BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme

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.

10 October 2022

Dear Sir/Madam,

Re: BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme (the "Scheme") - Addition of a New Constituent Fund (BOC-Prudential Hong Kong Stable Retirement Fund) and Regular Withdrawal Option upon Reaching Retirement Stage

Thank you very much for your participation in the Scheme.

We would like to inform you that various changes will be made to the Scheme and are outlined in the box below. The changes will be made by way of the Third Addendum (the "Third Addendum") to the Scheme Brochure of the Scheme as amended and supplemented by the First Addendum and the Second Addendum (collectively, the "Scheme Brochure") and will be effective from the date as specified in the summary box below.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as defined in the Scheme Brochure.

This summary box summarises the key changes to the Scheme, which are elaborated in the main body of this notice.

Key changes

Summary of key changes (the "Changes") with effect from 21 November 2022 (the "Effective Date"):

Total Retirement solution for members – launch a new constituent fund and offer regular withdrawal option to members for post-retirement purposes

(i) **Establishment of a New Constituent Fund** - For the sake of members' better retirement planning, a new constituent fund, i.e. BOC-Prudential Hong Kong Stable Retirement Fund (the "**New CF**") will be set up and added to the Scheme to meet members' retirement needs during the decumulation phase. The New CF is designed for post-retirement purposes. The New CF is specifically designed with the following features:

(a) meeting certain retiree members' desire to invest in home market which they are most familiar with and closely related to. Therefore, a relatively large portion of assets of this New CF will be invested in Hong Kong dollar denominated bonds or fixed income instruments. On the other hand, the Investment Manager will also diversify the portfolio by investing a relatively small portion of its assets in global equities so as to enhance the long term returns of the New CF; and

(b) with the focus of investing in assets with lower risk exposure, filling in the gaps in our existing constituent funds in terms of the risks / volatilities so as to accommodate the needs for those scheme members who prefer to receive a relatively stable stream of income upon their retirement and to seek to lower the volatility of the portfolio.

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The investment objective of the New CF is to seek to achieve a stable and long term capital appreciation with an expectation of a lower level of volatility. Details of the New CF are described in section 1 of this notice.

(ii) **Regular Withdrawal Option for Eligible Retired Members** - As part of the retirement solution, a regular withdrawal option through a standing instruction to the Trustee will be available to Eligible Retired Members (as referred to in section 2 of this notice), regardless of the constituent fund(s) they have invested. Details of the regular withdrawal option are described in section 2 of this notice.

(iii) **Unit Rebate for Eligible Retired Members who invest in the New CF and elect the Regular Withdrawal Option -** A unit rebate will be given to Eligible Retired Members who (a) have invested in the New CF and (b) have given a standing instruction to the Trustee to effect the regular withdrawal option. Details of the unit rebate are described in section 1.6 of this notice.

(iv) The Trustee believes that the Changes will not have any adverse impact on and are in the interest of the members.

Actions required of the scheme participants

(v) No particular action is required of the members.

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If you have any queries in relation to the Changes set out in this notice, please contact our Customer Service Centre at Suite 1507, 15/F, 1111 King's Road, Taikoo Shing, Hong Kong or call Easy-Choice MPF Application and Fund Hotline at 2280 8686 or Easy-Choice MPF Administration Hotline at 2929 3030.

1. Establishment of a new Constituent Fund

1.1. For the sake of members' better retirement planning, with effect as and from Effective Date, a New CF, namely BOC-Prudential Hong Kong Stable Retirement Fund will be set up and added to the Scheme to meet members' retirement needs during the decumulation phase. The New CF is designed for post-retirement purposes. The following investment policies of the New CF will be added to section 3.4.1. "Investment policies of the Constituent Funds" of the Scheme Brochure.

Investment objective

The BOC-Prudential Hong Kong Stable Retirement Fund is a mixed assets fund with the objective of addressing retirement needs by aiming to seek to achieve a stable and long term capital appreciation with an expectation of a lower level of volatility by investing solely in an underlying sub-fund of the Umbrella Unit Trust, namely BOC-Prudential Hong Kong Stable Retirement Fund (the "Underlying Retirement Fund" / the "New APIF"). The Underlying Retirement Fund will, through its investment in the APIF Sub-Funds (as defined below) and/or ITCIS, invest in a mix of Hong Kong dollar denominated bonds or fixed income instruments and global equities in a conservative manner.

The Underlying Retirement Fund is a fund of funds investing substantially all its assets in other sub-funds of Umbrella Unit Trust ("APIF Sub-Funds") and/or ITCIS managed by the Investment Manager. Under normal circumstances, the Underlying Retirement Fund will invest in at least two APIF Sub-Funds and/or ITCIS. The Underlying Retirement Fund may invest up to 89% of its net asset value in BOC-Prudential Hong Kong Dollar Bond Fund (a sub-fund under the Umbrella Unit Trust) ("Hong Kong Dollar Bond Fund") which seeks to provide a stable income stream and long term capital appreciation through a portfolio of Hong Kong dollar denominated bonds which meet the credit rating requirements as specified in the relevant guidelines issued by the MPFA from time to time. The Hong Kong Dollar Bond Fund's fixed income investment will focus on short-to-medium term bonds and aims to maintain a portfolio with weighted average duration not exceeding five years so as to seek to reduce exposure to

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interest rate risks. In addition, the Hong Kong Dollar Bond Fund's fixed income investment will focus on high quality credit bonds in order to reduce credit risks.

Where appropriate, the Investment Manager also has a discretion to invest in other ITCIS not managed by the Investment Manager for purposes such as risk diversification or to gain exposure to the relevant market(s).

Balance of investments

The normal asset allocation of the BOC-Prudential Hong Kong Stable Retirement Fund is expected to be:

Umbrella Unit Trust:		
Underlying Retirement Fund:		95-100%
Global Equities and equity related securities:	5 – 25%	
Hong Kong dollar denominated bonds or fixed income instruments:	75 – 95%	
Cash, time deposits or money market securities:		0-5%

Under normal circumstances, the Underlying Retirement Fund will, through its investment in the APIF Sub-Funds and/or ITCIS, invest at least 75% and up to 95% of its assets in Hong Kong dollar denominated bonds or fixed income instruments and at least 5% and up to 25% of its assets in global equities and equity related securities as permitted under Schedule 1 to the Regulation and the relevant codes and guidelines as may be issued by the MPFA from time to time, including but not limited to the United States, Europe, Mainland China, Japan, Hong Kong and other markets.

The Underlying Retirement Fund's fixed income investment made through its investment in the APIF Sub-Funds and/or ITCIS will focus on short-to-medium term Hong Kong dollar denominated bonds or fixed income instruments and aims to maintain a portfolio with weighted average duration not exceeding five years so as to seek to reduce exposure to interest rate risks. In addition, the Underlying Retirement Fund's fixed income investment made through its investment in the APIF Sub-Funds and/or ITCIS will focus on high quality credit bonds or fixed income instruments which meet the minimum credit rating of A3 by Moody's Investor Services Inc., or A- by Standard & Poor's Corporation or Fitch Ratings or equivalent rating by other approved credit rating agencies under the Regulation in order to reduce credit risks.

The Underlying Retirement Fund, through the APIF Sub-Funds and/or ITCIS, does not have a prescribed industry sector or market capitalization limit for investments. Where appropriate, cash, time deposits or money market securities may be considered. The Underlying Retirement Fund will maintain at least 30% Hong Kong dollar effective currency exposure.

1.2. The structure diagram under section 3.1 "Structure of the Scheme" and the summary table under section 3.2 "Constituent Funds" of the Scheme Brochure will be updated to reflect the New CF's information.

1.3. The New CF will solely invest in the New APIF, namely BOC-Prudential Hong Kong Stable Retirement Fund, which is a new underlying sub-fund of the Umbrella Unit Trust. The New APIF will, through its investment in the APIF Sub-Funds and/or ITCIS, invest in a mix of Hong Kong dollar denominated bonds or fixed income instruments and global equities in a conservative manner with the objective of addressing retirement needs by aiming to seek to achieve a stable and long term capital appreciation with an expectation of a lower level of volatility. Section 3.4.2. "Investment policies of Umbrella Unit Trust" of the Scheme Brochure will be amended to include the investment policies of the New APIF.

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1.4. In view of the establishment of the New CF, the risk factors set out in section 4.1 "Risk factors" of the Scheme Brochure will be modified by (i) adding three new risk factors associated with the New CF's investment in the Underlying Retirement Fund under "I. General risk factors"; (ii) updating the relevant sub-headings under "III. Specific risks on investment in ITCIS" and (iii) adding a new section "VI. General investment risk related to BOC-Prudential Hong Kong Stable Retirement Fund".

1.5. The relevant fee information relating to the New CF (as summarized below) will be added to section 5.1 "Fee tables" of the Scheme Brochure.

Constituent Fund level

Trustee fee	Investment management fee	Management fees (in total)
(% of NAV per annum)		
0.55%[Note]	0.6625%	1.2125%

Note: The trustee fee at Constituent Funds level includes (i) scheme administration fee (0.3% of NAV per annum) and (ii) trustee and fund administration fee (0.25% of NAV per annum).

Underlying fund (Umbrella Unit Trust) level

Trustee fee	Investment management fee	Management fees (in total)
(% of NAV per annum)		
0.0875%	Nil	0.0875%

1.6. A unit rebate will be given to Eligible Retired Members (as described in section 2 of this notice below) who (a) have invested in the New CF and (b) have given a standing instruction to the Trustee to effect the regular withdrawal option as referred to in section 6.11 of the Scheme Brochure. A new section 5.4 "Unit rebate for investment in the BOC-Prudential Hong Kong Stable Retirement Fund upon reaching retirement stage" containing, inter alia, the following relevant information will be added to the Scheme Brochure.

If the regular withdrawal option is elected by an Eligible Retired Member (as referred to in section 6.11 "Regular withdrawal option upon reaching retirement stage" of the Scheme Brochure) who has invested in the BOC-Prudential Hong Kong Stable Retirement Fund, the Eligible Retired Member will enjoy a monthly "unit rebate". The amount of such rebate is 0.4% per annum of the member's holding in the BOC-Prudential Hong Kong Stable Retirement Fund.

For the avoidance of doubt, if no regular withdrawal option is elected by the Eligible Retired Member (for example, the accrued benefits under section 6.10 are withdrawn in a lump sum or by instalment as stated in that section) or no investment is made in the BOC-Prudential Hong Kong Stable Retirement Fund, no unit rebate will be paid to the member.

2. Regular withdrawal option upon reaching retirement stage

2.1. As part of the retirement solution, a regular withdrawal option through a standing instruction to the Trustee will be available to Eligible Retired Members, regardless of the constituent fund(s) they have invested. A new section 6.11 "Regular withdrawal option upon reaching retirement stage" containing, inter alia, the following relevant information will be added to the Scheme Brochure.

In addition to withdrawal of accrued benefits in a lump sum or by instalments as stated in section 6.10 of the Scheme Brochure, an Eligible Retired Member may also elect to withdraw the accrued benefits under the "regular withdrawal option" upon reaching retirement stage by providing the Trustee a standing instruction in such form as may be prescribed from time to time by the Trustee. Under the regular withdrawal option, the member may specify in the standing instruction a fixed sum to be withdrawn on a monthly basis. Once the standing instruction is given, the Trustee will make monthly payments to the member from his accrued benefits based on amount specified in his instruction. No withdrawal or handling fees will be levied. Through this option, Eligible Retired Members will be able to receive a stable stream of payments after retirement.

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An Eligible Retired Member is a member who satisfies either of the two (2) circumstances (as listed below) for withdrawal of accrued benefits under section 6.10 of the Scheme Brochure, and thus is eligible for the regular withdrawal option:

- he attains the normal retirement age of 65; or
- he attains the early retirement age of 60 and certifies to the Trustee by statutory declaration that he has permanently ceased his employment or self-employment with no intention of becoming employed or self-employed again.

For details regarding the regular withdrawal option (such as the minimum withdrawal requirements), please refer to the Third Addendum to the Scheme Brochure.

If the regular withdrawal option is elected by an Eligible Retired Member who has invested in the BOC-Prudential Hong Kong Stable Retirement Fund, the Eligible Retired Member will enjoy a "unit rebate" as referred to in section 5.4 of the Scheme Brochure (as described in section 1.6 of this notice above).

2.2. The original sub-section 6.12 of the Scheme Brochure shall be rearranged as "6.13 Payment of accrued benefits" and the following information will be added:

If the regular withdrawal option is elected, the Trustee shall, unless otherwise agreed between the Trustee and the member, ensure that each monthly payment is made to the member no later than 15 business days after the relevant redemption day of each month, i.e. the date on which the relevant Units of the Constituent Funds are redeemed.

3. Minor changes

The cover of the Scheme Brochure has been replaced.

The name of the hotlines of the Scheme have been renamed.

The numbering of some sections and sub-sections of the Scheme Brochure, apart from those that have been mentioned above, have been rearranged.

4. Actions required of the scheme participants

No particular action is required of the members.

5. Amendments to the Scheme Brochure, Key Scheme Information Document (the "KSID") and the Trust Deed

This notice gives a summary of the major Changes to the Scheme. For details of all Changes to the Scheme Brochure, please refer to the Third Addendum to the Scheme Brochure. Associated changes will be incorporated in the KSID and the Trust Deed by way of a Deed of Amendment. All Changes to the Scheme Brochure, the KSID and the Trust Deed will be effective on the Effective Date.

The introduction of the New CF, together with the launch of a mechanism for the Eligible Retired Members to choose how they would like the existing accrued benefits to be withdrawn on a regular basis, provide the feature of receiving a steady income to accommodate the financial needs of the members during the decumulation phase. Also, if the regular withdrawal option is elected by an Eligible Retired Member who has invested in the New CF, the Eligible Retired Member will enjoy a monthly "unit rebate". As such, the amendments to the Scheme Brochure, the KSID and the Trust Deed will not have any adverse impact on and are in the interest of the members of the Scheme.

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6. Costs of the Changes

All costs and expenses associated with the Changes will be borne by the Scheme.

If you wish to obtain a copy of the latest Scheme Brochure (including the Third Addendum) and/or the KSID, 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 Suite 1507, 15/F, 1111 King's Road, Taikoo Shing, Hong Kong or call Easy-Choice MPF Application and Fund Hotline at 2280 8686 or Easy-Choice MPF Administration Hotline at 2929 3030.

A copy of the latest Deed of Amendment will be made available for inspection by the Scheme's participants at our Customer Service Centre at Suite 1507, 15/F, 1111 King's Road, Taikoo Shing, Hong Kong during normal office hours from the Effective Date. You may also obtain a copy of the latest Deed of Amendment by way of download it from our website at www.bocpt.com.

7. Enquiry

Should you have any enquiries relating to the contents of this notice, please do not hesitate to call Easy-Choice MPF Application and Fund Hotline at 2280 8686 (for matters relating to product features or fees) or Easy-Choice MPF Administration Hotline at 2929 3030 (for enquires relating to regular withdrawal option, application procedures or other administration related matters).

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Yours faithfully,
BOCI-Prudential Trustee Limited

Investment involves risks. Past performance is not indicative of future performance. The value of financial instruments, in particular stocks and shares, and any income from such financial instruments, may go down as well as up. For further details including the product features and risks involved, please refer to the MPF Scheme Brochure.

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