

AIA MPF – PRIME VALUE CHOICE

Second Addendum to the Principal Brochure issued in March 2019

Issued on 8 November 2019

This Addendum forms part of and shall be read in conjunction with the Principal Brochure of AIA MPF – Prime Value Choice (the "**Scheme**") issued in March 2019 and the First Addendum dated 1 April 2019. All capitalized terms in this Addendum shall have the same meaning as in the Principal Brochure of the Scheme, unless otherwise indicated.

With immediate effect (unless otherwise specified below), the following changes will be made to the Principal Brochure:

1. Page 4 – Glossary

Insert the following new definition in the appropriate alphabetic order:

"**Relevant Circumstances**" mean any of the following: (i) the Trustee having reason to know that information and documents provided to the Trustee are incorrect or, incomplete; (ii) 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 (iii) other circumstances which the Trustee and the Sponsor may consider appropriate."

2. Page 8 – Section A – "2. The AIA MPF - PRIME VALUE CHOICE (the "Scheme")"

Replace the reference to "JF Asset Management Limited" in the first paragraph with "JPMorgan Asset Management (Asia Pacific) Limited".

3. Page 8 - Section A - "2. The AIA MPF - PRIME VALUE CHOICE (the "Scheme")"

Insert the following wording at the end of the third paragraph:

"SFC authorization 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."

4. Page 13 – Section B

Replace the paragraph headed "**JF Asset Management Limited**" under the section headed "*Investment Managers*" in its entirety with the following:

"JPMorgan Asset Management (Asia Pacific) Limited

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JPMorgan Asset Management (Asia Pacific) Limited is the Investment Manager for the Asian Bond Fund, the Asian Equity Fund, the European Equity Fund, the Japan Equity Fund, the Greater China Equity Fund, the Hong Kong Equity Fund, the Growth Portfolio, the Balanced Portfolio and the Capital Stable Portfolio."

5. Page 14 - Section C - "1. Application for participating in the Scheme"

Insert the following paragraph at the end of the sub-section:

"For compliance purposes, there could be circumstances (such as the Relevant Circumstances) where the Trustee may disallow any person or reject any person's application to join the Scheme as an

External Relevant Employee Member or, to the extent not prohibited by law, a Personal Account Member."

6. Page 19 - Section D - "1. Contributions"

Insert the following new paragraph under the sub-section "*Voluntary contributions*" immediately after the existing third paragraph:

"Notwithstanding any other provisions of this Principal Brochure, for compliance purposes, there could be circumstances (such as the Relevant Circumstances) where the Trustee may reject the voluntary contributions, regardless of whether they are paid by or in respect of any Member or Participating Employer. Any rejected voluntary contributions (with no interest) will be refunded within 45 days of receipt of any such voluntary contributions unless for some exceptional regulatory reasons the Trustee is unable to effect a refund within such timeframe."

7. Page 19 - Section D - "1. Contributions" (as amended by paragraph 12 of the First Addendum)

Replace the third and the fourth paragraphs under the sub-section "Eligibility" under the section "TVC" with the following:

"The Trustee may reject any application to open a TVC account in the Scheme should any of the Relevant Circumstances occur."

For 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 reasons the Trustee is unable to effect a refund within such timeframe."

8. Page 23 – Section D – "4. Deferral and suspension of dealing"

Replace the reference to "JF Asset Management Limited ("JFAM")" in the first paragraph with "JPMorgan Asset Management (Asia Pacific) Limited".

9. Pages 38 and 39 - Section E - "Fees and Expenses" (effective 1 December 2019)

The table entitled "(C) & (D) FUND OPERATING CHARGES AND EXPENSES OF CONSTITUENT FUNDS & FEES AND CHARGES PAYABLE OUT OF THE UNDERLYING FUNDS" under the subheading "**Fees and Expenses**" shall be replaced in its entirety with the following (with the reduced fees highlighted for ease of reference):

(C) & (D) FUND OPERATING CHARGES AND EXPENSES OF CONSTITUENT FUNDS & FEES AND CHARGES PAYABLE OUT OF THE UNDERLYING FUNDS			
Type of charges & expenses	Name of constituent fund	Current level (% per annum of net asset value)	Deducted from
Management fees**, ^{7,(f)} and Guarantee charge ^{8,(g)} (for Guaranteed Portfolio only)	Equity Funds - Index-Tracking Collective Investment Scheme Series [#]		
	American Fund	Up to 0.99%	Relevant constituent fund and underlying fund assets
	Eurasia Fund		
	Hong Kong and China Fund		
	World Fund		
	Fixed Income Funds		
	Asian Bond Fund	Up to 0.9895%	Relevant constituent fund and underlying fund assets
	Global Bond Fund	Up to 0.9850%	
	MPF Conservative Fund		

Type of charges & expenses	Name of constituent fund	Current level (% per annum of net asset value)	Deducted from
Management fees**, 7.(f) and Guarantee charge 8.(g) (for Guaranteed Portfolio only)	Dynamic Asset Allocation Funds		
	China HK Dynamic Asset Allocation Fund	Up to 1.20%	Relevant constituent fund and underlying fund assets
	Manager's Choice Fund*	Up to 1.73%	Relevant constituent fund and underlying fund assets
	Equity Funds		
	Asian Equity Fund*	1.5795%	Relevant constituent fund and underlying fund assets
	European Equity Fund*		
	Japan Equity Fund£	1.7795%	
	Greater China Equity Fund*	Up to 1.625%	
	Hong Kong Equity Fund*		
	North American Equity Fund*	1.625%	
	Green Fund*	1.675% (inclusive of the trustee fee at the underlying fund level which is subjected to a minimum of HK\$125,000 p.a.)	
Management fees**, 7.(f) and Guarantee charge 8.(g) (for Guaranteed Portfolio only)	Guaranteed Fund		
	Guaranteed Portfolio(h)	1.50%	Relevant insurance policy assets
	Lifestyle Funds		
	Growth Portfolio*	Up to 1.625%	Relevant constituent fund and underlying fund assets
	Balanced Portfolio*		
	Capital Stable Portfolio*		
	Fidelity Growth Fund£	Up to 1.82%	
	Fidelity Stable Growth Fund£		
	Fidelity Capital Stable Fund£		
	Default Investment Strategy Funds		
	Core Accumulation Fund	0.75%	Relevant constituent fund and underlying fund assets
Age 65 Plus Fund			
Guarantee charge 8.(g)	Guaranteed Portfolio	N/A	
Other expenses	All Constituent Funds	See Additional Note (i)	Relevant constituent fund and underlying fund / insurance policy assets
	The establishment costs of the Core Accumulation Fund and the Age 65 Plus Fund, which amount to approximately HK\$300,000 will be borne by the Constituent Funds		

10. Page 39 - Section E - "Fees and Expenses" (effective 1 December 2019)

Replace the first sentence of note * with the following:

"In respect of the Constituent Funds marked with ^β, the management fees at the constituent fund level are 1.75% per annum, whereas for the Constituent Funds marked with *, the management fees at the constituent fund level are 1.55% per annum, of their respective net asset value."

11. Pages 41 and 42 - Section E - "Fees and Expenses" (effective 1 December 2019)

The table in the third paragraph in the definition of "Management fees" under the subsection headed "Definitions" shall be replaced in its entirety with the following (with the reduced fees highlighted for ease of reference):

Fees payable to, current level (p.a. of net asset value)	Trustee (at the Constituent Fund level)	Administrator (at the Constituent Fund level)	Custodian (at the Constituent Fund level)	Investment Manager (at the Constituent Fund level)	Trustee at the underlying fund level*	Investment Manager at the underlying fund level*	Others at the underlying fund level*
Equity Funds – Index-Tracking Collective Investment Scheme Series							
American Fund	0.10%	0.50%	Note 1	0.22%	Up to 0.17%###		
Eurasia Fund				0.09%	Up to 0.30%###		
Hong Kong and China Fund				0.19%	Up to 0.20%###		
World Fund				0.14%	Up to 0.25%###		
Fixed Income Funds							
Asian Bond Fund	0.10%	0.50%	Note 2	Up to 0.36%	0.0295%	0.00%	0.00%
Global Bond Fund				Up to 0.31%	0.05%		0.025%^^^
MPF Conservative Fund				Up to 0.36%	0.00%		0.025%^^^
Dynamic Asset Allocation Funds							
China HK Dynamic Asset Allocation Fund	0.10%	0.75%	Note 2	Up to 0.225%**	0.125%	0.00%	0.00%
Manager's Choice Fund				<u>0.70%</u>	Up to 0.10%	Up to 0.08%^^^	
Equity Funds							
Asian Equity Fund	0.10%	0.75%	Note 2	<u>0.70%</u>	0.0295%	0.00%	0.00%
European Equity Fund							
Japan Equity Fund				0.90%	0.0295%		
Greater China Equity Fund				<u>0.70%</u>	Up to 0.05%	0.00%	Up to 0.025%^^^
Hong Kong Equity Fund							
North American Equity Fund					0.05%		0.025%^^^
Green Fund					0.125%#		0.00%

Fees payable to, current level (p.a. of net asset value)	Trustee (at the Constituent Fund level)	Administrator (at the Constituent Fund level)	Custodian (at the Constituent Fund level)	Investment Manager (at the Constituent Fund level)	Trustee at the underlying fund level*	Investment Manager at the underlying fund level*	Others at the underlying fund level*
Guaranteed Fund							
Guaranteed Portfolio	0.00%	0.00%	0.00%	0.00%	0.10%	0.65%	0.75%
Lifestyle Funds							
Growth Portfolio	0.10%	0.75%	Note 2	<u>0.70%</u>	Up to 0.05%	0.00%	Up to 0.025%^^
Balanced Portfolio							
Capital Stable Portfolio							
Fidelity Growth Fund				0.90%	Up to 0.07%###		0.00%
Fidelity Stable Growth Fund							
Fidelity Capital Stable Fund							
Default Investment Strategy Funds							
Core Accumulation Fund	0.10%	0.40%	Note 2	N/A	0.25%####		
Age 65 Plus Fund							

12. Page 44 - Section E - "Additional Notes" (effective 1 December 2019)

The sixth paragraph under Additional Note (f)(i) shall be replaced in its entirety with the following:

"In relation to the Manager's Choice Fund, the Green Fund, the Fidelity Growth Fund, the Fidelity Stable Growth Fund and the Fidelity Capital Stable Fund, the maximum level of the investment management fee at the Constituent Fund level is 1.2% per annum of net asset value."

13. Page 51 - Section F - "General Information"

Sub-section headed "4. Constitutive documents" shall be amended by replacing the first paragraph with the following:

"Copies of the Master Trust Deed and other constitutive documents may be obtained from the Trustee at such reasonable price as the Trustee may from time to time determine or may be inspected free of charge during normal working hours at the Customer Service Centre at 12/F, AIA Tower, 183 Electric Road, North Point, Hong Kong."

14. Page 51 - Section F - "General Information" (effective 1 January 2020)

Insert the following new sub-section headed **"6. Automatic exchange of financial account information"** immediately after the existing sub-section headed **"5. Scheme termination, restructure and cancellation of registration"**:

"6. 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 (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, income, 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.

The Scheme is a Hong Kong financial institution for AEOI purposes. As required under AEOI of Hong Kong, with effect from 1 January 2020, the Trustee will use for the purposes of AEOI the Reportable Information of any individual or entity, whether in the capacity as a Member, a Participating Employer or a person claiming benefits through a Member, that is considered under AEOI to be an "account holder" or "controlling person" of an "account holder" (where applicable). The Reportable Information may be transmitted to the Hong Kong Inland Revenue Department ("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 Scheme with the fulfilment of its obligations under AEOI, and to act on the Scheme'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" of an "account holder" (where applicable) of the Scheme.

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 at their discretion 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 will not accept any applicant to the Scheme or make any payment to any "account holder" (whether in the capacity of a Member, a Participating Employer or a person claiming benefits through a Member) 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). 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 on their participation and holding interests in the Scheme and the information that may be required to be provided and disclosed to the Trustee and/or any of its authorised person(s), and where applicable, to the IRD and other tax authorities. 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_aei.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."

15. Page 57 - SCHEDULE 5 - Asian Bond Fund

Replace the first paragraph under section "(b) Balance of investments" with the following:

"Except for a small portion that may be held in cash or cash based investments for operational purposes, the Asian Bond Fund will invest solely in an approved pooled investment fund whose proposed asset allocation policy is to invest 70% to 100% of assets in bonds within the Asia-Pacific region (excluding Japan), including but not limited to Australia, China, Hong Kong, Korea, Malaysia, New Zealand, Singapore and Thailand; and 0% to 30% of assets in bonds outside the Asia-Pacific region (excluding Japan), including but not limited to US dollar denominated bonds such as US treasury inflation-protected securities and treasury bonds for defensive purpose during periods of perceived uncertainty and volatility.

The underlying pooled investment fund may not invest (directly or indirectly) more than 10% of its net assets in onshore debt securities issued in mainland China."

16. Page 58 - SCHEDULE 5 - Asian Bond Fund

Insert the following sub-sections as (viii) and (ix) under the section "(e) Risks":

- "(viii) China interbank bond market (the "CIBM") risk – The underlying pooled investment fund may invest in Chinese debt securities traded on the CIBM through the initiative from the People's Bank of China to open up the CIBM to a wider group of eligible foreign institutional investors free from quota restriction (the "CIBM Initiative") and/or the arrangement that establishes mutual bond market access between Hong Kong and mainland China ("Bond Connect"). Eligible foreign investors can invest in the CIBM through Northbound Trading of the Bond Connect.

The CIBM is in a stage of development and the market capitalisation and trading volume may be lower than those of the more developed markets. Market volatility and potential lack of liquidity due to low trading volume may result in prices of debt securities traded on such market fluctuating significantly. The bid and offer spreads of the prices of such debt securities may be large, and the underlying pooled investment fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments. Investments in CIBM may be subject to liquidity, volatility, regulatory, People's Republic of China ("PRC") tax risk and risks associated with settlement procedures and default of counterparties.

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

In terms of fund remittance and repatriation under the CIBM Initiative, foreign investors (such as the underlying pooled investment fund) may remit investment principal in Chinese renminbi or foreign currency into mainland China for investing in the CIBM. Where the underlying pooled investment fund repatriates funds out of mainland China, the ratio of Chinese renminbi to foreign currency ("Currency Ratio") should generally match the original Currency Ratio when the investment principal was remitted into mainland China, with a maximum permissible deviation of 10%.

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

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

- (ix) PRC tax risks – There are risks and uncertainties associated with the current PRC tax laws, regulations and practice on an underlying pooled investment fund's investments in the PRC. Any increased tax liabilities on the underlying pooled investment fund may adversely affect the underlying pooled investment fund's value. The investment manager of the underlying pooled investment fund or its delegate(s) reserve the right to provide for tax on gains of the underlying pooled investment fund that invests in PRC securities thus impacting the valuation of the underlying pooled investment fund. Based on professional tax advice, except for gains from China A-Shares and interest derived by foreign institutional investors from bonds traded on PRC bond market which are specifically exempt under temporary exemptions from the PRC's Enterprise Income Tax Law, a tax provision of 10% is fully provided for PRC sourced income

