



友邦(信託)有限公司

香港司徒拔道一號
友邦大廈一樓

AIA Company (Trustee) Limited

1/F, AIA Building
1 Stubbs Road
Hong Kong
T: (852) 2100 1888 (Employer)
(852) 2200 6288 (Member)
F: (852) 2565 0001

MPF.AIA.COM.HK (MPF)
RETIREMENT.AIA.COM.HK (ORSO)

AIA MPF - Prime Value Choice (the "Scheme")

DIS Pre-Implementation Notice to Participating Employers and Members

Attention: This notice is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice. The Trustee accepts responsibility for the information contained in this document.

This notice only summarises the changes to the Scheme with regard to Default Investment Strategy ("DIS"). Details of the DIS are set out in the First and Second Addenda of the Principal Brochure of the Scheme (the "Principal Brochure"). Members should refer to the Principal Brochure for details of the DIS. The Principal Brochure and its addenda will be available on mpf.aia.com.hk or you may obtain copies at 1/F, AIA Building, 1 Stubbs Road, Hong Kong or by calling our employer hotline on (852) 2100 1888 or our member hotline on (852) 2200 6288.

You should consider your own risk tolerance level and financial circumstances before investing in the DIS. You should note that the Core Accumulation Fund ("CAF") and the Age 65 Plus Fund ("A65F") (collectively the "DIS Funds") may not be suitable for you, and there may be a risk mismatch between the CAF and the A65F 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.

Dear participating employers and members,

We are writing to you because important changes to the Mandatory Provident Fund Schemes Ordinance will take effect on 1 April 2017 ("**Effective Date**"). From the Effective Date, the default investment arrangement of the Scheme will be the DIS replacing the Existing Default Fund (as defined below) of the Scheme.

You should read this notice carefully because the changes made to the MPF legislation may affect the investment of both your accrued benefits and future contributions. Capitalised terms not defined in this notice have the same meanings as ascribed to them in the Principal Brochure of the Scheme.

1. What is DIS?

- DIS is a default investment arrangement as stipulated in accordance with the Mandatory Provident Fund Schemes Ordinance. **For members who do not make a fund choice for their MPF account, their accrued benefits and future investments (i.e. future contributions and future accrued benefits transferred from another MPF scheme) (the "Future Investments") will be invested in the DIS.** The DIS is also available as an investment choice itself for members.
- The DIS is not a fund - it is a strategy that uses two constituent funds, namely the CAF and A65F to automatically reduce the risk exposure as the member approaches retirement age. The DIS Funds will invest in a globally diversified manner and invest in different assets (e.g. equities, bonds, money market instruments, etc.). Details of the investment objectives and policies of each of the DIS Funds are set out in the **Appendix** to this notice. The DIS Funds are subject to fee and expense caps as imposed by the legislation.

2. How does DIS affect you?

If you have accounts in the Scheme that are set up before the Effective Date ("**pre-existing account**"), depending on whether you have previously made any fund choices, it may affect you in different ways:

- If you have already given a valid investment instruction for the accrued benefits and Future Investments in your pre-existing account or you are 60 years old or above before the Effective Date, you will not be affected by the implementation of the DIS.
- If **all** your accrued benefits in a pre-existing account are invested in the existing default fund (currently "Guaranteed Portfolio" of the Scheme) (the "**Existing Default Fund**") as at the Effective Date and you have not given a valid investment instruction for the pre-existing account, you will receive a separate notice (i.e. the "**DIS Re-Investment Notice**") sent to you on or before the end of September 2017. The DIS Re-Investment Notice will explain that if you do not make an investment choice by replying within a specified period, your accrued benefits in the Existing Default Fund will be redeemed in whole and re-invested in accordance with the DIS. **Therefore, if you receive the DIS Re-Investment Notice, please pay special attention to its contents and make appropriate arrangement.** You should note that the risk of the Existing Default Fund may be different from that of the DIS. The Guaranteed Portfolio provides a guaranteed return subject to the guarantee conditions as set out in Schedule 16 and Appendix 2 of the Principal Brochure but the DIS does not and you may be exposed to market risks as a result of any reinvestment of your accrued benefits in the DIS.
- There are special circumstances. Where the accrued benefits in the pre-existing account are transferred from another account within the Scheme (e.g. in the case of cessation of employment, where accrued benefits in your contribution account are transferred to a personal account within the Scheme), your accrued benefits in the pre-existing account will be invested in the same manner as they were invested immediately before the transfer but your Future Investments may be invested in the DIS after the implementation of the DIS, unless otherwise instructed. Please refer to the section headed "C. Implications for New and Pre-existing Accounts on or after DIS Implementation" below for further details.

3. Do you need to do anything?

- Apart from the above, there are other circumstances where your accrued benefits or Future Investments may be affected by the implementation of the DIS. If you have any query on how it will affect you and what actions you need to take, you should visit the AIA Website mpf.aia.com.hk or call our employer hotline on (852) 2100 1888 or our member hotline on (852) 2200 6288.
- If you receive the DIS Re-Investment Notice after the Effective Date, you are advised to pay special attention to its contents and make appropriate arrangement.

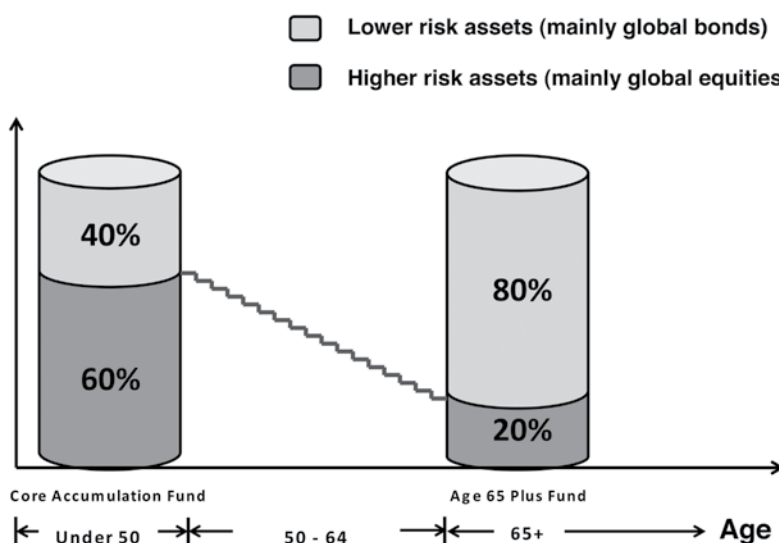
A. What is DIS?

DIS is a ready-made investment arrangement mainly designed for those members who are not interested or do not wish to make a fund choice, and is also available as an investment choice itself, for members who find it suitable for their own circumstances. For those members who do not make an investment choice, their Future Investments will be invested in accordance with the DIS. The DIS is required by law to be offered in every MPF scheme and is designed to be substantially similar in all MPF schemes.

(a) Objective and Strategy

The DIS aims to balance the long term effects of risk and return through investing in two constituent funds, namely the CAF and the A65F, according to the pre-set allocation percentages at different ages. The CAF 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 net asset value whereas the A65F will invest around 20% in higher risk assets and 80% in lower risk assets. The DIS Funds adopt globally diversified investment principles and use different classes of assets, including global equities, fixed income, money market and cash, and other types of assets allowed under the MPF legislation.

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



Note: The exact proportion of the portfolio in higher / lower risk assets at any point in time may deviate from the target glide path due to market fluctuations.

(b) Annual de-risking

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 CAF and increasing the holding in the A65F 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.

In summary, under the DIS:

- (1) When a member is below the age of 50, all existing accrued benefits and all Future Investments will be invested in the CAF.
- (2) When a member is between the ages of 50 and 64, all existing accrued benefits and all Future Investments will be invested according to the allocation percentages between the CAF and A65F as shown in the DIS de-risking table (see Diagram 2 below). The de-risking of the existing accrued benefits and Future Investments will be automatically carried out as described above.
- (3) When a member reaches the age of 64, all existing accrued benefits and all Future Investments will be invested in the A65F.
- (4) If the relevant member has reached 60 years of age before 1 April 2017, unless the member has given a specific investment instruction (as defined in section F below), the member's accrued benefits (including Future Investments) will be invested in the same manner as at 31 March 2017.
- (5) 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:

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

Diagram 2: DIS De-risking Table

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

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

(c) **Fees and out-of-pocket expenses of the CAF and A65F**

The aggregate of the payments for services of the CAF and A65F must not, in a single day, exceed a daily rate of 0.75% per annum of the net asset value ("**NAV**") of each of the DIS Funds divided by the number of days in the year. It includes, but is not limited to, the fees paid or payable for the services provided by the Trustee and the Administrator of the Scheme and the investment manager of the underlying approved pooled investment fund(s) of the respective DIS Funds, and any of the delegates from these parties and such fees are calculated as a percentage of the NAV of each of the DIS Funds and its underlying approved pooled investment

fund(s), but does not include any out-of-pocket expenses incurred by each DIS Fund and its underlying approved pooled investment fund(s).

The total amount of all payments that are charged to or imposed on the DIS Funds or members who invest in DIS Funds, for out-of-pocket expenses incurred by the Trustee on a recurrent basis in the discharge of the Trustee's duties to provide services in relation to the DIS Funds, shall not in a single year exceed 0.2% of the NAV of each of the DIS Funds. 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 NAV and transaction costs incurred by a DIS Fund in connection with recurrent acquisition of investments for the DIS Fund (including, for example, costs incurred in acquiring underlying investment funds) and annual statutory expenses (such as compensation fund levy where relevant) of the DIS Fund.

Members should note that out-of-pocket expenses that are not incurred on a recurrent basis may still be charged to or imposed on the CAF and the A65F. Such fees are not subject to the statutory caps mentioned in the preceding paragraphs.

(d) Key Risks Relating to the DIS

Members should note that the DIS is subject to various risks and limitations, including:

(i) Limitations on the strategy

- *Age as the sole factor in determining the asset allocation under the DIS*

The DIS does not take into account factors other than age, such as market and economic conditions nor member's personal circumstances.

- *Pre-set asset allocation*

The CAF and A65F have to follow the prescribed allocation between higher risk assets and lower risk assets at all times subject to a tolerance level of + or - 5%. Such prescribed allocation will limit the ability of the investment manager of the underlying approved pooled investment funds of the CAF and A65F to adjust asset allocations in response to sudden market fluctuations.

- *Annual de-risking between the CAF and A65F*

Members should note that de-risking for each relevant member will generally be carried out on a member's birthday, regardless of the prevailing market conditions. Members should be aware that the de-risking operates automatically regardless of the wish of a member to adopt a strategy which might catch market upside or avoid market downside.

- *Potential rebalancing within each of the CAF and A65F*

In order to maintain the prescribed allocation between the higher risk assets and lower risk assets within each of the CAF and A65F, the investments of each of the CAF and A65F may have to be continuously rebalanced.

- *Additional transaction costs*

Due to (a) the potential rebalancing of assets and (b) the annual reallocation of accrued benefits for members under the de-risking process, the DIS may incur greater transaction costs than a fund / strategy with more static allocation.

(ii) General investment risk related to DIS

Although DIS is a statutory arrangement, it does not guarantee capital repayment nor positive investment returns. Members should note that the DIS which invests in the DIS Funds is subject to the general investment risks that apply to mixed asset funds.

(iii) Risk on early withdrawal and switching

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

(iv) Impact on members keeping benefits in the DIS beyond the age of 64

The A65F holds around 20% of its assets in higher risk assets which may not be suitable for all members beyond the age of 64.

(e) Information on Performance of DIS Funds

The fund performance of the DIS Funds will be published in the fund fact sheets (one of which will be attached to annual benefit statement), members can visit the AIA Website mpf.aia.com.hk or call our employer hotline on (852) 2100 1888 or our member hotline on (852) 2200 6288 for information. Members may also obtain the fund performance information at the website of the Mandatory Provident Fund Schemes Authority (www.mpfa.org.hk).

B. Summary of the Existing Default Fund / Arrangement and the DIS

Please find below the key features of the Existing Default Fund / arrangement and the DIS for reference:

	Existing Default Fund / Arrangement	The DIS comprising CAF and A65F with a de-risking strategy	
Name	Guaranteed Portfolio	Core Accumulation Fund	Age 65 Plus Fund
Fund Type	Guaranteed Fund	Mixed Assets Fund - Global	Mixed Assets Fund - Global
De-risking Feature	No	Yes	Yes
Total Management Fees and, if applicable, Guarantee Charge	1.50% p.a. of NAV	0.75% p.a. of NAV	0.75% p.a. of NAV
Daily Fee Cap	No	Yes	Yes
Risk*	Low	Medium to high	Low to medium
Guarantee Feature	Yes - please refer to paragraph (h) "Features of the Guarantee" in Schedule 16 of the Principal Brochure	No	No

*The risk level categorization is determined on the basis of the risk profiles of all constituent funds under the Scheme. The risk levels are for reference only.

For details of the key features of the Existing Default Fund / arrangement and the DIS, please refer to the Principal Brochure (or contact the Trustee).

C. Implications for New and Pre-existing Accounts on or after DIS Implementation

(a) Implications on accounts opened on or after 1 April 2017

When members join the Scheme or set up a new account in the Scheme on or after 1 April 2017, they have the opportunity to give a specific investment instruction (as described in section F below) for their Future Investments. If members fail to or do not want to submit to the Trustee a specific investment instruction at the time of their requests to join / set up a new account in the Scheme, the Trustee shall invest any of their Future Investments into the DIS.

(b) Implications on accounts opened before 1 April 2017

There are special rules to be applied for pre-existing accounts and these rules only apply to members who are under or becoming 60 years of age on 1 April 2017

- (1) For a member's pre-existing account with all accrued benefits being invested into the Existing Default Fund which was generally resulted from no investment instruction being given on the existing accrued benefits (known as **"DIA account"**):

Special rules and arrangements will be applied to determine whether accrued benefits in a DIA account will be transferred to the DIS. If your pre-existing account is considered as a DIA account, you will receive a notice called the DIS Re-investment Notice explaining the impacts on your pre-existing account and giving you an opportunity to give a specific investment instruction to the Trustee before the accrued benefits are invested into the DIS.

For details of the arrangement, members should refer to the DIS Re-investment Notice.

- (2) For a member's pre-existing account which, as at 31 March 2017:

- (i) has part of the accrued benefits in it invested in the Existing Default Fund as a result of no valid investment instruction being given in respect of that part of the accrued benefits (save for those who fall under (3)(i) below), or
- (ii) 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 Scheme being transferred to the pre-existing account) and no investment mandate has ever been given for the pre-existing account in respect of Future Investments,

unless the Trustee has received any specific investment instructions (as defined in section F below), the member's accrued benefits will be invested in the same manner as they were invested immediately before 1 April 2017, while the Future Investments paid to the member's pre-existing account on or after 1 April 2017 will be invested in the DIS.

- (3) For a member's pre-existing account which, as at 31 March 2017:

- (i) has part of the accrued benefits in it invested in the Existing Default Fund after scheme restructuring,
- (ii) has all of the accrued benefits in it invested in constituent funds other than the Existing Default Fund after scheme restructuring whereby all or any of the accrued benefits in the pre-existing account were transferred to the pre-existing account from an account in another scheme in a restructuring to which the MPFA consented under section 34B(5) of the Mandatory Provident Fund Schemes Ordinance,

unless the Trustee has received any specific investment instructions, the member's accrued benefits and Future Investments paid to the member's pre-existing account on or after 1 April 2017 will be invested in the same manner as at 31 March 2017.

D. Rules and Procedures Applicable to Investment through the DIS

(a) Fund Choice Combination

Members who join the Scheme on or after 1 April 2017 may choose to invest their Future Investments into:

- (1) the DIS; and / or
- (2) one or more constituent funds of their own choice from the list under the sub-section headed "3. Constituent Funds" under the section "A. Introduction" of the Principal Brochure (including the CAF and the A65F as standalone investments) and according to their assigned allocation percentage(s) to relevant fund(s) of their choice.

Alternatively, members may select to join LifeEasy. For the avoidance of doubt, if a member under LifeEasy chooses to invest his/her Future Investments in the manner set out under (1) and/or (2) above, that member will be deemed to have exited LifeEasy and no further re-balancing will apply to that member's existing accrued benefits.

Members should note that, if they choose the CAF and / or A65F as 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) CAF and / or A65F as standalone investments and (ii) the DIS (no matter by default or by member's specific investment instruction), accrued benefits invested under (i) will not be subject to the de-risking process 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 fund switching instruction, be required to specify to which part of the benefits (namely, under (i) or (ii)) the instruction relates.

(b) Switching / transfer in and out of the DIS

Members can switch into or out of the DIS at any time, subject to the rules of the Scheme. Members should, however, bear in mind that the DIS has been designed as a long-term investment arrangement. Members may switch all or part of their investments in the DIS out of it and invest them into: (a) the CAF and / or the A65F as standalone investments rather than as part of the DIS, and / or (b) other constituent funds as standalone investments, and vice versa. Investments switched out of the DIS will cease to be subject to the DIS, while those remaining will continue to be. Also, members may change their investment mandate to invest in the DIS at any time.

For the avoidance of doubt, where a member gives a switching instruction with regard to his / her existing investment, such instruction only applies to existing investments and not Future Investments.

E. Rules and Procedures of Annual De-Risking

The de-risking is to be achieved by annual adjustments of asset allocation of the accrued benefits gradually from CAF to A65F under the DIS. Save for the circumstances set out in this section, switching of the existing accrued benefits among CAF and A65F 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 above. De-risking must take place on a Business Day. Accordingly, 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 29th of February and in the year which is not a leap year, then the investments will be moved on 1 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.

When one or more of the specified instructions (including but not limited to subscription (i.e. investing contributions into the relevant constituent funds), transfer out / withdrawal or fund switching instructions) are 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, as the annual de-risking will only take place after completion of these specified instructions. In particular, any fund switching or change of investment mandate instructions must be received by the Trustee 5 Business Days prior to the member's birthday,

in order for them to be processed on or prior to the de-risking day. Any valid fund switching or change of investment mandate instructions received after this cut-off time may only be completed after the annual de-risking. As for the timing of investing contributions in the relevant constituent funds, cleared funds (i.e. contributions that are available for investment) and relevant information (e.g. correct remittance statement) with regard to contributions have to be received by the Trustee 10 Business Days before the de-risking day in order for the allocation to be completed before the de-risking day.

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

F. Rules and Procedures relating to Investment Instructions

An instruction to invest accrued benefits and Future Investments, change investment mandate for Future Investments or switch investments for existing accrued benefits must be in a form of a specific investment instruction.

A specific investment instruction means:

- (a) an instruction for investment allocations meeting the following requirements:
 - the investment selection must be in multiples of 5%; and
 - the total investment selection (or in the case of any switching instruction, the switch-in total) should add up to 100%; or
- (b) any confirmation by a member (whether made verbally or through hard copy, fax or online submission of the relevant administration forms prescribed by the Trustee or IVRS (interactive voice recording system)) with regard to any investment arrangements of the existing accrued benefits and / or Future Investments.

Any investment mandate, change of investment mandate or switching instruction must meet the requirements for a "specific investment instruction".

The specific investment instruction applies to all types of contributions including without limitation, employer's mandatory and voluntary contributions, as well as employee's mandatory and voluntary contributions.

If a member opts for (a)(2) under section D above, the indicated investment selections on the membership application form upon enrolment must meet the requirements for a specific investment instruction as described above. The following table sets out the different investment instructions and the consequences of each investment instruction being invalid:

Investment instruction	Consequences
A. The total investment allocation adds up to more than 100%.	100% of Future Investments in respect of that member will be invested in the DIS.
B. Any investment selection on the instruction is not a multiple of 5%.	
C. No investment selection has been made.	
D. The indicated investment selections on the membership application form are in multiples of 5% but do not add up to 100%.	The part of the contributions in respect of that member for which a valid investment selection has not been made will be invested in the DIS.

G. LifeEasy

If a member under LifeEasy submits an instruction to switch part of his or her existing investments from one or more Constituent Fund to another within the Scheme, that member will be deemed to have exited LifeEasy. In that case:

- (a) the accrued benefits subject to the partial switching will be invested in accordance with the member's switching instruction;
- (b) the remaining benefits to which the member's switching instruction does not apply will be invested in the same manner as they are invested immediately before the member exited LifeEasy and no further re-balancing will apply to such remaining benefits; and
- (c) in effecting the above partial switching instruction, the Member will be required to confirm that the member's Future Investments will be invested in the same manner as the accrued benefits immediately before the partial switching and no re-balancing will apply to them.

Where existing accrued benefits are transferred from one account that is subject to LifeEasy to another account (the "**other account**") within the Scheme:

- (i) if the other account is also subject to LifeEasy, then the benefits so transferred to the other account will continue to be, and the Future Investments will be, subject to LifeEasy; and
- (ii) if the other account is not subject to LifeEasy, then the benefits so transferred to the other account will be invested in the same manner immediately before the transfer, such benefits will cease to be subject to LifeEasy and no further re-balancing will apply to them and, in the absence of a specific investment instruction for the other account, the Future Investments will be invested in the DIS.

H. Means to obtain further Information

Members may obtain information about the DIS through visiting the AIA Website mpf.aia.com.hk or calling our employer hotline on (852) 2100 1888 or our member hotline on (852) 2200 6288.

This notice only gives a summary of the features of DIS. A copy of the latest deed of variation amending the trust deed constituting the Scheme will be made available for inspection by the participating employers and members at our office during normal office hours. In addition, you may visit mpf.aia.com.hk for the Principal Brochure (together with the First and Second Addenda) or obtain a copy of the Principal Brochure (together with the First and Second Addenda) at 1/F, AIA Building, 1 Stubbs Road, Hong Kong.

Yours faithfully,



Stephen Fung
Chief Executive Officer
AIA Company (Trustee) Limited

Appendix

Core Accumulation Fund

(a) Objective

The Core Accumulation Fund is a feeder fund investing entirely in an approved pooled investment fund, namely, the Vanguard Moderate Growth Fund. The investment objective of the Core Accumulation Fund is to provide capital growth to Members by indirectly investing in a globally diversified manner.

(b) Investment strategy

The investment manager of the Vanguard Moderate Growth Fund will adopt a passive investment strategy in managing the portfolio by investing substantially all of the assets in constituent securities included in the Reference Portfolio of the Core Accumulation Fund using sampling techniques. The investment manager of the Vanguard Moderate Growth Fund will seek to hold a range of securities that, in the aggregate, approximate the Reference Portfolio of the Core Accumulation Fund in terms of the key characteristics: (i) for the equity investments, they will consist of a broadly diversified collection of stocks that approximate those included in the Reference Portfolio of the Core Accumulation Fund in terms of factors such as country weightings, industry weightings, market capitalization and other financial characteristics of stocks; and (ii) for the bond investments, they will be made in consideration of factors such as country weightings, duration and cash flow. At the time of launch, the Reference Portfolio of the Core Accumulation Fund is identified as follows: 60% FTSE MPF All-World Index (HKD unhedged total return) + 37% Citi MPF World Government Bond Index (HKD hedged total return) + 3% cash or money market instruments providing a return at MPF Prescribed Savings Rate (HKD unhedged total return). The Reference Portfolio is subject to change from time to time. Please visit www.hkifa.org.hk for further information.

Sampling techniques are an approach whereby the investment manager of the Vanguard Moderate Growth Fund tracks the Reference Portfolio of the Core Accumulation Fund by investing in a representative portion, or sample, of the full list of the constituent securities of the Reference Portfolio of the Core Accumulation Fund such that the overall characteristics of the portion of securities invested by the Vanguard Moderate Growth Fund would be similar to those of the full list of constituent securities of the Reference Portfolio of the Core Accumulation Fund.

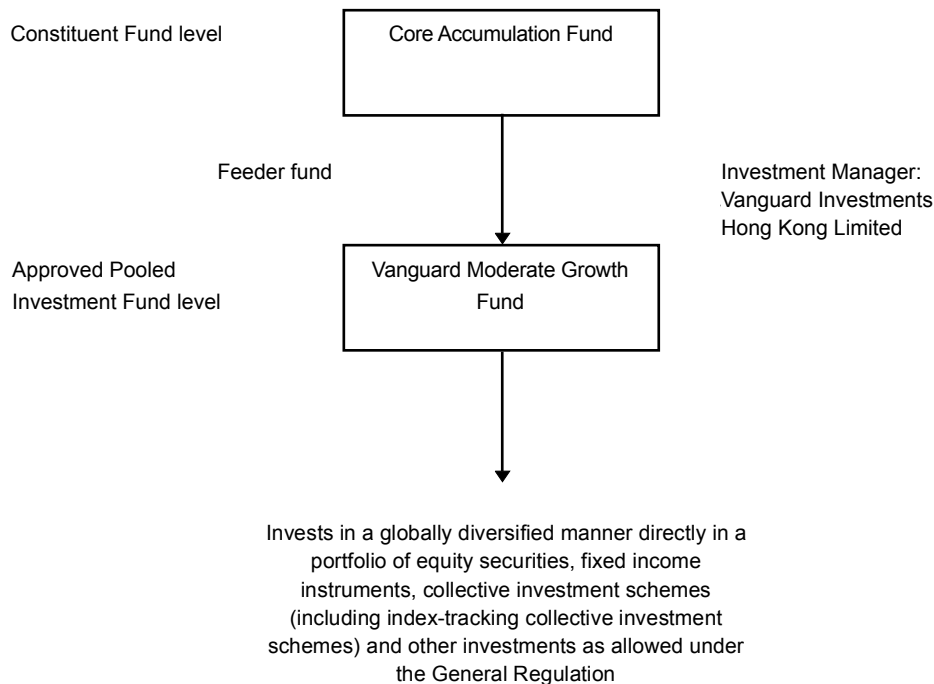
Under such sampling techniques, the vast majority of the Vanguard Moderate Growth Fund's holdings will be constituent securities that are within the universe of the Reference Portfolio of the Core Accumulation Fund, except in limited circumstances where it is in the best interest of the Vanguard Moderate Growth Fund. Such limited circumstances may include but not limited to where:

- (i) it is not possible or it is difficult to buy or hold constituent securities (e.g. due to liquidity or restrictions of ownership of such constituent securities);
- (ii) the holding of non-constituent securities which were originally constituent securities is, in the opinion of the investment manager of the Vanguard Moderate Growth Fund, more cost efficient to reflect the overall characteristics of the Reference Portfolio of the Core Accumulation Fund;
- (iii) investment in the constituent securities is not the most efficient way to reflect the performance of the Reference Portfolio of the Core Accumulation Fund, for example when it is more cost efficient to invest in the non-constituent securities which reflect the overall characteristics of the Reference Portfolio of the Core Accumulation Fund;
- (iv) the non-constituent securities which are, in the reasonable opinion of the investment manager of the Vanguard Moderate Growth Fund, likely to form part of the Reference Portfolio of the Core Accumulation Fund within six months of acquisition;
- (v) the non-constituent securities which the investment manager of the Vanguard Moderate Growth Fund considers to be an appropriate substitute for the constituent securities of the Reference Portfolio of Core Accumulation Fund having regard to investment objectives of the Vanguard Moderate Growth Fund; and
- (vi) to gain exposure to permissible securities in countries where such access is otherwise limited.

Such investment strategy aims to provide consistent investment returns in relation to the Reference Portfolio of the Core Accumulation Fund in a cost efficient manner.

(c) Investment structure

The Core Accumulation Fund shall invest in an approved pooled investment fund, Vanguard Moderate Growth Fund of Vanguard Fund Series, which in turn invests globally in equity securities listed on approved stock exchanges, government bonds, money market instruments, index-tracking collective investment schemes and other investments as allowed under the General Regulation. The investment manager of the Vanguard Moderate Growth Fund has the discretion, subject to the limits set out in the paragraph below, to determine the allocation percentages of the investments of the Vanguard Moderate Growth Fund into equity securities, fixed income instruments, collective investment schemes (including index-tracking collective investment schemes) and other investments. Please refer to the following product structure chart illustrating the fund structure of the Core Accumulation Fund:



(d) Asset allocation

Through such underlying investment, the Core Accumulation Fund will indirectly hold 60% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds and money market instruments). Although the Core Accumulation Fund will target to indirectly hold 60% assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds and money market instruments), the asset allocation to higher risk assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. There is no prescribed allocation for investments in any specific countries or currencies.

(e) Security lending and repurchase agreements

The Core Accumulation Fund and its underlying approved pooled investment fund will not engage in security lending and will not enter into repurchase agreements.

(f) Futures and options

The Core Accumulation Fund will not deal in financial futures and option contracts directly but may directly deal in currency forward contracts for hedging purposes. Also, the Core Accumulation Fund may, via the underlying approved pooled investment fund, enter into currency forward contracts, financial futures and options contracts for hedging purposes only.

(g) Effective currency exposure to Hong Kong dollars

The Core Accumulation Fund will, through the investment of the underlying approved pooled investment fund, maintain an effective currency exposure to Hong Kong dollars of not less than 30% through currency hedging operations.

(h) Risk profile

Due to its relatively high exposure to equities, the risk profile of the Core Accumulation Fund is medium to high. The risk rating is for reference only and is determined by the Trustee based on the proportion of investments in equities, bonds, deposits and debt securities of the Core Accumulation Fund. Such rating will be reviewed periodically in accordance with prevailing market circumstances.

(i) Expected return

The Core Accumulation Fund is a mixed assets fund which is intended for investors who hold a medium to long term investment view and want to seek returns through capital appreciation and modest income generation. Investors should be prepared to accept fluctuations in the value of investments. The investment manager of the underlying approved pooled investment fund expects the return of the underlying approved pooled investment fund over the long term to be substantially consistent with the return of the Reference Portfolio of the Core Accumulation Fund. Investors should always consider their individual risk and return profile.

A Member should not invest in this Core Accumulation Fund unless it is suitable to the Member and is consistent with the Member's investment objectives.

In the worst case scenario, a Member who invests into this Core Accumulation Fund may suffer a significant loss to his / her investments.

Age 65 Plus Fund

(a) Objective

The Age 65 Plus Fund is a feeder fund investing entirely in an approved pooled investment fund, namely, the Vanguard Income Fund. The investment objective of the Age 65 Plus Fund is to provide stable growth to Members in a globally diversified manner.

(b) Investment strategy

The investment manager of the Vanguard Income Fund will adopt a passive investment strategy in managing the portfolio by investing substantially all of the assets in constituent securities included in the Reference Portfolio of the Age 65 Plus Fund using sampling techniques. The investment manager of the Vanguard Income Fund will seek to hold a range of securities that, in the aggregate, approximate the Reference Portfolio of the Age 65 Plus Fund in terms of the key characteristics: (i) for the equity investments, they will consist of a broadly diversified collection of stocks that approximate those included in the Reference Portfolio of the Age 65 Plus Fund in terms of factors such as country weightings, industry weightings, market capitalization and other financial characteristics of stocks; and (ii) for the bond investments, they will be made in consideration of factors such as country weightings, duration and cash flow. At the time of launch, the Reference Portfolio of the Age 65 Plus Fund is identified as follows: 20% FTSE MPF All-World Index (HKD unhedged total return) + 77% Citi MPF World Government Bond Index (HKD hedged total return) + 3% cash or money market instruments providing a return at MPF Prescribed Savings Rate (HKD unhedged total return). The Reference Portfolio is subject to change from time to time. Please visit www.hkifa.org.hk for further information.

Sampling techniques are an approach whereby the investment manager of the Vanguard Income Fund tracks the Reference Portfolio of the Age 65 Plus Fund by investing in a representative portion, or sample, of the full list of the constituent securities of the Reference Portfolio of the Age 65 Plus Fund such that the overall characteristics of the portion of securities invested by the Vanguard Income Fund would be similar to those of the full list of constituent securities of the Reference Portfolio of the Age 65 Plus Fund.

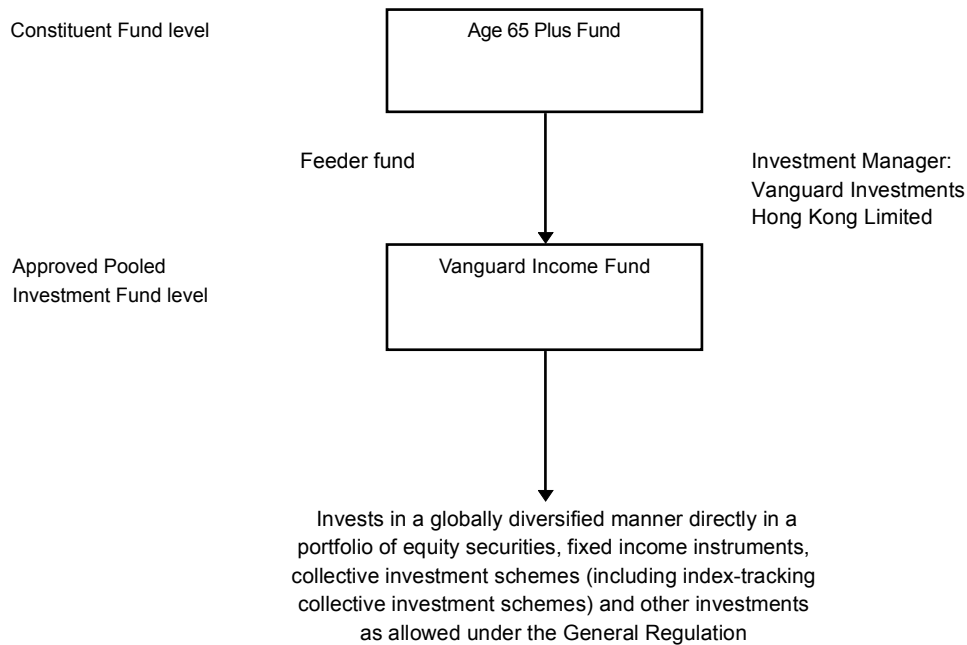
Under such sampling techniques, the vast majority of the Vanguard Income Fund's holdings will be constituent securities that are within the universe of the Reference Portfolio of the Age 65 Plus Fund, except in limited circumstances where it is in the best interest of the Vanguard Income Fund. Such limited circumstances may include but not limited to where:

- (i) it is not possible or it is difficult to buy or hold constituent securities (e.g. due to liquidity or restrictions of ownership of such constituent securities);
- (ii) the holding of non-constituent securities which were originally constituent securities is, in the opinion of the investment manager of the Vanguard Income Fund, more cost efficient to reflect the overall characteristics of the Reference Portfolio of the Age 65 Plus Fund;
- (iii) investment in the constituent securities is not the most efficient way to reflect the performance of the Reference Portfolio of the Age 65 Plus Fund, for example when it is more cost efficient to invest in the non-constituent securities which reflect the overall characteristics of the Reference Portfolio of the Age 65 Plus Fund;
- (iv) the non-constituent securities which are, in the reasonable opinion of the investment manager of the Vanguard Income Fund, likely to form part of the Reference Portfolio of the Age 65 Plus Fund within six months of acquisition;
- (v) the non-constituent securities which the investment manager of the Vanguard Income Fund considers to be an appropriate substitute for the constituent securities of the Reference Portfolio of the Age 65 Plus Fund having regard to investment objectives of the Vanguard Income Fund; and
- (vi) to gain exposure to permissible securities in countries where such access is otherwise limited.

Such investment strategy aims to provide consistent investment returns in relation to the Reference Portfolio of the Age 65 Plus Fund in a cost efficient manner.

(c) Investment structure

The Age 65 Plus Fund shall be invested in an approved pooled investment fund, Vanguard Income Fund of Vanguard Fund Series, which in turn invests globally in equity securities listed on approved stock exchanges, government bonds, money market instruments, index-tracking collective investment schemes and other investments as allowed under the General Regulation. The investment manager of Vanguard Income Fund has the discretion, subject to the limits set out in the paragraph below, to determine the allocation percentages of the investments of the Vanguard Income Fund into equity securities, fixed income instruments, collective investment schemes (including index-tracking collective investment schemes) and other investments. Please refer to the following product structure chart illustrating the fund structure of the Age 65 Plus Fund:



(d) Asset allocation

Through such underlying investment, the Age 65 Plus Fund will indirectly hold 20% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds and money market instruments). The asset allocation of 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.

(e) Security lending and repurchase agreements

The Age 65 Plus Fund and its underlying approved pooled investment fund will not engage in security lending and will not enter into repurchase agreements.

(f) Futures and options

The Age 65 Plus Fund will not deal in financial futures and option contracts directly but may directly deal in currency forward contracts for hedging purposes. Also, the Age 65 Plus Fund, via the underlying approved pooled investment fund, enter into currency forward contracts, financial futures and options contracts for hedging purposes only.

(g) Effective currency exposure to Hong Kong dollars

The Age 65 Plus Fund will, through the investment of the underlying approved pooled investment fund, maintain an effective currency exposure to Hong Kong dollars of not less than 30% through currency hedging operations.

(h) Risk profile

Due to its investments being mainly in lower risk assets (such as global bonds and money market instruments), the risk profile of the Age 65 Plus Fund is low to medium. The risk rating is for reference only and is determined by the Trustee based on the proportion of investments in equities, bonds, deposits and debt securities of the Age 65 Plus Fund. Such rating will be reviewed periodically in accordance with prevailing market circumstances.

(i) Expected return

The Age 65 Plus Fund is a mixed assets fund which is intended for investors who hold a medium to long term investment view and want to seek returns through current income generation and some capital appreciation. Investors should be prepared to accept modest fluctuation in the value of investments. The investment manager of the underlying approved pooled investment fund expects the return of the underlying approved pooled investment fund over the long term to be substantially consistent with the return of the Reference Portfolio of the Age 65 Plus Fund. Investors should always consider their individual risk and return profile.

A Member should not invest in this Age 65 Plus Fund unless it is suitable to the Member and is consistent with the Member's investment objectives.

In the worst case scenario, a Member who invests into this Age 65 Plus Fund may suffer a significant loss to his / her investments.