BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme (the "Scheme")

DIS Pre-Implementation Notice to Participating Employers and Members[1]

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 gives a summary of features relating to the Default Investment Strategy. For details, please refer to the Principal Brochure and the First Addendum and the Second Addendum to the Principal Brochure which are available for inspection free of charge at our Customer Service Centre or can be downloaded from our website: www.bocpt.com. You may also call our Customer Services Representative at 2929 3030.

You should consider your own risk tolerance level and financial circumstances before investing in the MPF Default Investment Strategy (as defined below). You should note that the BOC-Prudential Core Accumulation Fund and the BOC-Prudential Age 65 Plus Fund may not be suitable for you, and there may be a risk mismatch between the BOC-Prudential Core Accumulation Fund and the BOC-Prudential 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 MPF Default Investment Strategy is suitable for you, and make the investment decision most suitable for you taking into account your circumstances.

12th December, 2016

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 Default Investment Strategy ("**DIS**") replacing the existing default fund of the Scheme.

You should read this notice carefully because the changes made to the MPF legislation and the Scheme may affect the investment of both your accrued benefits and future contributions.

Unless otherwise defined, capitalized terms used herein shall have the same meaning as defined 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 future contributions and accrued benefits transferred from another MPF scheme (collectively the "Future Investments") and accrued benefits 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 BOC-Prudential Core Accumulation Fund ("**CAF**") and the BOC-Prudential Age 65 Plus Fund ("**A65F**") (collectively the "**DIS Funds**") 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.). The DIS Funds are subject to fee and expense caps as imposed by the legislation. For details of the investment policy and investment objective of the DIS Funds, please refer to the Appendix attached with this Notice.

[1] Please note that references to "you" or "your" in this notice refer to, as the case may be in the relevant context, participating employers or members.

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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 **<u>all</u>** your accrued benefits in a pre-existing account are invested in the existing default fund (BOC-Prudential MPF Conservative Fund (prior to 4 July 2005) and the BOC-Prudential Stable Fund (between 4 July 2005 and 31 March 2017, both dates inclusive) (each, the "**Relevant Existing Default Fund**") of the Scheme) 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 timeline, your accrued benefits in the Relevant 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 the contents and make appropriate arrangement.** You should note that the risk of the Relevant Existing Default Fund may be different from that of the DIS 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 contributions or accrued benefits transferred from another scheme 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 contributions 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 call our Customer Services Representative at (852) 2929 3030.

- If you receive the DIS Re-Investment Notice after the Effective Date, you are advised to pay special attention to the contents and make appropriate arrangement.

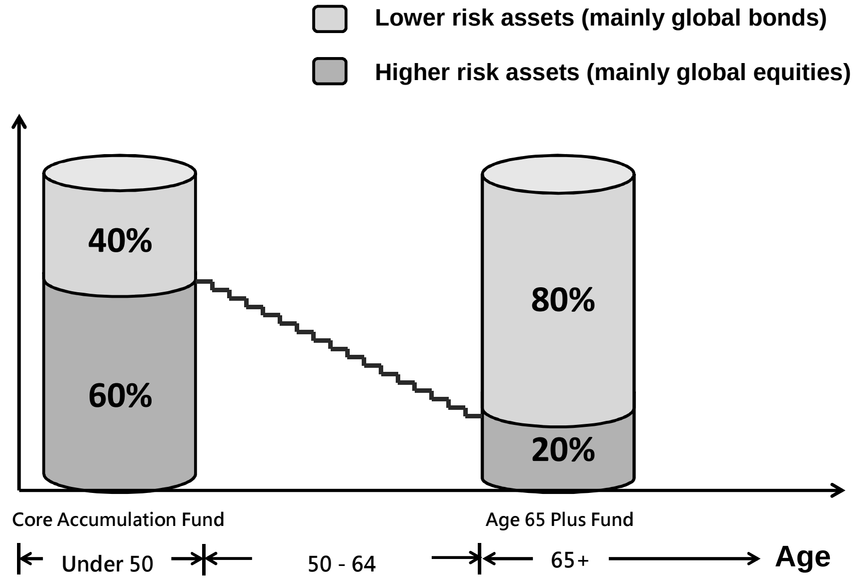
A. What is DIS?

DIS is a ready-made investment arrangement mainly designed for those members who are not interested or do not wish to make 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 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) *<u>Objective and Strategy</u>*

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 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 Future Investments will be invested according to the allocation percentages between the CAF and A65F as shown in the DIS de-risking table (as per Diagram 2 below). The de-risking on 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 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) to invest those benefits according to the DIS, 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 dealing day, the next available dealing 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 dealing day, the next available dealing day.
- If no information at all on the date of birth, member's accrued benefits will be fully invested in A65F with no de-risking applied.

Diagram 2: DIS De-risking Table

Age	***BOC-Prudential Core Accumulation Fund ("CAF")***	***BOC-Prudential Age 65 Plus Fund ("A65F")***
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 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, the administrator, the investment manager and the sponsor and/or the promoter of the Scheme and the underlying 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 investment fund(s), but does not include any out-of-pocket expenses incurred by each DIS Fund and its underlying 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 a DIS Fund and such out-of-pocket expenses are not subject to the above statutory limit.

(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. Such prescribed allocation will limit the ability of the investment manager of the underlying 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) 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 (and one of which will be attached to the annual benefit statement). Members can visit www.boci-pru.com.hk or call the MPF Application and Product Hotline at 2280 8686 for information. Members may also obtain the fund performance information at the website of the Mandatory Provident Fund Schemes Authority (www.mpfa.org.hk).

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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 (prior to 4 July 2005)	Existing Default Fund / Arrangement (between 4 July 2005 and 31 March 2017, both dates inclusive)	The DIS comprising CAF and A65F with a de-risking strategy	
Name	BOC-Prudential MPF Conservative Fund	BOC-Prudential Stable Fund	BOC-Prudential Core Accumulation Fund	BOC-Prudential Age 65 Plus Fund
Fund Type	Money Market Fund (Hong Kong)	Mixed Assets Fund - Global	Mixed Assets Fund - Global	Mixed Assets Fund - Global
De-risking Feature	No	No	Yes	Yes
Total Management Fees	0.80% of NAV p.a.	1.6375% # of NAV p.a.	0.75% of NAV p.a.	0.75% of NAV p.a.
Daily Fee Cap	No	No	Yes	Yes
Risk*	Low	Medium	Medium to high	Medium
Guarantee Feature	No	No	No	No

The management fee of the BOC-Prudential Stable Fund is comprised of (i) the management fee of the constituent fund which is 1.55% of NAV of the constituent fund p.a. and (ii) the management fee of the underlying fund which is 0.0875% of NAV of the underlying fund p.a.

* The risk levels are determined by BOCI-Prudential Asset Management Limited based on the investment mix of each constituent fund and/or its underlying investments, and represent only the views of BOCI-Prudential Asset Management Limited. 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 of the BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme (the "**PB**") (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 Relevant Existing Default Fund which was generally resulted from no investment instruction being given on the existing accrued benefits (known as "**DIA account**"):

There are special rules and arrangements to 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 Relevant Existing Default Fund (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 or

(ii) has all of the accrued benefits in it invested in constituent funds other than the Relevant Existing Default Fund 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,

the member's accrued benefits paid to the member's pre-existing account on or before 31 March 2017 will be invested in the same manner as at 31 March 2017, while Future Investments will be invested in the DIS in the absence of a Specific Investment Instruction.

(3) For a member's Pre-existing Account which as at 31 March 2017 has all or part of the accrued benefits in it invested in constituent funds other than the Relevant 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 Authority consented under section 34B(5) of the MPFS 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. However, where a member falling under this paragraph (3) wishes to pay a new type of contributions on or after 1 April 2017 (e.g. where the member had only been paying mandatory contributions and not voluntary contributions before 1 April 2017 but wishes to pay voluntary contributions after 1 April 2017), in the absence of a Specific Investment Instruction, such new type of contributions will be invested in the DIS.

(c) Treatment of benefits transferred from a contribution account to a personal account

Where a member ceases employment with a participating employer and:

(i) in the absence of his election to transfer such benefits as described in Section 4.10 of the Principal Brochure, and his accrued benefits in respect of such employment are automatically transferred to a personal account upon the expiry of the three months' period after the Trustee has been notified of the termination of his employment, or

(ii) the member has given instruction to transfer the accrued benefits from such employment to a personal account and his 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 Investment may be invested in the DIS.

D. Rules and Procedures Applicable to Investment through the DIS

(a) Fund Choice Combination

Members who join the Scheme on or after the 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 (each as standalone investments rather than as part of DIS) from the list of constituent funds set out under section 1 of the Principal Brochure (including the CAF and the A65F) and according to their assigned allocation percentage(s) to relevant fund(s) of their choice.

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.

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(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. Should a member wish to transfer his accrued benefits from the DIS Funds to other constituent funds, such accrued benefits will be transferred without applying de-risking. On the contrary, should a member wish to transfer his accrued benefits from the other constituent funds to the DIS Funds under the DIS, such accrued benefits will be transferred to the DIS Funds according to the allocation percentages in the DIS De-risking Table as shown in Diagram 2 above. Partial switching in / out of the DIS is allowed. Members' switching instruction to switch in or out of the DIS will apply to their mandatory contributions, voluntary contributions (if any) and special voluntary contributions (if any) separately. In other words, if a member only gives a switching instruction to switch his mandatory contributions in the DIS, his voluntary contributions and special voluntary contributions will not be switched in the DIS unless there are switching instructions given in respect of these types of contributions to this effect. Members should, however, bear in mind that the DIS has been designed as a long-term investment arrangement. Also, members may change their investment mandate to invest in the DIS at any time.

Members should note that switching instructions only apply to accrued benefits and are not equivalent to a change of the investment mandate for future contributions.

E. Rules and Procedures of Annual De-Risking

The de-risking is to be achieved by annual adjustments of asset allocation 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. If the member’s birthday is not on a dealing day, then the investments will be moved on the next available dealing 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 1st of March or the next available dealing 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 dealing day.

If the relevant member notifies the Trustee of any information relating to his updated date of birth, then the Trustee will, adjust the allocation between the CAF and the A65F according to such updated information, and going forward effect the de-risking according to the DIS de-risking table as per Diagram 2 above and the updated information of his date of birth.

Subject to the following circumstances, the de-risking mechanism will not be subject to any over-riding discretion on the part of the Trustee, the relevant member or the relevant participating employer:

(a) In general, when one or more of the specified instructions (including but not limited to redemption or switching instructions) are being processed on the annual date of de-risking for a relevant member, the annual de-risking will be deferred and will only take place after completion of these specified instructions where necessary. In particular, if, the Trustee receives an instruction which results in a redemption of units from a member on the date of de-risking for such member, the commencement of the de-risking process may be affected in the following ways:

   (i) If part of the member’s accrued benefits remains invested in the DIS Funds after redemption, the de-risking will only take place after the redemption is completed and hence may be deferred;

   (ii) If none of the member’s accrued benefits remains invested in the DIS Funds after redemption, no de-risking will take place.

(b) However, for switching instructions that rebalance the existing portfolio which result in investing all or part of the accrued benefits into the DIS Funds, the de-risking process will take place at the time of rebalancing and hence the commencement of the de-risking process will not be affected.

The number of units of the CAF and the A65F that can be issued in the annual de-risking under the DIS shall be rounded down to 4 decimal places.

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).

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F. Rules and Procedures relating to Investment Instructions

"Specific Investment Instruction" means:

(i) an instruction by a member to invest contributions and/or accrued benefits (including accrued benefits transferred from another scheme) (as the case may be), in such manner as prescribed by the Trustee, and meeting the following requirements:

- the total percentage for all the selected constituent funds (including DIS as an investment choice) (or, in the case of a switching instruction, the switch-in total) should add up to 100%, and
- the allocated percentage for each selected constituent fund and/or DIS must be an integer and should be not less than 5%, or

(ii) a confirmation (whether in the form of hard copy or online submission of the relevant administration forms prescribed by the Trustee or through mobile apps) by a member with regard to any investment arrangement of the existing accrued benefits and/or future contributions and accrued benefits transferred from another scheme.

Any investment mandate and switching instruction must meet the requirements for a "Specific Investment Instruction" in order to be valid. A "Specific Investment Instruction" of a member shall apply to the mandatory contributions (regardless of whether they are made by the member's employer or the member), voluntary contributions (if any) (regardless of whether they are made by the member's employer or the member and special voluntary contributions (if any) of the member separately. The following table sets out the consequences where the investment instructions are considered invalid:

	Consequences
A. An invalid investment mandate (i.e. an investment mandate not meeting the requirements for a Specific Investment Instruction) or no investment mandate is given in respect of the mandatory contributions (while a Specific Investment Instructions are given in respect of the voluntary contributions and special voluntary contributions respectively).	The entire mandatory contributions will be invested in the DIS. The voluntary contributions and special voluntary contributions will not be affected.
B. An invalid investment mandate (i.e. an investment mandate not meeting the requirements for a Specific Investment Instruction) or no investment mandate is given in respect of the voluntary and/or special voluntary contributions (while a Specific Investment Instruction is given in respect of the mandatory contributions).	The entire voluntary contributions and/or special voluntary contributions will be invested in the DIS. The mandatory contributions will not be affected.
C. Invalid change of investment mandate (i.e. not meeting the requirements for a Specific Investment Instruction).	The invalid change of investment mandate will be rejected and the existing investment allocation in respect of Future Investments will remain unchanged.
D. Invalid switching instruction (i.e. not meeting the requirements for a Specific Investment Instruction above).	The invalid switching instruction will be rejected and the existing investment in respect of the existing accrued benefits will remain unchanged.

G. Changes to the trust deed of the Scheme (the "Trust Deed")

In view of the changes made to the MPF legislation, the Trust Deed will be revised accordingly. Changes will include, but are not limited to:-

(a) new definitions relating to the establishment of CAF and A65F under the Scheme will be introduced to the Trust Deed;

(b) new provisions will be introduced to the Trust Deed to provide that the Trustee shall ensure any investment relating to the DIS must accord with the relevant sections of the MPF legislation;

(c) new provisions will be introduced to the Trust Deed to provide for the arrangement relating to the DIS and the DIS Funds in accordance with the relevant sections of the MPF legislation;

(d) new provisions will be introduced to the Trust Deed to provide that the Trustee shall ensure no payment for services may be charged to or imposed on the CAF and A65F or a member who invests in CAF or A65F except in accordance with the relevant sections of the MPF legislation;

(e) new provisions will be introduced to the Trust Deed to provide for the arrangement relating to the statutory fee control mechanism in accordance with the relevant sections of the MPF legislation;

(f) new rules will be introduced to the Trust Deed to provide for the arrangement relating to the investment mandate of members who join the Scheme before, and on or after the Effective Date; and

(g) a new rule will be introduced to the Trust Deed to provide that the operation of DIS under the Scheme shall at all times be subject to the relevant clauses and rules of the Trust Deed, as supplemented by the DIS section in the PB and the MPF legislation.

The changes mentioned in section G above will take effect from the Effective Date.

H. Changes to the PB

A new section 3.1A "MPF Default Investment Strategy" will be introduced under section 3 "INVESTMENT AND BORROWING" of the PB providing information relating to, amongst other things, explanation of the DIS, asset allocation of the DIS, de-risking of the DIS, fees and out-of-pocket expenses of the DIS, information on performance of DIS Funds, as well as providing a diagram showing the asset allocation between the DIS Funds, and a table relating to DIS de-risking.

A new section 6A. "OPERATIONAL AND ADMINISTRATIVE ARRANGEMENTS RELATING TO DIS" will be introduced to the PB providing information relating to the detailed arrangement relating to DIS de-risking, switching in and out of DIS, and circumstances for accrued benefits to be invested in the DIS.

Key risks relating to the DIS will be added under section 3.2 "Risk Factors" of the PB.

New sub-sections (xiv) and (xv) will be introduced under section 3.1.1 "Investment Policy of the Constituent Funds" of the PB providing information relating to the investment policy and objective of the CAF and A65F respectively.

In addition, section 7.1 "Fee Tables" of the PB will be amended to include the information relating to the fees of CAF and A65F.

Details of all the amendments mentioned above are set out in the First Addendum to the PB.

Further, each of section 1 "SUMMARY", section 3.1 "Investment Policy", section 4.4 "Investment Mandate", section 6.1 "Subscription and Subscription Price" and section 6.3 "Switching between Constituent Funds" of the PB will be amended to include the information relating to the implementation of DIS. Details of the aforementioned amendments are set out in the Second Addendum to the PB.

The changes mentioned in section H above will take effect from the Effective Date.

I. Means to obtain further Information

To preserve the environment by reducing paper usage, the Trustee is not sending a copy of the First Addendum and the Second Addendum to each Scheme member. If you wish to obtain a copy of the First Addendum and the Second Addendum, you can download it from our website at www.bocpt.com or request a copy in writing or verbally. You may write to our Customer Service Centre at Unit 2403, 24/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong or call our Customer Services Representative at 2929 3030.

This notice only gives a summary of features relating to the DIS. A copy of the latest deed of variation amending the trust deed constituting the Scheme to reflect the DIS will be made available for inspection free of charge by the scheme participants at our Customer Service Centre at Unit 2403, 24/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong. In addition, the PB together with the First Addendum and the Second Addendum to the PB are also available for inspection free of charge at our Customer Service Centre or can be downloaded from our website: www.bocpt.com.

Yours faithfully,
BOCI-Prudential Trustee Limited

Appendix

BOC-Prudential Core Accumulation Fund

Investment Objective

The investment objective of the BOC-Prudential Core Accumulation Fund is to seek to provide capital growth to scheme members by investing in a globally diversified manner.

Investment Strategy

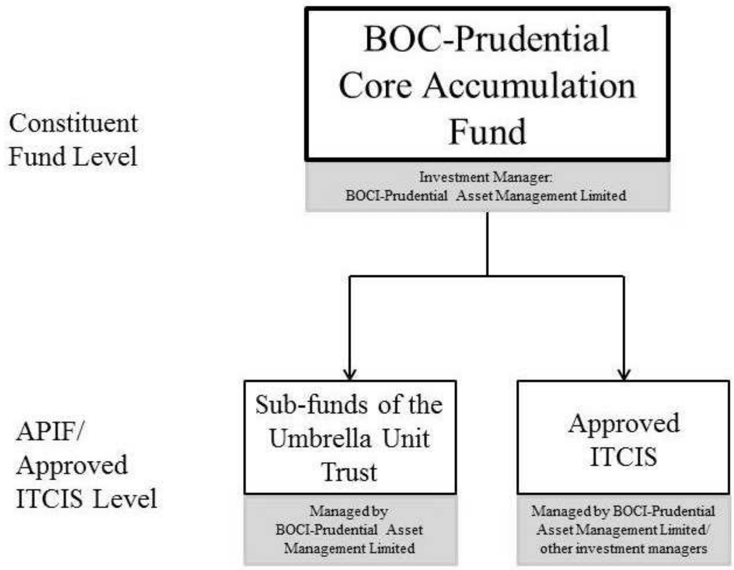
The BOC-Prudential Core Accumulation Fund targets to hold 60% of its underlying assets in higher risk assets (such as global equities, warrants, interests in an ITCIS that tracks an index comprised of equities or equities-like securities and/or other investments as identified in the relevant guidelines issued by the Authority from time to time), through investing in a combination of equity sub-funds of the Umbrella Unit Trust and/or approved ITCIS, with the remainder investing in lower risk assets (such as global bonds, or fixed income securities and money market instrument), through investing in a combination of bond sub-funds of the Umbrella Unit Trust and/or approved ITCIS. The asset allocation of higher risk assets may vary between 55% and 65% due to differing price movements of various equity and bond markets.

The BOC-Prudential Core Accumulation Fund adopts the following investment strategy: it utilizes index tracking approved ITCIS and/or actively managed sub-funds of the Umbrella Unit Trust to provide exposure to equity and bond markets. The Investment Manager may, subject to the DIS-related MPF legislation and requirements, have the flexibility to allocate the assets among sub-funds of the Umbrella Unit Trust and/or approved ITCIS(s) in such proportions as it shall, at its discretion, determine. The BOC-Prudential Core Accumulation Fund adopts such investment strategy aiming to achieve a performance that is referenced against the Reference Portfolio. However, it should be noted that the performance of the BOC-Prudential Core Accumulation Fund and the performance of the Reference Portfolio may diverge. Potential divergence may be caused by factors such as composition of the underlying assets, liquidity of the market and timing difference for changes to the underlying investment portfolio.

Investment Structure

In order to achieve the investment objective, the BOC-Prudential Core Accumulation Fund will be structured as a portfolio management fund investing in two or more sub-funds of the Umbrella Unit Trust and/or approved ITCIS which may be the approved ITCIS managed by the Investment Manager or the approved ITCIS selected from those available in the markets that allow the BOC-Prudential Core Accumulation Fund to achieve the stated investment objective. The Investment Manager may allocate the assets among sub-funds of the Umbrella Unit Trust and/or approved ITCIS(s) in such proportions as it shall, at this discretion, determine. The sub-funds of the Umbrella Unit Trust may invest in approved ITCIS and Other Permitted Securities (which include up to 10% of its total net asset value in Other Authorized Unit Trusts or Authorized Mutual Funds).

Where appropriate, cash, time deposits or money market securities may be considered.



Asset Allocation

The normal asset allocation of the BOC-Prudential Core Accumulation Fund is expected to be:

Equities, warrants, interests in an ITCIS that tracks an index comprised of equities or equities-like securities and/or other investments as identified in the relevant guidelines issued by the Authority from time to time:	55 – 65%
Bonds or fixed income instruments:	35 – 45%
Cash, time deposits or money market securities:	0 – 10%

Geographical Allocation (if any)

There is no prescribed allocation for investments in any specific countries or currencies.

Hong Kong Dollar Currency Exposure

The BOC-Prudential Core Accumulation Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30% through currency hedging operations by entering into currency forward contracts.

Policies regarding the acquisition, holding and disposal of financial futures contracts and financial option contracts and securities lending

The BOC-Prudential Core Accumulation Fund will not enter into financial futures contracts and financial options contracts for non-hedging purposes. The BOC-Prudential Core Accumulation Fund will not engage in security lending.

Risk inherent & Expected Return

The BOC-Prudential Core Accumulation Fund aims to achieve a performance that is referenced against the Reference Portfolio. The risk level of the BOC-Prudential Core Accumulation Fund is **medium to high**.

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BOC-Prudential Age 65 Plus Fund

Investment Objective

The investment objective of the BOC-Prudential Age 65 Plus Fund is to seek to provide stable growth for the retirement savings to scheme members by investing in a globally diversified manner.

Investment Strategy

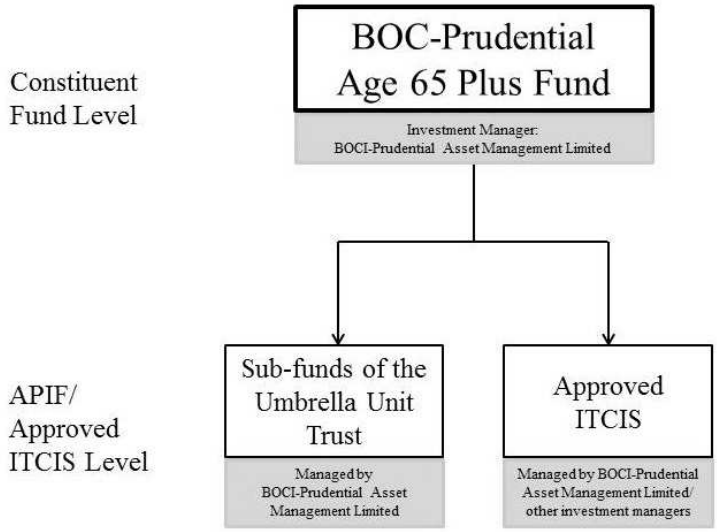
The BOC-Prudential Age 65 Plus Fund targets to hold 20% of its assets in higher risk assets(such as global equities, warrants, interests in an ITCIS that tracks an index comprised of equities or equities-like securities and/or other investments as identified in the relevant guidelines issued by the Authority from time to time) through investing in a combination of equity sub-funds of the Umbrella Unit Trust and/or approved ITCIS, with the remainder investing in lower risk assets (such as global bonds or fixed income securities and money market instruments) through investing in a combination of bond sub-funds of the Umbrella Unit Trust and/or approved ITCIS. The asset allocation of higher risk assets may vary between 15% and 25% due to differing price movements of various equity and bond markets.

The BOC-Prudential Age 65 Plus Fund adopts the following investment strategy: it utilizes index tracking approved ITCIS and/or actively managed sub-funds of the Umbrella Unit Trust to provide exposure to equity and bond markets. The Investment Manager may, subject to the DIS-related MPF legislation and requirements, have the flexibility to allocate the assets among sub-funds of the Umbrella Unit Trust and/or approved ITCIS(s) in such proportions as it shall, at its discretion, determine. The BOC-Prudential Age 65 Plus Fund adopts such investment strategy aiming to achieve a performance that is referenced against the Reference Portfolio. However, it should be noted that the performance of the BOC-Prudential Age 65 Plus Fund and the performance of the Reference Portfolio may diverge. Potential divergence may be caused by factors such as composition of the underlying assets, liquidity of the market and timing differences for changes to the underlying investment portfolio.

Investment Structure

In order to achieve the investment objective, the BOC-Prudential Age 65 Plus Fund will be structured as a portfolio management fund investing in two or more sub-funds of the Umbrella Unit Trust and/or approved ITCIS which may be the approved ITCIS managed by the Investment Manager or the approved ITCIS selected from those available in the markets that allow the BOC-Prudential Age 65 Plus Fund to achieve the stated investment objective. The Investment Manager may allocate the assets among sub-funds of the Umbrella Unit Trust and/or approved ITCIS(s) in such proportions as it shall, at its discretion, determine. The sub-funds of the Umbrella Unit Trust may invest in approved ITCIS and Other Permitted Securities (which include up to 10% of its total net asset value in Other Authorized Unit Trusts or Authorized Mutual Funds).

Where appropriate, cash, time deposits or money market securities may be considered.



Asset Allocation

The normal asset allocation of the BOC-Prudential Age 65 Plus Fund is expected to be:

Bonds or fixed income instruments:	75 – 85%
Equities warrants, interests in an ITCIS that tracks an index comprised of equities or equities-like securities and/or other investments as identified in the relevant guidelines issued by the Authority from time to time:	15 – 25%
Cash, time deposits or money market securities:	0 – 10%

Geographical Allocation (if any)

There is no prescribed allocation for investments in any specific countries or currencies.

Hong Kong Dollar Currency Exposure

The BOC-Prudential Age 65 Plus Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30% through currency hedging operations by entering into currency forward contracts.

Policies regarding the acquisition, holding and disposal of financial futures contracts and financial option contracts and securities lending

The BOC-Prudential Age 65 Plus Fund will not enter into financial futures contracts and financial options contracts for non-hedging purposes. The BOC-Prudential Age 65 Plus Fund will not engage in security lending.

Risk inherent & Expected Return

The BOC-Prudential Age 65 Plus Fund aims to achieve a performance that is referenced against the Reference Portfolio. The risk level of the BOC-Prudential Age 65 Plus Fund is **medium**.

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