### **6.8.2 Transfers from other schemes**

The Trustee has power to accept transfers from other schemes into the Master Trust. In particular:

- (a) a Member who is an employee member may transfer all of his/her:
  - (i) accrued benefits derived from mandatory contributions made by him/her in respect of his/her current employment;
  - (ii) accrued benefits derived from mandatory contributions attributable to his/her former employments or former self-employment; or
  - (iii) accrued benefits in his/her personal account(s) within another registered scheme, into a personal account (for all of the above cases) or a contribution account (for (ii) and (iii) above) of the Member within the Master Trust in accordance with the General Regulation;
- (b) any other eligible persons may transfer all of his/her accrued benefits held in his/her personal account(s) within another registered scheme into a personal account or a contribution account within the Master Trust in accordance with the General Regulation.

The Trustee will apply amounts received from other schemes to acquire Units in the Constituent Funds in accordance with the instructions of the Member on a Valuation Date, within 20 Business Days of receipt of such amounts in cleared funds, together with all relevant documentation from the Member and the trustee of the other scheme. Currently, no offer spread will be levied on the issue of such Units. Pending the acquisition of Units in the Constituent Funds, the Trustee will hold such amounts in an interest bearing account with The Bank of East Asia, Limited. Interest earned will be used by the Trustee to meet general operating expenses of the Master Trust.

For details with regard to transfer of accrued benefits from a TVC account in another scheme to the Master Trust, please refer to the paragraphs headed "6.8.3 Portability of TVC" below.

### **6.8.3 Portability of TVC**

TVC is portable and TVC Account Holders should note that:

- (a) A TVC Account Holder may at any time choose to transfer the accrued benefits derived from TVC to another registered scheme that offers TVC;
- (b) The transfer must be in a lump sum (full account balance);
- (c) The TVC account in the original registered scheme from which the accrued benefits are transferred (resulting in zero balance) may be terminated upon such transfer;
- (d) For the avoidance of doubt, transfer of accrued benefits derived from a TVC account to another TVC account of the Member in another registered scheme cannot be claimed as deductions for taxation purpose; and
- (e) Transfer of TVC accrued benefits to another TVC account of the Member in another registered scheme will also be subject to the same preservation and withdrawal restrictions applicable to mandatory contributions in the MPF regulations.

## 7. OTHER INFORMATION

### 7.1 Calculation

#### (a) Calculation of NAV

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 that:

- (i) the value of any interest in a collective investment scheme (which, for the avoidance of doubt, does not include interests in listed approved ITCISs) 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 an approved stock exchange or approved futures exchange (which, for the avoidance of doubt, includes investments in approved ITCISs) shall be calculated by reference to the last traded price of such investment;
- (iii) the value of cash, deposits and similar investments not included in paragraphs (i) or (ii) above shall be calculated by reference to their face value (together with accrued interest) unless, in the opinion of the Trustee, any adjustment should be made to reflect the value thereof;
- (iv) the value of any other investment (or in the case of any investment included in paragraphs (i), (ii) or (iii) 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;
- (v) 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 or to provide a fairer attribution of assets and liabilities as between the Constituent Funds; and
- (vi) 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.

#### (b) Calculation of issue and realisation prices

The issue price of a Unit in a Constituent Fund on a Valuation Date is the NAV per Unit of such class as at the close of business on that Valuation Date rounded to four decimal places (with fractions of HKD0.00005 rounded up) provided that the Trustee may add an allowance (for the accrued benefit of the relevant Constituent Fund) for fiscal and purchase charges which might be payable to buy investments for the account of the relevant Constituent Fund.

The realisation price of a Unit in a Constituent Fund on a Valuation Date is the NAV per Unit of such class rounded to four decimal places (with fractions of HKD0.00005 rounded up) provided that the Trustee may deduct an allowance (for the accrued benefit of the relevant Constituent Fund) for fiscal and sale charges which might be payable to sell investments for the account of the relevant Constituent Fund.

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

Subject to the prior approval of the MPFA and the SFC, not less than one month's prior written notice (or such other period of notice as the MPFA or the SFC may require) will be given to Members in respect of any changes to the valuation or calculation methods as described above.

**(c) Publication of prices**

The issue and realisation prices per Unit of each Constituent Fund will be published daily in the South China Morning Post and Hong Kong Economic Times.

**(d) Suspension of calculation of NAV**

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

- 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
- during any period when any dealings on any such stock exchange or other market are restricted or suspended; or
- 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
- 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
- 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
- during any suspension of payment of accrued benefits from the Master Trust pursuant to the MPF Ordinance.

No Units of a Constituent Fund will be issued where the determination of the NAV of that Constituent Fund is suspended.

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.

## **7.2 Taxation**

*The following statements regarding taxation are based on advice received by the Sponsor regarding the law and practice in force in Hong Kong at the date of this document.*

*Employers and prospective Members should appreciate that as a result of changing law or practice, the taxation consequences of participating in the Master Trust may be otherwise than as stated below. This summary is not intended to be comprehensive and should not be relied upon as a substitute for detailed and specific advice. Employers and prospective Members should seek professional advice regarding their particular tax circumstances.*

**(a) For participating 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 such employee are allowable as a deduction for profits tax purposes. Excess contributions are not deductible.

Refunds of voluntary contributions to the employer will be treated as taxable receipts in the hands of the employer for profits tax purposes.

**(b) For employees**

Accrued benefits on retirement or earlier in the case of incapacity, terminal illness or death are generally not subject to salaries tax in the hands of the employee. For tax purposes, "retirement" is defined as meaning:

- retirement from the service of the employer at a specified age of not less than 45 years;
- retirement after a period of service with the employer of not less than 10 years; or
- attainment of a specified age of retirement or 60 years, whichever is later (whether or not the employee has in fact retired from his/her employment at such age).

If an employee leaves service otherwise than on retirement, death or incapacity, a proportion of the employee's accrued benefit paid deriving from employer's voluntary contributions may be subject to salaries tax.

Salaries tax is not payable on the portion of any payment that represents either the employee's contributions or the investment earnings of the Master Trust.

The employer's contributions are not taxable on the employee. For salaries tax purposes, a deduction from salary is allowed for the amount of the employee's mandatory contributions to the Master Trust. However, employees' voluntary contributions to the Master Trust are not deductible for salaries tax purposes.

**(c) For self-employed persons**

Self-employed persons will be eligible for deduction in respect of the amount of their mandatory contributions to the Master Trust from their assessable profits.

Profits tax is not payable on the portion of any payment that represents either the self-employed person's contributions or the investment earnings of the Master Trust.

**(d) For TVC Account Holders**

TVC Account Holders will be able to deduct the TVC paid into their TVC account, subject to a maximum deduction per year as specified in the Inland Revenue Ordinance. In the year of assessment 2019/2020, the maximum deduction is HKD60,000. It should be noted that such tax concession amount is an aggregate limit for both TVC and other qualifying annuity premiums rather than TVC only; and any claim for tax deductions will be applied to TVC before qualifying annuity premiums.

To facilitate the tax return filing by TVC Account Holders, the Trustee will provide a TVC summary to each TVC Account Holder if TVC is made by him/her to the Master Trust during a year of assessment. Such summary will be made available around 10th



May after the end of the relevant year of assessment (i.e. before the end of a period of 40 days (unless the 40th day is not a Business Day, then the next Business Day) from the beginning of the next tax assessment year commencing on 1<sup>st</sup> April).

**(e) 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.

**7.3 Accounts, reports and statements**

The Master Trust's financial year end is 31<sup>st</sup> March in each year.

As soon as practicable after each financial period, the Trustee will prepare a consolidated report consisting of (i) the audited accounts of the Master Trust prepared in accordance with applicable accounting guidelines, (ii) the Trustee's report on the Master Trust for the relevant financial period and (iii) the Investment Manager's investment report for the relevant financial period. This consolidated report will be open for inspection by Members free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Trustee. Members may request the Trustee to provide them with copies of the consolidated reports for the Master Trust for any of the preceding seven financial periods.

The Trustee will send each Member an annual accrued benefit statement within three months of the end of each financial period. The annual accrued benefit statement will include details of the contributions to the Master Trust in respect of the Member during the year, the Units credited to the account of the Member in each Constituent Fund and the value of the accrued benefits of the Member under the Master Trust as at the start and end of the relevant financial period.

**7.4 Trust Deed**

The Master Trust was established under Hong Kong law by the Trust Deed made between the Sponsor and the Trustee. 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.

The Trust Deed contains provisions for the indemnification of the Trustee and the Sponsor and their relief from liability in certain circumstances. Members, participating employers and intending applicants are advised to consult the Trust Deed for further details on the relevant provisions.

**7.5 Modification of Trust Deed and participation agreements**

The Trustee and the Sponsor may agree to modify the Trust Deed by supplemental deed, either generally so as to apply to all Members and participating employers or so as to apply specifically to a particular Member or Members or a particular participating employer or participating employers and Members employed by such participating employer or participating employers.

Any modifications to the Trust Deed will be submitted to the MPFA for prior approval and will be notified to Members.

The Trustee, the Sponsor and the relevant participating employer (or Member in the case of a self-employed person or other eligible person) may agree to modify the participation agreement and/or supplement to the participation agreement applicable to that participating employer (or self-employed person or other eligible person).

## 7.6 Termination, merger or division of Master Trust

The Master Trust may be wound up by the court in accordance with the MPF Ordinance on application made by the MPFA to the court. The Trustee shall give not less than one month's notice (or such other period as the MPFA or the SFC may agree or require) to participating employers and Members of the termination of the Master Trust.

Subject to the prior approval of the MPFA and the SFC, the Master Trust may be merged with one or more other registered schemes or sub-divided into two or more other registered schemes in accordance with the MPF Ordinance. The Trustee will give Members and participating employers not less than three months' prior written notice of any merger or sub-division of the Master Trust (or such other period of notice as the MPFA or the SFC may require).

## 7.7 Documents available

The following documents are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Trustee:

- (a) copies of the Trust Deed and any supplemental deeds;
- (b) the investment management agreement between the Trustee and the Investment Manager dated as of 21<sup>st</sup> August, 2012, as amended, pursuant to which the Investment Manager was appointed as investment manager of the Master Trust, to manage the assets of the Constituent Funds;
- (c) the latest MPF Scheme Brochure, together with any addendum; and
- (d) the latest consolidated report for the Master Trust (if any).

Copies of the Trust Deed and the contracts referred to above can be purchased from the Trustee on payment of a reasonable fee.

Further, a copy of the latest MPF Scheme Brochure (together with any addendum) can be obtained free of charge from any BEA Branch or the MPF Administration Centre, or by calling the BEA (MPF) Hotline on (+852) 2211 1777 (operated by Bank of East Asia (Trustees) Limited) or emailing to BEAMPF@hkbea.com, or by downloading a copy from <http://www.hkbea.com>.

## 7.8 Automatic exchange of financial account information

Financial institutions in Hong Kong and many other jurisdictions are required to identify account holders who are reportable foreign tax residents under the laws, regulations and international agreements for the implementation of automatic exchange of financial account information ("AEOI"), and report the information of account holders and controlling persons of certain entity account holders (each, a "**controlling person**") (including but not limited to their names, addresses, dates of birth, places of birth/incorporation, jurisdiction(s) of tax residence, tax identification number(s) in the relevant jurisdiction(s)) and account information (including but not limited to their account balance, certain payments to the account, and payments to the account holders) (collectively, the "**Reportable Information**") to the local tax authority where the financial institutions operate. The local tax authority, in respect of a reportable foreign tax resident, will provide the Reportable Information of the reportable foreign tax resident to the tax authority of the country of tax residence of the reportable foreign tax resident on a regular, annual basis. If you are not a tax resident in any jurisdiction outside Hong Kong, your MPF account information will not be reported to the Inland Revenue Department (the "**IRD**") for transmission to any tax authority outside Hong Kong.

The Master Trust is a Hong Kong financial institution for AEOI purposes. As required under AEOI of Hong Kong, the Trustee will use for the purposes of AEOI the Reportable Information of any individual or entity, whether in the capacity as a Member, participating employer or beneficiary, that is considered under AEOI to be an account holder or controlling person (where applicable). The Reportable Information may be transmitted to the IRD or any other relevant domestic or foreign tax authority for transfer to the tax authority of another jurisdiction.

The Trustee may, to the extent not prohibited by applicable law including AEOI, engage, employ or authorise any individual or entity (including but not limited to third-party service providers, the Trustee's affiliates, subsidiaries, associated entities, and any of their branches and offices) (each, for purposes of this section, an "**authorised person**") to assist the Master Trust with the fulfilment of its obligations under AEOI, and to act on the Master Trust's behalf in relation to its obligations under AEOI. The Trustee and its authorised persons may share with each other any information of any account holder and controlling person (where applicable) of the Master Trust.

The Trustee and/or any of its authorised person(s) may require any account holder under AEOI to provide a valid self-certification form and such other information (including the Reportable Information and any documentary evidence) which the Trustee and/or any of its authorised person(s) may require from time to time for the implementation of AEOI (collectively, the "**Required Information**"). In addition, where the account holder is an entity, the Trustee and/or its authorised person(s) may require the Required Information of its controlling person(s).

Where required by AEOI and to the extent not prohibited by applicable law, the Trustee may not accept any applicant to the Master Trust or make any payment to any account holder (whether in the capacity of a Member, a participating employer or a beneficiary) before receiving the Required Information. Account holders and controlling persons must update the Trustee and/or any of its authorised person(s) about any changes in the information they have previously provided to the Trustee and/or any of its authorised person(s) as soon as possible and ideally within 30 days of such changes. If the Trustee and/or any of its authorised person(s) do not receive the Required Information in respect of an account holder or a controlling person, the Trustee and/or any of its authorised person(s) may be required to report such person based on the information they have.

**Members, participating employers, and any other account holders and controlling persons should consult their own tax advisers regarding the possible implications of AEOI. The application of the AEOI rules and the information that may be required to be reported and disclosed are subject to change. Please see the IRD website ([https://www.ird.gov.hk/eng/tax/dta\\_aeoi.htm](https://www.ird.gov.hk/eng/tax/dta_aeoi.htm)) for more information about AEOI in Hong Kong. Any discussion of tax considerations herein is not intended or written to be tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any domestic or foreign tax penalties that may be imposed on such person.**

## 8. GLOSSARY

<b>“Administrator”</b>	means Bank of East Asia (Trustees) Limited in its capacity as administrator of the Master Trust.
<b>“APIF”</b>	means an approved pooled investment fund, as defined in section 6 of the General Regulation.
<b>“approved ITCIS”</b>	means an index-tracking collective investment scheme, as defined in section 1(1) of Schedule 1 to the General Regulation, approved by the MPFA for the purposes of section 6A of Schedule 1 to the General Regulation.
<b>“Business Day”</b>	means a day (other than Saturday) on which banks in Hong Kong are open for normal banking business provided that where, as a result of a Number 8 Typhoon Signal or higher or a black rainstorm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day unless the Trustee otherwise determines.
<b>“calendar year”</b>	means a period of 365 or 366 days, starting on 1 <sup>st</sup> January and ending on 31 <sup>st</sup> December.
<b>“China A-shares”</b>	means the shares which are quoted in RMB and traded on the Shanghai and Shenzhen stock exchanges.
<b>“China B-shares”</b>	means the shares which are denominated in foreign currency and traded on the Shanghai and Shenzhen stock exchanges.
<b>“Constituent Fund”</b>	means a separate pool of assets of the Master Trust, which is invested and administered separately from other assets of the Master Trust.
<b>“Custodian”</b>	means Bank of East Asia (Trustees) Limited in its capacity as custodian of the Master Trust.
<b>“DIS”</b>	means the MPF Default Investment Strategy.
<b>“employee member”</b>	a Member who is employed by a participating employer in the Master Trust and has entered into a participation agreement with the Trustee to participate in the Master Trust.
<b>“feeder fund”</b>	means a fund that invests in only one APIF/ approved ITCIS.
<b>“financial period”</b>	means the period from 1 <sup>st</sup> April in a year to 31 <sup>st</sup> March in the following year.
<b>“General Regulation”</b>	means the Mandatory Provident Fund Schemes (General) Regulation.
<b>“Greater China”</b>	means (i) the PRC, (ii) the Special Administrative Regions of Hong Kong and Macau and (iii) Taiwan.
<b>“Higher Risk Assets”</b>	has the meaning given to it in the MPF Ordinance, including without limitation global equities.
<b>“HKD” or “HK dollars”</b>	means the currency of Hong Kong.

<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the People’s Republic of China.
<b>“HSDSL”</b>	means Hang Seng Data Services Limited.
<b>“HSIL”</b>	means Hang Seng Indexes Company Limited.
<b>“Investment Manager”</b>	means BEA Union Investment Management Limited in its capacity as investment manager of the Master Trust and the Constituent Funds.
<b>“Lower Risk Assets”</b>	means those assets not being Higher Risk Assets, including without limitation global bonds and money market instruments.
<b>“Mandate”</b>	means in respect of a Member, an instruction in a form specified by the Trustee setting out how contributions made by and on behalf of the Member are to be invested. For the purposes of this MPF Scheme Brochure, each reference to “Mandate” means a Mandate meeting the requirements for a Specific Investment Instruction, unless otherwise specified.
<b>“Master Trust”</b>	means the BEA (MPF) Value Scheme.
<b>“maximum level of relevant income”</b>	has the same meaning as in the MPF Ordinance.
<b>“Member”</b>	means a member of the Master Trust being: <ul style="list-style-type: none"> <li>(a) a self-employed person who participates in the Master Trust; or</li> <li>(b) an employee of a participating employer who applies for and is granted membership of the Master Trust; or</li> <li>(c) any other eligible person who participates in the Master Trust.</li> </ul> <p>“Member” includes employee member, self-employed person, personal account holder, Special Voluntary Contribution Account Member and TVC Account Holder.</p>
<b>“minimum level of relevant income”</b>	has the same meaning as in the MPF Ordinance.
<b>“MPFA”</b>	means the Mandatory Provident Fund Schemes Authority of Hong Kong.
<b>“MPF Ordinance”</b>	means the Mandatory Provident Fund Schemes Ordinance of Hong Kong.
<b>“NAV”</b>	means net asset value.
<b>“ORSO exempted scheme”</b>	has the same meaning as in the Mandatory Provident Fund Schemes (General) Regulation.
<b>“ORSO registered scheme”</b>	has the same meaning as in the Mandatory Provident Fund Schemes (General) Regulation.
<b>“personal account holder”</b>	means a Member for whom a personal account is maintained under the Master Trust.

<b>“portfolio management fund”</b>	means a fund that invests in more than one APIF/approved ITCIS.
<b>“PRC”</b>	means the People’s Republic of China.
<b>“Reference Portfolio”</b>	means, in respect of each of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund, the MPF industry developed reference portfolio adopted for the purpose of the DIS to provide a common reference point for the performance and asset allocation of the BEA Core Accumulation Fund and the BEA Age 65 Plus Fund (as the case may be).
<b>“registered scheme”</b>	has the same meaning as in the MPF Ordinance.
<b>“Relevant Circumstances”</b>	means the following events: <ul style="list-style-type: none"> <li>(a) the Trustee having reason to know that information and documents provided to the Trustee are incorrect or incomplete;</li> <li>(b) failure of applicants to provide information and documents as required by the Trustee to ensure compliance with applicable laws and regulations relating to anti-money laundering or tax reporting; and/or</li> <li>(c) other circumstances which the Trustee and the Sponsor may consider appropriate.</li> </ul>
<b>“relevant income”</b>	has the same meaning as in the MPF Ordinance.
<b>“RMB”</b>	means Renminbi, the currency of the PRC.
<b>“SEHK”</b>	means the Stock Exchange of Hong Kong Limited.
<b>“self-employed person”</b>	a Member who is self-employed and has entered into a participation agreement with the Trustee to participate in the Master Trust.
<b>“SFC”</b>	means the Securities and Futures Commission of Hong Kong.
<b>“Special Voluntary Contribution Account Member”</b>	means a Member who has entered into a participation agreement with the Trustee to participate in the Master Trust as a Special Voluntary Contribution Account Member

<b>“Specific Investment Instruction”</b>	<p>is either a Mandate or a Switching Instruction setting out:</p> <p>(a) subject to (b) below, an instruction for investment allocations which meets the following requirements:</p> <p style="padding-left: 40px;">(i) each investment allocation is in a multiple of 10%; and</p> <p style="padding-left: 40px;">(ii) the aggregate (or in the case of any Switching Instruction, the switch-in total) of which is 100%; or</p> <p>(b) where the instruction is to invest in the DIS, an instruction to invest 100% of:</p> <p style="padding-left: 40px;">(i) existing accrued benefits; and/or</p> <p style="padding-left: 40px;">(ii) future contributions and accrued benefits transferred from another scheme in the DIS; or</p> <p>(c) any confirmation (whether through hard copy submission, cyberbanking, mobile apps or IVRS (interactive voice response system)) by a Member with regard to any investment arrangements of the existing accrued benefits and/or future contributions and accrued benefits transferred from another scheme.</p>
<b>“Sponsor”</b>	means The Bank of East Asia, Limited in its capacity as sponsor of the Master Trust.
<b>“Switching Instruction”</b>	means in respect of a Member, an instruction to switch existing investments of accrued benefits of the Member. For the purposes of this MPF Scheme Brochure, each reference to "Switching Instruction" means a Switching Instruction meeting the requirements for a Specific Investment Instruction, unless otherwise specified.
<b>“SSE”</b>	means the Shanghai Stock Exchange.
<b>“Stock Connect”</b>	means the securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and/or any successor programme.
<b>“SZSE”</b>	means the Shenzhen Stock Exchange.
<b>“Trustee”</b>	means Bank of East Asia (Trustees) Limited in its capacity as trustee of the Master Trust.
<b>“Trust Deed”</b>	means the trust deed dated as of 17 <sup>th</sup> August 2012 establishing the Master Trust, as amended from time to time.
<b>“TVC”</b>	means tax deductible voluntary contributions as defined in the MPF Ordinance.
<b>“TVC account”</b>	has the same meaning as in the MPF Ordinance.
<b>“TVC Account Holder”</b>	means a Member who has entered into a participation agreement with the Trustee to participate in the Master Trust as a TVC Account Holder.

- “Unit”** means one undivided share in the Constituent Fund to which the class of Units relates. A fraction of a Unit shall represent the corresponding fraction of an undivided share in the relevant Constituent Fund.
- “USD” or “US dollars”** means the currency of the United States of America.
- “Valuation Date”** means every Business Day or such other day or days as the Trustee may determine from time to time either generally or in relation to a particular Constituent Fund.



## APPENDIX

### FURTHER INFORMATION ON THE INDEXES

#### FTSE® Greater China HKD Index

The FTSE® Greater China HKD Index is the HK dollar version of the FTSE® Greater China Index and is derived from the FTSE® All-World Index Series. The FTSE® All-World Index Series aggregates approximately 3,089 large and mid cap stocks, covering 90% to 95% of the investable market capitalisation.

The FTSE® Greater China HKD Index covers the Greater China region and comprises stocks listed in Hong Kong, Taiwan, Shanghai (China B-shares and with effect from 23<sup>rd</sup> March, 2020, China A-shares), Shenzhen (China B-shares and with effect from 23<sup>rd</sup> March, 2020, China A-shares) and Singapore, where the Singapore listed stocks are classified as Hong Kong nationality in accordance with FTSE nationality rules. With effect from 23<sup>rd</sup> March, 2020, the SPDR® FTSE® Greater China ETF will invest in securities designated as China A-shares listed on the SSE and the SZSE through the Stock Connect. As at 30<sup>th</sup> September, 2019, the FTSE® Greater China HKD Index comprises 435 large and mid cap stocks, being primarily stocks listed in Hong Kong and Taiwan and had a net market capitalisation of approximately HKD18.023 trillion.

FTSE International Limited ("FTSE") is the Index Provider of the FTSE® Greater China HKD Index. The Investment Manager and its connected persons are independent of FTSE.

As at 30<sup>th</sup> September, 2019, the 10 largest constituent stocks of the FTSE® Greater China HKD Index are set out below and they represent approximately 38.99% of the net market capitalisation, based on total shares in issue of the FTSE® Greater China HKD Index:

Code-Country	Stock Name	Weighting
700-HK	Tencent Holdings Ltd.	10.45%
2330-TW	Taiwan Semiconductor Manufacturing	9.15%
1299-HK	AIA Group Ltd.	4.97%
939-HK	China Construction Bank Corporation	3.10%
2318-HK	Ping An Insurance (Group) Co. of China Ltd.	2.73%
1398-HK	Industrial and Commercial Bank of China Ltd.	2.28%
941-HK	China Mobile Ltd.	1.90%
388-HK	Hong Kong Exchanges and Clearing Ltd.	1.61%
3690-HK	Meituan Dianping	1.50%
3988-HK	Bank of China Ltd.	1.30%

The index rules and further information in relation to the FTSE® Greater China HKD Index are available on the FTSE website, [www.ftserussell.com](http://www.ftserussell.com).

FTSE carries out the semi-annually review of the FTSE® Greater China HKD Index in March and September each year.

In the event that the FTSE® Greater China HKD 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 FTSE® Greater China HKD Index with another index that the Investment Manager deems appropriate as suitable benchmark representing stocks of the Greater China region. If no suitable index is found, subject to the approval of the SFC and the MPFA, the BEA Greater China Tracker 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.

## Disclaimer of FTSE International Limited

The BEA Greater China Tracker Fund is not in any way sponsored, endorsed, sold or promoted by FTSE or the London Stock Exchange Group companies ("LSEG") (together the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the FTSE® Greater China HKD Index (the "Index") (upon which the BEA Greater China Tracker Fund is based), (ii) the figure at which the Index is said to stand at any particular time on any particular day or otherwise, or (iii) the suitability of the Index for the purpose to which it is being put in connection with the BEA Greater China Tracker Fund. None of the Licensor Parties have provided or will provide any financial or investment advice or recommendation in relation to the Index to the Trustee or to its clients. The Index is calculated by FTSE or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the Index or (b) under any obligation to advise any person of any error therein. All rights in the Index vest in FTSE. "FTSE®" is a trade mark of LSEG and is used by FTSE under license.

### Hang Seng Index

The Hang Seng Index is one of the earliest stock market indexes in Hong Kong, which measures the performance of largest and most liquid companies listed on the Main Board of the SEHK. 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 Hang Seng Index currently comprises 50 constituent stocks which are representative of the Hong Kong stock market. The aggregate market value of these stocks accounts for about 56.09% of the total market capitalisation of all stocks listed on the Main Board of SEHK. As at 31<sup>st</sup> May, 2019, the respective weightings of the top 10 largest constituent stocks of the Hang Seng Index are:

Stock Code	Stock Name	Weighting
5	HSBC Holdings Plc	10.71%
1299	AIA Group Ltd.	9.93%
700	Tencent Holdings Ltd.	9.71%
939	China Construction Bank Corporation - H Shares	7.48%
2318	Ping An Insurance (Group) Co. of China, Ltd. - H Shares	5.40%
941	China Mobile Ltd.	4.69%
1398	Industrial and Commercial Bank of China Ltd. - H Shares	4.61%
388	Hong Kong Exchanges and Clearing Ltd.	3.31%
3988	Bank of China Ltd. - H Shares	2.88%
883	CNOOC Ltd.	2.55%

Real-time update of the Hang Seng Index can be obtained through the SEHK Teletext System, Thomson Reuters, Bloomberg and the website of HSIL at [www.hsi.com.hk](http://www.hsi.com.hk). The index rules and further information in relation to the Hang Seng Index are available at [www.hsi.com.hk](http://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](http://www.hsi.com.hk).

HSIL is the Index Provider of the Hang Seng Index. The Investment Manager 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 BEA Hong Kong Tracker 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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**BEA (MPF) VALUE SCHEME  
FIRST ADDENDUM TO  
THE MPF SCHEME BROCHURE DATED MAY 2023**

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**Important**

This First Addendum should be read in conjunction with and forms part of the MPF Scheme Brochure for the BEA (MPF) Value Scheme dated May 2023 (the “**MPF Scheme Brochure**”). All capitalised terms herein contained shall have the same meaning in this First Addendum as in the MPF Scheme Brochure, 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 and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading. If you are in any doubt about the contents of this First Addendum, you should seek independent professional financial advice.

**The following amendments to the MPF Scheme Brochure are effective from 15<sup>th</sup> June, 2023:**

1. Page 3 - Under the sub-section headed "**3.1 Scheme structure**", the references to "BEA Greater China Tracker Fund" and "SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF" shall be deleted.
2. Page 4 - The table under the sub-section headed "**3.2 Table for Constituent Funds**" shall be amended in the following manner:
  - a. the row relating to the BEA Greater China Tracker Fund shall be deleted; and
  - b. the numbering of the original rows 8 through 12 shall be renumbered as rows 7 through 11 respectively.
3. Page 6 - The sub-section headed "**3.3 Investment objectives and policies**" shall be amended in the following manner:
  - a. the sub-section headed "**3.3.7 BEA Greater China Tracker Fund**" shall be deleted in its entirety; and
  - b. the numbering of the original sub-sections 3.3.8 through 3.3.12 shall be renumbered as sub-sections 3.3.7 through 3.3.11 respectively.
4. Page 21 - The sub-section headed "**3.5.2 BEA Greater China Tracker Fund and BEA Hong Kong Tracker Fund**" under the sub-section headed "**3.5 Investment and borrowing restrictions**" shall be replaced with the following:

**"3.5.2 BEA Hong Kong Tracker Fund**

The BEA Hong Kong Tracker Fund is a feeder fund which invests in a single approved ITCIS (as referred to in the “3.3 Investment objectives and policies” sub-section above). The underlying approved ITCIS has been approved by the MPFA pursuant to the MPF Ordinance (as set out in Schedule 1 to the General Regulation), the MPF Guidelines and the MPFA's Code on MPF Investment Funds."

5. Page 22 - The third paragraph under the sub-section headed "**3.7 Establishment, termination, merger and division of Constituent Funds**" shall be replaced with the following:

"The Trustee may, with the consent of the Sponsor, terminate a Constituent Fund on giving not less than one month's notice to each Member and each participating employer (or such other period of notice as the MPFA or the SFC may require). If a Constituent Fund is terminated, contributions will

cease to be invested in such Constituent Fund and accrued benefits 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 accrued benefits in the terminating Constituent Fund will be switched into the DIS or such designated fund as the Trustee may determine and notify the Members in writing and future contributions by or on behalf of the Member which would otherwise be invested in the terminating Constituent Fund will be invested in the DIS or such designated fund."

6. Page 23 - The sub-section headed "**4.2 Risk factors**" shall be amended in the following manner:
  - a. the sub-section headed "**4.2.17 Risks associated with the BEA Greater China Tracker Fund**" shall be deleted in its entirety; and
  - b. the numbering of the original sub-sections 4.2.18 through 4.2.22 shall be renumbered as sub-sections 4.2.17 through 4.2.21 respectively.
7. Page 41 - Under the sub-section headed "**5.1 Fee table**", the rows relating to the BEA Greater China Tracker Fund in the tables headed "**(B) FEES AND CHARGES PAYABLE ARISING FROM TRANSACTIONS IN INDIVIDUAL MEMBER'S ACCOUNT**", "**(C) FUND OPERATING CHARGES & EXPENSES OF CONSTITUENT FUNDS**" and "**(D) FEES AND CHARGES PAYABLE OUT OF THE UNDERLYING FUNDS**" shall be deleted.
8. Page 47 - Under the sub-section headed "**5.2 Definitions**", the rows relating to the BEA Greater China Tracker Fund in the tables under the definition of "Management fees" shall be deleted.
9. Page 75 - Under the sub-section headed "**(d) Suspension of calculation of NAV**" under the sub-section headed "**7.1 Calculation**", the following paragraph shall be inserted immediately after the last paragraph:

"Notwithstanding the preceding paragraphs of this sub-section (d), the Trustee may declare a suspension of issuance, realization or switching of units relating to a Constituent Fund without a suspension of the determination of the NAV of the Constituent Fund should any of the circumstances set out above occur."
10. Page 85 - The Appendix to the MPF Scheme Brochure shall be amended in the following manner:
  - a. the heading of the Appendix shall be replaced with "**Further Information on the Index**"; and
  - b. the section headed "FTSE<sup>®</sup> Greater China HKD Index" shall be deleted in its entirety.

**The Bank of East Asia, Limited and Bank of East Asia (Trustees) Limited**  
**15<sup>th</sup> May, 2023**

# ILLUSTRATIVE EXAMPLE FOR BEA MPF CONSERVATIVE FUND OF THE BEA (MPF) VALUE SCHEME

Date: 1<sup>st</sup> April, 2022

## **PURPOSE OF THE EXAMPLE**

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 BEA 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 Value Scheme in one financial period would be **HK\$35**

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

### ***Fee Deduction Mechanism:***

Fees and charges of an MPF conservative fund can be deducted from either (i) the assets of such fund or (ii) Member's account by way of unit deduction. BEA MPF Conservative Fund uses method (i) and, therefore, its unit prices, net asset value and fund performance quoted have reflected the impact of fees and charges.

# On-Going Cost Illustrations For BEA (MPF) Value Scheme

Issue Date : 15<sup>th</sup> June, 2023

## About This Illustration

This is an illustration of the total effect of fees, expenses and charges on each HK\$1,000 contributed in the funds named below. The fees, expenses 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, expenses 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 [It is important that you note that the assumed rate of return used in this document 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 fund	Fund expense ratio for financial period ended March 2022	Cost on each HK\$1,000 contributed		
		After 1 year (HK\$)	After 3 years (HK\$)	After 5 years (HK\$)
BEA Growth Fund	0.95%	10	31	54
BEA Balanced Fund	0.94%	10	31	53
BEA Stable Fund	0.94%	10	31	53
BEA Global Equity Fund	0.94%	10	31	53
BEA Asian Equity Fund	0.95%	10	31	54
BEA Greater China Equity Fund	0.96%	10	31	55
BEA Hong Kong Tracker Fund	0.73%	8	24	42
BEA Global Bond Fund	0.93%	10	30	53
BEA Core Accumulation Fund	0.84%	9	28	48
BEA Age 65 Plus Fund	0.85%	9	28	48

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