

Life's brighter
under the sun



Sun Life Rainbow MPF Scheme

Principal Brochure



- Sun Life Rainbow MPF Scheme is a mandatory provident fund scheme (the “Scheme”).
- Investment involves risks and not all investment choices available under the Scheme would be suitable for everyone. There is no assurance on investment returns and your investments/ accrued benefits may suffer significant loss.
- 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 fund(s) most suitable for you taking into account your circumstances.
- The Sun Life First State MPF Conservative Fund provides no guarantee of repayment of capital. The fees and charges of a MPF Conservative Fund can be deducted from either (i) the assets of the fund or (ii) members’ account by way of unit deduction. This fund uses method (i) and, therefore, unit prices/NAV/fund performance quoted have incorporated the impact of fees and charges.

Introduction

Financial planning for retirement is like painting a rainbow it takes the skill of an artist to combine the colors and hues needed to paint a perfect rainbow, and correspondingly, it takes the skills of an experienced financial services planner to design a retirement scheme which meets the needs of every member. Sun Life Financial's staff possess such skills and are experienced in establishing retirement schemes flexible enough to satisfy any member, whether they are just beginning their career, or will shortly enjoy retirement.

Sun Life Financial's vision is to serve the three million workforce in Hong Kong by providing a total and comprehensive financial solution for their retirement. This is Sun Life Financial's vision of a "rainbow".

To accomplish this long term goal, Sun Life Rainbow MPF Scheme is specifically designed to meet the needs of Hong Kong employers, their employees and self-employed persons.

Important - if you are in doubt about the meaning or effect of the contents of this Principal Brochure, you should seek independent professional advice.

Sun Life Trustee Company Limited accepts responsibility for the accuracy of the information contained in this Principal Brochure as at the date of publication.

Contents

| | | | |
|--|-----------|--|-----------|
| 1. SUMMARY | 4 | 5. VALUATION AND PRICING | 22 |
| 2. MANAGEMENT AND ADMINISTRATION | 6 | 5.1 Dealing Day | 22 |
| 3. INVESTMENT AND BORROWING | 7 | 5.2 Dealing | 22 |
| 3.1 Investment Policy | 7 | 5.3 Class of Units | 22 |
| 3.2 Risk Factors | 14 | 5.4 Class Switching | 22 |
| 3.3 Investment Restrictions and Guidelines | 15 | 5.5 Valuation of Units | 23 |
| 3.4 Investment Management | 16 | 5.6 Suspension of Valuation and Pricing | 23 |
| 3.5 Borrowing Policy | 16 | 6. DEALING IN CONSTITUENT FUNDS | 24 |
| 4. CONTRIBUTIONS AND WITHDRAWALS | 17 | 6.1 Subscription and Subscription Price | 24 |
| 4.1 Application for Membership | 17 | 6.2 Redemption of Units and Redemption Price | 24 |
| 4.2 Mandatory Contributions | 17 | 6.3 Number of New Units Issued from a Switching Transaction | 25 |
| 4.3 Voluntary Contributions | 18 | 7. FEES AND CHARGES | 26 |
| 4.4 Investment Mandate | 18 | 7.1 Fees Table and Explanatory Notes | 26 |
| 4.5 Transfer into the Scheme | 18 | 7.2 Summary of Current and Maximum Charges | 28 |
| 4.6 Switching Between Constituent Funds | 18 | 7.3 Cash Rebates and Soft Commission | 29 |
| 4.7 Fund Cruiser | 19 | 7.4 Ongoing Cost Illustrations | 29 |
| 4.8 Vesting of Benefits | 20 | 8. GENERAL INFORMATION | 30 |
| 4.9 Withdrawal of Benefits | 20 | 8.1 Reports and Accounts | 30 |
| 4.10 Withdrawal of Voluntary Contributions | 21 | 8.2 Publication of Net Asset Value | 30 |
| 4.11 Payment of Accrued Benefits | 21 | 8.3 Documents for Inspection | 30 |
| 4.12 Portability of Benefits | 21 | 8.4 Duration | 30 |
| 4.13 Termination of Participating Plan | 21 | 8.5 Hong Kong Taxation | 30 |

1. Summary

Sun Life Rainbow MPF Scheme (the “Scheme”) is a mandatory provident fund scheme constituted by a master trust deed dated January 31, 2000 (the “Trust Deed”) governed by the laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”). The Scheme is designed with the objective of providing retirement benefits to the members under the Scheme. The Scheme has been approved as a registered scheme by the Mandatory Provident Fund Schemes Authority (the “Authority”) under the Mandatory Provident Fund Schemes Ordinance (the “MPFS Ordinance”) and authorised by the Securities and Futures Commission (the “SFC”).

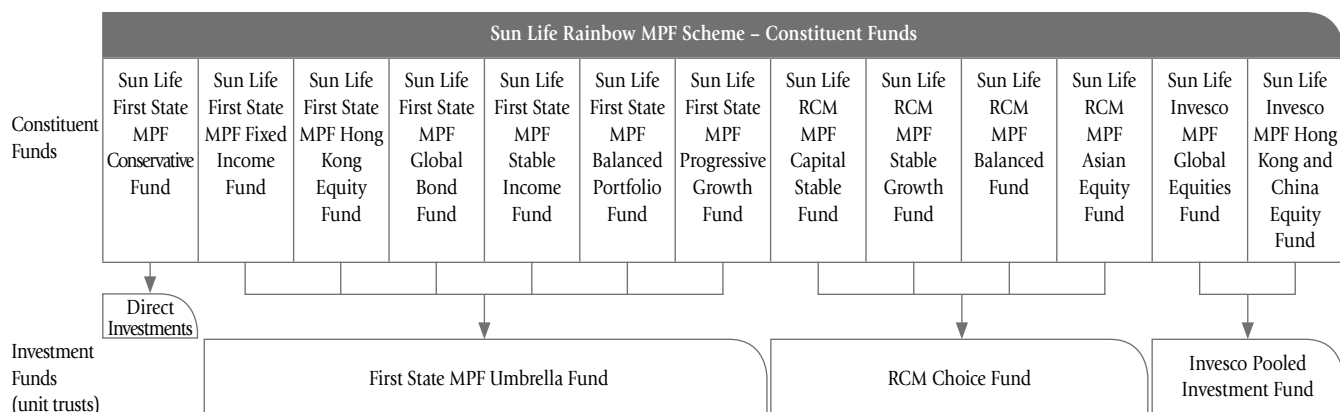
Although the Scheme has been approved by the Authority and authorised by the SFC, such authorisation or approval does not constitute official recommendation of the Scheme by the Authority or the SFC.

The Scheme is a master trust scheme consisting of thirteen constituent funds (see the diagram below). Each constituent fund has been approved by the Authority and the SFC and will only be offered to the members of the Scheme.

The Sun Life First State MPF Conservative Fund holds investments directly. Three of the constituent funds, namely, the Sun Life First State MPF Stable Income Fund, the Sun Life First State MPF Balanced Portfolio Fund and the Sun Life First State MPF Progressive Growth Fund are portfolio management funds that invest into a range of sub-funds within the First State MPF Umbrella Fund. The other nine constituent funds are feeder funds, and invest into corresponding sub-funds in umbrella unit trusts managed by the investment managers of the Scheme. The underlying funds in which the constituent funds (save for the Sun Life First State MPF Conservative Fund) invest in shall be referred to as the “Investment Funds”.

All the Investment Funds are set up as pooled investment funds in accordance with Part IV of Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation (the “Regulation”), and have been approved by the Authority and the SFC as approved pooled investment funds (“APIFs”). Such authorisation or approval does not constitute official recommendation of the Scheme by the Authority or the SFC.

All the Investment Funds are governed by the laws of Hong Kong.



All the constituent funds and Investment Funds in the Scheme are unitised funds. The 13 constituent funds in the Scheme are:

- 1) Sun Life First State MPF Conservative Fund
- 2) Sun Life First State MPF Fixed Income Fund
- 3) Sun Life First State MPF Hong Kong Equity Fund
- 4) Sun Life First State MPF Global Bond Fund
- 5) Sun Life First State MPF Stable Income Fund
- 6) Sun Life First State MPF Balanced Portfolio Fund
- 7) Sun Life First State MPF Progressive Growth Fund
- 8) Sun Life RCM MPF Capital Stable Fund
- 9) Sun Life RCM MPF Stable Growth Fund
- 10) Sun Life RCM MPF Balanced Fund
- 11) Sun Life RCM MPF Asian Equity Fund
- 12) Sun Life Invesco MPF Global Equities Fund
- 13) Sun Life Invesco MPF Hong Kong and China Equity Fund

The Investment Funds are not restricted solely for use by this Scheme, but may also be used by other MPF schemes, as the underlying funds of them.

The commencement date of the Scheme was December 1, 2000 when the mandatory provident fund regime came into full force. The trustee of the Scheme is Sun Life Trustee Company Limited (the “Trustee”).

All units in the constituent funds and Investment Funds will be valued at the current bid price in the last relevant market to close on the relevant dealing day which will be any day on which the banks in Hong Kong are open for business (excluding Saturdays) or such other time as the Investment Managers and the Trustee may from time to time decide.

Currently two classes of units will be issued for each constituent fund. The two classes of units are the Class A units and Class B units. Class B units are generally available to employee members of those employers who, at the relevant date specified in section 5.3 below, have (i) no less than 100 employee members participating in the Scheme; (ii) assets transferred to the Scheme from other occupational retirement schemes; or (iii) their occupational retirement schemes administered by Sun Life Hong Kong Limited. Furthermore, Class B units are also available to preserved members of the Scheme. Class A units are available to any other members of the Scheme to whom the Class B units are not made available. (Please refer to section 5.3 for further details of classification of units.)

Units in each class of the constituent funds may be subscribed or redeemed through the Trustee. An offer spread of up to 2.5% of the issue price of the units of each class to be issued and a bid spread of up to 2.5% of the net asset value of the units of each class to be redeemed may be levied and retained by the Trustee. Currently no offer spread or bid spread will be levied. However, if the payroll of a participating employer is made weekly or more frequently than weekly, a multiple payroll frequency fee may be deducted from the contribution monies before they are invested in the Scheme. Please refer to the summary of fees and charges in section 7 for further details of the fees levied.

Amounts payable on the subscription and redemption of units under the Scheme will be in Hong Kong dollars.

All 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.

2. Management and Administration

The Scheme:

| | |
|----------------------|---|
| Trustee: | Sun Life Trustee Company Limited 20th Floor, One Exchange Square, Central, Hong Kong |
| Custodian: | RBC Dexia Trust Services Hong Kong Limited 51st Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong |
| Sponsor: | Sun Life Hong Kong Limited 20th Floor, One Exchange Square, Central, Hong Kong |
| Administrator: | BestServe Financial Limited 22nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong |
| Investment Managers: | First State Investments (Hong Kong) Limited 6th Floor, Three Exchange Square, 8 Connaught Place, Hong Kong RCM Asia Pacific Limited 21st Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong Invesco Hong Kong Limited 32nd Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong |
| Auditors: | KPMG 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong |

Sun Life Trustee Company Limited, an independent trustee approved by the Authority, is appointed by Sun Life Hong Kong Limited to oversee its mandatory provident fund schemes and occupational retirement schemes.

Scheme administration is undertaken by BestServe Financial Limited. With over 15 years of local experience, the Pensions Administration business of BestServe Financial Limited serves employees, self-employed persons, employers and MPF/ORSO providers. BestServe has approximately 370,000 third-party customers. As of September 2009, BestServe administers funds and assets of HK\$26.1 billion.

As a leading financial services company, Sun Life Hong Kong Limited ("Sun Life Hong Kong") offers a comprehensive range of life insurance, mandatory provident fund and pension plans, and other financial products and services.

Sun Life Hong Kong is a wholly-owned subsidiary of Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies. Sun Life Financial is a leading international financial services organization providing a diverse range of wealth accumulation and protection products and services to individuals and corporate customers. Chartered in 1865, Sun Life Financial and its partners today have operations in key markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China and Bermuda. As at September 30, 2009, the Sun Life Financial group of companies had total assets under management approximately CDN\$412 billion.

Sun Life Hong Kong is engaged by the Trustee to act as Sponsor for the Scheme. It is responsible for providing various services in relation to the administration of the Scheme, including providing advice to the Trustee on the structure of the Scheme and assisting the Trustee in publishing materials related to the Scheme.

Sun Life Financial Inc. trades on the Toronto (TSX), New York (NYSE) and Philippine (PSE) stock exchanges under ticker symbol "SLF".

For further enquiries, please call our Sun Life Pension Services Hotline at 3183-1888.

Investment Managers

First State Investments (Hong Kong) Limited is part of Colonial First State Global Asset Management ("CFS GAM"), the consolidated asset management business of the Commonwealth Bank of Australia Group ("CBA") which is one of Australia's largest financial services organizations.

CFS GAM is Australia's largest fund manager with approximately A\$147.5 billion (as at September 30, 2009) in assets under management. It is a part of the Wealth Management Division of the CBA. The Wealth Management Division is a business unit, not a separate legal entity. CFS GAM operates outside of Australia as First State Investments. First State Investments (Hong Kong) Limited acts as investment manager for the Sun Life First State MPF Conservative Fund, Sun Life First State MPF Fixed Income Fund, Sun Life First State MPF Hong Kong Equity Fund, Sun Life First State MPF Global Bond Fund, Sun Life First State MPF Stable Income Fund, Sun Life First State MPF Balanced Portfolio Fund and Sun Life First State MPF Progressive Growth Fund.

RCM Asia Pacific Limited is a member company of Allianz Global Investors, the asset management division of Allianz Group. The Allianz Group has operations in over 70 countries with approximately US\$1.99 trillion assets under management as at September 30, 2009. RCM Asia Pacific Limited acts as investment manager for the Sun Life RCM MPF Capital Stable Fund, Sun Life RCM MPF Stable Growth Fund, Sun Life RCM MPF Balanced Fund and Sun Life RCM MPF Asian Equity Fund.

Invesco Hong Kong Limited is part of the Invesco Ltd group of companies. Operating in 20 countries with comprehensive coverage of the Asia Pacific region including Hong Kong, China, Singapore, Japan, Taiwan and Australia, Invesco Ltd has US\$416.9 billion of assets under management as at September 30, 2009. Invesco Hong Kong Limited acts as investment manager for the Sun Life Invesco MPF Global Equities Fund and Sun Life Invesco MPF Hong Kong and China Equity Fund.

3. Investment and Borrowing

3.1 Investment Policy

3.1.1 Investment Policies of the Scheme

(i) Sun Life First State MPF Conservative Fund

The Sun Life First State MPF Conservative Fund seeks to provide members with a regular increase in value, with minimal risk to the underlying capital. The Sun Life First State MPF Conservative Fund achieves this result by investing primarily in money market instruments, cash deposits as well as short term corporate and government debt securities denominated in Hong Kong dollars. Where investment is made in debt securities of non-government issues, the Fund will only invest where the credit rating of the debt securities is in line with the guidelines established by the Authority.

The assets of the Fund will be invested in Hong Kong dollar denominated instruments, i.e. it will have a 100% effective exposure to the Hong Kong dollar; and it will not engage in securities lending transactions, financial futures and option trading.

The normal asset allocation for the Sun Life First State MPF Conservative Fund is expected to be:

| | |
|---|------|
| Hong Kong dollar money market instruments, deposits and short term corporate and government debt securities | 100% |
| Others | 0% |

The Sun Life First State MPF Conservative Fund is suitable for members who wish to take a very conservative approach towards investing their retirement savings, with the major emphasis on capital protection and returns approximating Hong Kong dollar bank savings rates.

Members in the Scheme should be informed that:

- (i) investments in the Sun Life First State MPF Conservative Fund are not the same as placing funds on deposit with a bank or deposit taking company and that there is no obligation to redeem the investment at the subscription value; and
- (ii) the Sun Life First State MPF Conservative Fund is not subject to the supervision of the Hong Kong Monetary Authority.

(ii) Sun Life First State MPF Fixed Income Fund

The Sun Life First State MPF Fixed Income Fund is a fixed income fund which seeks to provide members with a return in excess of that achievable from bank deposits and money market securities.

The Sun Life First State MPF Fixed Income Fund achieves this objective by investing in the First State MPF Hong Kong Bond Fund, a sub-fund of the First State MPF Umbrella Fund, which in turn will invest primarily in bonds and other debt instruments which are denominated in Hong Kong dollars and:

- (a) issued by the Government of Hong Kong;
- (b) issued by the Exchange Fund of Hong Kong;
- (c) issued by issuers who are owned or guaranteed by the Government of Hong Kong; or
- (d) have a credit rating equal to or higher than the minimum level determined by the Authority or are listed on an approved stock exchange and issued by or guaranteed by a company or corporation whose shares are listed on that exchange or another approved stock exchange.

The investment manager of the underlying fund has the discretion to diversify the portfolio by investing in bonds or other debt instruments denominated in currencies other than Hong Kong dollars, provided such bonds or debt instruments meet the investment requirements prescribed by the Authority. It is the current intention of the investment manager of the underlying fund that such instruments will be mainly denominated in currencies of countries within the Asian region, although the investment manager also may, from time to time, invest in instruments which are denominated in currencies of countries outside of the Asian region.

Where investments denominated in currencies other than Hong Kong dollars are made, the currency exposure will be hedged back into Hong Kong dollars to minimize the currency risk.

The underlying fund may employ a portion of its assets in other securities permitted by the Regulation including, without limitation, money market instruments or interests in other collective investment schemes such as authorized unit trusts and index-tracking collective investment schemes. The assets of the underlying fund may also be applied for acquiring futures contracts, options or forward currency transactions for the purpose of hedging against market and exchange rate risks; or entering into repurchase agreements. Any such use of derivative instruments or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the underlying fund. The Sun Life First State MPF Fixed Income Fund itself will not engage in securities lending transactions, financial futures and option trading.

The normal asset allocation of the underlying fund is expected to be as follows:

| | |
|--|------------|
| Hong Kong dollar denominated bonds and debt instruments | 70% - 100% |
| Others (including non-Hong Kong dollar denominated debt instruments) | 0% - 30% |

As the underlying securities are normally traded on a daily basis, the net asset value of the underlying fund may be subject to the underlying changes in interest rate yields at which the bonds are traded. An increase in interest rate may result in a decline in the net asset value of the Sun Life First State MPF Fixed Income Fund over shorter periods of time. Hence this Sun Life First State MPF Fixed Income Fund is suitable for members who are prepared to take a medium term investment horizon and are prepared to accept a low to moderate level of risk in order to gain a higher level of return than is available from the Sun Life First State MPF Conservative Fund.

(iii) Sun Life First State MPF Hong Kong Equity Fund

The Sun Life First State MPF Hong Kong Equity Fund is an equity fund which seeks to provide members with long term capital appreciation by investing primarily in equities and equity-related securities (including but not limited to warrants and convertible bonds) listed on the Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

Given the above investment objectives, the Sun Life First State MPF Hong Kong Equity Fund will be subject to the short term volatility of the stock market and the ensuing possibility of negative returns over short to medium term investment horizons.

The Sun Life First State MPF Hong Kong Equity Fund will invest in the First State MPF Hong Kong Equity Fund, a sub-fund of the First State MPF Umbrella Fund, which in turn will invest primarily in equities and equity-related securities (including but not limited to warrants and convertible bonds) listed on the Hong Kong Stock Exchange. In addition, the investment manager of the underlying fund may invest in securities issued by Hong Kong companies or other entities which in the investment manager’s opinion have significant assets, business, production activities, trading or other business interests in Hong Kong and traded in international markets. The investment manager of the underlying fund may also invest in offshore securities or instruments (such as American depositary receipts (“ADRs”) and global depositary receipts (“GDRs”) or in other securities permitted by the Regulation (including, without limitation, interests in other collective investment schemes such as authorized unit trusts and index-tracking collective investment schemes). ADRs are traded on the US stock markets while GDRs are traded and cleared internationally on the European and US markets.

The Sun Life First State MPF Hong Kong Equity Fund will be benchmarked against Lipper’s Hong Kong Pension Funds - Hong Kong Equity Index.

The normal asset allocation for the underlying fund is expected to be:

| | |
|--|------------|
| Hong Kong equity investments (including equity related securities) | 80% - 100% |
| Hong Kong dollar money market investments | 0% - 10% |
| Other securities | 0% - 10% |

The geographical allocation is expected to be as follows:

| | |
|-----------|------------|
| Hong Kong | 90% - 100% |
| Others | 0% - 10% |

The actual asset and country weightings are determined by factors of the macro and micro economic conditions of the countries in which the underlying fund invests. The geographical allocation of the underlying fund is classified in terms of the location of the primary listing of the securities except that in the case of the ADRs, GDRs or other depositary receipts, classification is in terms of the location of the primary listing of the underlying stocks.

The currency exposure of the Sun Life First State MPF Hong Kong Equity Fund, in line with the underlying fund, is expected to be primarily in Hong Kong dollars. Where investments of the underlying funds are made in securities which are traded on foreign markets in foreign currencies, the currency exposure will be managed at the discretion of the investment manager of the underlying fund, but it is likely that the impact of currency volatility on the portfolio will be limited.

The underlying fund may employ a portion of its assets in futures contracts, options and forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the underlying fund may also be applied for the purpose of entering into stock lending transactions. Any such use of derivative instruments or stock lending transactions will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the underlying fund. The Sun Life First State MPF Hong Kong Equity Fund itself will not engage in securities lending transactions, financial futures and option trading.

This Sun Life First State MPF Hong Kong Equity Fund is suitable for members who are able to take a longer term investment horizon in order to access the higher returns usually available from equity investments and are prepared to accept a high level of risk so attached.

(iv) Sun Life First State MPF Global Bond Fund

The Sun Life First State MPF Global Bond Fund seeks to provide members with a total return usually in excess of that achievable from bank deposits and money market securities.

The Sun Life First State MPF Global Bond Fund achieves this objective by investing primarily in a diversified portfolio of global bonds and other debt instruments with medium term on average that meet the requirements of the Regulation through investing in the First State MPF Global Bond Fund, a sub-fund of the First State MPF Umbrella Fund. The First State MPF Global Bond Fund is a collective investment scheme approved by the MPFA pursuant to the Regulation for investment by provident fund schemes registered under the MPFS Ordinance, and managed by First State Investments (Hong Kong) Limited.

The Sun Life First State MPF Global Bond Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30%. This will either result from investment exposure or currency hedging operations of the underlying fund.

The actual country weightings are determined by factors of the macro and micro economic conditions of the countries in which the Sun Life First State MPF Global Bond Fund invests. The geographical allocation of the Sun Life First State MPF Global Bond Fund is expected to be as follows:

| | |
|------------------------|----------|
| US | 0% - 60% |
| Canada | 0% - 25% |
| Australia | 0% - 25% |
| Japan | 0% - 60% |
| UK | 0% - 25% |
| Europe (other than UK) | 0% - 60% |
| Others | 0% - 10% |

The country weighting of the Sun Life First State MPF Global Bond Fund is classified in terms of currency denomination of the securities. It is expected that the assets of the Sun Life First State MPF Global Bond Fund will normally be invested in not less than three countries.

The underlying fund may employ a portion of its assets in other securities permitted by the Regulation including money market instruments or other investments that are consistent with the objectives of the fund. The assets of the underlying fund may also be applied for acquiring futures contracts, options or forward currency transactions for the purpose of hedging against market and exchange rate risks; or entering into repurchase agreements. Any such use of these derivative instruments and repurchase agreements will be in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the underlying fund. The Sun Life First State MPF Global Bond Fund itself will not engage in securities lending transactions, financial futures and option trading or enter into repurchase agreements.

As the securities that the Sun Life First State MPF Global Bond Fund will invest in are normally traded on a daily basis, the net asset value of the Sun Life First State MPF Global Bond Fund may be subject to the underlying changes in interest rate yields at which the bonds are traded. An increase in interest rates may result in a decline in the net asset value of the Sun Life First State MPF Global Bond Fund over short periods of time. Bonds with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Lower rated securities, whilst offering a higher yield, tend to have greater risk.

The Sun Life First State MPF Global Bond Fund is suitable for members who are prepared to take a medium term time horizon and are prepared to accept a low to moderate level of risk in order to gain a higher level of return than is available from the Sun Life First State MPF Conservative Fund.

(v) Sun Life First State MPF Stable Income Fund

The Sun Life First State MPF Stable Income Fund is a balanced fund which seeks to provide members with steady capital appreciation without undue capital risk.

The Sun Life First State MPF Stable Income Fund achieves its investment policy by investing into a range of sub-funds within an umbrella unit trust, the First State MPF Umbrella Fund, which in turn invest in the following assets – money market securities, cash deposits, fixed income securities and Hong Kong and global equity securities. Investment is made in different sub-funds within the First State MPF Umbrella Fund to achieve the investment policy of the Sun Life First State MPF Stable Income Fund.

This Sun Life First State MPF Stable Income Fund is suitable for members who are prepared to accept a moderate degree of risk in order to gain a higher return than may be available from the Sun Life First State MPF Conservative Fund.

The Sun Life First State MPF Stable Income Fund will be benchmarked against Lipper's Hong Kong Pension Funds - Lifestyle - (>20%-40% Equity) Index.

The portfolio at the umbrella unit trust level restricts the overall level of equity investments that the Sun Life First State MPF Stable Income Fund can hold.

Subject to the Regulation, investment at the umbrella unit trust level will be made so that in effect, neutral asset allocation for the Sun Life First State MPF Stable Income Fund is expected to be:

By investment type:

| | |
|---|-----------------------|
| Fixed Income/ money market investments | 70% (range 50% - 90%) |
| Equity investments | 30% (range 10% - 50%) |

The geographical allocation of the Sun Life First State MPF Stable Income Fund is expected to be as follows:

| | Fixed Income (70%) |
|---|--------------------|
| Australia | 0% - 23% |
| Canada | 0% - 25% |
| Europe (excl. United Kingdom) | 0% - 39% |
| Hong Kong | 7% - 42% |
| Japan | 0% - 37% |
| Malaysia | 0% - 22% |
| United Kingdom | 0% - 25% |
| United States | 0% - 40% |
| South Korea | 0% - 24% |
| Other Asian Countries (excl. HK, Japan, Malaysia and South Korea) | 0% - 37% |
| Others | 0% - 20% |

Other Asian Countries (excl. HK, Japan, Malaysia and South Korea) include Bangladesh, China, India, Indonesia, Iran, Kazakhstan, Macao, Mongolia, New Zealand, North Korea, Pakistan, Papua New Guinea, Philippines, Russian Federation, Singapore, Sri Lanka, Taiwan, Thailand, Turkey, Uzbekistan and Vietnam.

| | Equities (30%) |
|--|----------------|
| Australia | 0% - 4% |
| Canada | 0% - 7% |
| Europe (excl. UK, France & Germany) | 0% - 23% |
| France | 0% - 13% |
| Germany | 0% - 13% |
| Hong Kong | 5% - 28% |
| Japan | 0% - 12% |
| South Korea | 0% - 8% |
| United Kingdom | 0% - 13% |
| United States | 0% - 16% |
| Other Asian Countries (excl. HK, Japan and South Korea) | 0% - 22% |
| Others | 0% - 10% |

Other Asian Countries (excl. HK, Japan and South Korea) include China, India, Sri Lanka, Indonesia, Malaysia, Philippines, Taiwan, Singapore and Thailand.

The country allocations may vary according to the change of country market capitalization. The asset and country allocations of the Sun Life First State MPF Stable Income Fund are determined by factors of the macro and micro economic conditions of the countries and may therefore change against the neutral asset and country allocations from time to time.

The Sun Life First State MPF Stable Income Fund will maintain an effective exposure to the Hong Kong dollar of at least 30%. This will result from investment exposure or currency hedging operations of the underlying funds.

The underlying funds may employ a portion of its assets in other securities permitted by the Regulation including, without limitation, money market instruments or interests in other collective investment schemes such as authorized unit trusts and index-tracking collective investment schemes. The assets of the underlying funds may also be applied for acquiring futures contracts, options and forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the underlying funds may also be applied for the purpose of entering into stock lending transactions or repurchase agreements. Any such use of derivative instruments, stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the underlying funds. The Sun Life First State MPF Stable Income Fund itself will not engage in securities lending transactions, financial futures and option trading.

(vi) Sun Life First State MPF Balanced Portfolio Fund

The Sun Life First State MPF Balanced Portfolio Fund is a balanced fund which seeks to provide members with moderate capital appreciation and a regular income stream over the medium to long term. The Sun Life First State MPF Balanced Portfolio Fund achieves this result by investing into a range of sub-funds within an umbrella unit trust, the First State MPF Umbrella Fund, which in turn invest in the following assets: money market securities, cash deposits, fixed income securities, Hong Kong Asian and global equity securities. Investment is made in different sub-funds within the First State MPF Umbrella Fund to achieve the investment policy of the Sun Life First State MPF Balanced Portfolio Fund. As such, the investment will, to a certain extent, be subject to the short term volatility of equity markets. The diversification of the portfolio between fixed income and equity securities and between Asian and global equities is intended to reduce the impact of the short term risk, while enabling the Sun Life First State MPF Balanced Portfolio Fund to meet its longer term objectives.

This Sun Life First State MPF Balanced Portfolio Fund is suitable for members who are able to take a medium to longer term investment horizon in order to access the potentially higher returns usually available from equity investments.

The Sun Life First State MPF Balanced Portfolio Fund will be benchmarked against Lipper's Hong Kong Pension Funds - Lifestyle - (>40%-60% Equity) Index.

The neutral asset allocation for the Sun Life First State MPF Balanced Portfolio Fund is expected to be:

By investment type:

| | |
|---|-----------------------|
| Fixed income/ money market investments | 50% (range 40% - 70%) |
| Equity investments | 50% (range 30% - 60%) |

The geographical allocation of the Sun Life First State MPF Balanced Portfolio Fund is expected to be as follows:

| | Fixed Income (50%) |
|---|--------------------|
| Australia | 0% - 18% |
| Canada | 0% - 20% |
| Europe (excl. United Kingdom) | 0% - 30% |
| Hong Kong | 7% - 33% |
| Japan | 0% - 28% |
| Malaysia | 0% - 17% |
| United Kingdom | 0% - 20% |
| United States | 0% - 30% |
| South Korea | 0% - 19% |
| Other Asian Countries (excl. HK, Japan, Malaysia and South Korea) | 0% - 30% |
| Others | 0% - 15% |

Other Asian Countries (excl. HK, Japan, Malaysia and South Korea) include Bangladesh, China, India, Indonesia, Iran, Kazakhstan, Macao, Mongolia, New Zealand, North Korea, Pakistan, Papua New Guinea, Philippines, Russian Federation, Singapore, Sri Lanka, Taiwan, Thailand, Turkey, Uzbekistan and Vietnam.

| | Equities (50%) |
|---|----------------|
| Australia | 0% - 5% |
| Canada | 0% - 10% |
| Europe (excl. France, Germany & UK) | 0% - 33% |
| France | 0% - 18% |
| Germany | 0% - 18% |
| Hong Kong | 9% - 30% |
| Japan | 0% - 17% |
| South Korea | 0% - 10% |
| United Kingdom | 0% - 18% |
| United States | 0% - 23% |
| Other Asian Countries (excl. HK, Japan, and South Korea) | 0% - 27% |
| Others | 0% - 15% |

Other Asian Countries (excl. HK, Japan and South Korea) include China, India, Sri Lanka, Indonesia, Malaysia, Philippines, Taiwan, Singapore and Thailand.

The country allocations may vary according to the change of country market capitalization. The asset and country allocations of the Sun Life First State MPF Balanced Portfolio Fund are determined by factors of the macro and micro economic conditions of the countries and may therefore change against the neutral asset and country allocations from time to time.

The Sun Life First State MPF Balanced Portfolio Fund will in effect maintain an effective exposure to the Hong Kong dollar of at least 30%. This will either result from investment exposure or currency hedging operations of the underlying funds.

The underlying funds may employ a portion of its assets in other securities permitted by the Regulation including, without limitation, money market instruments or interests in other collective investment schemes such as authorized unit trusts and index-tracking collective investment schemes. The assets of the underlying funds may also be applied for acquiring futures contracts, options or forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the underlying funds may also be applied for the purpose of entering into stock lending transactions or repurchase agreements. Any such use of derivative instruments, stock lending transactions or repurchase agreements will be effected in accordance with applicable regulatory requirements and the terms of the constitutive documents of the underlying funds. The Sun Life First State MPF Balanced Portfolio Fund itself will not engage in securities lending transactions, financial futures and option trading.

(vii) Sun Life First State MPF Progressive Growth Fund

The Sun Life First State MPF Progressive Growth Fund is an equity fund which seeks to provide members with significant capital appreciation over the medium term to longer term, through investing into a range of sub-funds within an umbrella unit trust, the First State MPF Umbrella Fund, which in turn will invest primarily in equity investments. Investment is made in different sub-funds within the First State MPF Umbrella Fund to achieve the investment policy of the Sun Life First State MPF Progressive Growth Fund. Given the primary focus on equity investments, the Sun Life First State MPF Progressive Growth Fund will usually maintain a limited exposure to fixed income securities. As such, the investment will be subject to the short term volatility of equity markets, which may result in a negative return over short term periods.

This Sun Life First State MPF Progressive Growth Fund is suitable for members who are able to take a longer term investment horizon in order to access the potentially higher returns usually available from equity investments and are prepared to accept the risk so attached.

The Sun Life First State MPF Progressive Growth Fund will be benchmarked against Lipper's Hong Kong Pension Funds - Lifestyle - (>60%-80% Equity) Index.

Subject to the Regulation, investments at the umbrella unit trust level will be made so that in effect, neutral asset allocation for the Sun Life First State MPF Progressive Growth Fund is expected to be:

By investment type:

| | |
|---|-----------------------|
| Fixed income/ money market investments | 30% (range 15% - 50%) |
| Equity investments | 70% (range 50% - 85%) |

The geographical allocation of the Sun Life First State MPF Progressive Growth Fund is expected to be as follows:

| | Fixed Income (30%) |
|--|--------------------|
| Australia | 0% - 13% |
| Canada | 0% - 14% |
| Europe (excl. United Kingdom) | 0% - 21% |
| Hong Kong | 3% - 25% |
| Japan | 0% - 20% |
| Malaysia | 0% - 13% |
| United Kingdom | 0% - 14% |
| United States | 0% - 25% |
| South Korea | 0% - 14% |
| Other Asian Countries (excl. HK and Japan, Malaysia and South Korea) | 0% - 22% |
| Others | 0% - 15% |

Other Asian Countries (excl. HK, Japan, Malaysia and South Korea) include Bangladesh, China, India, Indonesia, Iran, Kazakhstan, Macao, Mongolia, New Zealand, North Korea, Pakistan, Papua New Guinea, Philippines, Russian Federation, Singapore, Sri Lanka, Taiwan, Thailand, Turkey, Uzbekistan and Vietnam.

| | Equities (70%) |
|---|----------------|
| Australia | 0% - 7% |
| Canada | 0% - 13% |
| Europe (excl. UK, Germany & France) | 0% - 45% |
| France | 0% - 25% |
| Germany | 0% - 25% |
| Hong Kong | 14% - 41% |
| Japan | 0% - 23% |
| Malaysia | 0% - 10% |
| South Korea | 0% - 15% |
| United Kingdom | 0% - 25% |
| United States | 0% - 31% |
| Other Asian Countries (excl. HK, Japan, Malaysia and South Korea) | 0% - 43% |
| Others | 0% - 20% |

Other Asian Countries (excl. HK, Japan, Malaysia and South Korea) include China, India, Sri Lanka, Indonesia, Philippines, Taiwan, Singapore and Thailand.

The country allocations may vary according to the change of country market capitalization. The asset and country allocations of the Sun Life First State MPF Progressive Growth Fund are determined by factors of the macro and micro economic conditions of the countries and may therefore change against the neutral asset and country allocations from time to time.

The Sun Life First State MPF Progressive Growth Fund will in effect maintain an effective exposure to the Hong Kong dollar of at least 30%. This will either result from investment exposure or currency hedging operations of the underlying funds.

The underlying funds may employ a portion of its assets in other securities permitted by the Regulation including, without limitation, money market instruments or interests in other collective investment schemes such as authorized unit trusts and index-tracking collective investment schemes. The assets of the underlying funds may also be applied for acquiring futures contracts, options or forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the underlying funds may also be applied for the purpose of entering into stock lending transactions or repurchase agreements. Any such use of derivative instruments, stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the underlying funds. The Sun Life First State MPF Progressive Growth Fund itself will not engage in securities lending transactions, financial futures and option trading.

(viii) Sun Life RCM MPF Capital Stable Fund

The Sun Life RCM MPF Capital Stable Fund seeks to provide members over the long term with capital preservation combined with steady capital appreciation.

The Sun Life RCM MPF Capital Stable Fund achieves this objective by investing in a diversified portfolio of global equities and fixed-interest securities through investing in the RCM Capital Stable Fund, a sub-fund of the RCM Choice Fund. The RCM Capital Stable Fund is a collective investment scheme approved by the MPFA pursuant to the Regulation for investment by provident fund schemes registered under the MPFS Ordinance, and managed by RCM Asia Pacific Limited.

The RCM Capital Stable Fund is expected to invest 30% of its assets in equities and 70% in fixed-interest securities. The fixed income portion will consist of a range of instruments issued in countries around the world. The equity portion of the RCM Capital Stable Fund will be invested primarily in the Hong Kong, Japan, North American and European markets with a smaller proportion, being invested, at the discretion of its investment manager, in other Asian countries and emerging markets. Hence, the return of the Sun Life RCM MPF Capital Stable Fund is expected to follow the trend of the global equity and fixed-interest security markets.

The Sun Life RCM MPF Capital Stable Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30%. This will either result from investment exposure or currency hedging operations of the underlying fund.

The RCM Capital Stable Fund may employ a portion of its assets in futures contracts, options and forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the RCM Capital Stable Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of derivative instruments, stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the RCM Capital Stable Fund. The Sun Life RCM MPF Capital Stable Fund itself will not engage in securities lending transactions, financial futures and option trading.

The RCM Capital Stable Fund will usually invest in securities which are readily marketable, although a proportion of the fund may consist of investments in smaller quoted companies whose shares are often lightly traded. While the investment policy for the RCM Capital Stable Fund is to remain fully invested in securities, if market conditions make it appropriate, significant cash or short-term deposits may be held in a currency or currencies considered to be advantageous to the fund. It is the investment manager's intention to take long-term positions in any investment made. However, market conditions may, at times, make it appropriate for investments to be disposed of after only a short period of holding, subject always to applicable

regulations. Investments may only be acquired in those countries or markets where the trustee of the RCM Capital Stable Fund is satisfied that suitable arrangements can be made for their custody.

The Sun Life RCM MPF Capital Stable Fund is suitable for members who are willing to assume a relatively low level of risk.

(ix) Sun Life RCM MPF Stable Growth Fund

The Sun Life RCM MPF Stable Growth Fund seeks to provide members with a stable overall return over the long term.

The Sun Life RCM MPF Stable Growth Fund achieves this objective by investing in a diversified portfolio of global equities and fixed-interest securities through investing in the RCM Stable Growth Fund, a sub-fund of the RCM Choice Fund. The RCM Stable Growth Fund is a collective investment scheme approved by the MPFA pursuant to the Regulation for investment by provident fund schemes registered under the MPFS Ordinance, and managed by RCM Asia Pacific Limited.

The RCM Stable Growth Fund is expected to invest 50% of its assets in equities and 50% in fixed-interest securities. The fixed income portion will consist of a range of instruments issued in countries around the world. The equity portion of the RCM Stable Growth Fund will be invested primarily in the Hong Kong, Japan, North American and European markets with a smaller proportion being invested, at the discretion of its investment manager, in other Asian countries and emerging markets. Hence, the return of the Sun Life RCM MPF Stable Growth Fund is expected to follow the trend of the global equity and fixed-interest security markets.

The Sun Life RCM MPF Stable Growth Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30%. This will either result from investment exposure or currency hedging operations of the underlying fund.

The RCM Stable Growth Fund may employ a portion of its assets in futures contracts, options and forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the RCM Stable Growth Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of derivative instruments, stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the RCM Stable Growth Fund. The Sun Life RCM MPF Stable Growth Fund itself will not engage in securities lending transactions, financial futures and option trading.

The RCM Stable Growth Fund will usually invest in securities which are readily marketable, although a proportion of the fund may consist of investments in smaller quoted companies whose shares are often lightly traded. While the investment policy for the RCM Stable Growth Fund is to remain fully invested in securities, if market conditions make it appropriate, significant cash or short-term deposits may be held in a currency or currencies considered to be advantageous to the fund. It is the investment manager's intention to take long-term positions in any investment made. However, market conditions may, at times, make it appropriate for investments to be disposed of after only a short period of holding, subject always to applicable regulations. Investments may only be acquired in those countries or markets where the trustee of the RCM Stable Growth Fund is satisfied that suitable arrangements can be made for their custody.

The Sun Life RCM MPF Stable Growth Fund is designed for members who are willing to assume a medium level of risk.

(x) Sun Life RCM MPF Balanced Fund

The Sun Life RCM MPF Balanced Fund seeks to provide members with a high level of overall return over the long term.

The Sun Life RCM MPF Balanced Fund achieves this objective by investing in a diversified portfolio of global equities and fixed-interest securities through investing in the RCM Balanced Fund, a sub-fund of the RCM Choice Fund. The RCM Balanced Fund is a collective investment scheme approved by the MPFA pursuant to the Regulation for investment by provident fund schemes registered under the MPFS Ordinance, and managed by RCM Asia Pacific Limited.

The RCM Balanced Fund is expected to invest 70% of its assets in equities and 30% in fixed-interest securities. The fixed income portion will consist of a range of instruments issued in countries around the world. The equity portion of the RCM Balanced Fund will be invested primarily in the Hong Kong, Japan, North American and European markets with a smaller proportion, being invested, at the discretion of its investment manager, in other Asian countries and emerging markets. Hence, the return of the Sun Life RCM MPF Balanced Fund is expected to follow the trend of the global equity and fixed-interest security markets.

The Sun Life RCM MPF Balanced Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30%. This will either result from investment exposure or currency hedging operations of the underlying fund.

The RCM Balanced Fund may employ a portion of its assets in futures contracts, options and forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the RCM Balanced Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of derivative instruments, stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the RCM Balanced Fund. The Sun Life RCM MPF Balanced Fund itself will not engage in securities lending transactions, financial futures and option trading.

The RCM Balanced Fund will usually invest in securities which are readily marketable, although a proportion of the fund may consist of investments in smaller quoted companies whose shares are often lightly traded. While the investment policy for the RCM Balanced Fund is to remain fully invested in securities, if market conditions make it appropriate, significant cash or short-term deposits may be held in a currency or currencies considered to be advantageous to the fund. It is the investment manager's intention to take long-term positions in any investment made. However, market conditions may, at times, make it appropriate for investments to be disposed of after only a short period of holding, subject always to applicable regulations. Investments may only be acquired in those countries or markets where the trustee of the RCM Balanced Fund is satisfied that suitable arrangements can be made for their custody.

The Sun Life RCM MPF Balanced Fund is designed for members who are willing to assume an above average level of risk.

(xi) Sun Life RCM MPF Asian Equity Fund

The Sun Life RCM MPF Asian Equity Fund seeks to provide members with long term capital growth.

The Sun Life RCM MPF Asian Equity Fund achieves this objective through investing in the RCM Asian Fund, a sub-fund of the RCM Choice Fund. The RCM Asian Fund is a collective investment scheme approved by the MPFA pursuant to the Regulation for investment by

provident fund schemes registered under the MPFS Ordinance, and managed by RCM Asia Pacific Limited.

The RCM Asian Fund will invest primarily in Asian equities, principally Hong Kong, Singapore, South Korea, Taiwan, Thailand and Malaysia, but not including Japan. Hence, the return of the Sun Life RCM MPF Asian Equity Fund is expected to follow the trend of the Asian equity market.

The Sun Life RCM MPF Asian Equity Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30%. This will either result from investment exposure or currency hedging operations of the underlying fund.

The RCM Asian Fund may employ a portion of its assets in futures contracts, options and forward currency transactions for the purpose of hedging against market and exchange rate risks. The assets of the RCM Asian Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of derivative instruments, stock lending transactions or repurchase agreements will be effected in accordance with the applicable regulatory requirements and the terms of the constitutive documents of the RCM Asian Fund. The Sun Life RCM MPF Asian Equity Fund itself will not engage in securities lending transactions, financial futures and option trading.

The RCM Asian Fund will usually invest in securities which are readily marketable, although a proportion of the fund may consist of investments in smaller quoted companies whose shares are often lightly traded. While the investment policy for the RCM Asian Fund is to remain fully invested in securities, if market conditions make it appropriate, significant cash or short-term deposits may be held in a currency or currencies considered to be advantageous to the fund. It is the investment manager's intention to take long-term positions in any investment made. However, market conditions may, at times, make it appropriate for investments to be disposed of after only a short period of holding, subject always to applicable regulations. Investments may only be acquired in those countries or markets where the trustee of the RCM Asian Fund is satisfied that suitable arrangements can be made for their custody.

The Sun Life RCM MPF Asian Equity Fund is only suitable for members who are willing to assume a relatively higher level of risk to achieve potentially higher long term returns.

(xii) Sun Life Invesco MPF Global Equities Fund

The Sun Life Invesco MPF Global Equities Fund seeks to achieve long-term capital appreciation through investments in global equities.

The Sun Life Invesco MPF Global Equities Fund achieves this objective through investing in the Invesco Global Equities Fund, a sub-fund of the Invesco Pooled Investment Fund. The Invesco Global Equities Fund is a collective investment scheme approved by the MPFA pursuant to the Regulation for investment by provident fund schemes registered under the MPFS Ordinance, and managed by Invesco Hong Kong Limited.

Given the above investment objective, investors should regard the Sun Life Invesco MPF Global Equities Fund as a high risk investment. The return of the fund over the long term is expected to follow the trend of growth of global equity markets.

The Sun Life Invesco MPF Global Equities Fund will invest worldwide in a geographically diversified portfolio of listed securities in world markets. It will normally invest up to 100% of net asset in global

equities. Investments will be made with an emphasis on the Hong Kong market but in general may cover a global range of markets in Asia, Australasia, Japan, Europe and North America.

The Sun Life Invesco MPF Global Equities Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30%. This will either result from investment exposure or currency hedging operations of the underlying fund.

The underlying fund may employ a portion of its assets in other securities permitted by the Regulation including, without limitation, money market instruments or interests in other collective investment schemes such as authorized unit trusts and index-tracking collective investment schemes. The assets of the underlying fund may also be applied for acquiring financial futures and option contracts for hedging purposes only. The assets of the underlying fund will not engage in securities lending. The Sun Life Invesco MPF Global Equities Fund itself will not engage in securities lending transactions, financial futures and option trading.

(xiii) Sun Life Invesco MPF Hong Kong and China Equity Fund

The Sun Life Invesco MPF Hong Kong and China Equity Fund seeks to achieve long-term capital appreciation through investments in Hong Kong and China-related securities.

The Sun Life Invesco MPF Hong Kong and China Equity Fund achieves this objective through investing in the Invesco Hong Kong and China Fund, a sub-fund of the Invesco Pooled Investment Fund. The Invesco Hong Kong and China Fund is a collective investment scheme approved by the MPFA pursuant to the Regulation by investment by provident fund schemes registered under the MPFS Ordinance, and managed by Invesco Hong Kong Limited.

Given the above investment objective, investors should regard the Sun Life Invesco MPF Hong Kong and China Equity Fund as a high risk investment. The return of the fund over the long term is expected to follow the trend of the growth of Hong Kong and China-related equity markets.

The Sun Life Invesco MPF Hong Kong and China Equity Fund will be benchmarked against Lipper's Hong Kong Pension Funds - Hong Kong Equity Index.

The Sun Life Invesco MPF Hong Kong and China Equity Fund normally invests up to 100% of its net asset value in a portfolio of listed Hong Kong and China-related securities, which are listed on Hong Kong or other approved stock exchanges. China-related securities are defined as securities listed on the Hong Kong Stock Exchange or other approved exchanges, of issuers generating a substantial portion of their revenues and/or profits in the People's Republic of China.

The Sun Life Invesco MPF Hong Kong and China Equity Fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30%. This will either result from investment exposure or currency hedging operations of the underlying fund.

The underlying fund may employ a portion of its assets in other securities permitted by the Regulation including, without limitation, money market instruments or interests in other collective investment schemes such as authorized unit trusts and index-tracking collective investment schemes. The assets of the underlying fund may also be applied for acquiring financial futures and option contracts for hedging purposes only. The assets of the underlying fund will not engage in securities lending. The Sun Life Invesco MPF Hong Kong and China Equity Fund itself will not engage in securities lending transactions, financial futures and option trading.

3.1.2 Changes of Investment Policies

Subject to the approval of the Authority and the SFC, the Trustee may change the investment policy of any constituent fund by giving three months' prior written notice to the members of the Scheme.

3.2 Risk Factors

The investments of each constituent fund in securities are subject to normal market fluctuations and other risks inherent in investing in securities. For example, the value of equity securities varies from day to day in response to activities of individual companies and general market and economic conditions. The value of investments and income from equities, and therefore the value of investment units can go down as well as up and investors may lose money. Changes in exchange rates between currencies or the conversion from one currency to another may also cause the value of investments to diminish or increase.

Investments made by a constituent fund may be denominated in various currencies. Such investments require consideration of certain risks which include, amongst other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate, exchange rate fluctuations, imposition of exchange control regulation by governments, withholding taxes, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability. Where a constituent fund invests in securities of issuers located in countries with emerging securities markets, risks additional to normal risks inherent in investing in conventional securities may be encountered. The investments may be considered to be speculative in nature as they involve a greater than normal degree of risk and their market values may be expected to be of above average volatility.

These risks include:

(i) Currency Depreciation

A constituent fund's assets may be invested in securities which are denominated in currencies other than those of developed countries and any income received from those investments will be received in those currencies. Historically, many developing countries' currencies have experienced significant depreciation against currencies of developed countries. Because the net asset value of a constituent fund is calculated in Hong Kong dollars, there is therefore a currency exchange risk which may affect the value of units in a constituent fund.

(ii) Credit Risk

When a company or government issues a fixed income security, it promises to pay interest and repay a specified amount on the maturity date. Credit risk is the risk that the company or government will not live up to that promise.

(iii) Equity Risk

Equity such as common shares give you part ownership in a company. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity-related securities, which give you indirect exposure to the equities of a company, can also be affected by equity risk. Examples of equity-related securities are warrants and convertible securities.

(iv) Liquidity Risk

Liquidity is a measure of how easy it is to convert an investment into cash. An investment may be less liquid if it is not widely traded or if there are restrictions on the exchange where the trading takes place. Investments with low liquidity can have dramatic changes in value.

(v) Country Risk

The value of a fund's assets may be affected by uncertainties within each individual emerging market country in which it invests such as changes in government policies, nationalization of industry, taxation, the underdeveloped and often untested legal system, currency repatriation restrictions and other developments in the law, practice or regulations of the countries in which the constituent funds may invest.

(vi) Social, Political and Economic Factors

The economies of many of the emerging countries where the constituent funds may invest may be subject to a substantially greater degree of social, political and economic instability than developed countries. Such instability may result from, among other things, the following: authoritarian governments, popular unrest associated with demands for improved political, economic and social conditions, internal insurgencies and terrorist activities. This instability might impair the financial conditions of issuers or disrupt the financial markets in which the constituent funds invest.

(vii) Stock Market Practices

Many emerging markets are undergoing a period of rapid growth and are less regulated than many of the world's leading stock markets. In addition, market practices in relation to settlement of securities transactions and custody of assets in emerging markets can provide increased risk to a constituent fund and may involve delays in obtaining accurate information on the value of securities and the risk that the assets may not be accurately registered. These stock markets, in general, are less liquid than those of the world's leading stock markets. Purchases and sales of investments may take longer than would otherwise be expected on developed stock markets and transactions may need to be conducted at unfavorable prices. Liquidity may also be less and volatility of prices higher than in leading markets as a result of a high degree of concentration of market capitalization and trading volumes in a small number of companies.

(viii) Information Quality

Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some companies in emerging markets in which a constituent fund may invest may differ from those applicable in developed countries in that less information is available to investors and such information may be out of date or carry a lower level of assurance.

In addition to the above risks, investors' attention is drawn to the fact that while the objective of several of the constituent funds is medium to long term capital growth, those constituent funds that invest in fast-growing economies or limited or specialist sectors may be expected to experience above average volatility and the net asset value of those constituent funds will be affected accordingly. Investors in such constituent funds should regard their investment as long term in nature.

3.3 Investment Restrictions and Guidelines

The assets in the constituent funds may be invested in any investments including securities, pooled investment funds or any other properties at any time subject to the following restrictions and any other restrictions which may be imposed by the Authority or the SFC from time to time.

The following investment restrictions and guidelines shall apply to all funds, with the exception of the Sun Life First State MPF Conservative Fund:

- (i) The assets in the constituent funds may be invested only in the investments permitted under and in accordance with Part V and Schedule 1 of the Regulation and any codes and guidelines relating to investment practices issued by the Authority.
- (ii) If the constituent fund is a feeder fund, it may not enter into any financial futures and options contracts.
- (iii) If the constituent fund is a portfolio management fund, no more than 90% of the total assets of the constituent fund may be invested in one approved pooled investment fund and it may enter financial futures and option contracts only for hedging purposes.
- (iv) The funds in the Scheme must not be subject to any encumbrance other than an encumbrance which complies with section 65(2) of the Regulation.
- (v) The funds in the Scheme may not invest in the securities of, or lend to the Trustee or any custodian appointed under the Scheme except where any of these parties is a substantial financial institution as defined in the Regulation.

The following investment restrictions and guidelines shall apply to the Sun Life First State MPF Conservative Fund:

- (i) The assets of the constituent fund may be invested only:
 - (a) by placing them on deposit in accordance with section 11 of the Schedule 1 of the Regulation, but only for a term of not exceeding 12 months; or
 - (b) in debt securities with a remaining maturity period of 2 years or less and of a kind referred to in section 7(2)(a) or (b) of Schedule 1 of the Regulation; or
 - (c) in debt securities with a remaining maturity period of 1 year or less and that satisfy the minimum credit rating set by the Authority.
- (ii) The assets of the constituent fund must have an average portfolio remaining maturity period of not more than 90 days.
- (iii) The assets of the constituent fund must have 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.

3.4 Investment Management

The investment manager of the Sun Life First State MPF Funds is First State Investments (Hong Kong) Limited. The investment manager of the Sun Life RCM MPF Funds is RCM Asia Pacific Limited. The investment manager of the Sun Life Invesco MPF Funds is Invesco Hong Kong Limited.

3.5 Borrowing Policy

Subject to section 4 of Schedule 1 of the Regulation and any other statutory requirements and restrictions, the Trustee may, for the account of a constituent fund, arrange for the borrowing in any currency for the purpose of paying accrued benefits or redemption proceeds, settling a transaction relating to the acquisition of investments for the constituent fund, securing a claim for payment of fees for the safe custody or administration of the Scheme assets by a central securities depository or delegate of a custodian or acquiring a financial futures contract.

4. Contributions and Withdrawals

4.1 Application for Membership

The Scheme has been registered as a registered scheme under the MPFS Ordinance in January 2000. From the commencement date of the mandatory provident fund system on December 1, 2000, any employer, self-employed person may join the Scheme by establishing a participating plan. Any employee under his employer's participating plan may, upon his cessation of employment with such employer, join the Scheme as a preserved member by establishing a new participating plan and transferring his accrued benefits under his employer's participating plan to such new participating plan in accordance with section 4.12 below. Any other person who wishes to transfer to the Scheme any of his retirement benefits may also join the Scheme as a preserved member by establishing a participating plan.

In order to establish a participating plan, 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 may become employee members of the Scheme if the employer enrolls the employees in the Scheme by providing the necessary information to the Trustee or completing the prescribed enrolment forms. 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. Under the MPFS Ordinance, it is mandatory for employees and self-employed persons to join an MPF scheme and make mandatory contributions unless they are below the age of 18 or at or above the age of 65 or otherwise exempted under the MPFS Ordinance. Persons who are not required to make mandatory contributions may nevertheless join the Scheme and make voluntary contributions.

In making an application, an employee of a participating employer, self-employed person or preserved member must provide to the Trustee the necessary information. If the application is accepted but the applicant concerned fails to provide to the Trustee the minimum information to establish a member record (i.e. his name, Hong Kong identity card number and date of employment), no account will be established and any contribution monies made in respect of such applicant will not be invested in accordance with his investment mandate, but may in the Trustee's sole discretion be kept in an interest bearing account. In such case, the Trustee will as soon as reasonably practicable notify the applicant of such treatment and request the applicant to provide the requisite minimum information. If the Trustee subsequently receives all the minimum information of the applicant concerned, the Trustee will within fourteen (14) business days of such receipt implement the investment mandate of the applicant with respect to the monies kept in the interest bearing account and his future contributions and no additional handling fee will be imposed. Any interest generated from the interest-bearing account shall be retained as income of the Scheme or for the payment of any administrative expenses of the Scheme for the benefits of Scheme members.

However, if the above minimum information has been provided but certain other information of the applicant is found to be incomplete or inaccurate such that the Trustee will not be able to invest the contribution monies in accordance with his investment mandate, the Trustee may in its sole discretion invest such monies into the Sun Life First State MPF Stable Income Fund. If the Trustee subsequently receives the complete information of the applicant concerned, the Trustee will within fourteen (14) business days of such receipt implement the investment mandate of the applicant with respect to his future contributions and no additional handling fee will be imposed.

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 or the applicant has agreed to comply with the provisions of the Trust Deed, whichever is the later. All the applicants who are admitted to the Scheme (including the employee members of the participating employer) will be governed by the governing rules contained in the Trust Deed.

All contributions made by the members of the Scheme should be paid to the Trustee in accordance with the Trust Deed as summarised below.

4.2 Mandatory Contributions

The following mandatory contributions must be made by or in respect of the employee members and self-employed persons under the Scheme, except to the extent where such payments are not required by the MPFS Ordinance.

4.2.1 Employer and Employee Members

Subject to the provisions in the MPFS Ordinance, every employer under the relevant participating plan must, in respect of each of its employee members, pay to the Trustee out of the employer's own funds a mandatory contribution of 5% (or any other percentage as may be prescribed by the MPFS Ordinance) of each employee member's relevant income for each period during which relevant income is paid or should be 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, or such other amount as prescribed under the MPFS Ordinance or the Regulation.

At the same time, unless the employee member's relevant income falls below the statutory minimum of HK\$5,000 per month* (or such other minimum level of relevant income as may be prescribed by the MPFS Ordinance) or the Regulation provides otherwise, such employer must, for each contribution period, deduct from the employee member's relevant income and pay to the Trustee a mandatory contribution of 5% (or any other percentage as may be prescribed by the MPFS Ordinance) 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, or such other amount as prescribed under the MPFS Ordinance or the Regulation.

Both the employer's and employee's mandatory contributions should be made on or before the contribution day which is:

- (i) in case of a member who is a casual employee, the 10th day after the last day of the relevant contribution period; or
- (ii) in case of a member who is not a casual employee[#], the 10th day after the last day of the calendar month within which the relevant contribution period ends,

or such other day as the Regulation may prescribe.

4.2.2 Self-employed Persons

Every self-employed person under the Scheme must, from the commencement date of his participating plan, 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 such other minimum level of relevant income as may be prescribed by the MPFS Ordinance) or the Regulation provides otherwise. The amount that any self-employed person must contribute will not exceed HK\$1,000 per month or HK\$12,000 per annum, or such other amount as prescribed under the MPFS Ordinance or the Regulation.

* The "minimum level of relevant income" of HK\$5,000 per month will be applicable to contribution periods commencing on or after 1 February 2003 (or such other date as may be determined by the Authority). Prior to that, the "minimum level of relevant income" remains at HK\$4,000 per month.

The above contribution day for a member who is not a casual employee will be applicable to the contribution periods ending on or after 1 February 2003 (or such other day as may be determined by the Authority). Prior to that, the contribution day for non casual employees is the same as casual employees.

4.3 Voluntary Contributions

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 in addition to the mandatory contribution for each contribution period. Employers, employee members or self-employed persons who are not required to make mandatory contributions under the MPFS Ordinance may also join the Scheme to make voluntary contributions only. If an employer chooses to make voluntary contributions on behalf of his employees, he should specify the voluntary contribution (as a dollar amount or percentage of the income of the employee members as set out by the employer) in the application form. If an employee member or a self-employed person chooses to make voluntary contributions, he should notify the Trustee in writing of the voluntary contribution as a dollar amount or percentage of his income.

The employer and employee member may change the amount of their respective voluntary contributions by giving the Trustee one (1) month's prior written notice. If an employee member wishes to change his voluntary contribution, such notice must also be signed by him. The self-employed person may also change the amount of his voluntary contribution by giving the Trustee one (1) month's prior written notice.

All mandatory and voluntary contributions to the Scheme must only be made to the Trustee.

4.4 Investment Mandate

An employee member, self-employed person or preserved member may submit to the Trustee an investment mandate at the time when the application for membership of the Scheme is made, in which case, the contribution monies in respect of the member shall be invested in accordance with such investment mandate.

In this respect, selection of the Fund Cruiser (see section 4.7) would be deemed as submission of the investment mandate.

If the member concerned fails to submit to the Trustee an investment mandate at the time of his application, the Trustee may at any time in its sole discretion invest any of his contribution monies into an interim investment fund which is the Sun Life First State MPF Stable Income Fund. In such case, the Trustee will as soon as reasonably practicable notify the member of such investment and request the member to provide his investment mandate. If the dealings in the Sun Life First State MPF Stable Income Fund are suspended or the Sun Life First State MPF Stable Income Fund has been terminated in accordance with the provisions of the Trust Deed, the contributions will be invested into the Sun Life First State MPF Balanced Portfolio Fund. If the Trustee subsequently receives an investment mandate from the member concerned, the Trustee will implement such investment mandate with respect to the future contributions of the member within fourteen (14) business days of such receipt and no additional handling fee will be imposed.

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 investment mandate.

As soon as the Trustee receives* the subscription monies in cleared funds, the Trustee will apply the money to invest in the respective constituent funds in accordance with the provisions described above. Units in the constituent funds will be acquired at their issue prices in accordance with section 6.1.

* For the purpose of sections 4.4, 5.2 and 6.1, the subscription monies will not be considered to have been received by the Trustee in cleared funds until such monies have been reconciled and validated by the Trustee.

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 or assets in specie in such existing retirement scheme to the Scheme.

At the request of an employee member, self-employed person or preserved member, the Trustee may also accept a transfer payment or a transfer of assets in specie from any scheme or arrangement of which the employee member, self-employed person or preserved member is a member.

Any funds, assets or payment transferred to the Scheme will be held by the Trustee as mandatory or voluntary contributions in accordance with the MPFS Ordinance and the governing rules of the Scheme.

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

4.6 Switching Between Constituent Funds

An employee member, self-employed person or a preserved member may, subject to the limitations discussed below, change his investment instructions by submitting a new investment mandate or a switching instruction form to the Trustee. Note that for any member utilizing the Fund Cruiser (see section 4.7), such change to the investment instructions or submission of switching instruction would terminate the operation of the Fund Cruiser for that member.

An employee member, self-employed person or a preserved member may submit a new investment mandate and request the Trustee to apply any future contributions which are paid to his account after a specific date to invest or subscribe for units of the relevant class in one or more constituent funds in accordance with the new investment mandate provided that such new investment mandate is given to the Trustee at least fourteen (14) business days but no more than one (1) month before that specific date. If no specific date is provided in the member's instruction, the Trustee shall implement the new investment mandate within fourteen (14) business days after the receipt thereof. Notwithstanding any limitation which may be imposed by the Trustee, each member will be entitled to apply his entire contribution after the specific date to invest in or subscribe for units of the relevant class in any one constituent fund.

An employee member, self-employed person or a preserved member may also submit a switching instruction form to the Trustee to withdraw any investment or redeem any units in a constituent fund on a specific day and to apply such redemption proceeds to invest or acquire units of the same class in other constituent funds in accordance with the switching instruction. In such case, the switching instruction form should be submitted to the Trustee at least fourteen (14) business days but no more than one month before the specific day. If no specific day is provided in the member's instruction, the Trustee shall implement such switching within fourteen (14) business days after the receipt of the switching instruction form. The aforesaid redemption proceeds will be used to subscribe for other specified funds on the same dealing day. However, such switching instruction form should not affect the way in which any future contributions should be invested which should be made in accordance with the

latest investment mandate submitted by the relevant member. Notwithstanding any limitation which may be imposed by the Trustee, each member will be entitled to transfer his entire benefits under the Scheme into any one constituent fund.

4.7 Fund Cruiser

4.7.1 Overview of Fund Cruiser

To assist members in making decisions relating to the investments of their contributions, the Scheme offers an automatic fund allocation programme, called the Fund Cruiser. This programme adopts pre-determined fund allocations dependent upon a member's age.

Members should note that the asset allocation table under the Fund Cruiser is a standard arrangement only and does not constitute any investment advice to individual members. The arrangement does not take into account factors other than age, which members may also need to consider, such as their investment objectives, financial needs, risk tolerance, market and economic situations.

The selections under the Fund Cruiser are as follows:

Funds Selected

| Asset Class | Fund |
|---------------|--|
| Cash | Sun Life First State MPF Conservative Fund |
| HKD Bond | Sun Life First State MPF Fixed Income Fund |
| HK Equity | Sun Life First State MPF Hong Kong Equity Fund |
| Global Equity | Sun Life Invesco MPF Global Equities Fund |

The table below shows the asset allocation basis currently applicable:

Asset Allocation Table

| Age | Cash | Hong Kong Dollar Bond | Hong Kong Equity | Global Equity |
|----------|------|-----------------------|------------------|---------------|
| Under 30 | 0% | 5% | 40% | 55% |
| 30 | 0% | 5% | 40% | 55% |
| 31 | 0% | 6% | 37% | 57% |
| 32 | 0% | 7% | 34% | 59% |
| 33 | 0% | 8% | 31% | 61% |
| 34 | 0% | 9% | 28% | 63% |
| 35 | 0% | 10% | 25% | 65% |
| 36 | 0% | 11% | 23% | 66% |
| 37 | 0% | 12% | 21% | 67% |
| 38 | 0% | 13% | 19% | 68% |
| 39 | 0% | 14% | 17% | 69% |
| 40 | 0% | 15% | 15% | 70% |
| 41 | 0% | 18% | 13% | 69% |
| 42 | 0% | 21% | 11% | 68% |
| 43 | 0% | 24% | 9% | 67% |
| 44 | 0% | 27% | 7% | 66% |
| 45 | 0% | 30% | 5% | 65% |
| 46 | 1% | 31% | 5% | 63% |
| 47 | 2% | 32% | 5% | 61% |
| 48 | 3% | 33% | 5% | 59% |
| 49 | 4% | 34% | 5% | 57% |
| 50 | 5% | 35% | 5% | 55% |
| 51 | 6% | 37% | 4% | 53% |
| 52 | 7% | 39% | 3% | 51% |
| 53 | 8% | 41% | 2% | 49% |
| 54 | 9% | 43% | 1% | 47% |
| 55 | 10% | 45% | 0% | 45% |
| 56 | 11% | 47% | 0% | 42% |
| 57 | 12% | 49% | 0% | 39% |
| 58 | 13% | 51% | 0% | 36% |
| 59 | 14% | 53% | 0% | 33% |
| 60 | 15% | 55% | 0% | 30% |
| Over 60 | 15% | 55% | 0% | 30% |

Notes:

- 1) The table shows the allocation percentages that apply for each age.
- 2) The Trustee can arrange to change the choice of such funds and asset allocation, giving members three months' notice of such change.

For members choosing to follow the Fund Cruiser, all existing/new contributions and transfers into the Scheme will automatically be invested in accordance with the Asset Allocation Table above.

In addition, on each Trigger Day (defined as "the birthday of a member if it is a business day, or, if a non-business day, the first business day after the birthday"), the accumulated value of the account of a member in the programme will be transferred in accordance with the relevant Asset Allocation Table above. In the event that such switching cannot be carried out on the Trigger Day, it will be carried out as soon as is practicable thereafter. However, if there are contributions in process, switching will be performed after the units of the contributions in process have been allocated to the member's account.

The actual asset allocation between the Trigger Days may be different from those shown in the Asset Allocation Table due to the market movement of the underlying funds.

The programme (including the Asset Allocation basis and methodology) is subject to change providing that a three-month prior notice is given to existing members. Any future changes to the programme will apply to both existing and new members.

4.7.2 Joining the Fund Cruiser

When joining the Scheme, members can choose either:

- (i) to follow the Fund Cruiser (which would determine the allocation of funds in their account), or
- (ii) to specify their own chosen basis by which new monies are invested across the range of constituent funds.

In addition, existing members who are not utilising the Fund Cruiser can elect to join the programme at any time by submitting a relevant switching instruction form to the Trustee. Please refer to section 4.6 for details of switching arrangements.

Processing of the allocation of contributions to be invested into the selected constituent fund is subject to the receipt of the contributions and to other such circumstances which can affect the processing time of such contributions.

If, when joining the Scheme, the member has not submitted a valid enrolment form to elect the investment options or if no initial investment options are stated in the enrolment form, such member will be deemed to have chosen to utilise the Sun Life First State MPF Stable Income Fund by default, and all new monies of such member will be invested accordingly. Please refer to section 4.4 for more details on the investment mandate and the default fund arrangement.

4.7.3 Changing Investment Options

For members utilizing the Fund Cruiser, the accounts will be switched in accordance with the Asset Allocation Table as specified in section 4.7.1. However, if a member utilising the Fund Cruiser requests to switch existing funds, or to change the investment mandate of future contributions and/or transfer-in monies, then the member will be deemed, at that point, to have exited the Fund Cruiser.

Processing of any request is subject to the receipt of a properly completed request. Please refer to section 4.6 for details of switching arrangements.

4.7.4 Preserved Accounts

A member may have an active account (into which new contributions can be invested) and a preserved account; and the member can choose different investment strategies for these two accounts.

Where an active account utilizing the Fund Cruiser is transferred into a member's existing preserved account, the asset allocation in relation to subsequent new transfer-in monies will adopt the allocation basis that most recently applied for the preserved account; and in the case where the most recently selected investment mandate for the preserved account does not utilize Fund Cruiser, the Fund Cruiser will cease to apply to the transfer-in monies within the preserved account.

Where an active account utilizing the Fund Cruiser is transferred into a new preserved account (in the case of auto-preservation), the Fund Cruiser will continue to apply to the transfer-in monies and the existing monies within the preserved account.

4.7.5 Intra-Group Transfers

Where an employee account relating to the member's previous employment and utilizing the Fund Cruiser is transferred into another employee account relating to the member's new employment by means of an intra-group transfer, the asset allocation in relation to the subsequent future contributions and transfer-in monies will adopt the allocation basis that most recently applied for the employee account relating to the member's new employment; and in the case where the most recently selected investment mandate for the employee account does not utilize Fund Cruiser, the Fund Cruiser will cease to apply to the contributions within the employee account relating to the member's new employment.

4.8 Vesting of Benefits

4.8.1 Employee Member

Except for any employer's voluntary contribution, all contributions made on behalf of any employee member will become fully vested immediately upon contribution.

Unless otherwise provided in the relevant participation agreement, all voluntary contributions made by the employer on behalf of an employee member will become fully vested when the employee member:

- (i) attains the normal retirement age of 65;
- (ii) retires after the age of 60 in accordance with section 4.9 (ii) below;
- (iii) retires on the ground of total incapacity;
- (iv) dies; or
- (v) when the voluntary contributions become fully vested in accordance with its vesting scale,

or such other circumstances as the employer may determine.

4.8.2 Self-employed Person

All contributions made on behalf of self-employed persons will be fully vested at all times.

4.9 Withdrawal of Benefits

Subject to the provisions in the MPFS Ordinance, the Regulation and the rules of the Trust Deed, an employee member, self-employed person and preserved 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 benefits have 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.

The accrued benefits paid under the above circumstances will be valued as at the dealing day as soon as reasonably practicable after the date on which the Trustee receives and approves the withdrawal request and any other necessary and duly completed documentation.

The rules of the Trust Deed also contain provisions which allow the employee member, self-employed person or preserved member to receive accrued benefits in the Scheme if such benefits do not exceed HK\$5,000 as at the date of the claim for the payment of those benefits, and, as at the date of such claim, at least 12 months have elapsed since the contribution day in respect of the latest contribution period for which a mandatory contribution is required to be made to the Scheme or to any other registered scheme by or in respect of the member and the member does not have accrued benefits kept in any other registered scheme. The accrued benefits will be valued as at the dealing day as soon as reasonably practicable after the date on which the Trustee receives and approves the withdrawal request and any other necessary and duly completed documentation.

4.10 Withdrawal of Voluntary Contributions

Voluntary contributions made in respect of an employee member can also be withdrawn in the following situations:

- (i) when he ceases to be employed by the employer; or
- (ii) when his employer fails to make a voluntary contribution in accordance with the participating agreement within 6 months after:
 - (a) if the amount of voluntary contribution is determined by reference to the employee's income, the end of the period covered by such income; or
 - (b) if the amount of voluntary contribution is determined by reference to the period of the employee's employment, the end of such period.

In either case, the amount of benefits payable will be equal to the aggregate of the vested balance of his employer's voluntary contributions and the total balance of his own voluntary contributions. Such benefits will be valued as at the dealing day as soon as reasonably practicable after the date on which the Trustee receives and approves the withdrawal request and any other necessary and duly completed documentation provided that in case of (ii) any such request should only be submitted after the expiry of the 6 month period.

Similarly, a self-employed person or a preserved member is also entitled to withdraw his voluntary contributions once in each financial year of the Scheme by giving one month's prior written notice to the Trustee. A withdrawal fee as set out in section 7.2 may be deducted by the Trustee on the withdrawn amount.

4.11 Payment of Accrued Benefits

Subject to the provisions in the Regulation, an employee member, self-employed person or preserved 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 should pay the member within 30 days of the lodgement of the claim. 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.

The Trustee may also deduct from the benefits paid 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 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, warrant or telegraphic transfer.

4.12 Portability of Benefits

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 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. However, if the cessation of employment as a result of a change of business ownership or an intra-group transfer, and

- (a) the employee is re-employed by a new owner (in the case of change of business ownership) or an associate company of the previous employer (in the case of intra-group transfer) ("new employer");
- (b) the new employer has assumed the liability of the previous employer for severance payment or long service payment in respect of that employee;
- (c) the new employer has agreed to recognize the employee's length of employment with the previous employer for the purposes of that severance payment or long service payment; and
- (d) no accrued benefits held in a registered scheme in respect of the employee have been paid to the employee or the previous employer for the purpose of severance payment or long service payment,

then the new employer may elect, in accordance with the Regulation, to have the accrued benefits of the employee held under the previous employer's scheme transferred to the registered scheme in which the new employer is a participant.

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 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 member who wishes to make the transfer should notify the trustee of the scheme to which the benefits are transferred of the election in accordance with the provisions in the Regulation. Subject to the MPFS Ordinance and the Regulation, and unless there are outstanding contributions or surcharges or both, the Trustee will, upon notification of the election, take all reasonably practicable steps to ensure that all the accrued benefits concerned will be transferred in accordance with the election within 30 days of the notification.

If the employee member has the right to make an election but fails to make an election within 3 months after the Trustee has been notified that the employee member has ceased to be employed by the former employer, 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.

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

4.13 Termination of Participating Plan

Any employer, self-employed person or preserved 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 or self-employed person by written agreement given not earlier than 60 days before the termination. In the case of an employee member, such written agreement may also be given by his employer.

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

5. Valuation and Pricing

5.1 Dealing Day

Units of each class in the constituent funds will be valued, issued and redeemed on every dealing day which will be any day on which banks in Hong Kong are open for business (excluding Saturdays). However, if on any such day the period during which banks in Hong Kong are open is reduced as a result of a tropical cyclone signal number 8 or above, Black Rainstorm warning or other similar event, such day will not be a dealing day unless the Trustee determines otherwise.

5.2 Dealing

Any subscription application or redemption request will be dealt with by the Trustee as soon as reasonably practicable after receipt. In the case of subscription, applications will not be considered as having been received by the Trustee unless the subscription money is received* in cleared funds.

5.3 Class of Units

An employer who (i) joins the Scheme on or before December 1, 2000 and satisfies the eligibility requirements specified below as at December 1, 2000; or (ii) joins the Scheme after December 1, 2000 and satisfies the eligibility requirements specified below as at the commencement date of the relevant participating plan will be referred to as "class B employer". All other employers are referred to as "class A employers".

Eligibility Requirements

An employer will be referred to as a "class B employer" if such employer satisfies one or more of the following:

- (i) the number of employee members participating in the employer's participating plan is not less than 100;
- (ii) the employer has assets transferred into the Scheme from an occupational retirement scheme; or
- (iii) the employer has an occupational retirement scheme administered by Sun Life Hong Kong Limited.

Initially, two classes of units are issued for each constituent fund. The two classes of units are:

- (i) Class A units - Available to any member of the Scheme to whom Class B units are not made available (including members who are self-employed persons).
- (ii) Class B units - Available to:
 - (a) employee members of class B employers; or
 - (b) preserved members regardless of whether the preserved members were previously employed by class A employers.

Notwithstanding the above, the Trustee may in its discretion make available the class A units or class B units to any members of the Scheme.

All units standing to the credit of a member (in any one capacity) shall either be class A units or class B units and no member shall hold both class A units and class B units at the same time.

All units are denominated in Hong Kong dollars.

5.4 Class Switching

If an employee member who is employed by a class A employer becomes a preserved member upon cessation of employment with his employer, all class A units of each constituent fund standing to the credit of such employee member shall be converted into class B units of the same constituent fund when he becomes an preserved member.

If units of a constituent fund are converted from one class to another under the above circumstance or any other circumstances which the Trustee considers to be necessary, the number of units in the new class to be issued shall be calculated as follows.

$$P = \frac{Q \times R}{S}$$

P = is the number of units of the new class of the constituent fund to be issued (rounded down to 4 decimal places, or such other number of decimal places as the Trustee may determine from time to time).

Q = is the number of units of the old class of the constituent fund to be converted.

R = is the net asset value per unit of the old class of the constituent fund as at the relevant conversion date.

S = is the net asset value per unit of the new class of the constituent fund as at the dealing day as soon as reasonably practicable after the Trustee has received and validated the redemption proceeds of the units of the old class of constituent fund.

* Please see the footnote for section 4.4

5.5 Valuation of Units

The Trustee will value each investment and asset in a constituent fund at the current bid price in the last relevant market to close on the relevant dealing day or such other time as the Trustee may from time to time decide. 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 current bid price;
- (ii) unquoted investments are assessed on the latest revaluation made;
- (iii) collective investment schemes are valued at their current bid price per share;
- (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 government levies, taxation related to the income of the constituent fund, other fiscal charges, expenses of the Scheme (e.g. any trustee's fee or management 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 particular class of a constituent fund will be determined by dividing the net asset value of the constituent fund attributable to that class of units by the number of units of that class in issue.

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 and the SFC, the Trustee may change the method of valuation of any constituent fund by giving to the members a three months' prior notice.

5.6 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 realize 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 reasonably 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 South China Morning Post and Hong Kong Economic Times stating that such declaration has been made.

6. Dealing in Constituent Funds

6.1 Subscription and Subscription Price

Units of the constituent funds will normally be issued on every dealing day. As soon as reasonably practicable after the receipt* of contribution monies in cleared funds, the Trustee will issue to the relevant member the appropriate number of units of the relevant constituent funds on that dealing day in accordance with the member's investment mandate. Before any contribution monies are invested into the constituent funds, the Trustee shall retain such monies in an interest bearing account. Any interest derived from the contribution monies shall be retained as income of the Scheme or for the payment of any administrative expenses of the Scheme for the benefits of Scheme members.

However, if the payroll frequency of a participating employer is weekly or more frequent than weekly, a multiple payroll frequency fee will be deducted from the contribution monies before they are invested in the relevant constituent funds. The amount of multiple payroll frequency fee will be equal to 2% of the amount of contributions made. The multiple payroll frequency fee will be received by the Administrator for its own use and benefit. Notwithstanding that, no multiple payroll frequency fee will be levied in respect of contributions investing in the Sun Life First State MPF Conservative Fund.

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

$$I = \frac{NAV}{100\% - C}$$

where:

| | | |
|-----|---|--|
| I | = | issue price. |
| NAV | = | net asset value per unit of the relevant class to be issued on that dealing day. |
| C | = | offer spread expressed as a percentage. |

The offer spread will be retained by the Trustee for its own use and benefit. The Trustee may levy an offer spread of up to a maximum of 2.5% depending on the constituent funds in which units are applied for. The maximum offer spread of 2.5% may also be increased with the approval of the Authority and the SFC. Initially, no offer spread will be levied on the issue of the units.

The issue price will be rounded to 4 decimal places, or such other number of decimal places as the Trustee may from time to time determine. The number of units of the relevant class issued will be determined by dividing the contribution money by the issue price of the unit of such class of the relevant constituent fund in which the contribution money will be invested, and the resulting number will be rounded down to 4 decimal places or such other number of decimal places as the Trustee may determine.

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

Notwithstanding the above, units in the Sun Life First State MPF Conservative Fund will be issued at their net asset value and no offer spread will be levied.

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

The first issue of the units was made at a price of HK\$1.00 for each class of the constituent fund. Units for the following constituent funds were first issued on December 1, 2000:

Sun Life First State MPF Conservative Fund
 Sun Life First State MPF Fixed Income Fund
 Sun Life First State MPF Hong Kong Equity Fund
 Sun Life First State MPF Stable Income Fund
 Sun Life First State MPF Balanced Portfolio Fund
 Sun Life First State MPF Progressive Growth Fund

Units for the following constituent funds were first issued on March 1, 2008:

Sun Life RCM MPF Capital Stable Fund
 Sun Life RCM MPF Stable Growth Fund
 Sun Life RCM MPF Balanced Fund
 Sun Life RCM MPF Asian Equity Fund
 Sun Life Invesco MPF Global Equities Fund
 Sun Life Invesco MPF Hong Kong and China Equity Fund

Units for the Sun Life First State MPF Global Bond Fund were first issued on January 1, 2010.

Subject to the approval of the Authority and the SFC, the Trustee may change the methodology of determining the issue price of any class of a constituent fund by giving a three months' prior notice to the members.

6.2 Redemption of Units and Redemption Price

Upon the withdrawal of accrued benefits from the Scheme or the switching of accrued benefits between the constituent funds, members will be required to redeem their units under the relevant constituent funds.

The price at which units of a particular class will be redeemed on a dealing day will be calculated as follows:

$$R = NAV (100\% - D)$$

where:

| | | |
|-----|---|--|
| R | = | redemption price. |
| NAV | = | net asset value per unit of the relevant class to be redeemed on that dealing day. |
| D | = | bid spread expressed as a percentage. |

The redemption price will be rounded to 4 decimal places, or such other number of decimal places as the Trustee may determine from time to time. The total redemption monies will be the redemption price multiplied by the number of units redeemed, rounded to 4 decimal places or such other number of decimal places as the Trustee may determine.

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

* Please see the footnote for section 4.4

The bid spread will be retained by the Trustee for its own use and benefit. The Trustee may levy a bid spread of up to a maximum of 2.5% depending on the constituent funds in which units are redeemed. The maximum bid spread of 2.5% may also be increased with the approval of the Authority and the SFC. The Trustee may reduce the bid spread for any member as the Trustee may consider appropriate. Initially, no bid spread will be levied.

Notwithstanding the above, units in the Sun Life First State MPF Conservative Fund will be redeemed at their net asset value and no bid spread will be levied.

The Trustee may also limit the total number of units in a constituent fund to be redeemed on any dealing day to 10% of the total number of units in issue. This limitation shall apply pro-rata to all members who require redemption to be effected on the relevant dealing day. Any units not redeemed will be carried forward for redemption on the next following dealing day subject to the same 10% limitation.

Subject to the approval of the Authority and the SFC, the Trustee may change the methodology of determining the redemption price of any class of a constituent fund by giving a three months' prior notice to the members.

6.3 Number of New Units Issued from a Switching Transaction

The number of units of the new constituent fund to be issued will be calculated as follows:

where:
$$N = \frac{P}{M}$$

P = is the redemption proceeds 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 (i) the dealing day as specified by the Member in the switching instruction form, or (ii) if no specified dealing day is provided in the member's instruction, a dealing day falling within fourteen (14) Business Days after the receipt of the switching instruction form.

N = is the number of units of the same class of the new constituent fund to be issued (rounded down to 4 decimal places, or such other number of decimal places as the Trustee may determine from time to time).

The maximum number of requests (whether for a change of investment mandate or switching of units between constituent funds) which can be made by a member in each financial year cannot exceed 4 unless otherwise agreed by the Trustee (this restriction of switching frequency is released temporarily from 4 times a year to unlimited switching until December 31, 2013). No request will be acted upon if the dealing of the relevant constituent funds is suspended.

As discussed above, the Trustee may limit the total number of units in a constituent fund to be redeemed on any dealing day to 10% of the total number of units in issue. This limitation will be applied pro rata to all redemption requests to be effected on such dealing day. Any units not redeemed will be redeemed on the next dealing day subject to the same 10% limitation.

7. Fees and Charges

7.1 Fees Table and Explanatory Notes

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 and annual fee | | | |
|---------------------------------------|------------------------------|----------------|-------------------|
| Type of fees | Current amount (HK\$) | | Payable by |
| | Class A | Class B | |
| Joining fee ¹ | N/A | | N/A |
| Annual fee ² | N/A | | N/A |

| (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 |
| | | Class A | Class B | |
| Contribution charges ³ | All constituent funds | N/A | | N/A |
| Offer spread ⁴ , ^(b) (expressed as a % of issue price) | Sun Life First State MPF Conservative Fund | N/A | | N/A |
| | All other constituent funds | Nil | | Scheme member |
| Bid spread ⁵ , ^(c) (expressed as a % of NAV of the units redeemed) | Sun Life First State MPF Conservative Fund | N/A | | N/A |
| | All other constituent funds | Nil | | Scheme member |
| Withdrawal charge ⁶ (only for voluntary contributions and expressed as a % of the withdrawal amount) | Sun Life First State MPF Conservative Fund | N/A | | N/A |
| | All other constituent funds | Nil | | Self-employed persons & preserved members |

| (C) Annual fund operating charges & expenses of constituent funds (including fees and charges payable out of the underlying funds) | | | | |
|---|--|---|----------------|--|
| Type of charges and expenses | Name of constituent fund | Current Level | | Deducted from (as a % p.a. of NAV) |
| | | Class A | Class B | |
| Management fees ⁷ (refer details of fees in Section 7.2) | Sun Life First State MPF Conservative Fund | Up to 1.195% | Up to 1.195% | Relevant constituent funds or Investment Funds |
| | All other Sun Life First State MPF constituent funds | Up to 1.775% | Up to 1.575% | |
| | All Sun Life RCM MPF constituent funds | Up to 1.930% | Up to 1.730% | |
| | All Sun Life Invesco MPF constituent funds | Up to 1.988% | Up to 1.788% | |
| Other expenses | The following expenses will be deducted from the funds: | | | |
| | (1) | Compensation Fund levy | | |
| | (2) | Indemnity insurance | | |
| | (3) | Auditor's fees & legal charges | | |
| | (4) | Others – please refer to Explanatory Note (d) for details | | |

(D) Other fees and charges for providing additional services

| Type of fees & charges | Name of constituent fund | Current Level | | Payable by | Received by |
|---|--|---------------|---------|------------------------------|---------------|
| | | Class A | Class B | | |
| Multiple payroll frequency fee if the payroll is made weekly or more frequently than weekly (expressed as a % of contribution monies) | Sun Life First State MPF Conservative Fund | N/A | | N/A | N/A |
| | All other constituent funds | 2% | | Scheme members and employers | Administrator |

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 charged by the trustee/sponsor of a scheme on an annual basis 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 Sun Life First State MPF Conservative Fund.
4. "Offer spread" is charged by the trustee/sponsor upon subscription of units of a constituent fund by a scheme member. Offer spread does not apply to the Sun Life First State MPF Conservative Fund.
5. "Bid spread" is charged by the trustee/sponsor upon redemption of units of a constituent fund by a scheme member. Bid spread does not apply to the Sun Life First State MPF 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 usually charged as a percentage of the withdrawal amount and will be deducted from the withdrawal amount. This charge does not apply to the Sun Life First State MPF Conservative Fund.
7. "Management fees" include fees paid to the trustee, custodian, administrator, investment managers (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.

Explanatory Notes

- (a) In respect of any increase in fees and charges from the current level as stated, at least three months prior notice must be given to all scheme members and participating employers.
- (b) The "offer spread" is expressed as a percentage of issue price as follows.

$$I = \frac{NAV}{100\% - C}$$

where:

| | | |
|-----|---|--|
| I | = | issue price. |
| NAV | = | net asset value per unit of the relevant class to be issued on that dealing day. |
| C | = | offer spread expressed as a percentage. |

- (c) The "bid spread" is expressed as a percentage of net asset value of the units redeemed as follows:

$$R = NAV (100\% - D)$$

where:

| | | |
|-----|---|--|
| R | = | redemption price. |
| NAV | = | net asset value per unit of the relevant class to be redeemed on that dealing day. |
| D | = | bid spread expressed as a percentage. |

- (d) Other expenses include:
 - Any transaction costs, charges and expenses including tax, stamp duty, registration fee, custody and nominee charges
 - Annual fees paid to regulatory authorities
 - Bank charges
 - Price publication costs
 - Postage and courier fees
 - The costs of investing and realizing the investments of the Investment Funds
 - The costs of preparing, publishing and distributing Principal Brochure and other related materials
 - Out-of-pocket expenses incurred by the Trustee or the Investment Managers wholly and exclusively in the performance of their duties
 - Legal costs incurred in preparing the participation agreements are payable by the relevant participating employers
 - Fees for providing valuation and accounting services, sub-custodian services and any other fees.

- (e) The management fees will be payable monthly in arrears and shall be accrued on each dealing day.

- (f) Deductions from the Sun Life First State MPF Conservative Fund:

Fund operating charges and expenses (including the trustee fee and fees of other service providers) may only be deducted from the Sun Life First State MPF Conservative Fund in the following circumstances:

- (i) if the amount of income from the funds of the Sun Life First State MPF Conservative Fund in a particular month exceeds the amount of interest that would be earned if those funds had been placed on deposit in a Hong Kong dollar savings account at the prescribed saving rate, an amount not exceeding the excess may be deducted from the Sun Life First State MPF Conservative Fund as fund operating charges and expenses for that month; or

- (ii) if in a particular month no amount is deducted under (i) above or the amount that is deducted is less than the actual fund operating charges and expenses for the month, the deficiency may be deducted from the amount of any excess that may remain in any of the following twelve (12) months after deducting the fund operating charges and expenses applicable to that following month.
- (g) The Trustee reserves the right to reduce or waive any such fees, charges or spreads for any members of the Scheme, which the Trustee considers appropriate.
- (h) No advertising expenses will be charged to the constituent funds or Investment Funds.
- (i) The Sponsor charges a servicing fee, and the rates are set out in section 7.2 below.

7.2 Summary of Current and Maximum Charges

| Constituent Funds | Sun Life First State MPF Conservative Fund | | All other Sun Life First State MPF constituent funds | | Sun Life RCM MPF constituent funds | | Sun Life Invesco MPF constituent funds | |
|---|--|-------------|--|-------------|------------------------------------|-------------|--|-------------|
| | Class A | Class B | Class A | Class B | Class A | Class B | Class A | Class B |
| (i) Trustee fee (per annum) | | | | | | | | |
| Current: | 0.05% | 0.05% | 0.15% | 0.05% | 0.15% | 0.05% | 0.15% | 0.05% |
| Maximum: | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% |
| (ii) Custodian fee (per annum) | | | | | | | | |
| Current: | Up to 0.10% | Up to 0.10% | Up to 0.05% | Up to 0.05% | 0.05% | 0.05% | 0.05% | 0.05% |
| Maximum: | 0.10% | 0.10% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% |
| (iii) Administration fee (per annum) | | | | | | | | |
| Current: | 0.745% | 0.745% | 0.85% | 0.75% | 0.85% | 0.75% | 0.85% | 0.75% |
| Maximum: | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% |
| (iv) Servicing fee (per annum) | | | | | | | | |
| Current: | 0% | 0% | 0.35% | 0.35% | 0.35% | 0.35% | 0.35% | 0.35% |
| Maximum: | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% |
| (v) Investment management fee (per annum) | | | | | | | | |
| Current: | 0.30% | 0.30% | 0.10% | 0.10% | Up to 0.45% | Up to 0.45% | Up to 0.45% | Up to 0.45% |
| Maximum: | 1.42% | 1.42% | N/A | N/A | 0.45% | 0.45% | 0.45% | 0.45% |
| (vi) Offer spread (expressed as % of issue price) | | | | | | | | |
| Current: | N/A | N/A | 0% | 0% | 0% | 0% | 0% | 0% |
| Maximum: | N/A | N/A | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| (vii) Bid spread (expressed as % of NAV of the units redeemed) | | | | | | | | |
| Current: | N/A | N/A | 0% | 0% | 0% | 0% | 0% | 0% |
| Maximum: | N/A | N/A | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| (viii) Withdrawal charge for voluntary contributions by self-employed persons and unsupported members (expressed as % of withdrawn amount) | | | | | | | | |
| Current: | N/A | N/A | 0% | 0% | 0% | 0% | 0% | 0% |
| Maximum: | N/A | N/A | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| (ix) Multiple Payroll frequency fee if the payroll is made weekly or more frequent than weekly (expressed as % of contribution monies) | | | | | | | | |
| Current: | N/A | N/A | 2% | 2% | 2% | 2% | 2% | 2% |
| Maximum: | N/A | N/A | 2% | 2% | 2% | 2% | 2% | 2% |

| Investment Funds | Direct investments under Sun Life First State MPF Conservative Fund | | First State MPF Umbrella Fund | | RCM Choice Fund | | Invesco Pooled Investment Fund | |
|--|---|---------|-------------------------------|--------------|-----------------|---------|--------------------------------|---------|
| | Class A | Class B | Class A | Class B | Class A | Class B | Class A | Class B |
| (i) Trustee and administration fee (per annum) | | | | | | | | |
| Current: | N/A | N/A | Up to 0.075% | Up to 0.075% | 0.08% | 0.08% | 0.138% | 0.138% |
| Maximum: | N/A | N/A | 1% | 1% | 0.25% | 0.25% | 1% | 1% |
| (ii) Investment management fee (per annum) | | | | | | | | |
| Current: | N/A | N/A | 0.2% | 0.2% | 0% | 0% | 0% | 0% |
| Maximum: | N/A | N/A | 3% | 3% | 0% | 0% | 0% | 0% |
| (iii) Offer spread (referred to as preliminary charge in the relevant Investment Fund and expressed as % of issue price) | | | | | | | | |
| Current: | N/A | N/A | 0% | 0% | 0% | 0% | 0% | 0% |
| Maximum: | N/A | N/A | 5% | 5% | 5% | 5% | 5% | 5% |
| (iv) Bid spread (referred to as realization charge in the relevant Investment Fund and expressed as % of NAV of the units redeemed) | | | | | | | | |
| Current: | N/A | N/A | 0% | 0% | 0% | 0% | 0% | 0% |
| Maximum: | N/A | N/A | 1% | 1% | 1% | 1% | 1% | 1% |

7.3 Cash Rebates and Soft Commission

- (i) The Investment Managers may purchase and sell investments for the account of a constituent fund as agent for the Trustee provided that they shall account for all rebates of brokerage and commission which they may derive from or in connection with any such purchase or sale.
- (ii) The Investment Managers or their connected persons may enter into contractual arrangements with other persons (including any connected person of the Investment Managers or the Trustee) under which such other persons agree to pay in whole or in part for the provision of goods to, and/or the supply of services to the Investment Managers or their connected persons in consideration of the Investment Managers or their connected person procuring that such other persons execute transactions to be entered into for the account of the Scheme.
- (iii) The Investment Managers shall procure that no such contractual arrangements are entered into unless the goods and services to be provided pursuant thereto are of demonstrable benefit to members. For the avoidance of doubt, research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications may be considered as of such benefit to members.

No cash rebates may be retained by the Investment Managers.

7.4 Ongoing Cost Illustrations

A document that illustrates the ongoing costs on contributions to the constituent funds in the Scheme (except for Sun Life First State MPF Conservative Fund) and an illustrative example for the Sun Life First State MPF Conservative Fund are currently available for distribution with this Principal Brochure. Before making any investment decisions concerning MPF investments, you should ensure that you have the latest version of these documents which can be downloaded from www.sunlife.com.hk, or you can call our Sun Life Pension Services Hotline at 3183-1888 to obtain a copy.

8. General Information

8.1 Reports and Accounts

The financial year end of the Scheme (including all constituent funds and Investment Funds) is 31 December 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:

- (i) the names of the member, the Scheme and the Trustee;
- (ii) the total contributions paid to the Scheme during the financial period specifying any unpaid contributions;
- (iii) the value of the accrued benefits as at the beginning and the end of the financial period;
- (iv) if the member is a self-employed person, the total contributions made by the member;
- (v) if the member is an employee, the total contributions made by the employer;
- (vi) particulars of any amount transferred to or from the Scheme during the financial period;
- (vii) 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
- (viii) such other information as may be specified by the MPF legislation or the Authority.

8.2 Publication of Net Asset Value

The net asset value per unit for the constituent funds will be published on each dealing day in South China Morning Post and Hong Kong Economic Times. The net asset value per unit will be expressed exclusive of any multiple payroll frequency fee, offer spread or bid spread which may be payable on subscription or redemption.

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 Principal Brochure and the Trust Deed, the provisions of the Trust Deed will prevail. Copies of the Trust Deed may be obtained from the Trustee on request. Subject to the prior approval of the relevant authorities and the provisions in the Trust Deed, the Trustee may modify the Trust Deed by supplemental deed, 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 or preserved members.

No modification made to the Trust Deed (unless wholly beneficial to members) may take effect until at least three months' prior written notice has been given to members of the Scheme.

8.4 Duration

8.4.1 The Scheme

The Trustee may at any time merge this Scheme into another MPF scheme or divide this Scheme into different MPF schemes from time to time. Provided that for so long as the merged/divided scheme(s) are approved in principle by the Authority and approved by the SFC, the Trustee shall give the Scheme members not less than three months' prior notice of such merger or division in writing (or such shorter period of notice as the SFC may agree).

If there is no member, asset or liability in relation to the Scheme, the Trustee may apply to the Authority for the cancellation of registration of the Scheme. Otherwise, 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.

8.4.2 Merger, Division or Termination of Constituent Funds within an MPF Scheme

Subject to the approval of the Authority and approval of the SFC (if necessary), the Trustee may terminate, merge or divide any constituent fund (except for the Sun Life First State MPF Conservative Fund) by giving three months' prior notice to the Scheme's members. Further, the Trustee may apply to the Authority for consent to the restructuring of the Scheme. Restructuring means arrangements under which the members or their accrued benefits in the Scheme are transferred to other registered scheme(s).

8.5 Hong Kong Taxation

8.5.1 The Scheme

Prospective employers and members under the Scheme (including, without limitation, employee members, self-employed persons and preserved members) should inform themselves of and, where appropriate, take their own advice on the taxes applicable to contributions to, withdrawals from and investments in the Scheme. 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.

EMPLOYERS AND 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").

A. 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 salary 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.

B. Payments out of the Scheme

Under the terms of the Scheme only employee members, self-employed persons and preserved 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) a retirement from the service of the employer at some specified age of not less than 45 years; or
- (b) a retirement after some specified period of service with the employer of not less than 10 years; or
- (c) the attainment of the age of 60 years or some specified age of retirement, whichever is the later.

(ii) Amount withdrawn on termination of service

Amounts received by an employee member 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 an 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. |
| AB | = | is the amount of the person's accrued benefit where the amount of the person's accrued benefit is that person's accrued benefits 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. |
| 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 person'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 (ie. the amount "A" as referred to above), as the case may be, such excess shall be subject to salaries tax under Part III in the hands of the employee.

(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 person'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 attributable to the employer's voluntary contributions will be fully assessable to salary tax.

The voluntary withdrawal by a person 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.

C. Taxation of the Scheme

As of the date of this brochure, 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.

8.5.2 The Investment Funds

Prospective unitholders should inform themselves of, and where appropriate take advice on, the taxes applicable to the acquisition, holding and realisation of units by them under the laws of the places of his citizenship, residence and domicile.

UNITHOLDERS INTENDING TO PARTICIPATE UNDER THE INVESTMENT FUNDS SHOULD SEEK INDEPENDENT PROFESSIONAL TAX ADVICE.

Under existing legislation and practice in Hong Kong:

- (a) dividends, interest and other income received by the Investment Funds from Hong Kong or elsewhere are not liable to tax in Hong Kong;
- (b) there is no tax in Hong Kong on capital gains made in Hong Kong or elsewhere and any revenue profits relating to dealings in securities, from futures contracts or foreign exchange contracts is exempted from Hong Kong profits tax;
- (c) normally unitholders will not be taxed in Hong Kong on distributions from the Trust or on gains realised on the sale or realisation of units, but there may be exceptions. For example, if in the case of any unitholder, the acquisition and realisation of units is or forms part of a trade, profession or business carried on in Hong Kong, gains realised by that unitholder may attract Hong Kong profits tax.

Dividends, interest and other income received by the Investment Funds from outside Hong Kong may be subject to withholding taxes in the country from which payment is made.

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