

Offering Document



MPF LS OFF/DOC (06/2009)

OFFERING DOCUMENT MANU-LIFESTYLE (MPF) SCHEME

Important to note:

- You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of funds, you are in doubt as to whether a certain fund is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice and choose the funds most suitable for you taking into account your circumstances.
- All the constituent funds under this scheme invest solely in approved pooled investment funds in the form of insurance policies provided by Manulife (International) Limited. Your investments in the constituent funds under this scheme are therefore subject to the credit risks of Manulife (International) Limited.
- Manulife (International) Limited is the guarantor of Manulife MPF Stable Fund and Manulife MPF Interest Fund (collectively the "Guaranteed Funds"). Your investment in Guaranteed Funds are therefore subject to the credit risks of Manulife (International) Limited. Please refer to section 3 and 6 of this Offering Document for details of the guarantee features and qualifying conditions.

INTRODUCTION

Manulife Provident Funds Trust Company Limited is the trustee of the Manu-Lifestyle (MPF) Scheme, a mandatory provident fund scheme registered with the Mandatory Provident Fund Schemes Authority (the "Authority") under the Mandatory Provident Fund Schemes Ordinance ("MPFS Ordinance") and authorised by the Securities and Futures Commission* (the "SFC"). Manulife Provident Funds Trust Company Limited is capitalised in excess of statutory requirements and supported by Manulife (International) Limited under the Manulife Financial Group.

Manulife Financial is a Canadian-based financial services group serving millions of customers in 19 countries and territories worldwide. Operating as Manulife Financial in Canada and Asia, and primarily through John Hancock in the United States, the Company offers clients a diverse range of financial protection products and wealth management services through its extensive network of employees, agents and distribution partners. Funds under management by Manulife Financial and its subsidiaries were Cdn\$405 billion (approximately HK\$2,559.7 billion) as at December 31, 2008.

The shares of Manulife Financial Corporation ("MFC"), the holding company of Manulife Financial, are listed on the New York Stock Exchange, as well as the stock exchanges of Toronto, Hong Kong and Philippines.

The Manu-Lifestyle (MPF) Scheme is promoted by Manulife (International) Limited. In 1936, Manulife sold its first provident fund plan in Hong Kong. With its wealth of experience and ISO 9001 certification, Manulife provides the highest quality of provident fund services to both employers and members.

Manulife Asset Management (Hong Kong) Limited {formerly known as Manulife Funds Direct (Hong Kong) Limited} ("MAMHK") manages the underlying investments (as detailed below) of the Manu-Lifestyle (MPF) Scheme. MAMHK is a wholly-owned subsidiary of MFC which now conducts its global institutional asset management under the brand name of MFC Global Investment Management* ("MFC Global"). The investment arm of MFC has been operating for over 100 years[†], and has global expertise around the world in wealth management. It has more than Cdn\$405 billion in assets under management as of December 31, 2008. MAMHK is licensed with the SFC to carry out asset management activities in Hong Kong.

Important: If you are in doubt about the meaning or effect of the contents of this Offering Document, you should seek independent professional advice.

Manulife Provident Funds Trust Company Limited accepts responsibility for the accuracy of the information contained in this Offering Document as at the date of publication.

Although the Scheme has been registered with and authorised by the Authority and the SFC respectively, such registration and authorisation do not imply official recommendation of the Scheme by the Authority and the SFC.

* MFC Global Investment Management (Canada), a division of Elliott & Page Limited, MFC Global Investment Management (U.S.A.) Limited, MFC Global Investment Management (U.S.), LLC, MFC Global Investment Management (Europe) Limited, MFC Global Investment Management (Asia), a division of Manulife Asset Management (Hong Kong) Limited and affiliates in Asia are referred to collectively under the trade name of MFC Global Investment Management.

† A wholly owned subsidiary of MFC, The Manufacturers Life Insurance Company, was incorporated on June 23, 1887, and, as such, has been operating for over 100 years, providing a wide range of financial, insurance and investment management services to individuals, families, businesses and groups.

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1. SUMMARY

The Manu-Lifestyle (MPF) Scheme (the "Scheme") is a provident fund scheme constituted by a master trust deed appearing in the deed of amendment dated June 11, 2009 (the said master trust deed together with any subsequent amendments will hereinafter refer as "Trust Deed") and is governed by the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Scheme is designed to provide retirement benefits to the members under the Scheme.

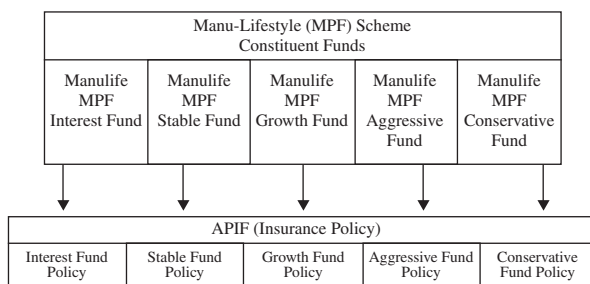
The Scheme is a master trust scheme which currently consists of five constituent funds. Each constituent fund has been structured as a feeder fund, the assets of which will be invested directly in a corresponding pooled investment fund in the form of an insurance policy issued by Manulife (International) Limited ("MIL").

The five constituent funds in the Manu-Lifestyle (MPF) Scheme are:

- Manulife MPF Interest Fund ("Interest Fund")
- Manulife MPF Stable Fund ("Stable Fund")
- Manulife MPF Growth Fund ("Growth Fund")
- Manulife MPF Aggressive Fund ("Aggressive Fund")
- Manulife MPF Conservative Fund ("Conservative Fund")

Except for the Interest Fund, the other four constituent funds in the Scheme are unutilised.

The assets of all insurance policies under the respective constituent funds will be managed by MAMHK, and sub-investment manager(s) may be appointed by MAMHK for the insurance policies. The assets of insurance policy under the Manulife MPF Conservative Fund will be invested in direct investment permissible under the Mandatory Provident Fund Schemes (General) Regulation (the "Regulation") while the assets of the other insurance policies will be invested in an umbrella unit trust which currently consists of portfolios set up as pooled investment funds. Subject to the approval of the SFC, at the insurance policy and the underlying umbrella unit trust levels, the investment manager may from time to time delegate any or all of its investment management functions to one or more sub-investment managers who may or may not be within the Manulife Group. Both the insurance policies and the said portfolios under the umbrella unit trust are approved by the Authority and authorized by the SFC as *approved pooled investment funds* ("APIF") under the Regulation.



The insurance policies established under the Scheme will not be available to retail investors.

Although the umbrella unit trust and insurance policies have been approved by the Authority and authorized by the SFC, such approval and authorization do not imply official recommendation of the umbrella fund and insurance policies by the Authority and the SFC.

The commencement date of the Scheme is December 1, 2000. The Scheme financial year end will be the 31st of March.

The trustee of the Scheme is Manulife Provident Funds Trust Company Limited (the "Trustee"). The Trustee will assume the investment management function of the Scheme. The investment manager of the insurance policy funds will be MAMHK.

Units in the unitised constituent funds will be valued for each dealing day which will be any day on which the banks in Hong Kong are open for business (excluding Saturdays) or such other day as the Trustee may from time to time determine. Interests will be credited monthly in arrears to the Interest Fund.

Amounts payable on the subscriptions and redemptions under the Scheme will be in Hong Kong dollars.

For information on fees and charges, please refer to section 7 of this Offering Document.

The constituent funds in the Scheme will be subject to risks inherent in all investments. Please refer to the risk factors in section 3.2 for more details.

The Scheme shall be governed and construed in accordance with the laws of the Special Administrative Region of Hong Kong.

2. MANAGEMENT AND ADMINISTRATION

The Scheme:

Trustee and Custodian:	Manulife Provident Funds Trust Company Limited 36/F, Manulife Tower 169 Electric Road North Point Hong Kong
Auditors:	Ernst & Young 18/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Administrator:	Manulife (International) Limited 36/F, Manulife Tower 169 Electric Road North Point Hong Kong
Guarantor in relation to Interest Fund and Stable Fund:	Manulife (International) Limited 36/F, Manulife Tower 169 Electric Road North Point Hong Kong

For further enquiries, please call our customer service representative at 21081234 (Employer Hotline)/ 21081388 (Member Hotline) or write to us by facsimile at 21043504.

Please visit our website at www.manulife.com.hk for the latest version of Offering Document.

3. INVESTMENT AND BORROWING

3.1 Investment Policies

(i) Manulife MPF Interest Fund

The Interest Fund is a non-unitised bond fund of the Scheme that provides a capital guarantee and aims to provide members with interest each month at a rate that equals to or exceeds the prescribed savings rate[‡] published by the Authority. The interest rate (which shall not be less than zero) shall be declared by the Trustee at its sole discretion at the recommendation of MIL at the end of the month. Please refer to section 6.2.3 below for details. The Interest Fund is designed to provide capital guarantee and short term growth for members who wish to invest conservatively, members who are close to the age of retirement or members who are seeking a temporary safe-haven during more turbulent economic times.

It is intended that the underlying investments made for the Interest Fund will be in Hong Kong dollar fixed income instruments. The underlying portfolio may also include other investments as permitted under the Regulation, up to 30% of the net asset value of the Interest Fund.

In order to provide the capital guarantee and return, a reserve account funded solely by a smoothing provision will be maintained at the insurance policy level inside the Interest Fund to provide for systematic funding for the cost of the guarantee. The guarantee feature will therefore lead to a dilution of performance of the Interest Fund. In addition, MIL will use its own assets to ensure that the guarantee is fulfilled over the term of the Scheme if assets of the Interest Fund prove inadequate. Please refer to section 6.2.3 below for a detailed explanation of the smoothing provision.

For efficient portfolio management, the portfolio of any underlying APIF under this Fund may acquire financial futures contracts and financial option contracts for hedging purpose, may engage into security lending, enter into repurchase agreements and may invest in other investments to the extent permitted by the Regulation.

(ii) Manulife MPF Stable Fund

The Stable Fund is a unitised balanced fund of the Scheme that aims to provide relatively stable medium to long-term growth. Investors are also provided with an interest guarantee upon the occurrence of certain pre-determined events provided that the qualifying condition is satisfied (see section 6.2.2 below). The guaranteed rate of interest for each month will be equal to the prescribed savings rate published by the Authority. The Stable Fund provides a conservative investment for members who are prepared to accept modest fluctuations in the value of their investment in order to achieve long term returns.

It is intended that the underlying investment made will be on a diversified basis. Up to 40% of the portfolio of the Stable Fund will be indirectly invested in equities and equity-related investments, with the remainder of the assets being indirectly invested in bonds, deposits and other investments as permitted under the Regulation. The investment manager may at its discretion invest in any region such as America, Pacific Asia, Japan, Europe, etc, with a relative bias towards Hong Kong. This intended asset allocation

as aforesaid is for reference only and may be changed as and when the investment manager deems appropriate.

The guarantee provides a comfort zone for members upon the occurrence of the pre-determined events (see section 6.2.2 below), during an unfavourable investment climate which may temporarily jeopardise investment returns.

A reserve account funded by a provision for guarantee, which is deducted from the assets value of the insurance policy corresponding to the Stable Fund, will be maintained at the insurance policy level inside the Stable Fund to provide for systematic funding for the cost of the guarantee. The guarantee features will therefore lead to a dilution of performance of the Stable Fund. In addition, MIL provides a third party guarantee and will use its own assets to ensure that the guaranteed benefits are paid by the Stable Fund over the term of the Scheme if assets of the Stable Fund prove inadequate.

For efficient portfolio management, the portfolio of any underlying APIF under this Fund may acquire financial futures contracts and financial option contracts for hedging purpose, may engage in security lending, enter into repurchase agreements and may invest in other investments to the extent permitted by the Regulation.

(iii) Manulife MPF Growth Fund

The Growth Fund is a unitised balanced fund of the Scheme which is designed to provide medium to long term capital growth for members who hold a longer term investment view and who are prepared to accept fluctuations in the value of their investments in order to achieve long-term returns.

It is intended that the underlying investments made will be on a diversified basis. Around 50% to 90% of the underlying portfolio of the Growth Fund will be indirectly invested in equities and equity-related investments, with the remainder of the assets being indirectly invested in bonds, deposits and other investments as permitted under the Regulation. The investment manager may at its discretion invest in any region such as America, Pacific Asia, Japan, Europe, etc. The intended asset allocation as aforesaid is for reference only and may be changed as and when the investment manager deems appropriate.

For efficient portfolio management, the portfolio of any underlying APIF under this Fund may acquire financial futures contracts and financial option contracts for hedging purpose, may engage in security lending, enter into repurchase agreements and may invest in other investments to the extent permitted by the Regulation.

(iv) Manulife MPF Aggressive Fund

The Aggressive Fund is a unitised equity fund aiming to provide long term capital growth. The Aggressive Fund is designed for members who hold a long term investment view and who are prepared to accept significant fluctuations in the value of their investments in order to achieve long term returns.

It is intended that the underlying investments made will be on a diversified basis. The underlying portfolio will be indirectly invested mainly in equities and equity-related investments. The underlying portfolio may also include bonds, deposits and other investments as permitted under the Regulation, up to 30% of the net asset value of the Aggressive Fund. The investment manager may at its discretion invest in any region such as America, Pacific Asia, Japan, Europe, etc. with a relative bias towards Hong Kong and Pacific Asia region markets. The intended asset allocation as aforesaid is for reference only and may be changed as and when the investment manager deems appropriate.

For efficient portfolio management, the portfolio of any underlying APIF under this Fund may acquire financial futures contracts and financial option contracts for hedging purpose, may engage in security lending, enter into repurchase agreements and may invest in other investments to the extent permitted by the Regulation.

(v) Manulife MPF Conservative Fund

The Conservative Fund*, mandated by the MPFS Ordinance, aims to provide a rate of return to match the prescribed savings rate published by the Authority but with no guarantee of capital or interest.

It is intended that the underlying investments for Conservative Fund will invest in fixed income instruments that comply with Section 37 and Schedule 1 of the Regulation. The underlying assets of the Conservative Fund must have an average portfolio remaining maturity period of not more than 90 days. The Fund must also maintain a total value of Hong Kong dollar currency investment equal to the total market value of the constituent fund, as measured by the effective currency exposure in accordance with section 16 of Schedule 1 of the Regulation.

Members in the Scheme should note that an investment in the Conservative Fund is not the same as placing funds on deposit with a bank or deposit taking company and that there is no obligation on the part of the Trustee to redeem the investment at the subscription value. In addition, members should note that the Conservative Fund is not subject to the supervision of the Hong Kong Monetary Authority.

For efficient portfolio management, the Conservative Fund may invest in other investments to the extent permitted by the Regulation. However, it may not engage in security lending nor enter into repurchase agreements.

All the funds of each constituent fund will be invested in the corresponding insurance policy and all the funds in the insurance policies (other than the policy under the Conservative Fund) will be invested in the umbrella unit trust referred to in section 1 above. MIL (as the insurer for the insurance policies) and/or the trustee of the umbrella unit trust may in its sole discretion retain certain amount of cash for any other purposes which MIL and/or the trustee considers appropriate.

Subject to the approval of the Authority and the SFC, the Trustee may, by giving to the members of the Scheme a 3 months' notice, or such other shorter notice as the SFC may approve,

- (i) change the investment policy of any constituent fund;
 - (ii) terminate any constituent fund (other than the Conservative Fund);
 - (iii) close any constituent fund (other than the Conservative Fund) to any future contributions; or
 - (iv) merge or sub-divide the Scheme or any constituent fund.
- In addition, the Trustee may at any time, in its sole discretion,
- (i) change the distribution of the investments of any constituent fund provided that the relevant investment policy is maintained; and/or
 - (ii) establish a new constituent fund for the Scheme subject to the approval of the Authority and the SFC.

[‡] Prescribed savings rate means for any month, the prescribed savings rate declared by the MPF Authority for the purposes of section 37(8) of the Regulation;

* Fees and charges of an MPF conservative fund can be deducted from either (i) the assets of the fund or (ii) members' account by way of unit deduction. The Manulife MPF Conservative Fund uses method (i) and, therefore, any unit prices / NAV / fund performance quoted for the fund have incorporated the impact of fees and charges.

3.2 Risk Factors

The performance of the constituent funds may be subject to a number of risk factors, including the following:

The return on the investment in fixed income instruments will depend on (i) interest rate returns and foreign currency exchange rates, both of which may fluctuate, and (ii) the credit standing of the issuers which cannot be guaranteed. It should be noted, however, that all fixed income instruments will meet the minimum requirements laid down by the Regulation.

The return on the investment in equities will depend on the value of the stocks and the relevant foreign currency exchange rates, both of which may fluctuate.

Investments in the Asia Pacific region may be subject to special risks, including higher stock price volatility, lower liquidity of stocks, political considerations, loss of registration of shareholdings and currency risks, which are substantially higher than the risks normally associated with the world's established major stock markets. The trading volume on some of the markets may be substantially less than that in the world's leading stock markets. Accordingly, the accumulation and disposal of holdings in some investments may be time-consuming and may need to be conducted at unfavourable prices. Members should also note that accounting, auditing and financial reporting standards, practices and disclosure requirements applicable in the Asia Pacific region may differ from countries with more developed financial market and less information may be available to members, which may also be out of date.

Fund(s) investing in the Asia Pacific region may invest in, but is not restricted to, the securities of small and medium sized companies. This can involve greater risk than is customarily associated with investment in larger and more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and their management may be dependent on a few key individuals.

Subject to the compliance with the investment restrictions under relevant legislation and codes of the Authority and the SFC, derivatives may be used for the purpose of achieving the investment objective. However, there is no guarantee that such techniques will achieve the desired result. There are certain investment risks in using derivatives. Such risks may include the inability to close out a derivative contract caused by the non-existence of a liquid secondary market, the high leverage pricing and/or time decay of the option/warrant premium.

Fund(s) that invest into Hong Kong market may invest in companies which are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM"). The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. Companies may list on the GEM with neither a track record of profitability nor any obligation to forecast future profitability. There are potential risks of investing in such companies and investors should make the decision to invest in the constituent fund only after due and careful consideration. This risk disclosure statement does not purport to disclose all the risks and other significant aspects of the GEM.

3.3 Investment Restrictions and Guidelines

The assets in the constituent funds may be invested in any investments, securities, pooled investment funds or any other properties in accordance with Part V and Schedule 1 of the Regulation and any guidelines issued by the Authority or the SFC from time to time.

3.4 Investment Management of the Scheme

The Trustee will manage the investment of the Scheme in accordance with the terms set out in the Trust Deed and the relevant codes and regulations issued by the Authority and the SFC. The investment manager of the insurance policies will be MAMHK.

3.5 Borrowing Policy

Each constituent fund, and its underlying funds, are required to comply with the borrowing restrictions stipulated in Section 65 and Schedule 1 of the Regulation.

4. CONTRIBUTIONS AND WITHDRAWAL

4.1 Application for Membership

The Scheme has been registered by the Authority as a registered scheme under the MPFS Ordinance*. From the commencement date of the MPFS Ordinance, which was December 1, 2000, any employer or self-employed person may participate in the Scheme by establishing a sub-scheme. A relevant employee (as defined in the MPFS Ordinance) whose employer may/may not have a sub-scheme under the Scheme (an "individual relevant employee") may also participate in the Scheme. In addition, the Trustee may enroll a relevant employee to the Scheme for the purpose of Section 7AC of the MPFS Ordinance.

In order to establish a sub-scheme, an applicant must complete the application form prescribed by the Trustee, execute the relevant participation agreement (in the case of an employer) and agree in writing to comply with the provisions of the Trust Deed. If the applicant is an employer, its employees who are eligible to join the Scheme must also complete the enrolment form prescribed by the Trustee and agree in writing to comply with the provisions of the Trust Deed provided that the Trustee may enroll any person who is eligible to join the Scheme in such other manner as the Trustee considers appropriate.

If the applicant is a self-employed person, he must indicate in the application form whether he will contribute to the Scheme on a monthly or yearly basis. If the applicant is an individual relevant employee, he must indicate in the application form the manner in which he will make his Flexi Retirement Contribution.

Any employee under his employer's sub-scheme may, upon his cessation of employment with such employer, transfer his accrued benefits under his employer's sub-scheme to a preserved account of the Scheme and become a preserved account member. Any other person who wishes to join the Scheme may transfer his accrued benefits in respect of any former employment or former self-employment to a preserved account of the Scheme and become a preserved account member.

Any applicant whose application is accepted will be notified within 30 days from the time when all the information required for the application is submitted and the applicant has agreed to comply with the provisions of the Trust Deed. All applicants who are admitted to the Scheme (including the employee members of the participating employer) will be bound by the governing rules of the Scheme contained in the Trust Deed. Upon application to participate in the Scheme, permission is given by the applicants for their appointed insurance/MPF intermediaries involved to receive commission or other remuneration (if any) that may be payable by MIL on account of their services.

4.2 Mandatory Contributions

4.2.1 Employer and Employee Members

Subject to the provisions in the MPFS Ordinance, every employer under the relevant sub-scheme must, in respect of each of its employee members who is a relevant employee as defined in Section 2 of the MPFS Ordinance, pay to the Trustee out of the employer's own funds a mandatory contribution of 5% of such employee member's relevant income for each period during which

income is paid to each employee member (the "contribution period"). The mandatory contribution will not exceed HK\$1,000 per month or HK\$12,000 per annum.

At the same time, unless the relevant income of the employee member who is a relevant employee as defined in Section 2 of the MPFS Ordinance falls below the statutory minimum of HK\$5,000 per month (or, if the relevant employee is remunerated more frequently than on a monthly basis, HK\$160 per day, or in any other cases, HK\$5,000 per month as pro-rated or HK\$160 per day as pro-rated, whichever is applicable), such employer must, for each contribution period, deduct from such employee member's relevant income and pay to the Trustee a mandatory contribution of 5% of such income, provided that the maximum contribution that would be so deducted should not exceed HK\$1,000 per month or HK\$12,000 per annum.

Both the employer's and employee's mandatory contributions must be made on the contribution day as defined in the Regulation which is generally the 10th day after the last day of the relevant contribution period in the case of casual employee, or the 10th day after the last day of the calendar month within which the relevant contribution period ends in the case of a relevant employee other than a casual employee.

The employer is also required under Section 7AA of the MPFS Ordinance to pay contributions for a relevant employee who is not a member of a registered scheme as required by Section 7 of the MPFS Ordinance on or after the commencement date of the said Section 7AA. The employer must pay the employee's contribution and employer's contribution to the Authority. The total amount of contributions payable by the employer is the same as the amount described in the paragraphs above. The employer is further required to provide a statement containing information about the employee(s) concerned and the contributions paid, etc. when making the payment to the Authority.

When the Authority receives payment under Section 7AA of the MPFS Ordinance, it is required to pay the contribution received to the approved trustee of a registered scheme nominated by the employer if the employee concerned is still employed by that employer. In the event that the employer has not made such a nomination or if the employee concerned has ceased to be employed by the employer, the Authority should pay the contribution received to the approved trustee of a registered scheme nominated by the employee. If neither the employer nor the employee has made a nomination, the Authority has to pay the contribution to the approved trustee of a registered scheme it considers appropriate.

4.2.2 Self-employed Persons

Every self-employed person under the Scheme must, to the extent required by the MPFS Ordinance, from the commencement date of his sub-scheme, pay to the Trustee a mandatory contribution of 5% of his relevant income on a monthly or yearly basis as specified in his application form unless his relevant income falls below the statutory minimum of HK\$5,000 per month or HK\$60,000 per year. The amount that any self-employed person must contribute will not exceed HK\$1,000 per month or HK\$12,000 per annum.

4.2.3 Special Contribution

Special contribution may be paid by the Authority into the account of an employee member, self-employed person, or preserved account member under the Scheme in accordance with Section 19B of the MPFS Ordinance.

4.3 Voluntary Contributions (other than Flexi Retirement Contribution)

Employers, employee members or self-employed persons under the Scheme may choose to pay to the Trustee a voluntary contribution as a top-up contribution for each contribution period. Regular voluntary contribution may only be made by employers, employee members and self-employed person. If an employer chooses to make voluntary contributions on behalf of his employees, it should be specified by the employer to the Trustee in the Remittance Statement and/or contribution data file, or in such other form/manner as prescribed/agreed by the Trustee from time to time. If a self-employed person chooses to make voluntary contributions, he must notify the Trustee in writing by 30 days' prior notice the amount of such voluntary contribution. If an employee member chooses to make voluntary contribution, it should also be specified via the employer to the Trustee in the Remittance Statement and/or contribution data file, or in such other form/manner as prescribed/agreed by the Trustee from time to time. Any voluntary contribution made by an employee member and self-employed person shall be deducted from their respective relevant income.

The employer may change its voluntary contributions arrangement by giving the Trustee one month's prior written notice. If an employee member wishes to change his voluntary contributions arrangement, such notice must also be sent to the Trustee via the employer. However, employers and employee members are entitled to change their respective voluntary contribution once only in each financial year of the Scheme. If a self-employed person wishes to change his voluntary contributions arrangement, prior notice in writing has to be given to the Trustee.

4.3A Flexi Retirement Contribution

With the consent of the Trustee, an individual relevant employee may choose to make a "Flexi Retirement Contribution" on monthly basis (or on such regular basis as the Trustee may agree) or in single lump sum specified amount on any dealing day. Relevant employees whose employers do not maintain a sub-scheme under the Scheme can only make contribution as Flexi Retirement Contribution. Such contribution may be paid from the individual relevant employee's own funds in such manner as the Trustee may agree and prescribe from time to time. The Trustee reserves the right not to accept any Flexi Retirement Contribution.

In any case, each of such monthly Flexi Retirement Contribution shall not be less than HK\$500 and except for the first single lump sum specified amount which shall not be less than HK\$10,000, each of the subsequent single lump sum specified amount shall not be less than HK\$5,000 (or such smaller amount as the Trustee may in its discretion agree) provided further that the Trustee may require additional proof of identification if the amount of single lump sum specified Flexi Retirement Contribution shall exceed such limit as the Trustee may determine. The Trustee may change the prescribed minimum Flexi Retirement Contribution amounts from time to time by giving one month's written notice to the individual relevant employees.

An individual relevant employee member may change the specified amount of Flexi Retirement Contribution provided that prior 30 days' written notice has been received by the Trustee. The new contribution amount specified in the notice shall not be less than the prescribed minimum Flexi Retirement Contribution amount as specified above.

All mandatory contributions, voluntary contributions and Flexi Retirement Contribution to the Scheme must be made to the Trustee.

4.4 Contribution Investment Instruction

At the time when a member joins the Scheme, the member must submit his contribution investment instruction to the Trustee as part of his application form or enrolment form (as the case may be). Subject to any restrictions and limitations which may from time to time be imposed by the Trustee, such member may select his own investment combination in the contribution investment instruction. If any member fails to submit to the Trustee his contribution investment instruction, the member will be considered to have elected to invest all his contributions and/or accrued benefits in the Interest Fund.

If any constituent fund is terminated under section 3.1 above, any member who has accrued benefits in such terminating constituent fund or future contributions to be invested in such

* Although the Scheme has been registered with the Authority, such registration does not imply official recommendation of the Scheme by the Authority.

terminating constituent fund must also submit a fund switching instruction and/or new contribution investment instruction (as the case may be) to the Trustee before the closure of such constituent fund or within such timeframe as stipulated by the Trustee in the relevant notice of termination, whichever is earlier. Such instruction will be implemented by the Trustee within 30 days of the receipt of such instruction. If the member fails to submit to the Trustee such instruction within the above specified time, the member will be considered to have elected to invest all such accrued benefits or future contributions into the Interest Fund or, in the case where the Interest Fund is the terminating constituent fund, such other constituent fund as stipulated by the Trustee in the relevant notice of termination.

The maximum number of contribution investment instructions which can be given by a member under each sub-scheme in each financial year is six provided that the Trustee may in its discretion allow any member to submit more than six instructions in any year.

As soon as the Trustee receives confirmation from the receiving banks of the Trustee that the contribution monies are cleared, the Trustee will invest the monies in the respective constituent funds in accordance with the latest contribution investment instruction.

4.5 Transfer into the Scheme

If an employer already maintains an existing occupational retirement scheme under the Occupational Retirement Schemes Ordinance, the employer may transfer the funds and any minimum MPF benefit in such existing retirement scheme to the Scheme as voluntary contribution and mandatory contribution respectively in accordance with the MPFS Ordinance.

Similarly, if an employer already maintains an employer sponsored scheme or participates in another provident fund scheme under the MPFS Ordinance, the employer may also transfer the funds in such existing scheme to the Scheme but always subject to the appropriate provisions of the MPFS Ordinance.

Where there is a change in the ownership of whole or part of a business in which an employee is employed, or where the relevant employment of an employee is transferred to an associated company of the same company group, the new owner or associated company, as the case may be, ("new employer") who has assumed certain duties or liabilities of the previous owner or company ("previous employer") under the Regulation, may elect in accordance with the Regulation (including section 150A) to have the funds and any minimum MPF benefit of such employee held in the scheme or arrangement maintained by his/her previous employer to be transferred to the Scheme of which the new employer is a participating employer but always subject to the appropriate provisions of the MPFS Ordinance.

At the request of an employee member, self-employed person or preserved account member, the Trustee shall also accept a transfer payment from any scheme or arrangement of which the employee member, self-employed person or preserved account member is a member. Such transfer payment will be held by the Trustee as mandatory and/or voluntary contributions in accordance with the governing rules of the Scheme.

In addition, an employee or a self-employed person who was formerly a member of another scheme (whether it is an employer sponsored scheme, another master trust scheme or an industry scheme) may join the Scheme as a preserved account member by submitting a transfer notice to the Trustee and transferring his accrued benefits from the former scheme to the Scheme. In either case, no fees will be charged by the Trustee except for the offer spread and bid spread imposed in the acquisition and redemption of units in the constituent funds.

This Section 4.5 does not apply to an individual relevant employee who makes Flexi Retirement Contribution.

4.6 Vesting of Benefits

4.6.1 Employee Member

Except for any employer's voluntary contributions and subject to any provisions otherwise stipulated in sections 12 and 12A of the MPFS Ordinance, all contributions made on behalf of any employee member will become fully vested as accrued benefits as soon as they are received by the Trustee.

All voluntary contributions made by the employer on behalf of an employee member will become fully vested when:

- (i) the employee member attains the normal retirement age of 65;
- (ii) the employee member retires on the ground of total incapacity;
- (iii) the employee member dies during his employment; or
- (iv) the voluntary contributions become fully vested in accordance with its vesting scale as specified in the application form or any other instructions in writing.

At the option of the employer as specified in the application form, each employee member may become fully vested with the employer's voluntary contribution upon his early retirement after the age of 60.

4.6.2 Self-employed Person, Individual Relevant Employee and Preserved Account Member

All contributions made on behalf of self-employed persons, individual relevant employees and preserved account members will be fully vested at all times.

4.7 Withdrawal of Benefits

Subject to the provisions in the MPFS Ordinance and the Regulation and save as otherwise provided in the rules of the Trust Deed, participation agreement or any ancillary instructions, an employee member, self-employed person, individual relevant employee and preserved account member (or their personal representative, as the case may be) will be entitled to receive a lump sum payment of all benefits accrued under the Scheme when:

- (i) he attains the normal retirement age of 65;
- (ii) 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;
- (iii) he dies before his benefit has been paid;
- (iv) he has departed or is about to depart from Hong Kong permanently; or
- (v) he retires on the ground of total incapacity.

In the cases of (i) and (ii), the accrued benefits paid will be valued as at the dealing day within 30 days of the later of the date of cessation of employment or the date on which the Trustee approves the withdrawal claim. In the cases of (iii), (iv) and (v), the accrued benefits will be valued as at the dealing day within 30 days of the date on which the Trustee approves the withdrawal claim.

Subject to section 162 of the Regulation, the rules of the Trust Deed also contain provisions which allow the employee member, self-employed person, individual relevant employee or preserved account member to receive accrued benefits in the Scheme if such benefits do not exceed HK\$5,000 as at the date of the claim and at least 12 months have elapsed since the contribution day in respect of the latest contribution period for which mandatory contribution is required to be paid in respect of such member and the member does not have any benefits in other registered schemes. The accrued benefits will be valued as at the dealing date within 30 days of the date on which the Trustee approves the withdrawal claim.

Voluntary contributions made in respect of an employee member under the relevant sub-scheme of its employer can also be withdrawn when he ceases to be employed by the employer or in accordance with the provisions of the Regulation or the relevant participation agreement.

The amount of benefits payable will be equal to the aggregate of the vested balance of his employer's voluntary contribution account and the total balance of his own voluntary contribution account under such relevant sub-scheme of its employer. The benefits will be valued as at the dealing day within 30 days of the later of the date of cessation of employment or the date on which the Trustee receives the notice of cessation of employment.

A self-employed person or a preserved account member is entitled to withdraw the accrued benefits in his own voluntary contribution account once in each financial year of the Scheme by giving 30 days' prior written notice (or such shorter notices as agreed by the Trustee from time to time) to the Trustee. A fee of HK\$250 (or such other amount the Trustee may from time to time specify) will be deducted from such withdrawal by a self-employed person.

4.7A Withdrawal of Flexi Retirement Contribution

An individual relevant employee member shall maintain its Flexi Retirement Contribution account balance of not less than HK\$5,000 at all times, or in the case of monthly Flexi Retirement Contribution, after the Flexi Retirement Contribution account balance reaches HK\$5,000. Subject to the consent of the Trustee, an individual relevant employee who has benefits attributable to the Flexi Retirement Contributions may request the Trustee to redeem and withdraw any portion of such Flexi Retirement Contributions on any dealing day by giving to the Trustee a written request (in such form as the Trustee may from time to time prescribe). A withdrawal charge, if any, may be deducted from the withdrawal. (Initially the Trustee has waived the withdrawal charge until further notice). Any such redemption requests will normally be effected by the Trustee within 30 days from the receipt of the proper request given by the individual relevant employee and the proceeds shall be paid to the individual relevant employee accordingly.

Any such redemption allowed for each individual relevant employee can only be effected 4 times in a financial year save as otherwise agreed by the Trustee on such terms at its own discretion. Furthermore, the amount of benefits withdrawn under each request shall not be less than HK\$5,000 (or such smaller amount as the Trustee may in its discretion agree).

4.8 Payment of Accrued Benefits

4.8.1 Employee Member, Self-employed Person or Preserved Account Member

Subject to the provisions in the Regulation, an employee member, self-employed person or preserved account member, who is entitled to receive his benefits under the Scheme, may lodge with the Trustee a claim for the relevant benefits by submitting a form as prescribed by the Trustee.

If, at the time the claim is lodged, there is no contribution outstanding with respect to the member, the Trustee shall pay the member within 30 days of the lodgement of the claim together with all relevant information required by the Trustee subject to any requirement of the Regulation. However, if there are outstanding contributions with respect to the member at the time when the claim is lodged, the Trustee will be required to pay the member within 60 days of the lodgement of the claim.

This paragraph 4.8.1 does not apply to an individual relevant employee who makes Flexi Retirement Contribution.

4.8.2 Other matters

The Trustee may also deduct from the benefits paid (including benefits paid to an individual relevant employee) all income taxes, duties, charges and any other fees which are required by law to be deducted.

When the Trustee pays the accrued benefits to a member, the Trustee will provide the member with a benefit statement containing information such as the total amount paid and the details of any expenses relating to the payment made.

Payment of benefits under the Scheme will be made in Hong Kong and in Hong Kong dollars unless otherwise agreed between the Trustee and the member. If the payment is made in a currency other than Hong Kong dollars or in a place outside Hong Kong, the Trustee may deduct the cost of conversion and transmission (as the case may be) from the sum payable. The Trustee may make the payment by cheque or telegraphic transfer.

4.9 Portability of Benefits

4.9.1 Employee Member, Self-employed Person and Preserved Account Member

The rules of the Trust Deed also contain provisions relating to the portability of accrued benefits of the employee member, self-employed person or preserved account member. If an employee member ceases to be employed by his employer, the employee member may elect to have his accrued benefits under the Scheme transferred to a preserved account of the Scheme, to an industry scheme or to another registered scheme. In the case of a self-employed person, he may at any time elect to transfer his accrued benefits under the Scheme to another registered scheme or an industry scheme. In the case of a preserved account member, he may also at any time elect to transfer his accrued benefits in his preserved account to another registered scheme.

An employee member, self-employed person or preserved account member who wishes to make the transfer should notify the Trustee of his election and provide the Trustee with the necessary information in accordance with the rules of the Trust Deed. Upon the receipt of all information required, the Trustee will take all practicable steps to ensure that all the accrued benefits concerned will be transferred in accordance with the election within 30 days of receipt of the notification subject to any requirement of the Regulation.

If the employee member fails to make an election within 3 months of the termination notice, the employee member will be taken to have elected to transfer his accrued benefits concerned to a preserved account of the Scheme, in which case, all the benefits will be so transferred within 30 days after the end of the 3-month period.

If the self-employed person fails to make an election within 3 months of the notification of cessation of contributions, the self-employed person will be taken to have elected not to transfer his accrued benefits but to retain them in the Scheme.

This Section 4.9 does not apply to an individual relevant employee who makes Flexi Retirement Contribution. Benefits held in the Flexi Retirement Contribution sub-account shall be retained in the Scheme unless otherwise withdrawn upon request.

4.10 Termination of Sub-scheme

Any employer, self-employed person, individual relevant employee or preserved account member may at any time cease to participate in the Scheme by giving a written notice to the Trustee.

Furthermore, the Trustee may terminate the participation of an employer or membership of an employee member, self-employed person, individual relevant employee or preserved account member in accordance with the Rules of the Scheme; and

- (a) in the case of an employee member, with the written agreement of that employee member or the employer of that employee member given not earlier than 60 days before the termination; or

- (b) in the case of an SEP member or former SEP member or a preserved account member, with the written agreement of that SEP member or former SEP member or preserved account member given not earlier than 60 days before the termination; or
- (c) in the case of an individual relevant employee member, with the notification by the individual relevant employee member to the Trustee that he/she ceases to be a "relevant employee" as defined in the MPFS Ordinance; or with 30 days prior notification given by the Trustee to individual relevant employee members if the Flexi Retirement Contribution account balance maintained in the relevant sub-scheme of the individual relevant employee member is less than HK\$5,000; or
- (d) in the case of an employee member (other than a casual employee) who is not required to be enrolled in the Scheme by the MPFS Ordinance and whose employment is being terminated before he is so required to enrol in the Scheme, no agreement is required from the said employee member.

Upon termination of the sub-scheme, the employer, employee member, self-employed person or preserved account member may transfer the accrued benefits under the Scheme to another registered scheme in accordance with the prevailing laws and regulations.

Upon termination of the sub-scheme, the individual relevant employee member will be paid his accrued benefits under the Scheme in accordance with the Trust Deed governing the Scheme.

5. VALUATION AND PRICING

5.1 Dealing Day

In respect of a unitised constituent fund, units will be valued for or issued/redeemed on each dealing day which will be any day on which the banks in Hong Kong are open for business (excluding Saturdays) or such other day as the Trustee may from time to time determine.

Similarly, investment can be made in or monies can be withdrawn from the Interest Fund on each of such dealing days.

5.2 Dealing Process

To subscribe for units of any constituent funds, the Trustee must receive the following:

- (i) clear instruction in respect of the units to be subscribed;
- (ii) the contribution monies in cleared funds; and
- (iii) the remittance statement setting out the details of the contributions made.

The Trustee will normally issue the relevant number of units to the member within 7 business days of the receipt of all of the above.

The Trustee may however in its sole discretion issue to the member the relevant number of units notwithstanding that the contribution monies have not been received by the Trustee in cleared funds. In such event, if the contribution monies are not received by the Trustee in full and in cleared funds within 7 business days of the issue of the relevant units, the Trustee may cancel such issue of units and any appreciation and depreciation in the value of the units cancelled shall be taken up by the relevant constituent fund.

Similarly, redemption requests will normally be effected by the Trustee within 7 business days from the receipt of the proper instructions given by the members or, within 7 business days from the date of receipt of the relevant requests or the expiry date of such requests in the case of withdrawal of accrued benefits by self-employed member under voluntary contribution account.

Notwithstanding the above, the Trustee may change the dealing methodology described above by giving one month's notice to the members of the Scheme.

5.3 Valuation

The Trustee will value each investment and asset in a constituent fund on each valuation day. Assets in each constituent fund (other than the Interest Fund) will be valued for each dealing day whereas assets in the Interest Fund will be valued for the last day of each month.

The net asset value of a constituent fund will be determined by calculating the total value of the investments and assets of the constituent fund and deducting the liabilities attributable to the constituent fund in accordance with the provisions of the Trust Deed. In general,

- (i) quoted investments are valued at their latest available quoted traded price of the relevant investment as at the close of business in the relevant stock exchange or market at or immediately preceding the valuation time which is the close of business in the last market to close of all relevant stock exchanges or markets on each day of valuation or such other time on a day of valuation as the Trustee may from time to time select;
- (ii) unquoted investments are assessed on the latest revaluation made;
- (iii) collective investment schemes are valued at their net asset values per share or unit or if more than one price is quoted, the sell price;
- (iv) current and fixed deposits are valued at face value;
- (v) futures contracts are valued at their contract values, taking into account any amount as would be required to close the contracts and any expenses that may be incurred; and
- (vi) if investments have been agreed to be purchased, such investments will be included and the purchase price will be excluded; if investments have been agreed to be sold, such investments will be excluded and the sales proceeds will be included.

Liabilities attributable to a constituent fund will include any taxation related to the income of the constituent fund; accrued or unpaid expenses of the Scheme (e.g. trustee's fee, legal and auditor's fee, valuation and other professional fees and the cost of setting up the Scheme) which are attributable to the constituent fund and any outstanding borrowing.

The net asset value per unit of a constituent fund (which is not the Interest Fund) will be determined by dividing its net asset value (reduced by any reserve held in the fund for guarantees) by the number of units in issue.

In respect of the Interest Fund, interest at a rate to be declared by the Trustee at its sole discretion at the recommendation of MIL will be credited to the Interest Fund at the end of each month. For details, please refer to section 6.2.3 below.

For the purpose of valuation, money received for acquiring investments or units of the constituent fund on the dealing day will not be included in the valuation and no deduction will be made in respect of redemption of units or withdrawal of benefits from the constituent fund on that dealing day.

Subject to the approval of the Authority, the Trustee may change the valuation methodology of any constituent fund by giving to the members one month's prior notice.

5.4 Suspension of Valuation and Pricing

The Trustee may, having regard to the interests of the members, suspend the dealing of the units of any constituent fund and the determination of the net asset value of any constituent fund in the following circumstances:

- (i) there is a closure of or restriction or suspension of trading on any securities markets on which a substantial part of the investments of the relevant constituent fund is normally traded or a breakdown in any of the means normally employed by the Trustee in determining the net asset value of a constituent fund or ascertaining the value of any investments comprised in a constituent fund;
- (ii) for any other reason, the prices of investments in the constituent fund cannot, in the opinion of the Trustee, be reasonably ascertained;
- (iii) in the opinion of the Trustee, it is not reasonably practicable or is prejudicial to the interest of the members to realise any investments held in the constituent fund; or
- (iv) the remittance or repatriation of funds which may be involved in the redemption of or in the payment for the investments in any constituent fund or the subscription for or redemption of any units is delayed or cannot, in the opinion of the Trustee, be effected at reasonable prices or reasonable rates of exchange,

provided that the suspension shall not cause the Trustee to be unable to comply with its obligations under the MPFS Ordinance and any rules, guidelines, codes or regulations made thereunder.

Whenever a suspension is declared, the Trustee will notify the Authority as soon as may be practicable after any such declaration. The Trustee will also publish immediately after such declaration and at least once a month during the period of suspension, a notice in the leading English and Chinese newspapers stating that such declaration has been made.

6. DEALING

6.1 Subscription and Subscription Price

6.1.1 Constituent Funds other than the Interest Fund

Units of the constituent funds will normally be issued on every dealing day in accordance with the dealing process as described in section 5.2 above. Upon the receipt of contribution monies in cleared funds, the member's contribution investment instruction, remittance statement and/or fund switching instruction (as the case may be), the Trustee will issue to the relevant member the appropriate number of units of the relevant constituent funds, normally within 7 business days of such receipt in accordance with the member's instruction. Prior to the issue of the units, the Trustee shall have the discretion to retain such contribution monies in an interest bearing account and any interest generated from the contribution monies shall belong to the Scheme.

The price at which units will be issued on a dealing day will be calculated as follows:

$$I = \frac{NAV}{1 - C}$$

where:

- I = issue price per unit;
- NAV = net asset value per unit on that dealing day;
- C = offer spread expressed as a percentage.

An offer spread will be levied and retained by the Trustee for its own use and benefit. The Trustee may reduce or waive the offer spread for any member in respect of any constituent fund as the Trustee may consider appropriate.

No offer spread will be levied in respect of issue of units in the Conservative Fund.

The issue price will be rounded to the nearest 3 decimal places or such other number of decimal places as the Trustee may from time to time determine. The number of units issued will be determined by dividing the contribution money by the issue price of the unit of the relevant constituent fund in which the contribution money will be invested, and the resulting number will be rounded to the nearest 3 decimal places or such other number of decimal places as the Trustee may determine and any smaller fractions of a unit to be retained for the benefit of the constituent fund.

No unit of any constituent fund will be issued at a price higher than the issue price of the unit of the constituent fund on the relevant dealing day.

Units may not be issued by the Trustee during any period when the valuation and dealing of the units in the relevant constituent fund is suspended.

No investment can be made in any constituent fund until the conclusion of the first issue of Units at the issue price. Units of any constituent fund shall first be issued at HK\$10 unless otherwise determined by the Trustee subject to the prior approval of the Authority before the first issue of such units.

Subject to the approval of the Authority and the SFC, the Trustee may change the methodology of determining the issue price of the constituent funds by giving one month's prior notice to the members.

6.1.2 Interest Fund

When contribution monies are invested in the Interest Fund, an offer spread of a percentage of the contribution monies may be deducted and retained by the Trustee. Prior to the investment of the contribution monies into the Interest Fund, the Trustee shall have the discretion to retain such contribution monies in an interest bearing account and any interest generated from the contribution monies shall belong to the Scheme.

The Trustee may reduce or waive the offer spread for any member as the Trustee may consider appropriate.

6.2 Redemptions of Units and Redemption Price

Members will be required to redeem their units under the Growth Fund, Aggressive Fund, Stable Fund and Conservative Fund in order to withdraw or switch out their accrued benefits from such funds.

6.2.1 Growth Fund, Aggressive Fund and the Conservative Fund

Units will be redeemed on a dealing day at a redemption price equal to its net asset value less any bid spread which the Trustee may from time to time impose. The total redemption monies will be the redemption price multiplied by the number of units redeemed, rounded to the nearest 2 decimal places or such other number of decimal places as the Trustee may determine. No bid spread will be levied in respect of redemption of units in the Conservative Fund.

The bid spread will be retained by the Trustee for its own use and benefit. The Trustee may reduce or waive the bid spread for any member in respect of any constituent fund as the Trustee may consider appropriate.

No unit of any of the above funds will be redeemed at a price lower than the redemption price per unit of the constituent fund on the relevant dealing day.

Subject to the approval of the Authority, the Trustee may change the methodology of determining the redemption price of the constituent funds by giving one month's prior notice to the members.

6.2.2 Stable Fund

Upon redemption of units of the Stable Fund, members may either receive an amount as calculated

in accordance with section 6.2.1 above or if higher a “guaranteed” amount, provided that (i) the qualifying condition as set out below is satisfied; and (ii) the redemption is effected as a result of certain pre-determined events.

(i) **Qualifying condition**

In order for a contribution to satisfy the qualifying condition, such contribution must be received in cleared funds **before the member’s 55th birthday**.

Therefore, units issued as a result of a contribution made to the Stable Fund can notionally be classified as “qualifying units” or “non-qualifying units”.

(ii) **Pre-determined events**

Provided that the qualifying condition has been satisfied, the member will be entitled to the guaranteed amount if the member:

- (a) reaches the normal retirement age of 65;
- (b) becomes totally incapacitated; or
- (c) dies.

The Stable Fund will be operated on a dual-account basis. In respect of each sub-scheme by a member, each member holding units in the Stable Fund will have an “actual” account and a “guaranteed” account. The “actual” account is an account holding the units of the Fund. The “guaranteed” account is a notional account in which a balance will be maintained and calculated on the basis that all contribution monies (that satisfy the qualifying condition and after the deduction of the applicable offer spread) are invested at the guaranteed rate of interest. Upon the occurrence of certain pre-determined events, the higher of the value in the “actual” and “guaranteed” accounts, less any applicable bid spread will be payable to the member. Partial redemption from the Stable Fund is allowed, in which case, any non-qualifying units will be redeemed before qualifying units are redeemed.

The bid spread will be retained by the Trustee for its own use and benefits. The Trustee may reduce or waive the bid spread for any member in respect of any constituent fund as the Trustee may consider appropriate.

The guarantee above only applies to members who redeem their contributions upon the occurrence of any of the pre-determined events and such contributions satisfy the qualifying conditions when they are invested into this Stable Fund. Redemption before the occurrence of the pre-determined events is fully exposed to fluctuations in the value of the fund’s assets.

The redemption proceeds for any non-qualifying units will be equal to an amount calculated in accordance with section 6.2.1 above.

For any qualifying units, if the redemption by a member in respect of a sub-scheme is not effected upon the occurrence of one of the pre-determined events, the redemption proceeds will be equal to the amount calculated in accordance with section 6.2.1 above. To the extent that qualifying units acquired with irregular contributions are purchased replacing previously redeemed qualifying units in respect of the relevant sub-scheme by a member, the Trustee has the right to reduce any resulting increase in the guaranteed account of a member in respect of the relevant sub-scheme to the level of the guarantee that would have applied had the redemption of units and subsequent repurchase not have occurred.

For the purposes of this section, “irregular contributions” means any contributions (which can fulfil the qualifying condition) received from another scheme or transferred from another constituent fund and invested in the Stable Fund.

Partially redeeming or switching units out of the Stable Fund would therefore have an impact on the guarantee balance of the member and the increase in the guarantee balance due to subsequent irregular contributions made. Members shall refer to the Illustrative Example of Partial Redemption Rule in Appendix B and consider the impact before switching or redeeming.

If the redemption is effected as a result of a pre-determined event, the redemption proceeds will be equal to the greater of

- (i) an amount calculated in accordance with section 6.2.1 above; or
 - (ii) the balance in the “notional guaranteed account”;
- less any applicable bid spread.

Subject to the approval of the Authority, the Trustee may change the methodology of determining the redemption price of the Stable Fund by giving one month’s prior notice to the members.

6.2.3 Interest Fund

The Interest Fund is a non-unitised bond fund of the Scheme that provides members with capital guarantee at all time. The “capital” to be guaranteed shall comprise of the accrued benefits standing to the member’s account at any given time (inclusive of any contributions net of redemption and any credited interest, minus any applicable offer spread and bid spread or any applicable service fees).

At the end of each month, interest to be calculated and credited for the month (which shall not be less than zero) shall be equal to the aggregate of daily interest for the month. Each daily interest within the month shall be calculated at month-end by reference to the minimum balance recorded for such respective day multiplied by the rate to be determined by the Trustee at month-end in its sole discretion at the recommendation of MIL and based on the economic and market conditions during that month.

The interest rate declared since the commencement date December 1, 2000 can be found in the Appendix.

When the member makes full withdrawal from the Interest Fund before the end of the month, the interest that will be credited to such monies for the partial month will be calculated at the withdrawal day using a rate as determined by the Trustee at its sole discretion at the recommendation of MIL based on the rate declared for the previous month and being adjusted for any economic and/or market movements.

Upon withdrawal, subject to any restrictions under the Regulation, a bid spread may also be deducted from the monies withdrawn before they are paid to the relevant member. The Trustee may reduce or waive the bid spread for any member in respect of any constituent fund as the Trustee may consider appropriate.

In order to provide the capital guarantee and return under the Interest Fund, MIL may, in its sole discretion, retain and set aside as a smoothing provision, income of the Interest Fund in any month which is in excess of what is required to provide the capital guarantee and declared return during that month.

The amount of smoothing provision will be determined based on a number of factors including the economic outlook, portfolio mix and performance of the fund, maturity period of its underlying portfolio and the duration of liabilities which may be incurred by the fund.

Smoothing provision of the month will be equal to gross return of the insurance policy, corresponding to the Interest Fund, of the month minus the sum of interest credited to the members at month end based on declared rate of return, interest paid out to withdrawal members during the month, and all other fees and charges as defined in this Offering Document. Any negative amount as a result of the above calculation will be released from the reserve account of the insurance policy corresponding to the Interest Fund as long as the reserve can fulfil the regulatory requirements. Provision will be made by MIL to make good the shortfall over the term of the Scheme if assets of the Interest Fund prove inadequate, so that the reserve shall not fall below zero and that the Member’s accrued benefits shall not be affected. For the avoidance of doubt, any such provision will not impose any liability on the Fund for the purpose of calculating the Net Assets Value of the Fund save that MIL shall have the right at any time to withdraw the said provision, either in part or wholly, plus interest on the said provision at Declared Rates of Return, from the assets of the Fund if the assets value of the Fund exceeds the required reserve. Provided further that any such withdrawal will not render the assets value of the Fund being less than the required reserve.

Subject to the approval of the Authority and the SFC, the Trustee may change or cancel any guarantee features in respect of the Stable Fund or Interest Fund by giving a 3 months’ prior notice to the members. Such changes, however, will not affect any guaranteed entitlement accrued prior to the effective date of change and the guaranteed entitlement will be calculated based on the “pre-change” provisions up to the day before the effective date.

6.3 Switching between Constituent Funds

Subject to any limitation which may be imposed by the Trustee, an employee member, self-employed person, an individual relevant employee member or a preserved account member may submit a fund switching instruction to the Trustee to withdraw any investment or redeem any units in a constituent fund (the “current constituent fund”) and to apply such redemption proceeds to invest or acquire units in other constituent funds (the “new constituent fund”) on the same day in accordance with the fund switching instruction. Such fund switching instruction form will not affect the way in which any future contributions should be invested which will continue to be made in accordance with the latest contribution investment instruction submitted by the relevant member. (see section 4.4)

However, if the accrued benefits which remain in the current constituent fund is less than HK\$500, the Trustee may also determine that such amount should be transferred to the new constituent fund.

Notwithstanding any limitation which may be imposed by the Trustee in respect of the switching of constituent funds, each member will be entitled to transfer his entire contributions or benefits under the Scheme into any one constituent fund.

The number of units of the new constituent fund (other than the Interest Fund) to be issued will be calculated as follows:

$N = \frac{P}{M}$	
where:	
N	is the number of units of the new constituent fund to be issued (rounded to the nearest 3 decimal places, or such other number of decimal places as the Trustee may determine from time to time)
P	is the redemption proceeds or repayment amount from the current constituent fund calculated in accordance with section 6.2 above
M	is the issue price per unit of the new constituent fund as at the relevant dealing day

If the new constituent fund is the Interest Fund, an offer spread of a percentage of the redemption proceeds may be deducted before they are invested in the Interest Fund.

The maximum number of requests which can be made by a member under each sub-scheme in each financial year is four provided that the Trustee may in its discretion allow any member to have more than four times of fund switching in any year. If dealing of the relevant constituent fund(s) is suspended, the Trustee shall not be obliged to implement any or all of the instructions as specified in the fund switching instruction until the suspension shall have terminated, whereupon all the above requests received by the Trustee, but not dealt with prior to such suspension shall remain valid and will be dealt with after the period of suspension.

6.4 Limit on Redemption

The trustee may limit redemption of a constituent fund to 10% of its NAV. This limitation will be applied pro rata to all redemption requests to be effected on such dealing day. Requests not redeemed will be applied to the next dealing day subject to the same 10% limitation.

7. FEES AND CHARGES

7.1 Fees and Charges

Subject to the restrictions in section 7.2 below, the maximum level and current level of fees and charges which the Trustee may levy under the Scheme can be summarized as follows. Unless otherwise stated, all fees and charges are deducted from the respective constituent funds, insurance policies or underlying umbrella unit trust and all percentages are expressed as percentages of the net asset value of the respective constituent funds, insurance policies and underlying umbrella unit trust. Those fees and charges to be borne by the insurance policies and the underlying umbrella unit trust will accrue on a daily basis.

7.1.1 Fee Table

The following table describes the fees, charges and expenses that participating employers and members may pay upon and after joining the Scheme. Important explanatory notes and definitions are set out at the bottom of the table.

(A) JOINING FEE & ANNUAL FEE				
Type of fees	Current amount (HK\$)			Payable by
	Employee Member / Preserved Account Member	Self-employed Person	Individual Relevant Employee Member	
Joining fee ¹ <small>(please refer to Explanatory Notes (iv))</small>	Nil <small>(Permanently Waived)</small>	HK\$500	Nil <small>(Permanently Waived)</small>	Member
Annual fee ² <small>(Service Fee for Self-employed Person and Individual Relevant Employee Member (please refer to Explanatory Notes (iv)))</small>	N/A	HK\$500	Nil	Member

(B) FEES AND CHARGES PAYABLE ARISING FROM TRANSACTIONS IN INDIVIDUAL MEMBER'S ACCOUNT

Type of fees & charges	Name of constituent fund	Current level			Payable by
		Employee Member / Preserved Account Member	Self-employed Person	Individual Relevant Employee Member	
Contribution charge ³	All constituent funds	N/A			
Offer spread ⁴	Manulife MPF Conservative Fund	N/A			
	All other constituent funds	Nil (Permanently Waived)			Member
Bid spread ⁵	Manulife MPF Conservative Fund	N/A			
	All other constituent funds	Nil			Member
Withdrawal charge ⁶	Manulife MPF Conservative Fund	N/A			
	All other constituent funds	N/A	HK\$250 deducted from the proceeds upon withdrawal of the accrued benefits attributable to voluntary contribution received by Trustee	Nil (In the event if there is such a charge, it will be deducted from the proceeds upon withdrawal of benefits attributable to Flexi Retirement Contribution received by Trustee)	Member

(C) & (D) ANNUAL FUND OPERATING CHARGES & EXPENSES OF CONSTITUENT FUNDS & FEES AND CHARGES PAYABLE OUT OF THE UNDERLYING FUNDS

Type of charges & expenses (please refer to Explanatory Notes (v))	Name of constituent fund	Current level			Deducted from
		Employee Member / Preserved Account Member	Self-employed Person	Individual Relevant Employee Member	
Management fees ⁷ (please refer to Explanatory Notes (ii))	Manulife MPF Conservative Fund	Currently, 1.75% p.a. of NAV As from November 1, 2009, reduced to 1.25% p.a. of NAV			Relevant assets of the insurance policies
	Manulife MPF Interest Fund	Currently, 2% p.a. of NAV As from November 1, 2009, reduced to 1.75% p.a. of NAV			Relevant assets of the insurance policies and APIFs of the umbrella unit trust
	All other constituent funds	Currently, 2.25% p.a. of NAV As from November 1, 2009, reduced to 1.9% p.a. of NAV			
Offer spread ⁴	APIFs maintained under all constituent funds	Nil			
Bid spread ⁵	APIFs maintained under all constituent funds	Nil			
Guarantee charge ⁸	N/A				

The following fees and expenses may also be deducted from the assets of the Scheme (or the underlying APIFs, as the case may be): transaction costs, charges and expenses (including tax, stamp duty, registration fee, custody and nominee charges, compensation levy, indemnity insurance, MPF registration fee (if any)), fees for providing valuation, accounting, custodian and sub-custodian services, costs of preparing, publishing and distributing this Offering Document, any other materials and the reports of the Scheme, and any other expenses properly incurred in respect of the management and administration of the Scheme and the underlying APIFs.

Furthermore, the participating employer will be responsible for the legal costs which may be incurred in the preparation of the participation agreement referred to in section 4.1.

Advertising Expenses: No such expenses will be charged against the constituent funds, the insurance policies or the underlying umbrella unit trust.

(E) OTHER FEES AND CHARGES FOR PROVIDING ADDITIONAL SERVICES

Special handling fees payable by the requesting party can be charged by the Trustee in respect of any employer, employee member, preserved account member, individual relevant employee member or self-employed person under the Scheme in respect of any extra service provided which shall include but not limited to the following:

- Each cheque returned due to insufficient funds or any other reasons, and/or reissuance of replacement cheque: HK\$100 per cheque
- Request for duplicate employer's account statement: HK\$100 per copy
- Request for duplicate annual benefit statement: HK\$50 per copy
- Request for quarterly benefit statement: HK\$200 per statement
- Retrieval of Remittance Statement (up to 7 years): HK\$50 per statement (minimum HK\$200)
- Request for copy of the Trust Deed: HK\$1,000 per copy

DEFINITIONS

The following are the definitions of the different types of fees and charges.

1. **“Joining fee”** means the one-off fee charged by the trustee/sponsor of a scheme and payable by the employers and/or members upon joining the Scheme.
2. **“Annual fee”** means the fee (including service fee) charged by the trustee/sponsor of a scheme by no more than once a year and payable by the employers and/or members of the Scheme.
3. **“Contribution charge”** means the fee charged by the trustee/sponsor of a scheme against any contributions paid to the Scheme. This fee is usually charged as a percentage of contributions and will be deducted from the contributions. This charge does not apply to the Conservative Fund.
4. **“Offer spread”** is charged by the trustee/sponsor upon subscription of units of a constituent fund/APIF by a scheme member/fund holder. Offer spread does not apply to the Conservative Fund.
5. **“Bid spread”** is charged by the trustee/sponsor upon redemption of units of a constituent fund/APIF by a scheme member/fund holder. Bid spread does not apply to the Conservative Fund.
6. **“Withdrawal charge”** means the fee charged by the trustee/sponsor of a scheme upon withdrawal of accrued benefits from the Scheme. This fee is charged as a fixed amount and will be deducted from the withdrawal amount. This charge does not apply to the Conservative Fund.
7. **“Management fees”** include fees paid to the trustee, custodian, administrator, investment manager (including fees based on fund performance, if any) and sponsor of a scheme for providing their services to the relevant fund. They are usually charged as a percentage of the net asset value of a fund.
8. **“Guarantee charge”** refers to an amount that is deducted out of the assets of a guaranteed fund for the purpose of providing the guarantee. This fee is usually charged as a percentage of the net asset value of a guaranteed fund.

EXPLANATORY NOTES

(i) Maximum Level

Type of fees	Maximum amount (HK\$)			Payable by
	Employee Member / Preserved Account Member	Self-employed Person	Individual Relevant Employee Member	
Joining fee ¹ (please refer to Explanatory Notes (iv))	Nil (Permanently Waived)	HK\$500	Nil (Permanently Waived)	Member
Annual fee ² (Service Fee for Self-employed Person and Individual Relevant Employee Member (please refer to Explanatory Notes (iv)))	N/A	HK\$500	Nil	Member

(B) FEES AND CHARGES PAYABLE ARISING FROM TRANSACTIONS IN INDIVIDUAL MEMBER'S ACCOUNT					
Type of fees & charges	Name of constituent fund	Maximum level			Payable by
		Employee Member / Preserved Account Member	Self-employed Person	Individual Relevant Employee Member	
Contribution charge ³	All constituent funds	N/A			
Offer spread ⁴	Manulife MPF Conservative Fund	N/A			
	All other constituent funds	Nil (Permanently Waived)			Member
Bid spread ⁵	Manulife MPF Conservative Fund	N/A			
	All other constituent funds	Nil			Member
Withdrawal charge ⁶	Manulife MPF Conservative Fund	N/A			
	All other constituent funds	N/A	HKS250 deducted from the proceeds upon withdrawal of the accrued benefits attributable to voluntary contribution received by Trustee	Nil (In the event if there is such a charge, it will be deducted from the proceeds upon withdrawal of benefits attributable to Flexi Retirement Contribution received by Trustee)	Member

(C) & (D) ANNUAL FUND OPERATING CHARGES & EXPENSES OF CONSTITUENT FUNDS & FEES AND CHARGES PAYABLE OUT OF THE UNDERLYING FUNDS

Type of charges & expenses (please refer to Explanatory Notes (v))	Name of constituent fund	Maximum level			Deducted from
		Employee Member / Preserved Account Member	Self-employed Person	Individual Relevant Employee Member	
Management fees ⁷ (please refer to Explanatory Notes (ii))	Manulife MPF Conservative Fund	2.63% p.a. of NAV			Relevant assets of the insurance policies
	All other constituent funds	2.63% p.a. of NAV			Relevant assets of the insurance policies and APIFs of the umbrella unit trust
Offer spread ⁴	APIFs maintained under all other constituent funds	Nil			
Bid spread ⁵	APIFs maintained under all other constituent funds	Nil			

(ii) Breakdown of Management fees

Management fees	Maximum Level	Current Level	
		Currently	As from November 1, 2009
(a) APIFs maintained under constituent fund (i): - Trustee and Administration Fee and Investment Management Fee - Fund Administration Fee	2.5% p.a. of NAV 0.13% p.a. of NAV	2% p.a. of NAV Nil	1.75% p.a. of NAV Nil
(b) APIFs maintained under constituent funds (ii) to (iv): - Trustee and Administration Fee and Investment Management Fee - Fund Administration Fee	2.5% p.a. of NAV 0.13% p.a. of NAV	2.25% p.a. of NAV Nil	1.9% p.a. of NAV Nil
(c) APIFs maintained under constituent fund (v): - Trustee and Administration Fee and Investment Management Fee - Fund Administration Fee	2.5% p.a. of NAV 0.13% p.a. of NAV	1.75% p.a. of NAV Nil	1.25% p.a. of NAV Nil

(iii) Guarantee Provision

- Smoothing provision applicable to Manulife MPF Interest Fund: To be determined from time to time by MIL.
- Provision for guarantee applicable to Manulife MPF Stable Fund: maximum level is 0.75%p.a. of NAV, current level is 0.25%p.a. of NAV.

(iv) Joining fee payable for every enrolment of Self-employed Person will constitute a condition precedent for such enrolment. Service fee charged for every Self-employed Person by the Trustee and payable at the end of financial year of the Scheme is deducted from the relevant member's account at the time when the respective accrued benefits are calculated in accordance with and to the extent permitted by the MPFS Ordinance and the Regulation. Any Self-employed Person who joins the Scheme during the Scheme financial year may be charged a pro-rated service fee based on the balance of days counted from the date of enrolment to the Scheme financial year end. Both Joining fee and service fee for Self-employed Person can be waived by the Trustee on any special condition announced by the Trustee through marketing materials, newsletters or otherwise from time to time and non-payment of such fee will immediately constitute a debt enforceable by the Trustee.

(v) Charges and expenses of the constituent funds shall be collected under the insurance policies.

(vi) At the request of any employer, employee member, individual relevant employee or self-employed person under the Scheme, the Trustee may provide, at a reasonable fee to be notified, other extra services not being Trustee's obligations as expressly provided under the Scheme documentation or under any applicable laws or regulations.

(vii) Notwithstanding the above, the Trustee may in its sole discretion reduce or waive any of the above fees and charges and/or adjust the current level of fees and charges at any time up to the specified maximum level as in the Offering Document provided that any increase in the current level of fees and charges can only be made with at least 3 months' prior notice to the members and employers.

(viii) Subject to the approval of the Authority, the Trustee may also:

- change the maximum level of fees and charges provided in the Offering Document; or
- levy any additional fees and charges as may be permitted under the Trust Deed, by giving a 3 months' notice to the members and employers.

7.2 Deductions from the Conservative Fund

Administrative expenses (i.e. trustee fee and fees of other services providers) may only be deducted from the Conservative Fund and its underlying insurance policy in the following circumstances:

- if the amount of income from the funds of the Conservative Fund (or its underlying insurance policy) in a particular month exceeds the amount of interest that would have been earned if those funds had been placed on deposit in a Hong Kong dollar savings account at the prescribed savings rate, an amount not exceeding the excess may be deducted from the Conservative Fund (or its underlying insurance policy) as administrative expenses for that month; or
- if in a particular month no amount is deducted under (i) above or the amount that is deducted is less than the actual administrative expenses for the month, the deficiency may be deducted from the amount of any excess that may remain in any of the following 12 months after deducting the administrative expenses applicable to that following month.

7.3 Soft Benefits

The investment manager and/or sub-investment manager of the umbrella fund levels may receive from a broker or dealer such goods or services or other benefits (such as research and advisory services, computer hardware associated with specialized software, etc) which are of demonstrable benefits to the members provided execution of transactions is consistent with good execution standards and the brokerage rates paid do not exceed customary institutional full service brokerage rates. No cash rebate will be retained by the investment manager and/or sub-investment manager and/or their associates.

8. GENERAL INFORMATION

8.1 Reports and Notices to Member

The financial year end of the Scheme is 31st March each year. The Trustee will provide to each member of the Scheme an annual benefit statement within 3 months of the end of the financial period of the Scheme. The annual benefit statement will provide the member with the following information:

- the total contributions paid to the Scheme during the financial period specifying any unpaid contributions;
- the value of the accrued benefits as at the beginning and the end of the financial period;
- if the member is a self-employed person, the total contributions made by the member;
- if the member is an employee, the total contributions made by the employer;
- particulars of any amount transferred to or from the Scheme during the financial period;
- if voluntary contributions are made by the member, the amount of mandatory and voluntary contributions made and the accrued benefits derived from each of the contributions; and
- if the member is an individual relevant employee, the total Flexi Retirement Contribution made by the member.

With the exception of the membership certificate and the participation certificate to be provided under the Regulation whereby such certificates shall be given or sent in accordance with the relevant provisions under the Regulation, any other notice or document required to be served upon the member of the Scheme for the purposes of the MPFS Ordinance, the Trust Deed, or the Participation Agreement, may be delivered by hand, sent by prepaid post (airmail if overseas), facsimile (at the recipient's facsimile number last known to the sender), electronic mail (at the recipient's electronic mail address last known to the sender) or other similar means of communication at the sole discretion of the Trustee.

Notwithstanding the above, such notices or documents shall in the case of an employee member be deemed to have been duly given when appropriate details of the notices and/or documents have been given to the employer of such employee member and such employer has been advised to pass such notices to the relevant employee member.

With effect from September 30, 2006, a document that illustrates the on-going costs on contributions to constituent funds in this Scheme (except for Manulife MPF Conservative Fund) will be distributed with the offering document. An illustrative example of fees of the Manulife MPF Conservative

Fund is currently available for distribution with the offering document. Before making any investment decisions concerning MPF investments, you should ensure that you have the latest version of these documents which can be obtained from our website www.manulife.com.hk or call our customer service representative.

Manulife shall provide the employers and members participating in the Scheme with periodic statements and other information in relation to the respective sub-scheme and member account, such as Member Benefit Statement, Employer Monthly Package, Confirmation of Investment Instructions and Confirmation of Transfer of Fund Accumulations, etc. (collectively referred to as "Statement of Account"). Such statements and information may also be provided upon the request of an employer or a member. An employer and/or a member is advised to examine and verify the correctness of each and every Statement of Account received and to notify the Trustee immediately in writing, if any entries/information is inaccurate or different from his/her own record or intention.

8.2 Publication of Net Asset Value and Prices

The issue price and the redemption price for each unitised constituent fund will be published on each dealing day in a leading English and Chinese newspaper.

8.3 Documents for Inspection

Members of the Scheme are advised to review the terms of the Trust Deed. If there is any conflict between any of the provisions of this Offering Document and the Trust Deed, the provisions of the Trust Deed will prevail. Copies of the Trust Deed may be obtained from the Trustee at a cost of HK\$1,000 per copy or may be inspected free of charge during normal working hours at the office of the Trustee.

Members of the Schemes may also request a copy of the consolidated reports of the Scheme for any specified financial year within the 7 years preceding the date of request.

8.4 Modification of the Trust Deed and this Offering Document

Subject to the prior approval of the relevant authorities and the provisions in the Trust Deed, the Trustee may modify the Trust Deed and this Offering Document, provided that no such modification may change the main purpose of the Trust to be other than the provision of retirement and other benefits for employees of employers, self-employed persons, individual relevant employees or preserved account members.

To the extent required in the Regulation or any other appropriate legislation, a modification to the Trust Deed or this Offering Document will not take effect until the Authority and, if necessary, the SFC have given written notice to the Trustee that the Authority and, if necessary, the SFC have approved the modification and any requisite period of notice has been given to members of the Scheme.

8.5 Duration

The Scheme may be wound up only by the Court on application made by the Authority in accordance with the MPFS Ordinance.

The winding up of the Scheme will be conducted in accordance with the winding up rules provided in the MPFS Ordinance.

8.6 Hong Kong Taxation

The following notes are intended as a general guide only and are not intended to be and do not necessarily describe the tax consequences for all types of members under this Scheme.

MEMBERS INTENDING TO PARTICIPATE UNDER THIS SCHEME SHOULD SEEK INDEPENDENT PROFESSIONAL TAX ADVICE.

The following paragraphs of this section are based on the law and practice currently in force in Hong Kong and on the provisions of the MPFS Ordinance and its subsidiary legislation. This tax disclosure does not otherwise take into consideration or anticipate any changes whether of a legislative, administrative, or judicial nature, possibly with retroactive effect. The following description does not take into account the application of any foreign laws, nor the laws in force in any part of the People's Republic of China outside the Hong Kong Special Administrative Region.

Except where otherwise defined in this document, terms in this section shall have the same meaning as under the Hong Kong Inland Revenue Ordinance ("IRO").

8.6.1 Contributions to the Scheme

(i) Employers

The regular mandatory and voluntary contributions of an employer to the Scheme will be generally deductible from the calculation of the employer's profits under Part IV of the IRO in the year of contribution, subject to two restrictions. The first is that the regular contributions made to the Scheme by the employer cannot exceed 15% of the total emoluments of the relevant employee, as calculated in accordance with the provisions of the IRO, for the period to which the payments relate. The second restriction is that no deduction is allowed for a contribution to the Scheme where provision for payment of the sum has been made in that or any prior year of assessment and a deduction has been allowed for that provision in that or any prior year.

In addition, the employer will be entitled to a deduction for contributions that are not made at regular intervals and are not calculated by reference to a scale or a fixed percentage of a person's salary or other remuneration provided that such contributions are not excessive in the circumstances. These contributions will be deductible in equal portions over a five year period.

(ii) Employee Members and Self-employed Persons

Employees and self-employed persons will be entitled to a deduction for the mandatory contributions to the Scheme up to the maximum amount permitted in a year, currently \$12,000. Employees will be entitled to a deduction from their salaries tax otherwise payable under Part III of the IRO while self-employed persons will be entitled to a deduction from their profits chargeable to profits tax under Part IV of the IRO.

8.6.2 Payments out of the Scheme

Under the terms of the Scheme only employee members, self-employed persons and preserved account member will be entitled to withdraw amounts under the Scheme.

(i) Amounts withdrawn on retirement, death or incapacity

In the case of employees, the accrued benefits received by an employee from the Scheme on the employee's retirement from employment, death or incapacity will not be subject to tax in Hong Kong. For this purpose, "retirement" is defined to mean:

- a retirement from the service of the employer at some specified age of not less than 45 years; or
- a retirement after some specified period of service with the employer of not less than 10 years; or
- the attainment of the age of 60 years or some specified age of retirement, whichever is the later.

(ii) Amounts withdrawn on termination of service

Amounts received by an employee on termination of employment with an employer other than upon retirement, death or incapacity will not be subject to tax in Hong Kong to the extent that such amounts are attributable to the employee's or employer's mandatory contributions or to the employee's voluntary contributions. With respect to the amounts that are attributable to an employer's voluntary contributions, the extent to which such amount will be subject to tax is assessed in accordance with the following formulae.

(a) Employer which is chargeable to profits tax

The amounts that are attributable to an employer's voluntary contributions will only be excluded from a person's income where the amount so withdrawn does not exceed the proportionate benefit calculated in accordance with the following formula (hereinafter referred to as the "proportionate benefit formula"):

$$PB = \frac{CMS}{120} \times AB$$

where:

- | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| PB | is the proportionate benefit to be calculated; |
| CMS | is the number of completed months of service that the person has with the employer; and |
| AB | is the amount of the person's accrued benefit attributable to voluntary contributions paid to the Scheme in respect of the person by his or her employer. |

(b) Employer which is not chargeable to profits tax

Where the employer who has contributed to the Scheme on the employee's behalf is not chargeable to tax in Hong Kong under Part IV, the amount attributable to the employer's voluntary contributions that may be withdrawn from the Scheme without liability to tax cannot exceed the amount to be calculated using the following formula (hereinafter referred to as the "exempt employer formula"):

$$A = [(EI \times 15\%) \times YCS] - RAB$$

where:

- | | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A | is the amount to be calculated; |
| EI | is the employee's income from the employee's office or employment for the period of 12 months preceding the date on which the relevant benefit is received or taken to have been received; |
| YCS | is the employee's completed years of service with the employee's employer; and |
| RAB | is so much of the relevant accrued benefit that the employee has received from the Scheme as is attributable to mandatory contributions paid to the Scheme by the employee's employer. |

Where the amount received by the employee in respect of amounts attributable to the employer's voluntary contributions exceeds either the proportionate benefit or the amount to be calculated (i.e. the amount "A" as referred to above in the case of an employer not liable to Part IV profits tax), as the case may be, such excess shall be subject to salaries tax under Part III in the hands of the employee.

All amounts received by a person that is attributable to his or her period of self-employment will not be subject to tax.

(iii) Other Withdrawals

Where an employee makes a voluntary withdrawal in accordance with the terms of the Scheme upon circumstances other than death, incapacity, retirement or termination of service, there shall be excluded from determining that employee's liability to salaries tax under Part III of the IRO such amounts as are attributable to the employee's or employer's mandatory contributions or to the employee's own voluntary contributions. The portion of the amount that is attributable to the employer's voluntary contributions will be fully assessable to salaries tax.

The voluntary withdrawal by a person (including an individual relevant employee) of his or her voluntary contributions while self-employed will not be subject to tax.

Before making any voluntary withdrawal under the Scheme, the person considering the withdrawal should seek professional tax advice.

(iv) Deemed Payment on Termination

Where the service of a person in respect of whom an employer has paid voluntary contributions to the Scheme is terminated and the person elects to retain the contributions within the Scheme or transfer those contributions to another mandatory provident fund scheme, that person is deemed to have received from the Scheme on the date of the termination of service such benefit as is attributable to the employer's voluntary contributions. The salaries tax implications to the employee under Part III will be determined by applying the proportionate benefit and exempt employer (where appropriate) formulae set out above.

8.6.3 Taxation of the Scheme

As of the date of this Offering Document, no legislation has been enacted in respect of taxation of schemes governed by the MPFS Ordinance. Accordingly, the following conclusions are of a speculative nature and may be affected by changes in legislation or administrative practice. However, it is anticipated that MPF schemes will receive the same administrative concession in respect of their liability to profits tax pursuant to Part IV of the IRO as is applicable to retirement schemes under the Occupational Retirement Schemes Ordinance. Such schemes are generally not subject to Part IV profits tax on their investment income. Accordingly, it is expected that the income earned by the investments in the Scheme will not be subject to Part IV profits tax.

8.7 Use of Standard Forms

Employers and members participating in the Scheme are advised to use standard forms as prescribed by the Trustee and/or in a format approved/prescribed by the Authority from time to time for giving instructions to the Trustee in relation to various functions and/or activities, such as Employee Enrolment Form, Notice of Employee Termination, Contribution Investment Instruction/Fund Switching Instruction and Remittance Statement, etc.

Although the Scheme has been registered with and authorized by the Authority and the SFC respectively, such registration and authorization do not imply official recommendation of the Scheme by the Authority and the SFC.

Year	Month											
	January	February	March	April	May	June	July	August	September	October	November	December
2000	-	-	-	-	-	-	-	-	-	-	-	5.00%
2001	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
2002	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.20%	0.20%	0.10%	0.02%
2003	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
2004	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.125%	0.15%	0.10%	0.02%
2005	0.02%	0.02%	0.25%	0.333%	0.50%	0.60%	0.80%	0.90%	1.00%	1.00%	1.25%	1.35%
2006	1.35%	1.40%	1.45%	1.45%	1.50%	1.55%	1.60%	1.60%	1.60%	1.65%	1.65%	1.65%
2007	1.65%	1.65%	1.70%	1.75%	1.75%	1.80%	1.85%	1.90%	1.95%	2.00%	2.00%	2.00%
2008	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.75%
2009	0.75%	0.75%	0.60%									

Notes: 1. The above rates declared have already taken into account of the guaranteed prescribed savings rates. Members should note that as at February 1, 2005, the guarantee on prescribed savings rates has been removed although the Interest Fund still aims to declare a rate that equals to or exceeds the prescribed savings rate.
2. Past performance is not indicative of future performance.

ILLUSTRATIVE EXAMPLE OF PARTIAL REDEMPTION RULE

Transactions:

Day 1 : Member contributes \$3,000 at a unit price of \$10. 300 units are purchased.

Day 10 : Member redeems 100 units at a unit price of \$12.

SCENARIO 1

Transactions:

Day 25: **Member switches in \$900** from another fund to Stable Fund at a unit price of \$10.

	Day 1	Day 10	Day 25
No. of qualifying units held	300	200	290
Member account balance [†]	\$3,000	\$2,400	\$2,900
Guarantee account balance	\$3,000	\$2,000	\$2,750

Remarks:

- **Day 10**
 Cumulative actual amount redeemed = $100 \times \$12 = \$1,200$
 Cumulative guarantee amount redeemed = $\$3,000 \times 100 / 300 = \$1,000$
 Guarantee account balance = $\$3,000 - \$1,000 = \$2,000$
- **Day 25**
 Guarantee account balance = $\$2,000 + (\$900 \times \$1,000 / \$1,200) = \$2,750$

SCENARIO 2

Transactions:

Day 25: **Member switches in \$1,200** from another fund to Stable Fund at a unit price of \$10.

	Day 1	Day 10	Day 25
No. of qualifying units held	300	200	320
Member account balance [†]	\$3,000	\$2,400	\$3,200
Guarantee account balance	\$3,000	\$2,000	\$3,000

Remarks:

- **Day 25**
 Guarantee account balance = $\$2,000 + (\$1,200 \times \$1,000 / \$1,200) = \$3,000$

SCENARIO 3

Transactions:

Day 25: **Member switches in \$1,500** from another fund to Stable Fund at a unit price of \$10.

	Day 1	Day 10	Day 25
No. of qualifying units held	300	200	350
Member account balance [†]	\$3,000	\$2,400	\$3,500
Guarantee account balance	\$3,000	\$2,000	\$3,300

Remarks:

- **Day 25**
 Guarantee account balance = $\$2,000 + (\$1,200 \times \$1,000 / \$1,200) + (\$1,500 - \$1,200) = \$3,300$

In Scenario 3 of our Illustrative Example, only part of the full switch-in amount is subject to a scale down. This is because if the switch-in amount is larger than \$1,200, the scale down will only apply to the \$1,200 that was switched out previously. The rest of the switch-in amount in excess of \$1,200 are new monies contributing to the fund and therefore will be included in the guarantee account balance. The total switch-in of \$1,500 in the Illustrative Example Scenario 3 is split into 2 portions for calculation purpose, i.e. \$1,200 is subject to the scale down and $(\$1,500 - \$1,200) = \$300$ is added to guarantee account balance.

[†] Member account balance = No. of qualifying units held x unit price