

Second Addendum to the MPF Scheme Brochure of the BCT (MPF) Industry Choice

This is the Second Addendum (the “**Second Addendum**”) to the MPF Scheme Brochure of the BCT (MPF) Industry Choice (the “**Plan**”) dated 23 March 2020, as amended by the first addendum dated 22 March 2021 (the “**MPF Scheme Brochure**”). This Second Addendum must be read in conjunction with and forms part of the MPF Scheme Brochure.

We have drawn up this list of consolidated incremental changes to supplement the information contained in the MPF Scheme Brochure. Bank Consortium Trust Company Limited (the “**Trustee**”) accepts responsibility for the information contained in this Second Addendum as being accurate as at the date hereof. The MPF Scheme Brochure can be accessed via the website of the Trustee (www.bcthk.com) or obtained by contacting the Trustee.

The numbers on the left column of the below table refer to the relevant pages of the current version of the MPF Scheme Brochure. Unless otherwise defined herein, terms used in this Second Addendum bear the same meanings as in the MPF Scheme Brochure.

The following amendments are made to the MPF Scheme Brochure with immediate effect:

Page 5	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.1 Hong Kong Equity Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risk, equity market risks, and risks of China A shares market and Stock Connect. As the underlying APIF will be mainly invested in the stock market of Hong Kong, the inherent risk and return of the underlying APIF will be associated with the Hong Kong stock market.”</p>
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Page 6	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.2 Asian Equity Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risk, risk of default of financial institutions, equity market risks, and risks of China A shares market and Stock Connect.”</p>
Page 6	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.3 Global Equity Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risk, risk of default of financial institutions, equity market risks, risks of China A shares market and Stock Connect, mainland China business and investment risk, and RMB currency risk.”</p>
Page 7	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.4 E70 Mixed Asset Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risk, risk of default of financial institutions, risks of default of issuer of debt securities, equity market risks, risks of China A shares market and Stock Connect, risks of China interbank bond market and Bond Connect, mainland China business and investment risk, and RMB currency risk.”</p>

Page 8	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.5 E50 Mixed Asset Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risk, risk of default of financial institutions, risks of default of issuer of debt securities, equity market risks, risks of China A shares market and Stock Connect, risks of China interbank bond market and Bond Connect, mainland China business and investment risk, and RMB currency risk.”</p>
Page 8	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.6 E30 Mixed Asset Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risk, risk of default of financial institutions, risks of default of issuer of debt securities, equity market risks, risks of China A shares market and Stock Connect, risks of China interbank bond market and Bond Connect, mainland China business and investment risk, and RMB currency risk.”</p>

Page 9	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.7 Flexi Mixed Asset Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risks, risk of default of financial institutions, risks of default of issuer of debt securities, equity market risk, risks of China A shares market and Stock Connect, risks of China interbank bond market and Bond Connect, mainland China business and investment risk, and RMB currency risk.”</p>
Page 10	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.8 Core Accumulation Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risks, risk of default of financial institutions, risks of default of issuer of debt securities, equity market risk, risks of China A shares market and Stock Connect, and risks of China interbank bond market and Bond Connect.”</p>

Page 12	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.9 Age 65 Plus Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risks, risk of default of financial institutions, risks of default of issuer of debt securities, equity market risk, risks of China A shares market and Stock Connect, and risks of China interbank bond market and Bond Connect.”</p>
Page 14	<p>The first paragraph under the heading “(e) Risks” under the section headed “3.2.10 RMB Bond Fund” under the section headed “3.2 INVESTMENT OBJECTIVES AND POLICIES” in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” is deleted and replaced with the following:</p> <p>“The performance of the fund is subject to a number of risks, including the following: general investment risk, currency risk, risk of changes in laws, regulations, policies and practices, emerging markets risks, risk of default of financial institutions, risks of default of issuer of debt securities, risks of China interbank bond market and Bond Connect, concentration risk, RMB currency risk, liquidity risk of RMB debt securities, and limited supply of RMB denominated debt instruments.”</p>

The section headed “4.1.8 Risks of China A shares market and Stock Connect” under the section headed “4.1 GENERAL INVESTMENT RISKS” in the section headed “4. RISKS” is deleted and replaced with the following:

“To the extent that a constituent fund or its underlying fund invests in China A shares listed on the PRC stock exchange(s) via the Stock Connect, investors will be subject to the risks associated with the Stock Connect and the China A shares market. A constituent fund or its underlying fund may invest less than 30% (or in the case of a DIS Fund, the Asian Equity Fund and the Hong Kong Equity Fund, up to 10%) of its net asset value in China A shares listed on the PRC stock exchange(s).

4.1.8.1 Stock Connect risk

The Stock Connect is a securities trading and clearing linked program with an aim to achieve mutual stock market access between the PRC and Hong Kong. The Stock Connect enables a constituent fund or its underlying fund to trade eligible China A shares listed on the relevant stock exchange(s) in the PRC.

The Stock Connect is novel in nature. The relevant regulations are untested and subject to change. The programme is subject to quota limitations which may restrict the ability of a constituent fund or its underlying fund to invest in China A shares through the programme on a timely basis and as a result, the ability of a constituent fund or its underlying fund to access the China A shares market (and hence to pursue its investment strategy) will be adversely affected. In addition, the PRC regulations impose certain restrictions on selling, therefore a constituent fund or its underlying fund may not be able to dispose of holdings of China A shares in a timely manner. A stock may be recalled from the scope of eligible stocks for trading via the Stock Connect. This may adversely affect the investment portfolio or strategies of a constituent fund or its underlying fund. Due to the differences in trading days, a constituent fund or its underlying fund may be subject to a risk of price fluctuations in China A shares on a day that the PRC market is open for trading but the Hong Kong market is close.

Trading in securities through the Stock Connect may be subject to clearing and settlement risk. If the PRC clearing house defaults on its obligation to deliver securities / make payment, a constituent fund or its underlying fund may suffer delays in recovering its losses or may not be able to fully recover its losses. The underlying fund may encounter difficulties or delays in any action to enforce its rights as the China A shares are held by the Hong Kong Securities and Clearing Company Limited as a nominee on behalf of the underlying fund.

Trading in securities through the Stock Connect is subject to operational risk.

4.1.8.2 China A shares market risk

China A shares market may be less liquid and more volatile as compared with other developed financial markets. The net asset value of a constituent fund or its underlying fund may be adversely affected if trading markets for China A shares are limited or absent. Market volatility and settlement difficulties in the China A shares markets may also result in significant fluctuations in the prices of the securities traded on such markets and may affect the value of a constituent fund or its underlying fund which invests in the China A shares market.

Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits may be imposed where trading in any China A shares security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the manager of the constituent fund or its underlying fund to liquidate positions and can thereby expose the constituent fund or its underlying fund which invests in the China A shares market to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the manager of the constituent fund and its underlying fund to liquidate positions at a favourable price.

4.1.8.3 Mainland China tax risk

There are risks and uncertainties associated with the current tax laws, regulations and practice of the PRC in respect of capital gains and dividends / interest on a constituent fund's or its underlying fund's investments in the PRC. In addition, tax laws are liable to change without prior notice, and may be changed with retrospective effect.

The interpretation and applicability of the tax law and regulations by PRC tax authorities may not be as consistent and transparent as those of more developed countries and may vary from region to region. In addition, the value of a constituent fund's or its underlying fund's investment in the PRC and the amount of its income and gains could also be adversely affected by an increase in rates of taxation or changes in the basis of taxation.

Where no provision is made by an underlying fund in relation to all or part of the actual or potential tax that may be levied by the relevant PRC tax authorities the value of the underlying fund may be reduced, if the underlying fund ultimately has to bear the full amount of its tax liabilities. In this case, any actual tax liabilities will negatively impact the value of the units of the underlying fund in issue at the relevant time, and the constituent fund will be disadvantaged correspondingly. Should the investment manager of the underlying fund consider it appropriate, the investment manager may make provision for PRC taxes and to deduct or to withhold PRC taxes for the account of the underlying fund. In this case, the relevant constituent fund may be advantaged or disadvantaged depending upon the final determination of the tax liabilities, the level of provision and when units in the underlying fund held by the constituent fund were subscribed and / or redeemed.

4.1.8.4 Risks associated with the ChiNext market and / or the Science and Technology Innovation Board ("STAR Board")

A constituent fund or its underlying fund may invest in ChiNext market and / or STAR Board, and will be subject to the following risks:

Higher fluctuation on stock prices and liquidity risk: Listed companies on ChiNext market and / or STAR Board are usually of emerging nature with smaller operating scale. Listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards.

Over-valuation risk: Stocks listed on ChiNext and / or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation: The rules and regulations regarding companies listed on the ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those in the main boards.

Delisting risk: It may be more common and faster for companies listed on ChiNext market and / or STAR Board to delist. ChiNext market and STAR Board have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the constituent fund or its underlying fund if the companies that it invests in are delisted.

Concentration risk (Applicable to STAR Board): STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the constituent fund or its underlying fund to higher concentration risk.

Investments in the ChiNext market and / or STAR Board may result in significant losses for the constituent fund or its underlying fund.”

Page 45	<p>The section headed “4.1.12 Limited supply of RMB denominated debt instruments” under the section headed “4.1 GENERAL INVESTMENT RISKS” in the section headed “4. RISKS” is deleted and replaced with the following:</p> <p>“Although the issuance of offshore RMB debt instruments has increased substantially in recent years, supply may lag the demand for offshore RMB debt instruments under certain circumstances. In some cases, new issues of offshore RMB debt instruments may be oversubscribed and may be priced higher than and / or trade with a lower yield than equivalent onshore RMB debt instruments. If the onshore RMB debt instruments market subsequently opens up, this may lead to the convergence of the yields in the two markets. This may result in higher yields for the offshore RMB debt instruments and, consequently, decrease the price of such offshore RMB debt instruments. This may adversely affect the net asset value of the underlying APIF and in turn the net asset value of the constituent fund.</p> <p>Certain RMB debt instruments available in the market may not meet the requirements under Schedule 1 to the Regulation. Although it is expected that there will be sufficient issues of debt instruments that meet the requirements, the choice of investment may not be as diverse as other types of funds and this may result in concentration of credit risk.”</p>
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The following are added as sections 4.1.13 – 4.1.14 after section 4.1.12 under the section headed “4.1 GENERAL INVESTMENT RISKS” in the section headed “4. RISKS”:

“4.1.13 Mainland China business and investment risk

A constituent fund investing in the securities markets in mainland China (either directly or indirectly through investment in fund) is subject to the risks of investing in emerging markets generally as well as to specific risks relating to the mainland China market. Investing in China-related companies involves certain risks and special considerations not typically associated with investment in more developed economies or markets, namely risks and considerations pertaining to politics, tax, foreign exchange, liquidity and regulatory issues and the fact that infrastructures are still under development and subject to uncertainties.

4.1.14 Concentration risk

Pursuant to the investment policy of a constituent fund or its underlying fund, its investments may be concentrated in a specific geographical location or country from time to time. Therefore, the value of such constituent fund is likely to be more volatile than a more broad-based fund, such as a global or regional fund, as it is more susceptible to fluctuations in value resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the market in that country or location.”

Page 59	<p>The third paragraph under the section headed “7.4.3 Trust Deed and Investment Management Agreements” under the section headed “7.4 GENERAL INFORMATION” in the section headed “7. OTHER INFORMATION” is deleted and replaced with the following:</p> <p>“No modification may be made to the Trust Deed unless the Authority has approved such modification and the notification and other procedures (if any) required by the Authority and (if applicable) the SFC have been complied with.”</p>
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Date: 14 March 2022

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