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AIA Company (Trustee) Limited
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Private & Confidential

30 March 2021

IMPORTANT NOTE TO PARTICIPATING EMPLOYERS:

- 1. This notice is important. It requires your immediate attention. If you are in any doubt about the contents of this notice, you should seek independent professional advice. AIA Company (Trustee) Limited (the "Trustee") accepts responsibility for the accuracy of the contents of this notice;**
- 2. You should read this notice carefully because the changes described in this notice may affect the investment of both your accrued benefits and future contributions. Unless defined in this notice, capitalised terms shall have the same meaning as those defined in the Principal Brochure of the Scheme (the "Principal Brochure");**
- 3. Please disseminate the information in this notice to the members of the Scheme.**

TO: ALL PARTICIPATING EMPLOYERS AND MEMBERS OF AIA RETIREMENT FUND SCHEME (the "Scheme")

Re: Restructuring of the AIA Global Bond Fund (the "Fund") under the Scheme

Thank you for your continuous support to AIA.

As a leading retirement solutions provider in Hong Kong, we regularly review our product offerings to ensure that you will receive quality products and services. As a result of our recent review of the fund offering under the Scheme, we would like to effect the following changes (the "**Restructuring**") with respect to the Fund with effect from 30 June 2021 ("**Effective Date**"). We have also taken this opportunity to streamline the disclosure and update certain notification arrangements in the Principal Brochure and the trust deed of the Scheme, as more particularly outlined below.

(1) What are the details of the Restructuring?

Changes to the underlying fund and Investment Manager

The Fund will cease to invest solely in the Franklin Templeton Investment Funds - Templeton Global Total Return Fund (the "**Existing Underlying Fund**") managed by Franklin Advisers, Inc. ("**Franklin Advisers**") and will, instead, invest solely in PineBridge Fund Series – PineBridge Global Bond Fund (the "**New Underlying Fund**") managed by PineBridge Investments Hong Kong Limited. The Investment Manager of the Fund will be changed from Franklin Advisers to PineBridge Investments Asia Limited.

Because of the change of the underlying fund, the investment objective and policy of the Fund will be changed in the manner set out in the **Appendix**.

The change of Investment Manager of the Fund and the changes to the investment policy of the Fund will be effected pursuant to clauses 10 and 7.1 of the Scheme's trust deed respectively.

Also, with the change of the underlying fund, we have revisited the risk factors associated with the Fund; for instance, foreign currency risk and derivative risk will be updated, concentration risk will be added and

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mortgage dollar roll risk and China Bond Connect risk will be removed. However, in our view, the Restructuring should not impact the risk level of the Fund. In other words, members investing in the Fund will not be subject to higher risks as a result of the Restructuring.

Overall reduction of fees

The Restructuring will result in reduction of the aggregate of (i) the Fund's trustee fee/investment management fees at the Fund level (referring to the "Retirement Fund level" under the "Summary of Fees and Charges" in the Principal Brochure of the Scheme) and (ii) the trustee fee/management fee at the underlying fund level by at least 0.26% p.a. from 1.25% p.a. to up to 0.99% p.a. of the net asset value of the Fund. For further details, employers and members can refer to the First Addendum to the Principal Brochure.

(2) How will scheme participants benefit from the Restructuring?

Based on the historical performance between the Existing Underlying Fund and the New Underlying Fund, we believe that the Restructuring will generate more consistent returns for the Fund in the long run, thus enhancing the competitiveness of the Fund. Scheme participants should however note that historical performance does not imply future performance. In addition, the aggregate fees of the Fund (covering both the Fund level and its underlying fund level) will be reduced. We therefore believe that the Restructuring will be in scheme participants' interests.

(3) How will the Restructuring be effected?

The Restructuring will involve, in respect of the Fund, full redemption of the units held in the Existing Underlying Fund, and application of all redemption proceeds from the Existing Underlying Fund to subscribe into the New Underlying Fund on the Effective Date. By the Effective Date, it is expected that the Fund will be investing solely in the New Underlying Fund.

(4) Are there any action scheme participants need to take in response to the Restructuring?

Scheme participants holding units in the Fund need not take any action to effect the Restructuring. In particular, they need not buy/sell or transfer their units in the Fund if they decide to remain to invest in the Fund.

However, if the scheme participants are holding units in the Fund and/or have investment mandates to invest contributions in the Fund, and do not wish to remain/invest their future contributions in the Fund from the Effective Date, they may notify us to switch their units and/or future investment in the Fund by returning to us a valid and complete Investment Mandate Form either (a) by post to 8/F, AIA Financial Centre, 712 Prince Edward Road East, Kowloon, Hong Kong or by fax to (852) 2565 0001, on or before noon 28 June 2021; or (b) online at aia.com.hk, by 4:00 p.m. (Hong Kong time) on 29 June 2021, subject to different fund switching arrangement agreed with your employer. Please contact our Member Hotline at (852) 2200 6288 for details.

No fees, penalties or bid/offer spread will be charged or imposed on any such change of investment mandate and fund switching.

If an employer chooses to terminate its participation in the Scheme because of the Restructuring, it may do so free of all charges applicable in connection with the early termination of participation in the Scheme prior to the Effective Date in accordance with the trust deed of the Scheme.

(5) Changes to certain notice period arrangements

On a related note, to facilitate you to take advantage of any future fee reduction as soon as possible, from the Effective Date, the three months' notice requirement will only apply when there will be an increase to an



investment choice's aggregate trustee fee/investment management fee at the Scheme level and trustee fee/management fee at the underlying fund level.

With a view to ensuring that the trust deed can be updated on a timely basis to reflect any necessary changes to the Scheme in the interests of the scheme participants, we have also updated the notice period requirement for any change to the trust deed to one month or such shorter period as permitted by the applicable regulatory requirements. Changes will be made to the Principal Brochure and the trust deed of the Scheme to reflect the above.

(6) Availability of documents

The Principal Brochure of the Scheme, together with the First Addendum will be available for download at aia.com.hk on or around the Effective Date.

(7) Cost of the Restructuring

The costs and expenses associated with the Restructuring will not be borne by the Scheme or the scheme participants.

We are committed to providing you with professional and quality services in the best interests of the members.

Should you have any queries, please contact your designated Account Executive or our Employer Hotline at (852) 2100 1888. For members, please call our Member Hotline at (852) 2200 6288.

Yours Sincerely,

Elaine Lau
Chief Executive Officer
AIA Company (Trustee) Limited



Appendix
Changes to the investment objective and policy of the Fund

Before the Restructuring	On and after the Restructuring
<p><i>Investment objective:</i></p> <ul style="list-style-type: none"> - Maximize total investment return by achieving an increase in the value of its investments, earning income and realizing currency gains over the medium to long term. 	<p><i>Investment objective:</i></p> <ul style="list-style-type: none"> - Seek a high level of return from a combination of current income and capital appreciation by investing in a portfolio of debt securities denominated in US dollars and a variety of foreign currencies.
<p><i>Investment policy:</i></p> <p>Generally</p>	<p><i>Investment policy:</i></p> <p>Generally</p>
<ul style="list-style-type: none"> - The Underlying Fund invests principally in debt securities of any quality (including investment grade and non-investment grade securities) issued by governments, government-related or corporate entities worldwide, and may also invest in mortgage- and asset-backed securities, debt obligations issued by supranational entities organized or supported by several national governments, such as the European Investment Bank, securities in default (limited to 10% of assets), and convertible bonds. - The Underlying Fund can invest less than 30% of its net assets in Mainland China through the Bond Connect or directly (also referred to as China Interbank Bond Market “CIBM” direct). 	<ul style="list-style-type: none"> - The assets of the Underlying Fund shall predominantly (i.e. at least 70% of the total net assets) be invested in fixed or floating rate fixed income securities in the international markets, issued by governments, supranational organizations and corporates. - The Underlying Fund will not focus its investment in any specific industries or sectors although the allocation in certain industries or sectors may be relatively significant at particular times, depending on different factors including but not limited to the investment manager’s views of the fundamental economic and market conditions, investment trends across the globe, the duration and yield of the debt securities and their issuers. - The investment manager may invest up to 100% of the assets of the Underlying Fund in fixed income securities rated investment grade which also satisfy the minimum credit rating as stipulated by the Mandatory Provident Fund Schemes Authority. - The fixed income securities that the Underlying Fund may invest in are mainly in hard currencies (including but not limited to US dollars, Euro, Australian dollars, Canadian dollars, Japanese yen, Swiss franc and British pounds). The investment manager may, having regard to the prevailing market situations and subject to the current investment policy of the Underlying Fund, adjust the exposure to fixed income securities denominated in currencies other than the hard currencies. - The investment manager may also invest up to 30% of the total net assets of the Underlying Fund



	in money market instruments, cash or cash equivalents as permitted under the Mandatory Provident Fund Schemes (General) Regulation and the Mandatory Provident Fund Schemes Authority's Guidelines.
Investment in debt instruments with loss-absorption features	Investment in debt instruments with loss-absorption features
<ul style="list-style-type: none"> - The Underlying Fund may invest in debt instruments with loss-absorption features ("LAP") e.g. contingent convertible securities, senior non-preferred debts, etc. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Fund's expected total maximum investments in LAP is 30% of its net assets. 	<ul style="list-style-type: none"> - The investment manager may invest up to 30% of the total net assets of the Underlying Fund in debt instruments with loss-absorption features including, but not limited to, certain Additional Tier 1 and Tier 2 capital instruments, external LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules, debt instruments issued under a regime of non-Hong Kong jurisdictions which implements the Financial Stability Board's standards for "Total Loss-absorbing Capacity Term Sheet", non-preferred senior debt instruments, senior or subordinated debt instruments with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of a trigger event.
Securities financing transactions and derivatives exposure	Securities financing transactions and derivatives exposure
<ul style="list-style-type: none"> - The Underlying Fund may invest extensively in financial derivative instruments for hedging, efficient portfolio management and/or investment purposes to manage the risks of the portfolio and gain exposure to certain asset classes, currencies, or position on the yield curve (long maturities vs. short maturities), or to exchange fixed rate obligations with floating rate obligations. The financial derivative instruments in which the Underlying Fund may invest include swaps (such as credit default swaps or fixed income related total return swaps), futures contracts, and foreign currency forward contracts, including cross currency forwards where one currency is hedged into another through an intermediate third currency or where one currency is used as a proxy for hedging another currency (e.g. using the Canadian dollar as a proxy for the U.S. dollar). The Underlying Fund's net derivative exposure may be more than 50% but up to 100% of the Underlying Fund's net asset value. 	<ul style="list-style-type: none"> - The investment manager does not intend to engage in securities lending. - The investment manager may from time to time acquire financial derivative instruments for hedging purposes in accordance with Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation and the SFC Code on Unit Trusts and Mutual Funds. - The Underlying Fund's net derivative exposure may be up to 50% of its net asset value. The net derivative exposure shall be calculated in accordance with the SFC Code on Unit Trusts and Mutual Funds and the requirements and guidance issued by the Securities and Futures Commission which may be updated from time to time.