



Mass Mandatory Provident Fund Scheme

31 December 2019

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Scheme report

Financial development of the Mass Mandatory Provident Fund Scheme (“the Scheme”)

Hong Kong economy recorded a negative growth of 1.2% in 2019 due to the China & US trade tensions and the outbreak of the coronavirus disease. The epidemic directly hits the tourism industry, retail market, export and restaurants sector as the cross-border is closed, schools are suspended and the prohibition of the group gathering. In addition, the economy is also affected by the local social incident and violent demonstration and 2020 is expected to be another difficult year for Hong Kong.

During the reporting period, the total contributions received and receivable by the Scheme were HK\$340.9 million (2018: HK\$349.5 million). They consisted of HK\$173.1 million (2018: HK\$176.2 million) mandatory contributions, HK\$30.0 million (2018: HK\$26.6 million) voluntary contributions and HK\$137.8 million (2018: HK\$146.7 million) transfers-in contributions. The net assets of the Scheme amounted to HK\$3,136.8 million (2018: HK\$2,739.2 million) as at the year end.

Changes to the governing rules of the Scheme from 1 January 2019 to the date of this report

The Trust Deed was amended by the Sixteenth Deed of Amendment as of 11 January 2019, the Seventeenth Deed of Amendment as of 14 March 2019, the Eighteenth Deed of Amendment as of 1 May 2019 and the Nineteenth Deed of Amendment as of 16 March 2020. Summaries of major changes as per these deeds of amendment are as follows:

Sixteenth Deed of Amendment

Revision in relation to setting withdrawal limitation of non-regular voluntary contribution which were effective on 1 April 2019.

Seventeenth Deed of Amendment

Revision in relation to the change of company names were effective on 16 April 2019.

Eighteenth Deed of Amendment

Revision in relation to the Tax Deductible Voluntary Contribution which were effective on 1 May 2019.

Nineteenth Deed of Amendment

Revision in relation to the latest Code on Disclosure for MPF Investment Funds issued by the Mandatory Provident Fund Schemes Authority.

Scheme report (continued)

Information concerning the Scheme and its operations

The Scheme

By a Trust Deed dated 27 January 2000, as amended by the deeds of amendment dated 24 October 2000, 15 August 2002, 27 February 2003, 20 January 2006, 1 March 2007, 30 September 2009, 1 May 2011, 15 November 2011, 13 June 2012, 31 January 2013, 17 July 2013, 27 August 2015, 24 December 2015, 21 November 2016, 2 December 2016, 11 January 2019, 14 March 2019, 1 May 2019 and 16 March 2020, YF Life Trustees Limited (“the Trustee”) established the Scheme. Employers and employees, self-employed persons and any other persons covered by the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the MPFSO”) may participate in the Scheme.

The assets of the Scheme as at 31 December 2019 are invested in the Allianz Global Investors Choice Fund, the Templeton MPF Investment Funds, the JP Morgan SAR Greater China Fund, the Invesco Pooled Investment Fund and the Mass MPF Guaranteed Policy (the “APIF Policy”). The Allianz Global Investors Choice Fund, the Templeton MPF Investment Funds, the JP Morgan SAR Greater China Fund, the Invesco Pooled Investment Fund and the APIF Policy have been approved by the Hong Kong Mandatory Provident Fund Schemes Authority (“the MPFA”) and authorised by the Securities and Futures Commission of Hong Kong (“the SFC”) as approved pooled investment funds (the “APIFs”). However, such approval and authorisation do not imply any official recommendation.

The APIF Policy is underwritten by YF Life Insurance International Limited and was launched in January 2006.

HSBC Institutional Trust Services (Asia) Limited is the trustee of the Allianz Global Investors Choice Fund and Allianz Global Investors Asia Pacific Limited is the investment manager of the MPF Conservative Fund, Global Stable Fund, Global Growth Fund, Hong Kong Equities Fund in the Scheme and the APIF Policy. Each investment fund of the Allianz Global Investors Choice Fund is a pooled investment fund in accordance with Part IV of Schedule 1 of the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (“the General Regulation”).

Cititrust Limited is the trustee of the Templeton MPF Investment Funds and Franklin Templeton Investments (Asia) Limited is the investment manager of the Asian Balanced Fund, Global Bond Fund, Global Equity Fund, Asian Pacific Equity Fund, European Equity Fund, and US Equity Fund. Each investment fund of the Templeton MPF Investment Funds is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

Cititrust Limited is the trustee of the JP Morgan SAR Greater China Fund and JP Morgan Asset Management (Asia Pacific) Limited is the investment manager of the Greater China Equity Fund. The JP Morgan SAR Greater China Fund is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

Scheme report (continued)

Information concerning the Scheme and its operations (continued)

Bank Consortium Trust Company Limited is the trustee of the Invesco Pooled Investment Fund and Invesco Hong Kong Limited is the investment manager of the Age 65 Plus Fund and Core Accumulation Fund. Each investment fund of the Invesco Pooled Investment Fund is a pooled investment fund in accordance with Part IV of Schedule 1 of the General Regulation.

The MPF Scheme Brochure of the Scheme includes information regarding the Scheme and brief details of the APIF Policy. The Trustee can provide more information regarding the Scheme, the related sub-funds of Allianz Global Investors Choice Fund, the related sub-funds of Templeton MPF Investment Funds, JP Morgan SAR Greater China Fund and the related sub-funds of Invesco Pooled Investment Fund upon request.

The Scheme is registered with the MPFA as a registered scheme under Section 21 of the MPFSO and is authorised by the SFC under Section 103 of the Securities and Futures Ordinance. Such registration and authorisation do not imply any official recommendation.

Scheme report (continued)

Information concerning the Scheme and its operations (continued)

Constituent funds

The Scheme offers the following fourteen constituent funds with different investment objectives:

- Guaranteed Fund which is a balanced fund (with guaranteed features);
- Global Growth Fund which is a balanced fund;
- Global Stable Fund which is a balanced fund;
- MPF Conservative Fund which is a money market fund;
- Global Equity Fund which is an equity fund;
- Asian Balanced Fund which is a balanced fund;
- Global Bond Fund which is a bond fund;
- Hong Kong Equities Fund which is an equity fund;
- Asian Pacific Equity Fund which is an equity fund;
- European Equity Fund which is an equity fund;
- US Equity Fund which is an equity fund;
- Greater China Equity Fund which is an equity fund;
- Age 65 Plus Fund which is a mixed assets fund; and
- Core Accumulation Fund which is a mixed assets fund.

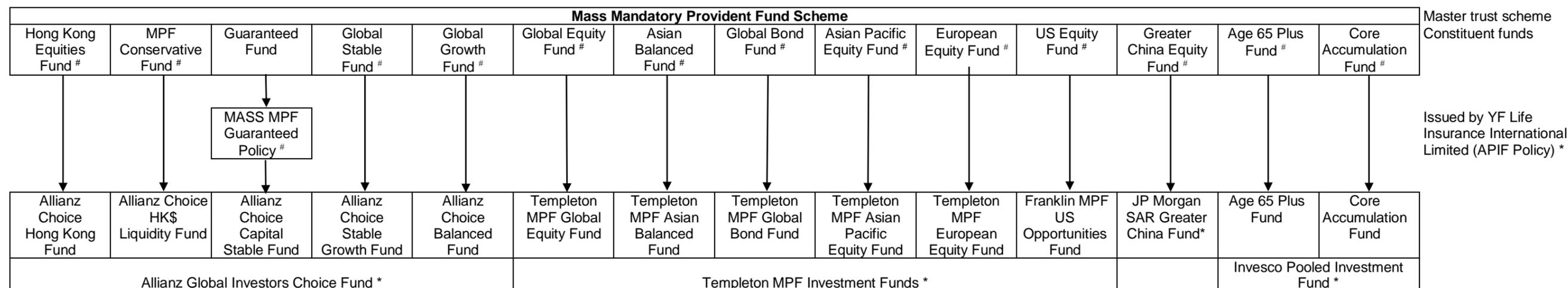
All the above constituent funds are unitised funds.

Scheme report (continued)

Information concerning the Scheme and its operations (continued)

Constituent funds (continued)

All monies contributed to the above constituent funds are directly or indirectly (in the case of Guaranteed Fund) invested in the Allianz Global Investors Choice Fund, the Templeton MPF Investment Funds, the JP Morgan SAR Greater China Fund and the Invesco Pooled Investment Fund. They are established as pooled investment funds in accordance with Part IV of Schedule 1 to the General Regulation. For ease of reference, the structure of the Scheme is set out in the diagram below:



* Approved Pooled Investment Funds

Allianz Global Investors Asia Pacific Limited acts as the investment manager of the MPF Conservative Fund, Global Stable Fund, Global Growth Fund, Hong Kong Equities Fund in the Scheme and the APIF Policy. Franklin Templeton Investments (Asia) Limited acts as the investment manager of the Global Equity Fund, Asian Balanced Fund, Global Bond Fund, Asian Pacific Equity Fund, European Equity Fund and US Equity Fund. JP Morgan Asset Management (Asia Pacific) Limited acts as the investment manager of the Greater China Equity Fund. Invesco Hong Kong Limited acts as the investment manager of the Age 65 Plus Fund and Core Accumulation Fund.

Scheme report (continued)

Channels for acquiring further information about the Scheme

Members may obtain further information about the Scheme and its operations from the Trustee at its hotline number 2533 5522.

Particulars of the Trustee, service providers, auditors, banks and promoter of the Scheme during the year

Trustee, Scheme Administrator and Custodian

YF Life Trustees Limited
27th Floor,
33 Lockhart Road
Wanchai, Hong Kong

Investment Managers

Allianz Global Investors Asia Pacific Limited
27/F, ICBC Tower
3 Garden Road
Central, Hong Kong

Franklin Templeton Investments (Asia) Limited
17th Floor, Chater House
8 Connaught Road
Central, Hong Kong

JP Morgan Asset Management (Asia Pacific) Limited
21/F, Chater House
8 Connaught Road
Central, Hong Kong

Invesco Hong Kong Limited
41/F, Champion Tower
3 Garden Road
Central, Hong Kong

Auditor

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Scheme report (continued)

Particulars of the Trustee, service providers, auditors, banks and promoter of the Scheme during the year (continued)

Banks

Citibank N.A.
50th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road
Central, Hong Kong

The Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central, Hong Kong

Promoter

YF Life Insurance International Limited *
27th Floor,
33 Lockhart Road
Wanchai, Hong Kong

* This is an immediate holding company of the Trustee.

Directors of the Trustee

The directors who held office during the year and up to the date of this report are:

Mr Keng Puang Tay
Mr Victor Ka Lin Yip
Mr Gah Jih Wong
Mr Siu Chuen Lee
Mr Jonas Chun Leung Wong
Mr Elvin Tin Yau Yu (appointed on 1 January 2020)

The business address of these directors is:

27th Floor,
33 Lockhart Road
Wanchai, Hong Kong

Scheme report (continued)

Controllers of the associate of the Trustee

YF Life Insurance International Limited

The controllers during the year and up to the date of this report are:

Yunfeng Financial International Holdings Limited
Yunfeng Financial Group Limited
Yunfeng Financial Holdings Limited
Key Imagination Limited
Jade Passion Limited
Massachusetts Mutual Life Insurance Company
MassMutual International LLC
Mr Keng Puang Tay
Mr Adnan Omar AHMED
Mr Chan Man Ko
Mr Yu Feng
Ms Li Ting

(resigned on 23 February 2020)

Independent non-executive directors

Ms Liu Shu Yen
Mr Ng Yu Lam Kenneth
Mr Qi Daqing

The business/correspondence address of these controllers is:

27th Floor,
33 Lockhart Road
Wanchai, Hong Kong

Investment report

1 Analysis of investments and Trustee's commentary

1.1 MPF Conservative Fund

1.1.1 Analysis of investments during the year

In 2019, the fund returned 1.15%* versus the benchmark's return of 0.10%. The benchmark return of the fund was the Hong Kong Mandatory Provident Fund Scheme Authority's prescribed savings rate.

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
MPF Conservative Fund (Launch date: 1 December 2000)	1.15	0.35	0.15	0.50
Benchmark	0.10	0.03	0.02	0.49
Deviation from the benchmark	1.05	0.32	0.13	0.01

1.1.2 Trustee's commentary

According to the investment manager, over the past year, the fund's performance was helped by active comparisons and investments into HKD money market products to achieve the best returns versus MPF prescribed savings rate.

HIBOR rates retreated at the start of 2019 as liquidity eased after the year-end. The HKD HIBOR fell faster than USD LIBOR, causing the 3-month LIBOR-HIBOR differential to widen from 48 basis point at the end of 2018 to over 100 basis points at the end of February, a level last seen in April 2018. As a result of rising interest rate differential between HK and US, HKD currency depreciated to 7.85 per USD, the weak end of the trading band, triggering HKMA's intervention to withdraw liquidity from the system in March. Short term Hong Kong rates have become more volatile as liquidity tightened after several rounds of HKMA's intervention. In addition, political concern and protests had also created negative sentiments in the HKD rates market. The HKD HIBOR rose in Q2 to multi-year high, reaching parity with LIBOR in mid-June, and traded higher than LIBOR in the second half of 2019. Hong Kong's economy showed signs of slowing down with Q3 GDP falling by 2.9% year-on-year, and retail sales seeing double digit decline. Rating agencies have turned more cautious on HK economy. Fitch cut HK sovereign rating from AA+ to AA with negative outlook; and Moody's downgraded HK outlook from stable to negative in September.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.2 Guaranteed Fund

1.2.1 Analysis of investments during the year

In 2019, the fund returned 6.54%* versus the benchmark's return of 9.72%. The components of the benchmark were as follows: Financial Times Stock Exchange (FTSE) World Government Bond Index (WGBI) (60%), FTSE All-World (AW) North America (6%), FTSE AW Europe (6%), FTSE Japan (4%), FTSE AW Asia Pacific ex Japan ex Hong Kong (4%), FTSE MPF Hong Kong (10%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed saving rate (10%).

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Guaranteed Fund (Launch date: 20 January 2006)	6.54	0.23	0.40	0.76
Benchmark	9.72	4.06	3.97	4.57
Deviation from the benchmark	(3.18)	(3.83)	(3.57)	(3.81)

1.2.2 Trustee's commentary

The fund has about 33% equities at 2019 year end and its return was behind benchmark.

According to the investment manager, over the past year, global equities and bonds delivered robust gains. The fund underperformed the benchmark amid this environment. Overall, fixed income was key contributor. However, this was partly offset by negative contributions from US and European equities as value style suffered. As an active manager, they have taken necessary measures including adjusting the relative benchmark positions relative to sectors at the portfolio level and focus on stock selection as the source of alpha.

Global equities delivered robust gains over 2019. After a weak end to 2018, stock markets rebounded in January and the advance continued throughout 2019, with many markets closing the year at, or near, record/multi-month highs. Central bank monetary policy U-turns and better-than-expected corporate earnings fuelled the rally, as did optimism over improved U.S./China trade relations, although trade-war flare ups and fears of a severe global slowdown caused significant stock market corrections in May and August, respectively. In general, developed markets outperformed developing ones. At a sector level, technology stocks led the advance, soaring in value, while energy was the weakest sector.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.2 *Guaranteed Fund (continued)*

1.2.2 Trustee's commentary (continued)

Global bonds rallied strongly as central banks undertook monetary policy U-turns, switching from raising rates to reducing them. After a relatively quiet first quarter, bond yields declined sharply in the second and third quarters, before backing up in the fourth quarter. August also saw European bond yields fall to record lows, with the entire German yield curve moving below zero.

The double whammy of COVID-19 and a slump in oil prices triggered an unprecedented supply and demand shock that has sent the world economy into recession. While the depth and duration remain highly uncertain, we expect a deeper economic contraction than in 2008/09. Although policymakers have gone all-in to cushion the blow, monetary and fiscal stimulus will only be sufficient to mitigate the fallout but not to prevent the downturn. In particular, monetary easing might be overwhelmed by the overall tightening in global financial conditions in the months ahead. The investment manager continues to see high volatility in asset classes that they invest in. Given the uncertainty surrounding the coronavirus, they have adopted a more cautious approach to asset allocation. The investment manager has a neutral view on equities with preference in US and HK/China. In fixed income, they have a neutral view given core developed government bond market has become more expensive in valuation.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.3 Global Stable Fund

1.3.1 Analysis of investments during the year

In 2019, the fund returned 11.20%* versus the benchmark's return of 13.01%. The components of the benchmark were as follows: FTSE WGBI (45%), FTSE AW North America (10%), FTSE AW Europe (10%), FTSE Japan (6.5%), FTSE AW Asia Pacific ex Japan ex Hong Kong (6.5%), FTSE MPF Hong Kong (17%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (5%).

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Global Stable Fund (Launch date: 1 December 2000)	11.20	2.98	3.38	3.96
Benchmark	13.01	5.31	5.20	5.66
Deviation from the benchmark	(1.81)	(2.33)	(1.82)	(1.07)

1.3.2 Trustee's commentary

The fund has about 53% equities at 2019 year end and its return was behind benchmark.

According to the investment manager, over the past year, global equities and bonds delivered robust gains. The fund underperformed the benchmark amid this environment. Overall, US and European equities were key detractors as value style suffered, while this was partly offset by positive attributions from fixed income portion. As an active manager, they have taken necessary measures including adjusting the relative benchmark positions relative to sectors at the portfolio level and focus on stock selection as the source of alpha.

Global equities delivered robust gains over 2019. After a weak end to 2018, stock markets rebounded in January and the advance continued throughout 2019, with many markets closing the year at, or near, record/multi-month highs. Central bank monetary policy U-turns and better-than-expected corporate earnings fuelled the rally, as did optimism over improved U.S./China trade relations, although trade-war flare ups and fears of a severe global slowdown caused significant stock market corrections in May and August, respectively. In general, developed markets outperformed developing ones. At a sector level, technology stocks led the advance, soaring in value, while energy was the weakest sector.

Global bonds rallied strongly as central banks undertook monetary policy U-turns, switching from raising rates to reducing them. After a relatively quiet first quarter, bond yields declined sharply in the second and third quarters, before backing up in the fourth quarter. August also saw European bond yields fall to record lows, with the entire German yield curve moving below zero.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.3 Global Stable Fund (continued)

1.3.2 Trustee's commentary (continued)

The double whammy of COVID-19 and a slump in oil prices triggered an unprecedented supply and demand shock that has sent the world economy into recession. While the depth and duration remain highly uncertain, we expect a deeper economic contraction than in 2008/09. Although policymakers have gone all-in to cushion the blow, monetary and fiscal stimulus will only be sufficient to mitigate the fallout but not to prevent the downturn. In particular monetary easing might be overwhelmed by the overall tightening in global financial conditions in the months ahead. The investment manager continues to see high volatility in asset classes that they invest in. Given the uncertainty surrounding the coronavirus, they have adopted a more cautious approach to asset allocation. The investment manager has a neutral view on equities with preference in US and HK/China. In fixed income, they have a neutral view given core developed government bond market has become more expensive in valuation.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.4 Global Growth Fund

1.4.1 Analysis of investments during the year

In 2019, the fund returned 13.79%* versus the benchmark's return of 15.97%. The components of the benchmark were as follows: FTSE WGBI (25%), FTSE AW North America (14%), FTSE AW Europe (14%), FTSE Japan (9%), FTSE AW Asia Pacific ex Japan ex Hong Kong (9%), FTSE MPF Hong Kong (24%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (5%).

	Annualised return			Since launch %
	1 year %	5 years %	10 years %	
Global Growth Fund (Launch date: 1 December 2000)	13.79	3.65	4.15	4.45
Benchmark	15.97	6.38	6.23	4.73
Deviation from the benchmark	(2.18)	(2.73)	(2.08)	(0.28)

1.4.2 Trustee's commentary

The fund has about 72% equities at 2019 year end and its return was behind the benchmark.

According to the investment manager, global equities delivered robust gains over the past year. Central bank monetary policy U-turns and better-than-expected corporate earnings fuelled the rally, as did optimism over improved U.S./China trade relations, although trade-war flare ups and fears of a severe global slowdown caused significant stock market corrections in May and August, respectively. The fund underperformed the benchmark amid this environment. As an active manager, they have taken necessary measures including adjusting the relative benchmark positions relative to sectors at the portfolio level and focus on stock selection as the source of alpha.

Global equities delivered robust gains over 2019. After a weak end to 2018, stock markets rebounded in January and the advance continued throughout 2019, with many markets closing the year at, or near, record/multi-month highs. Central bank monetary policy U-turns and better-than-expected corporate earnings fuelled the rally, as did optimism over improved U.S./China trade relations, although trade-war flare ups and fears of a severe global slowdown caused significant stock market corrections in May and August, respectively. In general, developed markets outperformed developing ones. At a sector level, technology stocks led the advance, soaring in value, while energy was the weakest sector.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.4 Global Growth Fund (continued)

1.4.2 Trustee's commentary (continued)

Global bonds rallied strongly as central banks undertook monetary policy U-turns, switching from raising rates to reducing them. After a relatively quiet first quarter, bond yields declined sharply in the second and third quarters, before backing up in the fourth quarter. August also saw European bond yields fall to record lows, with the entire German yield curve moving below zero.

The double whammy of COVID-19 and a slump in oil prices triggered an unprecedented supply and demand shock that has sent the world economy into recession. While the depth and duration remain highly uncertain, we expect a deeper economic contraction than in 2008/09. Although policymakers have gone all-in to cushion the blow, monetary and fiscal stimulus will only be sufficient to mitigate the fallout but not to prevent the downturn. In particular, monetary easing might be overwhelmed by the overall tightening in global financial conditions in the months ahead. The investment manager continues to see high volatility in asset classes that they invest in. Given the uncertainty surrounding the coronavirus, they have adopted a more cautious approach to asset allocation. The investment manager has a neutral view on equities with preference in US and HK/China. In fixed income, they have a neutral view given core developed government bond market has become more expensive in valuation.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.5 Asian Balanced Fund

1.5.1 Analysis of investments during the year

In 2019, the fund returned 8.06%* versus the benchmark's return of 16.34%. The components of the benchmark were as follows: MSCI All-Country (AC) Asia Pacific (65%) and JP Morgan GBI-EM Broad Diversified Asia Index (35%).

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Asian Balanced Fund (Launch date: 17 March 2003)	8.06	1.87	3.30	6.17
Benchmark	16.34	6.62	5.82	7.71
Deviation from the benchmark	(8.28)	(4.75)	(2.52)	(1.54)

1.5.2 Trustee's commentary

The Templeton MPF Asian Balanced Fund underperformed its benchmark for the year 2019 due to stock selection in the equity sector. This was partially offset by an underweight allocation and stock selection in the fixed income sector.

Within the equity sector, relative performance lagged the equity portion of the benchmark due to lagging stock selection in the industrials, health care, and materials sectors. Regionally, an overweight allocation and stock selection in Thailand and stock selection in China detracted from relative performance. Contributors to relative performance were stock selection in the information technology and consumer staples sectors.

In the industrials sector select opportunities exist, particularly among companies benefiting from restructuring or exposure to growth-oriented end markets. We have avoided expensive companies that fail to reflect the maturity of their business cycles or are excessively optimistic about sustainable growth rates and returns. Protectionism is a risk as export-oriented capital goods firms remain at the forefront of trade war rhetoric, though valuations are beginning to reflect such concerns.

Health care is less of a rate-sensitive bond proxy than other defensive sectors and offers solid growth potential through innovation and expansion into untapped markets. Global pharmaceuticals stocks have experienced solid earnings revisions and improving pipeline prospects, but concerns about US health care reform are overshadowing fundamentals. History suggests that companies capable of innovating to provide products that address unmet medical needs will continue to thrive and profit.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.5 Asian Balanced Fund (continued)

1.5.2 Trustee's commentary (continued)

Materials, namely chemicals and construction materials, detracted from relative performance. We have found some renewed opportunities among construction materials firms that have de-rated amid cyclical concerns. Select chemicals stocks offer idiosyncratic opportunities to own high-quality businesses. In mining, high-quality precious metals stocks help hedge and diversify portfolio risks amid record debt levels, low rates and resumed official gold buying.

Turning to relative contributors, the information technology sector added relative value during the period. With the information technology sector strength being driven by multiple expansion, not earnings growth, we have continued to view high-flying tech stocks as especially vulnerable to a shift in sentiment or inflection in the cycle. Within the sector, we have avoided expensive, momentum-driven stocks, finding opportunities instead among hardware companies with restructuring potential and semiconductor manufacturers excessively pressured by supply concerns.

In the one-year period, the fixed income portfolio underperformed its benchmark index primarily due to interest-rate strategies. Currency positions had an overall neutral effect on relative results. The fund maintained a defensive approach regarding interest rates. Select underweighted duration exposures in East Asia (China), Southeast Asia (Thailand and Malaysia), and South Asia (India) detracted from relative results. However, overweighted duration exposures in Southeast Asia (Indonesia) contributed to relative results. Amongst currencies, the fund's overweighted positions in Southeast Asia (the Indonesian rupiah) contributed to relative performance. However, underweighted currency positions in South Asia (the Indian rupee) and Southeast Asia (the Thai baht) detracted.

The Templeton MPF Asian Balanced Fund underperformed its benchmark during the five-year period due to holdings in both the equity and fixed income sector.

Within the equity sector, relative performance lagged the equity portion of the benchmark due to holdings in industrials, energy, and real estate. Regionally, an overweight allocation and lagging stock selection in Asia hurt relative performance. Notable detractors were energy equipment and services company Ezion Holdings (energy), and Transportation Infrastructure companies China Merchants Port Holdings (industrials) and International Container Terminal Services (industrials).

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.5 Asian Balanced Fund (continued)

1.5.2 Trustee's commentary (continued)

Turning to contributors, holdings in information technology, consumer staples, and financials contributed to relative performance. Notable contributors were technology hardware company Samsung Electronics (information technology), Australia and New Zealand Banking (financials), and Matsumotokiyoshi Holdings (consumer staples).

In the five-year period, the fixed income portfolio underperformed its benchmark index primarily due to interest-rate strategies, followed by currency positions. The fund maintained a defensive approach regarding interest rates. Select underweighted duration exposures in Southeast Asia (Thailand), East Asia (China) and South Asia (India) detracted from relative results. However, overweighted duration exposures in South Korea and Hong Kong contributed. Amongst currencies, select underweighted positions in South Asia (the Indian rupee) detracted from relative performance. However, the fund's underweighted position in the Japanese yen contributed.

The Templeton MPF Asian Balanced Fund underperformed its benchmark during the ten-year period due to holdings in the fixed income sector. This was partially offset by stock selection in the equity sector.

Within the equity sector, primary contributors to relative performance were stock selection in consumer discretionary, industrials, and utilities. Regionally, stock selection in Asia helped relative performance. Notable contributors were Hanon Systems (consumer discretionary), Qantas Airway (industrials), and Korea Electric Power (utilities).

Turning to detractors, holdings in communication services, financials, and energy detracted from relative performance. Regionally holdings in Europe hurt relative performance. Notable detractors were SKY Network Television (communication services), China Shenhua Energy (energy), and Sumitomo Mitsui Financial Group (financials).

In the ten-year period, interest-rate strategies detracted from relative performance. Currency positions had a largely neutral effect. Select underweighted duration exposures in East Asia (China), Southeast Asia (Thailand), and South Asia (India) detracted from relative results. Amongst currencies, select underweighted positions in South Asia (the Indian rupee) detracted from relative performance. However, the fund's position in the Japanese yen contributed.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.6 Global Bond Fund

1.6.1 Analysis of investments during the year

In 2019, the fund returned 1.96%* versus the benchmark's return of 4.30%. The components of the benchmark were as follows: FTSE WGBI (65%) and Bloomberg Barclays Global Treasury-Hong Kong Index (35%).

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Global Bond Fund (Launch date: 17 March 2003)	1.96	(1.18)	0.54	1.90
Benchmark	4.30	1.92	1.87	3.38
Deviation from the benchmark	(2.34)	(3.10)	(1.33)	(1.48)

1.6.2 Trustee's commentary

In calendar year 2019, the Templeton MPF Global Bond Fund's relative underperformance was primarily due to interest-rate strategies. Currency positions contributed to relative results. The fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select underweighted duration exposures in Europe detracted from relative performance, as did underweighted duration exposure in the United States. However, select overweighted duration exposures in Asia ex Japan (Indonesia) contributed to relative results. Amongst currencies, the fund's lack of exposure to the euro contributed to relative performance, as did overweighted currency positions in Asia ex Japan (the Indonesian rupiah). The fund's overweighted position in the Mexican peso also contributed to relative results.

Over the five-year period, Templeton MPF Global Bond Fund underperformed its benchmark index primarily due to interest-rate strategies. Currency positions and overall credit exposures had largely neutral effects on relative results. The fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select underweighted duration exposures in Europe detracted from relative results. Among currencies, the fund's underweighted position in the euro contributed to relative results, while currency positions in multiple regions detracted.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.6 Global Bond Fund (continued)

1.6.2 Trustee's commentary (continued)

Over the ten-year period, Templeton MPF Global Bond Fund's currency positions contributed to relative results. Interest-rate strategies and overall credit exposures had largely neutral effects on relative results. Among currencies, the fund's underweighted positions in the euro contributed to relative performance. Underweighted duration exposures in Europe detracted from relative performance, while overweighted duration exposures in Asia ex Japan contributed.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.7 Global Equity Fund

1.7.1 Analysis of investments during the year

The fund returned 17.13%* in 2019 compared with a 26.30% return for its benchmark, the FTSE MPF All World Index.

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Global Equity Fund (Launch date: 17 March 2003)	17.13	3.56	5.59	6.39
Benchmark	26.30	8.86	9.34	9.38
Deviation from the benchmark	(9.17)	(5.30)	(3.75)	(2.99)

1.7.2 Trustee's commentary

The Templeton MPF Global Equity Fund underperformed its benchmark during 2019. Primary detractors from relative performance were an overweight allocation and stock selection in energy, an underweight allocation and lagging stock selection in information technology, and stock-specific holdings in communication services. Regionally, an overweight allocation and lagging stock selection in Asia, and an underweight allocation and lagging stock selection in the United States hurt performance. Contributors to relative performance were stock selection in materials, notably metals and mining, and health care.

Energy was the benchmark's worst performing sector during the year, causing our overweight to be a notable detractor. In energy we strive to remain nimble, using major oil price declines to increase exposure to cyclically-gear oil services and E&P stocks and then rotating back towards the large, dividend-paying integrateds as the price of oil recovers above the marginal cost of production. This has worked reasonably well over time, and in the current environment, leaves us biased towards the more stable integrateds, which remain unloved despite improving fundamentals. OPEC vigilance, rising depletion rates and enhanced geopolitical risks all point to future supply tightness. At the corporate level, production growth is coming through after years of investment, with excess cash flow likely to be returned to shareholders.

An underweight to strong performing U.S. tech names was a significant source of relative underperformance. With the information technology sector strength being driven by multiple expansion, not earnings growth, we have continued to view high-flying tech stocks as especially vulnerable to a shift in sentiment or inflection in the cycle. Within the sector, we have avoided expensive, momentum-driven stocks, finding opportunities instead among hardware companies with restructuring potential, semiconductor manufacturers excessively pressured by supply concerns and, occasionally, mature software firms with healthy cash flows and new growth levers.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.7 Global Equity Fund (continued)

1.7.2 Trustee's commentary (continued)

Among telecoms, we look for lowly valued firms with strong balance sheets, declining capital intensity and attractive dividends operating in markets with stable competitive dynamics and regulatory structures. The sector's defensiveness and yield profile should help in a low-rate, elevated risk environment, though value recognition may require a catalyst. The other part of this sector grouping—media and entertainment—is home to a number of former tech and consumer stocks we have avoided on valuation grounds.

Turning to relative contributors, the materials, notably metals and mining, and health care sectors added relative value during the period. In mining, high-quality precious metals stocks help hedge and diversify portfolio risks amid record debt levels, low rates, and resumed official gold buying. Health care is less of a rate-sensitive bond proxy than other defensive sectors and offers solid growth potential through innovation and expansion into untapped markets. Global pharmaceuticals stocks have experienced solid earnings revisions and improving pipeline prospects, but concerns about US health care reform are overshadowing fundamentals. History suggests that companies capable of innovating to provide products that address unmet medical needs will continue to thrive and profit.

The Templeton MPF Global Equity Fund underperformed its benchmark during the five-year period. Primary detractors from relative performance were holdings in health care, financials, and communication services. Regionally, an underweight allocation and lagging stock selection in the United States and an overweight allocation and lagging stock selection in Europe hurt relative performance. Notable detractors were Teva Pharmaceutical (health care), Barclays (financials), and Baidu (communication services).

Turning to contributors, holdings in materials, notably metals & mining, and utilities contributed to relative performance. Notable contributors were Glencore (materials) and Veolia Environment (utilities).

The Templeton MPF Global Equity Fund underperformed its benchmark during the 10-year period. Primary detractors from relative performance were holdings in consumer staples, energy, the benchmark's worst performing sector, and consumer discretionary. Regionally, an overweight allocation and lagging stock selection in Europe hurt relative performance. Notable detractors were Chesapeake Energy (energy), Tesco (consumer staples), and Kingfisher (consumer discretionary).

Turning to contributors, holdings in materials, notably metals & mining, and health care contributed to relative performance. Notable contributors were Glencore (materials) and Amgen (health care).

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.8 Asian Pacific Equity Fund

1.8.1 Analysis of investments during the year

The fund returned 7.87%* in 2019 compared with a 16.78% return for its benchmark, the FTSE MPF Asia Pacific ex-Japan Index.

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Asian Pacific Equity Fund (Launch date: 19 March 2007)	7.87	2.92	4.79	4.17
Benchmark	16.78	6.36	5.80	5.44
Deviation from the benchmark	(8.91)	(3.44)	(1.01)	(1.27)

1.8.2 Trustee's commentary

The Templeton Asian Pacific Equity Fund underperformed its benchmark for 2019. Primary detractors from relative performance were an underweight allocation and lagging stock selection in consumer discretionary, and stock selection in materials and utilities. Regionally, an overweight allocation and lagging stock selection in Thailand, and lagging stock selection in China hurt performance. Stock specific holdings in information technology helped relative performance during the period.

In the consumer discretionary sector, we remain cautious on consumer industries exposed to late-cycle demand dynamics and/or trade war risks. Opportunities remain in some select retail franchises that can grow in a challenging environment or restructure their operations.

In the materials sector the majority of the fund's exposure is to chemical stocks. In chemicals select stocks offer idiosyncratic opportunities to own high-quality businesses.

Within the utilities sector some growth opportunities among renewable power providers, though the sector generally remains vulnerable to potentially weaker demand and increasing regulatory interference. Excess capacity in developed markets, combined with the sector's bond-proxy status, create a poor combination of weak fundamentals and expensive valuations.

Turning to relative contributors, holdings in the information technology sector helped performance. With sector strength being driven by multiple expansion, not earnings growth, we have continued to view high-flying tech stocks as especially vulnerable to a shift in sentiment or inflection in the cycle. Within the sector, we have avoided expensive, momentum-driven stocks, finding opportunities instead among hardware companies with restructuring potential and semiconductor manufacturers excessively pressured by supply concerns.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.8 Asian Pacific Equity Fund (continued)

1.8.2 Trustee's commentary (continued)

The Templeton Asian Pacific Equity Fund underperformed its benchmark during the five-year period. Primary detractors from relative performance were holdings in consumer discretionary, materials, and energy. Regionally, holdings in Asia hurt relative performance. Notable detractors were Lotte Chemical (materials), Ezion Holdings (energy), and Yougone (consumer discretionary).

Turning to contributors, holdings in health care, financials, and information technology contributed to relative performance. Notable contributors were Biocon (health care), Australia and New Zealand Banking (financials), Samsung (information technology).

The Templeton Asian Pacific Equity Fund underperformed its benchmark during the ten-year period. Primary detractors from relative performance were holdings in energy, materials, and consumer staples. Regionally, lagging stock selection in Europe hurt relative performance. Notable detractors were China Coal Energy (energy), Vinda International Holdings (consumer staples), and Lotte Chemical (materials).

Turning to contributors, holdings in industrials, real estate, and health care contributed to relative performance. Regionally, holdings in Asia helped relative performance. Notable contributors were International Container Terminal Services (industrials), Hemaraj Land And Development (real estate), and Torrent Pharmaceuticals (health care).

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.9 European Equity Fund

1.9.1 Analysis of investments during the year

The fund returned 17.89%* in 2019 compared with a 25.00% return for its benchmark, the FTSE MPF Europe Index.

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
European Equity Fund (Launch date: 19 March 2007)	17.89	5.64	5.50	1.48
Benchmark	25.00	6.77	6.52	3.33
Deviation from the benchmark	(7.11)	(1.13)	(1.02)	(1.85)

1.9.2 Trustee's commentary

The fund lagged its reference benchmark in the 12 months ended 31 December 2019. Some stock specific issues placed a drag on relative performance. Value style headwinds in the first half of 2019 did not help neither given rising macro uncertainty and lower government bond yields. Yet a recovery was witnessed in the latter part of the year amid a rotation within equity markets.

On a sector level, information technology was the leading outperformer. The fund benefited from an overweight position relative to the benchmark combined with good stock picking. Landis+Gyr, the Swiss smart metering company, led the sector as it continued to grow revenues and earnings. This was followed by the Dutch group, NXP Semiconductors, which also witnessed good operating performance. Elsewhere, good stock selection within the materials sector also benefited relative returns. Umicore, the speciality chemicals company, performed strongly amid higher growth expectations after winning a sizable contract from a leading electronic vehicle (EV) battery manufacturer. Within the utilities sector, Orsted, the Danish renewable energy company, led the sector benefiting from growing offshore wind industry and a well-regarded management team.

However, these benefits were outweighed by some stock specific issues within the health care sector. LivaNova, a medical equipment and services company, weighed on relative returns in 2019 after a profit warning in April; yet we remain encouraged by the transformation plan and long-term prospects of the firm. UCB, the biopharmaceutical company, was another detracted after announcing higher than anticipated R&D spend. But the long-term investment thesis remains valid in our view, underpinned by a strong product pipeline. Within the consumer discretionary sector, TAKKT, the business equipment distributor, also detracted due to trade uncertainty and weaker economic indicators.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.9 European Equity Fund (continued)

1.9.2 Trustee's commentary (continued)

Within the financials sector, ASR Nederland, the Dutch insurance company, was another detractor impacted by the lower yield environment in Europe.

In the 5 years ended 31 December 2019, the fund's performance was behind the benchmark, however the underlying fund outperformed its reference benchmark.

Outperformance was driven good stock selection and sector allocation decisions. The materials sector was among the leading outperformers thanks to good stock picking (e.g. CRH, Glencore). Another good source of positive attribution was the healthcare sector driven by an overweight position relative to the benchmark and good stock selection, particularly within the pharmaceuticals and biotechnology sub-sector (e.g. H. Lundbeck, Morphosys) as companies benefited from good innovations and sales growth. Selective exposure to the energy sector and the recalibration of weights between oil services and large integrated oil companies over the period under review also benefited the fund. Meanwhile, the consumer staples sector placed a drag on relative returns. Ontex, the personal hygiene products maker, detracted after a downgrade in earnings expectations. Yet the investment manager remained encouraged by the restructuring effort undertaken by the company's management and long-term growth strategy which is starting to bear fruits in our view. The consumer discretionary sector, particularly the retailing sub-sector, also placed a drag in relative returns (e.g. TAKKT, Kingfisher). Exposure to some companies within the financials sector also detracted amid falling interest rates and rising macro/geo-political uncertainties over the period.

In the 10 years ended 31 December 2019, the fund's performance was behind the benchmark, however the underlying fund outperformed its reference benchmark.

Outperformance was driven by both stock selection and sector allocation decisions. The financials sector was among the leading outperformers thanks to good stock picking, particularly within the banks (e.g. KBC) and insurance (e.g. Swiss Re) sub-sectors. The materials sector was another leading outperformer; the fund benefited from an underweight position in the metals and mining sub-sector as well as good stock picking within construction materials (e.g. Heidelberg cement, CRH). The overweight position in the healthcare sector combined with good stock selection also helped relative returns. Meanwhile, the underweight position in the consumer staples sector placed a drag on relative returns; specifically, the lack of exposure to the beverages sub-sector, driven by our valuation discipline, detracted as beverages outperformed the broader market. The consumer discretionary sector also weighed on relative returns in the period under review, particularly the underweight position in luxury goods. Within the industrials sector, exposure to some distribution companies (e.g. Kloeckner, steel distributor) weighed on relative performance amid volatile commodity prices.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.10 Hong Kong Equities Fund

1.10.1 Analysis of investments during the year

The fund returned 11.34%* in 2019 compared with a 14.35% return for its benchmark, the FTSE MPF Hong Kong Index.

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Hong Kong Equities Fund (Launch date: 19 March 2007)	11.34	2.99	2.09	2.25
Benchmark	14.35	6.75	5.95	5.83
Deviation from the benchmark	(3.01)	(3.76)	(3.86)	(3.58)

1.10.2 Trustee's commentary

According to the Investment manager, Hong Kong equities have delivered positive performance in 2019. This market has been volatile during the period amid social unrest in Hong Kong. The ongoing political protests disrupted business and tourism. However, sentiment was lifted by rate cuts in China and the agreement of 'phase one' trade deal between China and the US. The fund underperformed the benchmark over the past year. The recent market correction has brought good opportunities for us to build positions for companies that we believe have strong fundamentals but were overly punished by the market. Their recent activities have been focusing on taking profit from previous winners and adding on weakness. In terms of sector performance, health care was the strongest performer while energy lagged behind.

The fund underperformed the benchmark over the past year. Stock selection in industrials detracted the most while our holdings in consumer goods largely offset the underperformance. On a single stock level, the top detractor was the leading coal fire plant operator in China. Structurally the investment manager expects market leader to consolidate the power generation market given rising environmental requirements which will squeeze out small operators. The share price slump was triggered by a surprising dividend cut. While the investment manager certainly does not like such disappointment and their investment thesis remained intact, they decided to trim the position to control risks.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.10 Hong Kong Equities Fund (continued)

1.10.2 Trustee's commentary (continued)

On a positive note, a premium automobile dealer and after-sales services provider in China contributed the most. The company surprised the market with better-than-expected results. In addition, it is expected to see stabilization of domestic automobile demands towards end of the year which provided catalysts for stock price movement. The investment manager believed this name would be a beneficiary of continuous premiumization trend in China automobile market.

As the rest of the world continued to struggle with the impact of coronavirus, China has incrementally shifted the focus of strict containment measures back to economic growth. Anecdotal news on the China economy continues to improve. Note that such economic recovery is relatively muted policy support, especially when compared to the Europe and US. There is now a widespread consensus in China the global financial crisis response was excessive, and the high levels of debt inflicted long-term damage on the economy. On the other hand, this also means that the remaining policy levers are still sufficient to help cushion economic downside.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.11 US Equity Fund

1.11.1 Analysis of investments during the year

The fund returned 30.38%* in 2019 compared with a 30.35% return for its benchmark, the FTSE MPF USA Index.

	<i>Annualised return</i>			<i>Since launch</i>
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
US Equity Fund (Launch date: 19 March 2007)	30.38	11.03	10.86	7.26
Benchmark	30.35	10.95	12.81	8.22
Deviation from the benchmark	0.03	0.08	(1.95)	(0.96)

1.11.2 Trustee's commentary

US equities, as measured by the Standard & Poor's® 500 Index (S&P 500®), posted strong returns during the reporting period, driven by the US Federal Reserve's (Fed's) monetary policy easing, solid domestic economic growth and diminished concerns about the global economy and trade relations. Stocks gained sharply early in the year and experienced heightened volatility in May and September before reaching record price highs near the end of 2019. The decline in market volatility reflected many market participants' shift from growth concerns to a more optimistic outlook.

The Fed provided a substantial boost to equity markets early in the reporting period as it shifted to a more accommodative monetary policy. In January 2019, the Fed signalled the end of its tightening cycle and cut the federal funds rate three times thereafter, lowering it to a range of 1.50%–1.75%. Stocks responded positively to the interest-rate cuts and gained further in December 2019 after the Fed indicated it would likely leave interest rates unchanged in 2020.

Solid US economic growth also supported equities, as healthy consumer spending and a strong labor market kept the economy afloat. The unemployment rate fell during the year, reaching 3.5% in September and November 2019, the lowest recorded unemployment rate in 50 years. Wages also grew, albeit at a moderate pace, and inflation remained persistently low. In addition, deficit spending by the US government boosted current growth at the expense of long-term debt. Despite the strength in the consumer sector, some parts of the economy struggled, particularly heavy industry. Annual industrial production contracted late in the reporting period, manufacturing output stalled and capital spending declined.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.11 US Equity Fund (continued)

1.11.2 Trustee's commentary (continued)

International and trade developments also impacted US stocks during the period. Investors were concerned about slowing global growth and the impact it might have on US equities, but some market participants' predictions of a global recession did not materialize as growth proved resilient amid a series of interest-rate cuts by many central banks. The trade war between the US and China was a dominant theme over the period, and stocks fluctuated as many investors responded to the latest developments, both positive and negative. However, by period-end, markets were reassured by a phase one agreement between the two countries, which lowered certain tariffs and addressed some of the principal areas of conflict.

The fund outperformed its benchmark, the FTSE AW MPF USA (35% Hedged into HKD) Index, for the one-year period ended 31 December 2019. Strong stock selection contributed to relative performance in the industrials, health care and financials sectors. An underweighting in the energy sector also proved positive for relative returns. In contrast, stock selection in the consumer discretionary and information technology sectors dampened relative results.

In terms of holdings, real estate information and marketing company CoStar Group was a top contributor in the industrials sector. The continued success and growth momentum of the company's multifamily platform has been a strong revenue generator.

Medical device company Nevro was a leading contributor in the health care sector. Sales and procedure growth for Nevro's spinal cord stimulation treatment for chronic pain gained momentum over the year. Furthermore, the company's next generation neurostimulator recently received approval from the US Food and Drug Administration (FDA) and has already generated strong initial interest from customers, which should warrant premium pricing, according to company management. Conversely, safety concerns over a heart pump device cast a shadow on its manufacturer, ABIOMED. Although the FDA clarified matters and stated the device was safe and effective, nevertheless, the company was negatively impacted and forced to cut its guidance.

Elsewhere, a top fund contributor was Mastercard in the information technology sector. The global payment provider has been benefiting from a cash-to-digital payments secular trend. We expect the business environment for Mastercard to continue to be favourable with the rapid growth of non-cash transactions driven by the rise in e-commerce, mobile wallets and online payment systems. In contrast, an underweighting in Apple proved adverse for relative performance. The technology giant's wearables business showed dramatic growth in 2019, which helped push the company's stock to an all-time high. Also hindering results was a position in education technology specialist 2U, which faced competition and staffing issues across its graduate and short-course portfolios.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.11 US Equity Fund (continued)

1.11.2 Trustee's commentary (continued)

For the 5-year period ended 31 December 2019, the Fund outperformed its benchmark (FTSE AW MPF USA (35% hedged to HKD) index) driven primarily by positive sector allocation effects, with positive stock selection de minimis. The fund's material overweight to information technology was by far the largest contributor to relative performance, with notable contributions from the software and IT services industries, and further augmented by strong stock selection in the sector. The fund also benefited from an underweight allocation to the underperforming energy sector and from positive stock selection in the communication services and consumer sectors. On the other hand, the fund was most negatively impacted by negative stock selection in health care, primarily within the biotechnology and pharmaceuticals industries.

The investment manager continues to be selective in the investments, focusing primarily on multi-year transformational growth and areas of the market that will be driven by secular change versus cyclical rotation. They believe it remains an exciting time for growth investors as new technologies and business models are disrupting traditional industries, creating investment opportunities for active investors with a long-term view. As part of the investment management process, they interact with some of the world's leading innovators. Their research team constantly reaches out to thought leaders across industries and meets with trailblazing firms to understand cutting-edge technologies and ideas that could have transformative potential.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.12 Greater China Equity Fund

1.12.1 Analysis of investments during the year

The fund returned 34.60%* in 2019 compared with a 20.70% return for its benchmark, the MSCI Golden Dragon ex China A-Shares ex Foreign Listing (NDR) index.

	<i>Annualised return</i>			<i>Since launch</i> %
	<i>1 year</i> %	<i>5 years</i> %	<i>10 years</i> %	
Greater China Equity Fund (Launch date: 1 May 2011)	34.60	8.22	N/A	5.78
Benchmark	20.70	8.20	N/A	5.90
Deviation from the benchmark	13.90	0.02	N/A	(0.12)

1.12.2 Trustee's commentary

Greater China equities posted strong returns in 2019. China commenced an economic recovery at the start of the year in response to prior policy easing, but the growth trajectory dwindled out soon due to the cessation of trade talks with the US in May that led to the imposition of additional tariffs and the ban of select tech firms. However, the People's Bank of China refrained from effecting any meaningful monetary reflation, allowing the slowdown in activity to persist through the rest of year. In Q4, China was buoyed by an end of the year equity rally, driven by the agreement with the US on a Phase I trade deal. Hong Kong experienced violent protests that dragged it into recession. Taiwan was the most consistent performer in the region, as it leveraged on the global rally in the semiconductor industry.

The fund outperformed the benchmark in 2019, driven by a broad-based contribution across sectors. Strong stock selection, particularly in healthcare, financials and industrials were the primary drivers, with stock selection in, and an overweight to information technology also contributing. Stock selection in the consumer discretionary sector was the main detractor.

Having taken advantage of the indiscriminate sell-off in the sector in late 2018, following the centralized procurement drug pricing cuts programme, positions in healthcare names performed strongly with a broad number of stocks driving the portfolio's returns; Jiangsu Hengrui, Hangzhou Tigermed, and Wuxi Biologics contributing. These companies benefitted from better than expected results and, in the case of Hengrui a promising update on its oncology pipeline. The stock selection in the industrials was an overall contributor. Country Garden Services outperformed the market on strong earnings growth as well as proven track record on M&A deals.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.12 Greater China Equity Fund (continued)

1.12.2 Trustee's commentary (continued)

After a disappointing 2018 which saw the IT sector, particularly those in the Apple supply chain, heavily sold off, 2019 marked a recovery, and the fund's holding in Sunny Optical contributed, as it was helped by Huawei's improving supply chain activities with Huawei being its important customers. In Taiwan, Largan Precision was a key contributor along with the broader sector recovery driven by optimism over stronger smartphone cycle.

In contrast, the stock selection in the consumer discretionary sector detracted from the relative returns. Not owning some of the lower quality names hurt as these names rose along with our preferred names.

While the situation of the COVID-19 outbreak remains fluid and short term disruption on both domestic consumption and global supply chain is unavoidable, the investment manager takes comfort in Chinese government's strong outbreak containment measures as well as proactive countercyclical economic policies to mitigate the negative impact on consumption and employment. The strategy remains unchanged, with structural overweights in healthcare (especially services, outsourcing and diagnostics), technology (especially secular areas in software and semiconductors) and certain longer duration investments in consumer.

The investment manager continues to explore structural opportunities within healthcare, especially medical devices and healthcare services, which should benefit from both government and private investment accelerated by recent events.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.13 Age 65 Plus Fund

1.13.1 Analysis of investments during the year

In 2019, the fund returned 8.97%* compared with a 9.63% return for its benchmark. The components of the benchmark were as follows: FTSE MPF All-World Index (20%), FTSE MPF WGBI (77%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (3%).

	<i>Annualised return</i>			<i>Since launch</i> %
	<i>1 year</i> %	<i>5 years</i> %	<i>10 years</i> %	
Age 65 Plus Fund (Launch date: 1 April 2017)	8.97	N/A	N/A	3.68
Benchmark	9.63	N/A	N/A	4.18
Deviation from the benchmark	(0.66)	N/A	N/A	(0.50)

1.13.2 Trustee's commentary

The fund is a relatively 'low risk' fund and has about 20% equities at 2019 year end and its return was behind the benchmark in 2019. The comments in relation to the equity and fixed income performance of the fund in 2019 were described under following paragraphs.

Equity Strategy

Global equity markets ended the first quarter of the year in positive territory. Driven mostly by gains in the US equity market, global stocks saw their largest quarterly gains since 2010. The positive investor sentiment offset concerns over the health of the global economy and was fueled by optimism over trade talks between the two largest economies (China and the US) and a dovish rhetoric from several central banks, including the Fed and the European Central Bank. Markets were especially boosted by the Fed's announcement that it would put further interest increases on hold. All three months in the first quarter saw positive returns in global equity markets. Despite the question of UK's departure from the European Union, which dominated headlines throughout the first quarter of the year, the UK equity market along with the European equity market provided positive returns three months in a row.

While markets performed well in April and June, the month of May recorded a negative performance. Continued fears of a trade war between the US and China weighed on markets mid-quarter as the US threatened increased tariffs and accused China of backpedaling. In June, international markets rose steadily, soothed by an improving outlook for global economic growth, the prospect of resolving US-Sino trade relations and a more accommodative tone from central banks including the US Federal Reserve. Stocks hence benefitted from the likelihood of an accommodative central bank policy which was reflected in 10-Year Treasury Notes declining 40 basis points and German 10-Year Bunds trading at a record low of -33 basis points.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.13 Age 65 Plus Fund (continued)

1.13.2 Trustee's commentary (continued)

While markets posted gains in July they tumbled significantly in August. September saw a recovery that was able to offset the losses of the previous months. Continued fears of a trade war between the US and China weighed on markets as the US threatened increased tariffs and accused China of backpedaling. The prospect of resolving US-Sino trade relations and a more accommodative tone from central banks including the US Federal Reserve drove positive performance in the last month of the quarter. Stocks hence benefitted from an accommodative central bank policy which saw the restart of the quantitative easing in Europe and further rates cuts by the US Federal Reserve.

Global equity markets ended the fourth quarter of the year in positive territory amid receding fears of a global recession and signs of progress in US-China trade talks. In October, markets gained in response to several positive catalysts including a US interest rates cut, positive news flow around US-China trade negotiations, and a raft of upbeat corporate results. The optimistic environment helped ease concerns that global economic growth is losing momentum. This trend continued in November, as policies from central banks remained supportive and investors expected that low interest rates would be in place for longer. With the agreement of phase one US-China trade negotiations and an emphatic victory for the UK's Conservative Party, global equity markets saw a positive December and ended the year of 2019 with substantial gains.

Fixed Income Strategy

Throughout 2019 the portfolio was positioned to take advantage of deeper valued government bonds, but with hedges in lower volatility bonds to control portfolio tail risk, an allocation designed to do well in an environment of generally rising rates. Against a background of central bank easing and dovish policymaker rhetoric bond markets performed strongly. The underweight positions to the core bond markets of the US, Germany and the UK underperformed in this environment. Tilts towards bond markets with stronger value characteristics saw positive performance contributions from Canada and the USA. Tilts towards markets with stronger carry characteristics saw positive performance from Sweden and New Zealand and the tilts towards markets with stronger quality characteristics witnessed positive contributions from Switzerland, Sweden and Japan. By contrast exposure to Australia captured under the both the quality and carry factors contributed negatively. Elsewhere Emerging market exposures provided a strong positive contribution to performance.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.13 Age 65 Plus Fund (continued)

1.13.2 Trustee's commentary (continued)

Global growth shows signs of stabilization, especially in Europe and China. In the US, data has softened but the Fed remains supportive and we expect the 3-6-month growth trend to come around 1.75%. Consumer confidence has softened but remains at high levels, but business investment could continue to weigh on growth with continued political and trade uncertainty. In terms of inflation, we expect it to look much like it has in the post-crisis period at around 2.0%-2.5% per year. We have seen some impact from tariffs on flexible prices which we expect to wane by the end of 2020. Policy wise, we believe the Fed is done with cutting interest rates for the next six months. It has communicated that it is relatively comfortable with the current pace of economic growth and sees limited inflation pressures. For the Fed to cut further, growth must slow significantly. On the other hand, the Fed is unlikely to raise rates in the near future as it has committed to not raising rates unless there is a substantial increase in inflation. In Europe, we expect German car manufacturing to pick up in the fourth quarter and European consumers remain in good shape, based on rising real wages, low inflation and falling unemployment, which should support the service sector. However, the US, China and UK are key markets for European exporters, exposing the eurozone to the effects of Brexit, a China slowdown and the risk of US auto tariffs. We continue to forecast a trend of low inflation for Europe despite some noise caused by tariffs. We expect monetary policy to remain on hold, with European Central Bank's policy essentially tapped out at negative interest rates of -0.50% and the recent resumption of quantitative easing. There have been calls for fiscal expansion, but economic conditions would have to deteriorate to heighten the political appetite for increased spending, in our view, and we believe this is unlikely in 2020. We expect Chinese growth to be just below 6% but there is optimism that regional trade agreements and China's Belt and Road Initiative could open new avenues for international trade. We expect further monetary easing in the second half of 2020, but for now, rising headline inflation driven by rising food prices, constrains monetary policy. Inflation hit 3.8% in October (versus an official desired level of 3%) and could reach 5%-6% in the first quarter of 2020. We expect fiscal policy to be more proactive in 2020, which could result in a higher fiscal deficit, a larger quota for local government special project bonds and a further pick up in credit growth in early 2020.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.14 Core Accumulation Fund

1.14.1 Analysis of investments during the year

In 2019, the fund returned 15.73%* compared with a 17.03% return for its benchmark. The components of the benchmark were as follows: FTSE MPF All-World Index (60%), FTSE MPF WGBI (37%) and Hong Kong Mandatory Provident Fund Schemes Authority's prescribed savings rate (3%).

	<i>Annualised return</i>			<i>Since launch</i> %
	<i>1 year</i> %	<i>5 years</i> %	<i>10 years</i> %	
Core Accumulation Fund (Launch date: 1 April 2017)	15.73	N/A	N/A	6.21
Benchmark	17.03	N/A	N/A	7.17
Deviation from the benchmark	(1.30)	N/A	N/A	(0.96)

1.14.2 Trustee's commentary

The Fund is a relatively 'high risk' fund and has about 62% equities at 2019 year end and its return was behind the benchmark in 2019. The comments in relation to the equity and fixed income performance of the fund in 2019 were described in the following paragraphs.

Equity Strategy

Global equity markets ended the first quarter of the year in positive territory. Driven mostly by gains in the US equity market, global stocks saw their largest quarterly gains since 2010. The positive investor sentiment offset concerns over the health of the global economy and was fueled by optimism over trade talks between the two largest economies (China and the US) and a dovish rhetoric from several central banks, including the Fed and the European Central Bank. Markets were especially boosted by the Fed's announcement that it would put further interest increases on hold. All three months in the first quarter saw positive returns in global equity markets. Despite the question of UK's departure from the European Union, which dominated headlines throughout the first quarter of the year, the UK equity market along with the European equity market provided positive returns three months in a row.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.14 Core Accumulation Fund (continued)

1.14.2 Trustee's commentary (continued)

While markets performed well in April and June, the month of May recorded a negative performance. Continued fears of a trade war between the US and China weighed on markets mid-quarter as the US threatened increased tariffs and accused China of backpedaling. In June, international markets rose steadily, soothed by an improving outlook for global economic growth, the prospect of resolving US-Sino trade relations and a more accommodative tone from central banks including the US Federal Reserve. Stocks hence benefitted from the likelihood of an accommodative central bank policy which was reflected in 10-Year Treasury Notes declining 40 basis points and German 10-Year Bunds trading at a record low of -33 basis points.

While markets posted gains in July they tumbled significantly in August. September saw a recovery that was able to offset the losses of the previous months. Continued fears of a trade war between the US and China weighed on markets as the US threatened increased tariffs and accused China of backpedaling. The prospect of resolving US-Sino trade relations and a more accommodative tone from central banks including the US Federal Reserve drove positive performance in the last month of the quarter. Stocks hence benefitted from an accommodative central bank policy which saw the restart of the QE in Europe and further rates cuts by the US Federal Reserve.

Global equity markets ended the fourth quarter of the year in positive territory amid receding fears of a global recession and signs of progress in US-China trade talks. In October, markets gained in response to several positive catalysts including a US interest rates cut, positive news flow around US-China trade negotiations, and a raft of upbeat corporate results. The optimistic environment helped ease concerns that global economic growth is losing momentum. This trend continued in November, as policies from central banks remained supportive and investors expected that low interest rates would be in place for longer. With the agreement of phase one US-China trade negotiations and an emphatic victory for the UK's Conservative Party, global equity markets saw a positive December and ended the year of 2019 with substantial gains.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.14 Core Accumulation Fund (continued)

1.14.2 Trustee's commentary (continued)

Fixed Income Strategy

Throughout 2019 the portfolio was positioned to take advantage of deeper valued government bonds, but with hedges in lower volatility bonds to control portfolio tail risk, an allocation designed to do well in an environment of generally rising rates. Against a background of central bank easing and dovish policymaker rhetoric bond markets performed strongly. The underweight positions to the core bond markets of the US, Germany and the UK underperformed in this environment. Tilts towards bond markets with stronger value characteristics saw positive performance contributions from Canada and the USA. Tilts towards markets with stronger carry characteristics saw positive performance from Sweden and New Zealand and the tilts towards markets with stronger quality characteristics witnessed positive contributions from Switzerland, Sweden and Japan. By contrast exposure to Australia captured under the both the quality and carry factors contributed negatively. Elsewhere Emerging market exposures provided a strong positive contribution to performance.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.14 Core Accumulation Fund (continued)

1.14.2 Trustee's commentary (continued)

Global growth shows signs of stabilization, especially in Europe and China. In the US, data has softened but the Fed remains supportive and we expect the 3-6-month growth trend to come around 1.75%. Consumer confidence has softened but remains at high levels, but business investment could continue to weigh on growth with continued political and trade uncertainty. In terms of inflation, we expect it to look much like it has in the post-crisis period at around 2.0%-2.5% per year. We have seen some impact from tariffs on flexible prices which we expect to wane by the end of 2020. Policy wise, we believe the Fed is done with cutting interest rates for the next six months. It has communicated that it is relatively comfortable with the current pace of economic growth and sees limited inflation pressures. For the Fed to cut further, growth must slow significantly. On the other hand, the Fed is unlikely to raise rates in the near future as it has committed to not raising rates unless there is a substantial increase in inflation. In Europe, we expect German car manufacturing to pick up in the fourth quarter and European consumers remain in good shape, based on rising real wages, low inflation and falling unemployment, which should support the service sector. However, the US, China and UK are key markets for European exporters, exposing the eurozone to the effects of Brexit, a China slowdown and the risk of US auto tariffs. We continue to forecast a trend of low inflation for Europe despite some noise caused by tariffs. We expect monetary policy to remain on hold, with European Central Bank's policy essentially tapped out at negative interest rates of -0.50% and the recent resumption of quantitative easing. There have been calls for fiscal expansion, but economic conditions would have to deteriorate to heighten the political appetite for increased spending, in our view, and we believe this is unlikely in 2020. We expect Chinese growth to be just below 6% but there is optimism that regional trade agreements and China's Belt and Road Initiative could open new avenues for international trade. We expect further monetary easing in the second half of 2020, but for now, rising headline inflation driven by rising food prices, constrains monetary policy. Inflation hit 3.8% in October (versus an official desired level of 3%) and could reach 5%-6% in the first quarter of 2020. We expect fiscal policy to be more proactive in 2020, which could result in a higher fiscal deficit, a larger quota for local government special project bonds and a further pick up in credit growth in early 2020.

* Performance is calculated net of fees for the year 2019. Past performance is not indicative of future results.

Investment report (continued)

1 Analysis of investments and Trustee's commentary (continued)

1.15 Trustee's commentary and performance assessment

We are of the view that:

- (a) the investments made complied with the Scheme rules; and
- (b) the investment strategy of our constituent funds followed the investment objectives specified in the MPF Scheme Brochure.

On a regular basis, the directors of YF Life Trustees Limited review the funds' performances and discuss with the Investment Managers on ways to improve their funds' performance, if necessary.

Moreover, the directors also review the variety of Fund choices offered to members, the size of each constituent fund and the fee level to ensure Mass Mandatory Provident Fund Scheme is competitive in the market.

Investment report (continued)

2 Particulars of the investment policy during the year

2.1 Statement of investment policy

2.1.1 MPF Conservative Fund

The investment objective of the MPF Conservative Fund is to provide a convenient and easily realisable medium of investment for investors who require a level of income combined with a high degree of capital protection by investing in HK dollar denominated bank deposits and other high quality HK dollar denominated fixed interest and other monetary instruments. The MPF Conservative Fund seeks to achieve the above objective by investing into the Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund.

As a result of investing into the Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund, the MPF Conservative Fund may invest in any or a combination of (a) deposits for a term not exceeding 12 months; (b) unrestricted investment having a remaining maturity period of no more than 2 years; (c) debt securities (other than unrestricted investment) with a remaining maturity period of no more than 1 year and which satisfy the minimum credit rating set by the MPFA or (d) any other assets permitted for investment by Capital Preservation Fund pursuant to the General Regulation.

The MPF Conservative Fund will maintain an average portfolio maturity of not more than 90 days and an effective currency exposure (as defined in the General Regulation) to Hong Kong dollars equal to the latest available NAV of the Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund.

The MPF Conservative Fund is a low-risk investment option which protects investors against investment losses resulting from market fluctuations or volatility. The MPF Conservative Fund may not engage in financial futures contracts or financial option contracts or currency forward contracts or in securities lending.

The inherent risk in implementing the above investment policy is considered low.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.2 Guaranteed Fund and Mass MPF Guaranteed Policy (the “APIF Policy”)

The primary investment objective of the Guaranteed Fund and the underlying APIF Policy are identical. The Guaranteed Fund and the underlying APIF policy aim at achieving long-term capital appreciation through a primary emphasis on global fixed income securities and a secondary exposure to global equity markets.

The assets of the Guaranteed Fund are invested solely in the underlying APIF Policy. The assets of the underlying APIF Policy, in turn, are invested solely in the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund.

As a result of the investments in the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund, the Guaranteed Fund and the underlying APIF Policy are expected to invest 30% of their assets in equities and 70% in fixed-interest securities. The fixed income portion of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund will consist of a range of instruments issued in countries around the world. The equity portion of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice 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 the investment manager, in other Asian countries and emerging markets.

The Guaranteed Fund maintains an “effective currency exposure” to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The underlying APIF Policy may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, neither the Guaranteed Fund nor the underlying APIF Policy engages in securities lending. However, the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts, and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of 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 Allianz Choice Capital Stable Fund of the Allianz Global Investors Choice Fund.

The inherent risk in implementing the above investment policy is considered low to medium. The Guaranteed Fund is expected to provide investors with capital preservation combined with steady capital appreciation over the long term by investing in a diversified portfolio of global equities and fixed-interest securities.

Subject to the occurrence of qualifying events, the Guaranteed Fund will provide guarantee on net contributions only made by or for a member (i.e. contribution monies less any offer spread imposed).

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.2 Guaranteed Fund and Mass MPF Guaranteed Policy (the “APIF Policy”) (continued)

The Guaranteed Fund in the Scheme invests in an insurance policy which includes a guarantee. The insurance policy is issued by the insurer, YF Life Insurance International Limited.

Given that all the assets of the Guaranteed Fund are invested in the underlying APIF Policy issued by YF Life Insurance International Limited, the guarantee offered by the Guaranteed Fund is effectively provided by YF Life Insurance International Limited. As a result of this guarantee feature, the performance of the Guaranteed Fund may be diluted.

2.1.3 Global Stable Fund

The Global Stable Fund seeks to achieve a stable overall return over the long term by investing in a diversified portfolio of global equities and fixed-interest securities. The Global Stable Fund seeks to achieve the above objectives by investing its assets into the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund. The criteria for selecting the specific Underlying Investment Fund of the Allianz Global Investors Choice Fund for the Global Stable Fund are as follows: meets our investment objectives, balances between fixed income and equities, risk considerations and strategy formulation with the investment manager.

As a result of investing into the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund, the Global Stable Fund is expected to invest 50% of its assets in equities and 50% in fixed-interest securities. The fixed income portion of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund will consist of a range of instruments issued in countries around the world. The equity portion of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice 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 the investment manager, in other Asian countries and emerging markets.

The Global Stable Fund will maintain an “effective currency exposure” to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The Global Stable Fund may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, the Global Stable Fund will not engage in securities lending. However, the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of 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 Allianz Choice Stable Growth Fund of the Allianz Global Investors Choice Fund.

The inherent risk in implementing the above investment policy is considered medium.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.4 Global Growth Fund

The Global Growth Fund seeks to achieve a high level of overall return over the long term by investing in a diversified portfolio of global equities and fixed-interest securities. The Global Growth Fund seeks to achieve the above objectives by investing its assets into the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund. The criteria for selecting the specific Underlying Investment Fund of the Allianz Global Investors Choice Fund for the Global Growth Fund are as follows: meets our investment objectives, balances between fixed income and equities, risk considerations and strategy formulation with the investment manager.

As a result of investing into the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund, the Global Growth Fund is expected to invest 70% of its assets in equities and 30% in fixed-interest securities. The fixed income portion of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund will consist of a range of instruments issued in countries around the world. The equity portion of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice 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 the investment manager, in other Asian countries and emerging markets.

The Global Growth Fund will maintain an “effective currency exposure” to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The Global Growth Fund may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, the Global Growth Fund will not engage in securities lending. However, the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of 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 Allianz Choice Balanced Fund of the Allianz Global Investors Choice Fund.

The inherent risk in implementing the above investment policy is considered medium to high.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.5 Asian Balanced Fund

The investment objective of the Asian Balanced Fund is to seek to maximise the total return through both capital growth and current income over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Asian Balanced Fund.

As a result of investing into the Templeton MPF Asian Balanced Fund, the portfolio of the Asian Balanced Fund will primarily invest in a balanced portfolio of equity securities (common stocks) of companies listed on Asian stock markets, bond and fixed income securities, and cash deposits. Other investment assets used by this fund include debt obligations and other publicly traded securities, including preferred stocks, convertible securities and corporate bonds. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The Asian Balanced Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its Asian mandate. Although this fund is a balanced fund, the investment manager intends to invest, under normal market conditions, a majority of the fund's assets in equity securities, with the remainder in fixed income securities and cash deposits. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, this fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

In selection of equity assets for the Asian Balanced Fund, the initial focus will be on the following countries: Hong Kong, Singapore, South Korea, Thailand, Malaysia, the Philippines, China and Indonesia. In selecting fixed income securities for this fund, these Asian countries, together with the developed markets of the US, Europe and Japan may be included.

The Asian Balanced Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. This fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have an Asian investment mandate.

The Asian Balanced Fund through Templeton MPF Asian Balanced Fund invests in equity and fixed income securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the General Regulation.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.5 Asian Balanced Fund (continued)

Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and the General Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged in security lending.

The Asian Balanced Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the Asian Balanced Fund as a medium risk investment.

2.1.6 Global Bond Fund

The investment objective of the Global Bond Fund is to seek total investment return over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Global Bond Fund.

As a result of investing into the Templeton MPF Global Bond Fund, the portfolio of the Global Bond Fund will primarily invest in fixed income securities issued by governments and governmental agencies globally. Investment assets used by this fund include debt obligations (bonds), preferred stocks, corporate debt obligations and convertible securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The Global Bond Fund has no prescribed allocations for investments in any single country or currency. This fund may invest in a wide choice of investments in accordance with its global mandate. As this fund is a bond fund, the investment adviser intends to invest, under normal market conditions, a majority of the Fund's assets in fixed income securities.

The Global Bond Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. This fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have a global investment mandate.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.6 Global Bond Fund (continued)

The Global Bond Fund through Templeton MPF Global Bond Fund invests in fixed income securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the General Regulation.

Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and the General Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with this fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged in security lending.

The Global Bond Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the Global Bond Fund as a low risk investment.

2.1.7 Global Equity Fund

The investment objective of the Global Equity Fund is to seek capital growth over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Global Equity Fund.

As a result of investing into the Templeton MPF Global Equity Fund, the portfolio of the Global Equity Fund will primarily invest in equity securities (common stocks) of companies listed on stock markets globally. Other investment assets used by this fund include debt obligations (bonds) and other publicly traded securities, including preferred stocks, convertible securities and fixed income securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The Global Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its global mandate. As this fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of the fund's assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, the fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.7 Global Equity Fund (continued)

The Global Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. This fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have a global investment mandate.

The Global Equity Fund through Templeton MPF Global Equity Fund invests in securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the General Regulation. Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the General Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged in security lending.

The Global Equity Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the Global Equity Fund as a high risk investment.

2.1.8 Asian Pacific Equity Fund

The investment objective of the Asian Pacific Equity Fund is to seek capital growth over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF Asian Pacific Equity Fund.

As a result of investing into the Templeton MPF Asian Pacific Equity Fund, the portfolio of the Asian Pacific Equity Fund will primarily invest in equity securities (common stocks) of companies listed on Asian stock markets, excluding Japan. Other investment assets used by this fund include debt obligations (bonds) and other publicly traded securities, including preferred stocks, convertible securities and fixed income securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.8 Asian Pacific Equity Fund (continued)

The Asian Pacific Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its Asian mandate. As this fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of this fund's assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, this fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

The Asian Pacific Equity Fund will have a minimum of 30% of its net assets in HKD currency investments. This fund will therefore have a maximum of 70% of its net assets in non-HKD currency investments, which will have an Asian investment mandate.

The Asian Pacific Equity Fund through Templeton MPF Asian Pacific Equity Fund invests in securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the General Regulation. Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the General Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged in security lending.

The Asian Pacific Equity Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the Asian Pacific Equity Fund as a high risk investment.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.9 European Equity Fund

The investment objective of the European Equity Fund is to seek capital growth over the medium to longer-term. This fund seeks to achieve the above objective by investing into the Templeton MPF European Equity Fund.

As a result of investing into the Templeton MPF European Equity Fund, the portfolio of the European Equity Fund will primarily invest in equity securities (common stocks) of companies listed on European stock markets. Other investment assets used by this fund include debt obligations (bonds) and other publicly traded securities, including preferred stocks, convertible securities and fixed income securities. This fund is actively managed to achieve as high a return as possible commensurate with the lower level of risk considered appropriate for retirement scheme investors.

The European Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. This fund may invest in a wide choice of securities in accordance with its European mandate. As this fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of this fund's assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, this fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

The European Equity Fund will have a minimum of 30% of its net assets in HKD currency investments. This fund will therefore have a maximum of 70% of its net assets in non-HKD currency investments, which will have a European investment mandate.

The European Equity Fund through Templeton MPF European Equity Fund invests in securities. Investments by this fund are restricted by the terms of the Templeton Trust Deed and by the General Regulation. Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the General Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the fund's investment objective by utilising currency options, forward contracts and futures contracts. This fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. This fund would not engage in such contracts and would be entered by the underlying approved pooled investment funds.

The Manager has the discretion under the Templeton Trust Deed to request the Trustee to enter into security lending arrangements; it is the Manager's current policy that this fund will not be engaged in security lending.

The European Equity Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the European Equity Fund as a high risk investment.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.10 Hong Kong Equities Fund

The Hong Kong Equities Fund seeks to achieve long-term capital growth by investing primarily in Hong Kong equities, including Chinese securities listed in Hong Kong. The Hong Kong Equities Fund seeks to achieve the above objectives by investing its assets into the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund. The criteria for selecting the specific Underlying Investment Fund of the Allianz Global Investors Choice Fund for the Hong Kong Equities Fund are as follows: meets our investment objectives, risk considerations and strategy formulation with the investment manager.

The Hong Kong Equities Fund will maintain an “effective currency exposure” to Hong Kong dollars (as defined in the General Regulation) of not less than 30 per cent.

The Hong Kong Equities Fund may not engage in financial futures contracts, financial option contracts and currency forward contracts. Moreover, the Hong Kong Equities Fund will not engage in securities lending. However, the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund may engage in financial futures contracts, financial option contracts and currency forward contracts for hedging purposes only. The assets of the Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund may also be applied for the purpose of entering into stock lending transactions. Any such use of 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 Allianz Choice Hong Kong Fund of the Allianz Global Investors Choice Fund.

The inherent risk in implementing the above investment policy is considered high.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.11 US Equity Fund

The investment objective of the US Equity Fund is to provide capital appreciation in the long-term through investment in US equities. The fund seeks to achieve the above objective by investing into the Franklin MPF US Opportunities Fund.

As a result of investing into the Franklin MPF US Opportunities Fund, the portfolio of the US Equity Fund will invest principally in equity securities of US companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities to the extent permissible under the relevant regulatory requirement as set out in the General Regulation.

The US Equity Fund has no prescribed allocations for investments in any single country or specified industry. There is no specific target allocation for any single market sector. The Franklin MPF US Opportunities Fund may invest in a wide choice of securities in accordance with its US mandate. As the Franklin MPF US Opportunities Fund is an equity fund, the investment manager intends to invest, under normal market conditions, a majority of its assets in equity securities. During periods in which the investment manager believes changes in economic, financial or political conditions make it advisable to do so, Franklin MPF US Opportunities Fund may, for temporary defensive purposes, hold cash or short-term fixed income instruments without any limit.

The US Equity Fund through the Franklin MPF US Opportunities Fund principally invests in small, medium, and large capitalisation companies with strong growth potential across a wide range of sectors. In selecting equity investments, the investment manager utilises fundamental, bottom-up research focusing on companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. The investment manager focuses on sectors that have exceptional growth potential and fast growing, innovative companies within these sectors. In addition, solid management and sound financial records are factors that investment manager also considers. Although the investment manager under normal circumstances, searches for diversified investments across different sectors, the investment manager shall take into account the prevailing market conditions and investment opportunities and may, at its discretion, invest more than 15% of the assets of the Franklin MPF US Opportunities Fund in a particular sector (such as information technology), but in any event, such sector allocation shall not be more than 45% of the assets of the Franklin MPF US Opportunities Fund.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.11 US Equity Fund (continued)

The US Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments. The US Equity Fund will therefore have a maximum of 70% of its net assets in non-Hong Kong dollar currency investments, which will have a US investment mandate.

The US Equity Fund through Franklin MPF US Opportunities Fund invests in securities. Investments by the Franklin MPF US Opportunities Fund are restricted by the terms of the Templeton Trust Deed and by the General Regulation. The Franklin MPF US Opportunities Fund may not purchase the securities of any one issuer if at the time of purchase, with respect to 75% of its total net assets, more than 5% of its assets would be invested in the securities of that issuer. The remaining 25% may be invested subject to the terms of the Templeton Trust Deed and the General Regulation. These limitations do not apply to securities issued or guaranteed by the US government of its agencies or instrumentalities, but are subject always to the terms of the Templeton Trust Deed and the General Regulation.

Subject to the limits set out in the investment restrictions specified in the Templeton Trust Deed and in the General Regulation, the investment manager may seek to protect and enhance the asset value through hedging strategies consistent with the Franklin MPF US Opportunities Fund's investment objective by utilising currency options, forward contracts and futures contracts. The Franklin MPF US Opportunities Fund may, on an ancillary basis, hold liquid assets, which may be kept in the form of cash deposits or in short-term money market instruments. The US Equity Fund would not engage in such contracts which would be entered by the underlying approved pooled investment funds.

The investment manager has the discretion under the Templeton Trust Deed to request the Trustee to the Franklin MPF US Opportunities Fund to enter into security lending arrangements; it is the investment manager's current policy that the Franklin MPF US Opportunities Fund will not be engaged in security lending.

The US Equity Fund is subject to market fluctuations, and to the risks inherent in all investments. Investors should regard the US Equity Fund as a high risk investment.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.12 Greater China Equity Fund

The investment objective of the Greater China Equity Fund is to provide investors with long-term capital growth. This fund seeks to achieve the above objective by investing into the JP Morgan SAR Greater China Fund.

As a result of investing into the JP Morgan SAR Greater China Fund, the portfolio of the Greater China Equity Fund will invest primarily in securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan. This fund will not invest (directly or indirectly) more than 10% of its net assets in China A and/or B shares.

The Greater China Equity Fund through its investment in the JP Morgan SAR Greater China Fund will have the following ranges of asset allocations:

70 - 100% net asset value in Greater China equities

0 - 30% net asset value in other equities

0 - 30% net asset value in bonds*

* For cash management purposes only.

The Greater China Equity Fund will have a minimum of 30% of its net assets in Hong Kong dollar currency investments.

The Greater China Equity Fund may not engage in financial futures contracts and financial option contracts. Moreover, the Greater China Equity Fund will not engage in security lending.

The Greater China Equity Fund through JP Morgan SAR Greater China Fund invests in securities. Investments by the JP Morgan SAR Greater China Fund are restricted by the terms of the Trust Deed of the JP Morgan SAR Greater China Fund and by the General Regulation. Subject to the limits set out in the investment restrictions specific in the Trust Deed of the JP Morgan SAR Greater China Fund and in the General Regulation, the investment manager may invest in financial options and warrants and enter into financial futures contracts for hedging purposes. The investment manager has the discretion under the Trust Deed of the JP Morgan SAR Greater China Fund to enter into securities lending arrangements under specific circumstances where the relevant guidelines issued by the MPFA are complied with. However, the investment manager of the JP Morgan SAR Greater China Fund does not currently intend to enter into such arrangements.

The Greater China Equity Fund is subject to market fluctuations and to the risks inherent in all investments. Investors should regard the Greater China Equity Fund as a high risk investment.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.13 Age 65 Plus Fund

The investment objective of the Age 65 Plus Fund is to achieve stable growth by investing in a globally diversified manner.

The Age 65 Plus Fund through the underlying approved pooled investment funds (“APIFs”) of the Underlying Investment Fund adopts active investment strategy. The Underlying Investment Fund, through its APIFs, aim to achieve returns above the MPF industry developed Reference Portfolio for the Age 65 Plus Fund through active management of portfolio by making reference to the MPF industry developed Reference Portfolio for the Age 65 Plus Fund but may not be identical to the MPF industry developed Reference Portfolio for the Age 65 Plus Fund in terms of security selection and weighting and may selectively react to the movement of dealings in the portfolios or market fluctuation. This strategy aims to promote efficiency and minimize cost for the purpose of default investment strategy asset rebalancing.

The Age 65 Plus Fund shall be invested in an approved pooled investment fund named the Age 65 Plus Fund of Invesco Pooled Investment Fund, which in turn primarily invests in a combination of global equities and bonds in a global diversified manner (through investment in the Global Strategic Equity Fund and the Global Strategic Bond Fund of Invesco Pooled Investment Fund which are approved pooled investment funds) as allowed under the General Regulation.

The Age 65 Plus Fund, through the Underlying Investment Fund, targets to invest 20% of its net assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds, cash and money market instruments). The asset allocation to Higher Risk Assets may vary between 15% and 25% due to differing price movements of various equity and bond markets. The asset allocation to the Higher Risk Assets (ranged from 15% to 25%) is subject to the discretion of investment manager of the Age 65 Plus Fund.

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

The Age 65 Plus Fund through its Underlying Investment Fund will maintain an effective currency exposure to Hong Kong dollars (as defined in the General Regulation) of not less than 30% through currency hedging operations.

The Age 65 Plus Fund and its Underlying Investment Fund will not enter into financial future contracts, financial option contracts and will not engage in security lending directly. However, the Age 65 Plus Fund and Underlying Investment Fund, through its APIFs, will enter into financial futures contracts and financial options contracts for hedging purposes only. Besides, the Age 65 Plus Fund will not engage in currency forward contracts.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.13 Age 65 Plus Fund (continued)

Investment in the Age 65 Plus Fund is subject to market fluctuations and to the risk inherent to investing in securities. Because the asset allocation of Higher Risk Assets of the Age 65 Plus Fund may vary between 15% to 25%, based on the percentage of assets invested in equities (i.e. Higher Risk Assets), investors should regard the Age 65 Plus Fund as a low to medium risk investment. The return of the Age 65 Plus Fund over the long term is expected to be at least similar to the return of the MPF industry developed Reference Portfolio for the Age 65 Plus Fund.

2.1.14 Core Accumulation Fund

The investment objective of the Core Accumulation Fund is to achieve capital growth by investing in a globally diversified manner.

The Core Accumulation Fund through the APIFs of the Underlying Investment Fund adopts active investment strategy. The Underlying Investment Fund, through its APIFs, aim to achieve returns above the MPF industry developed Reference Portfolio for the Core Accumulation Fund through active management of portfolio by making reference to the MPF industry developed Reference Portfolio for the Core Accumulation Fund but may not be identical to the MPF industry developed Reference Portfolio for the Core Accumulation Fund in terms of security selection and weighting and may selectively react to the movement of dealings in the portfolios or market fluctuation. This strategy aims to promote efficiency and minimize cost for the purpose of default investment strategy asset rebalancing.

The Core Accumulation Fund shall invest in an approved pooled investment fund named the Core Accumulation Fund of Invesco Pooled Investment Fund, which in turn primarily invests in a combination of global equities and bonds in a globally diversified manner (through investment in the Global Strategic Equity Fund and the Global Strategic Bond Fund of Invesco Pooled Investment Fund which are approved pooled investment funds) as allowed under the General Regulation.

The Core Accumulation Fund, through the underlying investment fund, targets to invest 60% of its net assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds, cash and money market instruments). The asset allocation to Higher Risk Assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. The asset allocation to the Higher Risk Assets (ranged from 55% to 65%) is subject to the discretion of investment manager of the Core Accumulation Fund.

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

The Core Accumulation Fund through its Underlying Investment Fund will maintain an effective currency exposure to Hong Kong dollars (as defined in the General Regulation) of not less than 30% through currency hedging operations.

Investment report (continued)

2 Particulars of the investment policy during the year (continued)

2.1.14 Core Accumulation Fund (continued)

The Core Accumulation Fund and its Underlying Investment Fund will not enter into financial future contracts, financial option contracts and will not engage in security lending directly. However, the Core Accumulation Fund and Underlying Investment Fund, through its APIFs, will enter into financial futures and options contracts for hedging purposes only. Besides, the Core Accumulation Fund will not engage in currency forward contracts.

Investment in the Core Accumulation Fund is subject to market fluctuations and to the risk inherent to investment in securities. Because the asset allocation of Higher Risk Assets of the Core Accumulation Fund may vary between 55% to 65%, based on the percentage of assets invested in equities (i.e. Higher Risk Assets), investors should regard the Core Accumulation Fund as a medium to high risk investment. The return of the Core Accumulation Fund over the long term is expected to be at least similar to the return of the MPF industry developed Reference Portfolio for the Core Accumulation Fund.

2.2 *Change of investment policy*

Subject to the approval of the MPFA and the SFC,

- (i) the Trustee may change the investment policy of any constituent fund by one month's prior written notice (or such longer period not exceeding three months as may be imposed by the SFC) to the scheme participants; and
- (ii) the Insurer may change the investment policy of the APIF Policy by one month's prior written notice to the policyholders of the underlying APIF Policy.

Investment report (continued)

3 Performance table

3.1 MPF Conservative Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation	(1,557,560)	(1,496,416)	(1,000,377)	(471,081)	(550,376)
Capital appreciation - realised and unrealised	4,606,327	2,893,535	1,013,367	481,810	560,169
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	270,068,507	266,714,825	206,051,985	168,511,498	141,659,450
Total net asset value	269,811,359	266,432,959	205,907,680	168,446,997	141,594,043
Net asset value per unit	11.0021	10.8773	10.8161	10.8154	10.8146

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2019	11.0021	10.8786	1.147
2018	10.8773	10.8161	0.566
2017	10.8161	10.8154	0.007
2016	10.8154	10.8146	0.007
2015	10.8146	10.8139	0.086
2014	10.8139	10.8118	(0.071)
2013	10.8221	10.8107	(0.083)
2012	10.8220	10.8185	0.004
2011	10.8297	10.8214	(0.074)
2010	10.8368	10.8283	(0.063)
2009	10.8618	10.8346	(0.244)
2008	10.8630	10.7666	0.938
2007	10.7555	10.5180	2.336
2006	10.5137	10.2640	2.486
2005	10.2597	10.1640	0.616
2004	10.2360	10.1956	(0.376)
2003	10.2371	10.2215	0.022
2002	10.2393	10.1566	0.769
2001	10.1564	9.9934	1.564

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 December 2000 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.2 Guaranteed Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	-	-	-	-	-
Capital appreciation/(depreciation) - realised and unrealised	10,924,167	(12,065,991)	14,327,592	(575,047)	(4,946,699)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	158,820,443	149,019,980	151,097,210	125,002,290	116,580,255
Total net asset value	158,820,443	149,019,980	151,097,210	125,002,290	116,580,255
Net asset value per unit	11.1154	10.4329	11.3663	10.3198	10.4419

	<i>Highest issue price HK\$</i>	<i>Lowest redemption price HK\$</i>	<i>* Net annualised investment return %</i>
2019	11.1169	10.3945	6.542
2018	11.7546	10.3678	(8.212)
2017	11.3938	10.2917	10.141
2016	10.9875	10.1218	(1.169)
2015	11.3261	10.3833	(4.973)
2014	11.4376	10.9584	(2.500)
2013	11.4607	10.8076	0.919
2012	11.1864	10.4330	6.859
2011	11.2364	10.1280	(4.201)
2010	11.2159	10.1653	2.431
2009	10.9253	9.1197	5.911
2008	11.4559	9.2591	(12.250)
2007	11.6250	10.5509	7.705
2006	10.6676	10.0000	6.397

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 20 January 2006 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund policy. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund policy. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.3 Global Stable Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(3,423,304)	(3,636,062)	(3,529,596)	(3,072,057)	(3,107,973)
Capital appreciation/(depreciation) - realised and unrealised	29,778,475	(20,753,336)	43,033,897	6,019,942	(4,792,153)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	259,673,372	236,731,048	263,473,264	224,809,140	213,579,793
Total net asset value	259,219,349	236,171,899	262,885,641	224,457,880	213,214,612
Net asset value per unit	20.9987	18.8830	20.8390	17.7284	17.4829

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2019	21.0172	18.7159	11.204
2018	21.9188	18.6924	(9.386)
2017	20.8406	17.7065	17.546
2016	18.6861	16.4841	1.404
2015	19.2950	17.1085	(3.576)
2014	18.8920	17.6903	(0.766)
2013	18.3013	16.7209	8.034
2012	16.9481	15.1325	11.808
2011	16.5870	14.1999	(4.421)
2010	16.1790	14.1562	5.751
2009	15.2839	11.3606	15.989
2008	16.3415	11.6726	(21.573)
2007	16.8285	14.5219	12.680
2006	14.6015	12.9097	14.871
2005	12.7515	12.0488	2.712
2004	12.3746	10.6553	11.542
2003	11.0038	9.1114	19.992
2002	10.1770	8.9321	(8.117)
2001	10.3664	9.4104	0.625

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 December 2000 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.4 Global Growth Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(5,298,244)	(5,882,673)	(5,785,866)	(4,900,358)	(5,141,382)
Capital appreciation/(depreciation) - realised and unrealised	55,226,383	(46,156,559)	89,187,714	10,600,686	(9,495,577)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	404,252,930	366,868,761	445,052,663	362,094,025	351,420,837
Total net asset value	403,552,853	365,996,488	444,063,468	361,531,741	350,823,416
Net asset value per unit	22.9699	20.1858	23.0316	18.7202	18.4287

	<i>Highest issue price HK\$</i>	<i>Lowest redemption price HK\$</i>	<i>* Net annualised investment return %</i>
2019	23.0107	19.9159	13.792
2018	24.5815	19.9333	(12.356)
2017	23.0351	18.7364	23.031
2016	19.6294	16.6970	1.582
2015	20.9811	17.7788	(3.999)
2014	20.1650	18.4415	(1.000)
2013	19.3902	17.1365	13.257
2012	17.1663	14.8903	14.267
2011	17.0810	13.6501	(7.345)
2010	16.4475	13.9331	6.741
2009	15.3648	10.4915	23.310
2008	17.8525	10.9519	(32.124)
2007	18.7732	15.5949	15.400
2006	15.6860	13.3519	19.945
2005	13.1375	12.0343	5.221
2004	12.4277	10.8135	13.115
2003	10.8560	8.5541	24.465
2002	10.2450	8.4838	(12.118)
2001	10.5722	9.0939	0.445

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 December 2000 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.5 Asian Balanced Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(2,059,145)	(2,249,213)	(2,322,034)	(1,929,910)	(2,009,612)
Capital appreciation/(depreciation) - realised and unrealised	33,357,434	(63,486,809)	88,058,481	14,868,287	(22,402,521)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	415,732,794	393,506,432	471,176,572	385,353,859	362,864,927
Total net asset value	415,207,050	392,951,726	470,527,484	384,849,292	362,345,933
Net asset value per unit	27.3360	25.2964	29.4963	24.1375	23.3320

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2019	27.3711	24.2548	8.063
2018	30.8194	25.0947	(14.239)
2017	29.4996	24.1916	22.201
2016	24.6728	20.9557	3.452
2015	27.0394	22.0959	(6.350)
2014	26.3826	23.4201	1.555
2013	25.9563	23.1044	2.598
2012	23.9113	20.7711	15.894
2011	23.0117	19.7580	(7.645)
2010	22.3603	18.9547	13.879
2009	19.4947	14.0094	28.596
2008	21.6534	14.2003	(31.084)
2007	22.5464	19.2512	14.100
2006	16.6412	19.4015	16.855
2005	16.6045	15.1339	7.613
2004	15.4272	13.0641	12.446
2003	13.6198	9.9806	37.196

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 17 March 2003 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.6 Global Bond Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(691,064)	(665,086)	(621,605)	(539,740)	(546,289)
Capital appreciation/(depreciation) - realised and unrealised	3,104,727	(1,011,365)	3,644,377	(2,361,187)	(5,494,966)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	128,671,628	121,368,284	109,489,111	93,298,212	90,111,279
Total net asset value	128,514,763	121,206,517	109,324,099	93,179,690	89,984,958
Net asset value per unit	13.7154	13.4516	13.6378	13.2136	13.6284

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2019	13.7154	13.4444	1.961
2018	13.8406	13.1895	(1.365)
2017	13.8691	13.1797	3.210
2016	13.8084	13.1845	(3.044)
2015	14.5711	13.5671	(6.367)
2014	15.1989	14.5351	(2.136)
2013	15.2620	14.5139	(1.294)
2012	15.0680	14.0105	7.790
2011	14.7443	13.7910	(0.074)
2010	14.3564	12.8854	8.179
2009	13.0847	11.1446	8.552
2008	12.5670	11.0927	0.492
2007	12.0106	11.1040	5.966
2006	11.3005	10.7781	3.580
2005	11.2871	10.6522	(4.841)
2004	11.3495	10.1913	6.122
2003	10.7140	9.9117	6.951

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 17 March 2003 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.7 Global Equity Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(1,077,545)	(1,156,499)	(1,233,963)	(1,030,413)	(1,104,608)
Capital appreciation/(depreciation) - realised and unrealised	32,835,053	(32,319,415)	35,225,463	15,561,579	(7,569,070)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	216,580,643	184,985,041	238,207,734	203,735,039	190,744,589
Total net asset value	216,304,290	184,717,818	237,873,252	203,466,751	190,466,641
Net asset value per unit	28.3052	24.1654	28.5236	24.4558	22.7371

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2019	28.4076	24.0373	17.131
2018	30.4612	23.5492	(15.279)
2017	28.5608	24.7231	16.633
2016	24.6911	19.2851	7.559
2015	25.1565	21.3455	(4.297)
2014	25.0765	22.2170	0.794
2013	23.5709	19.1187	25.222
2012	18.9420	15.3107	17.979
2011	18.8723	14.5469	(7.328)
2010	17.2165	14.2041	6.675
2009	16.1896	10.1606	25.162
2008	21.3141	11.4726	(41.325)
2007	23.2129	20.5837	5.022
2006	20.9271	17.2629	23.568
2005	17.0080	15.0956	7.023
2004	15.8234	13.1472	13.984
2003	13.7654	10.0000	38.820

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 17 March 2003 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.8 Asian Pacific Equity Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(1,500,718)	(1,714,091)	(1,770,490)	(1,321,956)	(1,354,853)
Capital appreciation/(depreciation) - realised and unrealised	23,426,188	(62,496,861)	98,711,178	17,432,566	(24,446,375)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	295,340,675	283,480,885	370,283,965	263,151,010	234,344,910
Total net asset value	294,967,579	283,078,211	369,776,745	262,804,917	234,008,703
Net asset value per unit	16.8512	15.6220	19.0845	14.0094	13.1476

	<i>Highest issue price HK\$</i>	<i>Lowest redemption price HK\$</i>	<i>* Net annualised investment return %</i>
2019	17.3536	14.5798	7.868
2018	20.1514	15.3485	(18.143)
2017	19.0873	14.1042	36.226
2016	14.8787	11.4581	6.555
2015	16.5244	12.4430	(9.922)
2014	15.8544	13.1142	3.452
2013	14.8350	12.7741	3.003
2012	13.6975	11.2112	23.531
2011	13.0446	10.1754	(9.141)
2010	12.2665	9.5443	16.814
2009	10.2897	6.0054	57.873
2008	11.2614	6.0252	(42.682)
2007	11.9923	9.9953	11.545

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.9 European Equity Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(422,738)	(441,134)	(419,301)	(318,593)	(322,037)
Capital appreciation/(depreciation) - realised and unrealised	12,039,779	(10,358,543)	11,629,184	3,081,876	1,465,532
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	74,597,656	65,320,075	75,832,101	53,001,787	49,033,302
Total net asset value	74,498,222	65,222,909	75,726,181	52,928,219	48,957,386
Net asset value per unit	12.0718	10.2399	11.9242	9.9617	9.4497

	<i>Highest issue price HK\$</i>	<i>Lowest redemption price HK\$</i>	<i>* Net annualised investment return %</i>
2019	12.1282	10.1244	17.890
2018	12.6320	10.0022	(14.125)
2017	12.0110	10.0583	19.700
2016	9.9619	8.0227	5.418
2015	10.4644	8.8133	2.995
2014	10.6668	8.7725	(9.966)
2013	10.1985	7.7446	33.288
2012	7.6862	5.8722	18.747
2011	7.9347	5.7303	(8.094)
2010	7.1234	5.9442	1.143
2009	7.0720	4.3835	21.290
2008	9.5319	4.9302	(41.909)
2007	10.7555	9.5143	(1.695)

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.10 Hong Kong Equities Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(3,916,766)	(4,411,104)	(4,257,925)	(3,313,320)	(3,369,120)
Capital appreciation/(depreciation) - realised and unrealised	34,381,023	(51,628,593)	89,008,219	5,986,659	(15,738,875)
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	290,564,140	268,621,364	333,160,764	252,097,298	235,128,701
Total net asset value	290,065,655	267,984,503	332,421,465	251,700,906	234,728,589
Net asset value per unit	13.2857	11.9327	14.4571	10.8217	10.7475

	<i>Highest issue price HK\$</i>	<i>Lowest redemption price HK\$</i>	<i>* Net annualised investment return %</i>
2019	13.9915	11.5534	11.339
2018	16.1100	11.4778	(17.461)
2017	14.5820	10.8868	33.594
2016	11.6763	8.9468	0.690
2015	14.1390	10.0351	(6.251)
2014	11.7593	9.8941	4.824
2013	11.5142	9.2715	0.038
2012	10.9323	8.8298	18.453
2011	12.3011	7.8526	(21.155)
2010	12.6515	9.6137	8.735
2009	11.0622	6.0293	56.596
2008	13.5555	6.0162	(49.674)
2007	14.9542	10.0000	36.600

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.11 US Equity Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(38,256)	(35,810)	(64,752)	(58,703)	(69,176)
Capital appreciation/(depreciation) - realised and unrealised	41,736,423	(4,440,584)	22,166,334	(529,658)	2,993,978
Income derived from investment #	-	-	-	-	-
Value of scheme assets derived from investment	230,163,272	123,697,741	111,870,179	78,865,113	68,855,547
Total net asset value	229,974,214	123,576,974	111,765,186	78,792,763	68,783,055
Net asset value per unit	24.4598	18.7598	19.0615	15.0451	15.2663

	<i>Highest issue price</i> HK\$	<i>Lowest redemption price</i> HK\$	<i>* Net annualised investment return</i> %
2019	24.6165	18.1960	30.384
2018	22.7878	17.3957	(1.583)
2017	19.2594	15.2167	26.696
2016	15.3378	12.8351	(1.449)
2015	16.4709	14.1146	5.112
2014	14.7888	12.7755	6.451
2013	13.6437	10.2317	36.523
2012	10.3225	9.1580	9.680
2011	10.0570	8.2608	(4.075)
2010	9.5012	7.8833	10.261
2009	8.6833	5.3381	29.111
2008	9.9090	5.9919	(34.956)
2007	10.8644	9.9387	2.583

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 19 March 2007 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.12 Greater China Equity Fund

	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$
Net loss excluding capital appreciation/(depreciation)	(3,716,644)	(3,701,779)	(3,198,630)	(2,274,041)	(2,142,118)
Capital appreciation/(depreciation) - realised and unrealised	72,388,783	(48,321,090)	77,871,343	4,288,381	(10,258,684)
Income derived from investment [#]	-	-	-	-	-
Value of scheme assets derived from investment	268,699,445	199,597,420	242,153,578	153,012,566	135,624,846
Total net asset value	267,743,510	199,058,218	241,525,408	152,612,344	135,255,316
Net asset value per unit	16.2691	12.0746	15.2137	10.3457	10.2093

	Highest issue price HK\$	Lowest redemption price HK\$	* Net annualised investment return %
2019	16.3476	11.5763	34.599
2018	16.6890	11.6303	(20.633)
2017	15.4837	10.3727	47.053
2016	11.4956	8.5158	1.336
2015	13.1753	9.5152	(6.844)
2014	11.3512	9.5145	4.918
2013	10.5845	8.6086	11.327
2012	9.4156	7.5260	24.939
2011	10.3089	6.9237	(24.900)

* The net annualised investment return is calculated by comparing the net asset value per unit at the year end against the net asset value per unit at the beginning of the year except for the first year where the initial offer price per unit is used. The initial offer price for the constituent fund as at 1 May 2011 was HK\$10.00 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the (depreciation)/appreciation of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.13 Age 65 Plus Fund

	2019 HK\$	2018 HK\$	2017 HK\$
Net loss excluding capital appreciation/(depreciation)	(177,205)	(153,174)	(24,430)
Capital appreciation/(depreciation) - realised and unrealised	2,234,031	(90,991)	168,909
Income derived from investment [#]	-	-	-
Value of scheme assets derived from investment	32,452,782	19,756,284	9,933,985
Total net asset value	32,411,453	19,727,094	9,927,408
Net asset value per unit	11.0418	10.1328	10.2936

	<i>Highest issue price HK\$</i>	<i>Lowest redemption price HK\$</i>	<i>* Net annualised investment return %</i>
2019	11.0736	10.1402	8.971
2018	10.3963	10.0340	(1.562)
2017	10.3142	9.9848	2.936

* The net annualized investment return is calculated by comparing the net asset value per unit at the period end against the initial offer price per unit. The initial offer price for the constituent fund as at 1 April 2017 was HK\$10 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

3 Performance table (continued)

3.14 Core Accumulation Fund

	2019 HK\$	2018 HK\$	2017 HK\$
Net loss excluding capital appreciation/(depreciation)	(403,154)	(266,892)	(75,921)
Capital appreciation/(depreciation) - realised and unrealised	8,638,189	(3,063,040)	1,515,144
Income derived from investment [#]	-	-	-
Value of scheme assets derived from investment	72,704,592	46,180,759	27,907,106
Total net asset value	72,610,367	46,123,677	27,887,652
Net asset value per unit	11.7984	10.1951	10.9163

	<i>Highest issue price HK\$</i>	<i>Lowest redemption price HK\$</i>	<i>* Net annualised investment return %</i>
2019	11.8329	10.1154	15.726
2018	11.3854	9.9343	(6.607)
2017	10.9244	9.9888	9.163

* The net annualized investment return is calculated by comparing the net asset value per unit at the period end against the initial offer price per unit. The initial offer price for the constituent fund as at 1 April 2017 was HK\$10 per unit.

The constituent fund is a feeder fund which invests in an approved pooled investment fund. During the year ended 31 December 2019, there was no distribution income from the approved pooled investment fund. As a result, there was no other investment income except for the appreciation/(depreciation) of the investments as stated above.

Investment report (continued)

4 Fund expense ratio

	<i>Fund expense ratio</i>	
	<i>2019</i>	<i>2018</i>
	<i>%</i>	<i>%</i>
MPF Conservative Fund	0.91	0.96
Guaranteed Fund	3.34	3.38
Global Stable Fund	1.47	1.52
Global Growth Fund	1.45	1.51
Asian Balanced Fund	1.68	1.69
Global Bond Fund	1.63	1.60
Global Equity Fund	1.70	1.66
Asian Pacific Equity Fund	1.72	1.73
European Equity Fund	1.90	1.88
Hong Kong Equities Fund	1.48	1.52
US Equity Fund	1.18	1.21
Greater China Equity Fund	1.64	1.68
Age 65 Plus Fund	0.91	0.89
Core Accumulation Fund	0.91	0.92

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings

5.1 MPF Conservative Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice HK\$ Liquidity Fund #	20,775,139.7593	270,068,507	100.10
Total investment, at market value		270,068,507	100.10
Total investment, at cost		262,683,792	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice HK\$ Liquidity Fund #	20,875,421.6654	5,020,639.6768	5,120,921.5829	20,775,139.7593

Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.2 Guaranteed Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Mass MPF Guaranteed Policy	14,231,855.2704	158,820,443	100.00
Total investment, at market value		158,820,443	100.00
Total investment, at cost		152,720,328	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Mass MPF Guaranteed Policy	14,224,109.2433	2,076,721.2705	2,068,975.2434	14,231,855.2704

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.3 Global Stable Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice Stable Growth Fund #	11,808,702.7001	259,673,372	100.18
Total investment, at market value		259,673,372	100.18
Total investment, at cost		217,336,536	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice Stable Growth Fund #	12,133,831.2302	443,816.6190	768,945.1491	11,808,702.7001

Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.4 Global Growth Fund

<i>Quoted investment</i>	<u>2019</u>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice Balanced Fund #	10,304,688.5152	<u>404,252,930</u>	<u>100.17</u>
Total investment, at market value		<u>404,252,930</u>	<u>100.17</u>
Total investment, at cost		<u>326,967,520</u>	

<i>Name of investment</i>	<u>2019</u>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice Balanced Fund #	10,783,914.2055	284,821.3651	764,047.0554	10,304,688.5152

Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.5 Asian Balanced Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF Asian Balanced Fund *	13,738,691.1320	415,732,794	100.13
Total investment, at market value		415,732,794	100.13
		310,897,969	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF Asian Balanced Fund *	14,124,423.2370	505,459.2010	891,191.3060	13,738,691.1320

* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.6 Global Bond Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF Global Bond Fund *	6,095,292.6600	128,671,628	100.12
Total investment, at market value		128,671,628	100.12
Total investment, at cost		122,818,534	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF Global Bond Fund *	5,894,525.7110	815,449.9960	614,683.0470	6,095,292.6600

* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.7 Global Equity Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF Global Equity Fund *	8,775,552.7640	216,580,643	100.13
Total investment, at market value		216,580,643	100.13
Total investment, at cost		145,600,227	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF Global Equity Fund *	8,829,834.9120	731,761.0670	786,043.2150	8,775,552.7640

* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.8 Asian Pacific Equity Fund

<i>Quoted investment</i>	<u>2019</u>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF Asian Pacific Equity Fund *	10,946,652.1660	<u>295,340,675</u>	<u>100.13</u>
Total investment, at market value		<u>295,340,675</u>	<u>100.13</u>
Total investment, at cost		<u>222,374,478</u>	

<i>Name of investment</i>	<u>2019</u>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF Asian Pacific Equity Fund *	11,393,926.2590	585,784.6100	1,033,058.7030	10,946,652.1660

* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.9 European Equity Fund

<i>Quoted investment</i>	<u>2019</u>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Templeton MPF European Equity Fund *	3,920,002.9370	<u>74,597,656</u>	<u>100.13</u>
Total investment, at market value		<u><u>74,597,656</u></u>	<u><u>100.13</u></u>
Total investment, at cost		<u><u>62,196,409</u></u>	

<i>Name of investment</i>	<u>2019</u>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Templeton MPF European Equity Fund *	4,069,786.5880	473,549.8690	623,333.5200	3,920,002.9370

* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.10 Hong Kong Equities Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Allianz Choice Hong Kong Fund #	5,579,188.5580	<u>290,564,140</u>	<u>100.17</u>
Total investment, at market value		<u>290,564,140</u>	<u>100.17</u>
Total investment, at cost		<u>244,450,450</u>	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Allianz Choice Hong Kong Fund #	5,816,833.3480	742,731.9157	980,376.7057	5,579,188.5580

Approved Pooled Investment Fund of the Allianz Global Investors Choice Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.11 US Equity Fund

<i>Quoted investment</i>	<i>2019</i>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Franklin MPF US Opportunities Fund *	7,644,080.7880	230,163,272	100.08
Total investment, at market value		230,163,272	100.08
Total investment, at cost		175,209,713	

<i>Name of investment</i>	<i>2019</i>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Franklin MPF US Opportunities Fund *	5,380,502.0070	2,779,627.5200	516,048.7390	7,644,080.7880

* Approved Pooled Investment Fund of the Templeton MPF Investment Funds

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.12 Greater China Equity Fund

<i>Quoted investment</i>	<u>2019</u>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
JP Morgan SAR Greater China Fund *	1,416,145.4880	<u>268,699,445</u>	<u>100.36</u>
Total investment, at market value		<u><u>268,699,445</u></u>	<u><u>100.36</u></u>
Total investment, at cost		<u><u>180,853,674</u></u>	

<i>Name of investment</i>	<u>2019</u>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
JP Morgan SAR Greater China Fund *	1,439,577.5000	165,310.8560	188,742.8680	1,416,145.4880

* Approved Pooled Investment Fund of the JP Morgan SAR Greater China Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.13 Age 65 Plus Fund

<i>Quoted investment</i>	<u>2019</u>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Age 65 Plus Fund *	2,872,486.9040	<u>32,452,782</u>	<u>100.13</u>
Total investment, at market value		<u>32,452,782</u>	<u>100.13</u>
Total investment, at cost		<u>30,546,049</u>	

<i>Name of investment</i>	<u>2019</u>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Age 65 Plus Fund *	1,920,080.4760	1,365,330.5000	412,924.0720	2,872,486.9040

* Approved Pooled Investment Fund of the Invesco Pooled Investment Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.

Investment report (continued)

5 Investment portfolio and statement of movements in portfolio holdings (continued)

5.14 Core Accumulation Fund

<i>Quoted investment</i>	<u>2019</u>		
	<i>Holdings Units</i>	<i>Market value HK\$</i>	<i>% of net assets</i>
Core Accumulation Fund *	6,023,778.1540	<u>72,704,592</u>	<u>100.13</u>
Total investment, at market value		<u><u>72,704,592</u></u>	<u><u>100.13</u></u>
Total investment, at cost		<u><u>66,133,158</u></u>	

<i>Name of investment</i>	<u>2019</u>			<i>Holdings as at 31 December 2019 Units</i>
	<i>Holdings as at 1 January 2019 Units</i>	<i>Additions Units</i>	<i>Disposals Units</i>	
Core Accumulation Fund *	4,462,900.8290	2,061,054.0760	500,176.7510	6,023,778.1540

* Approved Pooled Investment Fund of the Invesco Pooled Investment Fund

Note: The underlying approved pooled investment fund was established in Hong Kong and is accounted for on a trade date basis.



Independent auditor's report

To the Trustee of Mass Mandatory Provident Fund Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mass Mandatory Provident Fund Scheme ("the Scheme") set out on pages 95 to 137, which comprise the statement of net assets available for benefits as at 31 December 2019, and the statement of comprehensive income, the statement of changes in net assets attributable to members – master trust scheme and constituent funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The Trustee is responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent auditor's report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

Report on the Audit of the Financial Statements (continued)

Responsibilities of Trustee and Those Charged with Governance for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

In addition, the Trustee is required to ensure that the financial statements have been properly prepared in accordance with sections 80, 81, 83 and 84 of the Mandatory Provident Fund Schemes (General) Regulation ("the General Regulation").

Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, in accordance with section 102 of the General Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Scheme have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.



Independent auditor's report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent auditor's report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

Report on matters under the Mandatory Provident Fund Schemes (General) Regulation

- a. In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.
- b. We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 JUN 2020



Independent auditor's assurance report

To the Trustee of Mass Mandatory Provident Fund Scheme

We have audited the financial statements of Mass Mandatory Provident Fund Scheme ("the Scheme") for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* ("PN 860.1 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unqualified auditor's report thereon dated **29 JUN 2020**

Pursuant to section 102 of the Mandatory Provident Fund Schemes (General) Regulation ("the General Regulation"), we are required to report whether the Scheme complied with certain requirements of the Mandatory Provident Fund Schemes Ordinance ("the MPFSO") and the General Regulation.

Trustee's Responsibility

The General Regulation requires the Trustee to ensure that:

- a. proper accounting and other records are kept in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme;
- b. the requirements specified in the guidelines made by the Mandatory Provident Fund Schemes Authority ("the MPFA") under section 28 of the MPFSO with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation are complied with;
- c. the requirements under sections 34DB(1)(a), (b), (c) and (d), 34DC(1), and 34DD(1) and (4) of the MPFSO are complied with; and
- d. the Scheme assets are not subject to any encumbrance, otherwise than as permitted by the General Regulation.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Independent auditor's assurance report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

Auditor's Responsibility

Our responsibility is to report solely to you, on the Scheme's compliance with the above requirements based on the results of the procedures performed by us, in accordance with section 102 of the General Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to PN 860.1 (Revised) issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance on whether the Scheme has complied with the above requirements.

We have planned and performed such procedures as we considered necessary with reference to the procedures recommended in PN 860.1 (Revised), which included reviewing, on a test basis, evidence obtained from the Trustee regarding the Scheme's compliance with the above requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Based on the foregoing:

1. in our opinion:
 - a. proper accounting and other records have been kept during the year ended 31 December 2019 in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme;
 - b. the requirements specified in the guidelines made by the MPFA under section 28 of the MPFSO with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation have been complied with, in all material respects, as at 31 December 2019, 30 September 2019 and 30 June 2019;
 - c. the requirements specified in the MPFSO under sections 34DB(1)(a), (b), (c) and (d), 34DC(1) and 34DD(1) and (4)(a) with respect to the investment of accrued benefits and control of payment for services relating to the Core Accumulation Fund and the Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2019, 30 September 2019 and 30 June 2019;



Independent auditor's assurance report (continued)

To the Trustee of Mass Mandatory Provident Fund Scheme

Opinion (continued)

- d. the requirements specified in section 34DD(4)(b) of the MPFSO with respect to the controls of out-of-pocket expenses of the Core Accumulation Fund and the Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2019.
2. as at 31 December 2019, the Scheme assets were not subject to any encumbrance, otherwise than as permitted by the General Regulation.

Other Matter

The requirements specified in the MPFSO under sections 34DI(1) and (2) and 34DK(2) with respect to the transfer of accrued benefits to an account and specified notice, and 34DJ(2), (3), (4) and (5) with respect to locating scheme members relating to the Core Accumulation Fund and the Age 65 Plus Fund are not applicable to the Trustee during the year ended 31 December 2019 as the Trustee has completed the relevant transitional provisions. Accordingly, there is no reporting on these sections.

Intended Users and Purpose

This report is intended solely for submission by the Trustee to the MPFA pursuant to section 102 of the General Regulation, and is not intended to be, and should not be, used by anyone for any other purpose.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 JUN 2020

Statement of comprehensive income for the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019						
		MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$
Income								
Interest income		-	-	-	-	-	-	-
Net realised gain on investments		1,381,049	1,534,090	2,039,350	4,166,315	5,645,659	498,739	5,156,380
Net unrealised gain on investments		3,225,278	9,390,077	27,739,125	51,060,068	27,711,775	2,605,988	27,678,673
Rebates and other income	5(c), 5(d)	265,894	-	-	-	2,206,910	561,105	1,112,791
Total income		<u>4,872,221</u>	<u>10,924,167</u>	<u>29,778,475</u>	<u>55,226,383</u>	<u>35,564,344</u>	<u>3,665,832</u>	<u>33,947,844</u>
Expenses								
Bank charges		-	-	-	-	-	-	-
Trustee fees	5(a)	1,628,966	-	2,375,021	3,704,612	4,009,517	1,122,492	2,022,740
Fund administration fees	5(b)	58,500	-	58,500	58,500	58,500	58,500	58,500
Investment management fee	5(e), 5(f)	-	-	860,362	1,342,281	-	-	-
Auditor's remuneration		49,312	-	47,215	73,505	75,463	23,387	39,327
Other expenses		86,676	-	82,206	119,346	122,575	47,790	69,769
Total expenses		<u>1,823,454</u>	<u>-</u>	<u>3,423,304</u>	<u>5,298,244</u>	<u>4,266,055</u>	<u>1,252,169</u>	<u>2,190,336</u>
Increase/(decrease) in net assets attributable to members		<u>3,048,767</u>	<u>10,924,167</u>	<u>26,355,171</u>	<u>49,928,139</u>	<u>31,298,289</u>	<u>2,413,663</u>	<u>31,757,508</u>

Statement of comprehensive income
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

Note	2019								
	Asian Pacific Equity Fund	European Equity Fund	Hong Kong Equities Fund	US Equity Fund	Greater China Equity Fund	Age 65 Plus Fund	Core Accumulation Fund	The Scheme	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income									
Interest income	-	-	-	-	-	-	-	1,309	1,309
Net realised gain on investments	5,792,583	1,241,481	6,619,270	3,377,239	7,250,262	266,910	286,792	-	45,256,119
Net unrealised gain on investments	17,633,605	10,798,298	27,761,753	38,359,184	65,138,521	1,967,121	8,351,397	-	319,420,863
Rebates and other income	5(c), 5(d) 1,590,281	388,889	-	963,436	-	-	-	-	7,089,306
Total income	<u>25,016,469</u>	<u>12,428,668</u>	<u>34,381,023</u>	<u>42,699,859</u>	<u>72,388,783</u>	<u>2,234,031</u>	<u>8,638,189</u>	<u>1,309</u>	<u>371,767,597</u>
Expenses									
Bank charges	-	-	-	-	-	-	-	1,560	1,560
Trustee fees	5(a) 2,889,770	706,884	2,726,471	826,792	2,349,619	151,523	344,725	-	24,859,132
Fund administration fees	5(b) 58,500	58,500	58,500	58,500	58,500	-	-	-	643,500
Investment management fee	5(e), 5(f) -	-	990,201	-	1,175,758	-	-	-	4,368,602
Auditor's remuneration	53,692	13,571	52,889	41,605	48,998	5,830	26,391	-	551,185
Other expenses	89,037	32,672	88,705	74,795	83,769	19,852	32,038	-	949,230
Total expenses	<u>3,090,999</u>	<u>811,627</u>	<u>3,916,766</u>	<u>1,001,692</u>	<u>3,716,644</u>	<u>177,205</u>	<u>403,154</u>	<u>1,560</u>	<u>31,373,209</u>
Increase/(decrease) in net assets attributable to members	<u>21,925,470</u>	<u>11,617,041</u>	<u>30,464,257</u>	<u>41,698,167</u>	<u>68,672,139</u>	<u>2,056,826</u>	<u>8,235,035</u>	<u>(251)</u>	<u>340,394,388</u>

Statement of comprehensive income
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

		2018						
	Note	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$
Income								
Interest income		-	-	-	-	-	-	-
Net realised gain on investments		558,039	1,802,161	2,554,617	7,007,793	8,435,813	307,585	10,288,477
Net unrealised gain/(loss) on investments		2,335,496	(13,868,152)	(23,307,953)	(53,164,352)	(71,922,622)	(1,318,950)	(42,607,892)
Rebates and other income	5(c), 5(d)	232,892	-	5,938	2,490	2,406,952	528,981	1,205,703
Total income/(loss)		<u>3,126,427</u>	<u>(12,065,991)</u>	<u>(20,747,398)</u>	<u>(46,154,069)</u>	<u>(61,079,857)</u>	<u>(482,384)</u>	<u>(31,113,712)</u>
Expenses								
Bank charges		-	-	-	-	-	-	-
Trustee fees	5(a)	1,473,571	-	2,425,388	3,954,343	4,371,455	1,058,750	2,189,748
Fund administration fees	5(b)	97,500	-	58,500	58,500	58,500	58,500	58,500
Investment management fee	5(e), 5(f)	-	-	1,018,088	1,660,465	-	-	-
Auditor's remuneration		54,386	-	49,856	77,506	83,168	25,442	39,246
Other expenses		103,851	-	90,168	134,349	143,042	51,375	74,708
Total expenses		<u>1,729,308</u>	<u>-</u>	<u>3,642,000</u>	<u>5,885,163</u>	<u>4,656,165</u>	<u>1,194,067</u>	<u>2,362,202</u>
Increase/(decrease) in net assets attributable to members		<u>1,397,119</u>	<u>(12,065,991)</u>	<u>(24,389,398)</u>	<u>(52,039,232)</u>	<u>(65,736,022)</u>	<u>(1,676,451)</u>	<u>(33,475,914)</u>

Statement of comprehensive income
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

		2018								
	Note	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	The Scheme \$	Total \$
Income										
Interest income		-	-	-	-	-	-	-	751	751
Net realised gain on investments		11,530,896	2,166,837	11,160,362	6,481,454	9,540,664	129,814	194,874	-	72,159,386
Net unrealised gain/(loss) on investments		(74,027,757)	(12,525,380)	(62,788,955)	(10,922,038)	(57,861,754)	(220,805)	(3,257,914)	-	(425,459,028)
Rebates and other income	5(c), 5(d)	1,822,022	408,842	-	699,571	-	-	-	-	7,313,391
Total income/(loss)		<u>(60,674,839)</u>	<u>(9,949,701)</u>	<u>(51,628,593)</u>	<u>(3,741,013)</u>	<u>(48,321,090)</u>	<u>(90,991)</u>	<u>(3,063,040)</u>	<u>751</u>	<u>(345,985,500)</u>
Expenses										
Bank charges		-	-	-	-	-	-	-	1,360	1,360
Trustee fees	5(a)	3,309,601	743,538	2,955,647	599,338	2,352,579	133,962	232,887	-	25,800,807
Fund administration fees	5(b)	58,500	58,500	58,500	58,500	58,500	-	-	-	682,500
Investment management fee	5(e), 5(f)	-	-	1,239,127	-	1,169,996	-	-	-	5,087,676
Auditor's remuneration		60,118	13,772	56,362	25,712	42,028	19,212	34,005	-	580,813
Other expenses		107,894	34,166	101,468	51,831	78,676	-	-	-	971,528
Total expenses		<u>3,536,113</u>	<u>849,976</u>	<u>4,411,104</u>	<u>735,381</u>	<u>3,701,779</u>	<u>153,174</u>	<u>266,892</u>	<u>1,360</u>	<u>33,124,684</u>
Increase/(decrease) in net assets attributable to members		<u>(64,210,952)</u>	<u>(10,799,677)</u>	<u>(56,039,697)</u>	<u>(4,476,394)</u>	<u>(52,022,869)</u>	<u>(244,165)</u>	<u>(3,329,932)</u>	<u>(609)</u>	<u>(379,110,184)</u>

The notes on pages 114 to 137 form part of these financial statements.

Statement of net assets available for benefits as at 31 December 2019 (Expressed in Hong Kong dollars)

	2019							
	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$	Asian Pacific Equity Fund \$
Assets								
Investments	270,068,507	158,820,443	259,673,372	404,252,930	415,732,794	128,671,628	216,580,643	295,340,675
Contributions receivable								
– from employers	-	-	-	-	-	-	-	-
– from members	-	-	-	-	-	-	-	-
Transfers in receivable	-	-	-	-	-	-	-	-
Amounts receivable on subscriptions	714,834	124,136	101,537	278,447	312,486	92,872	146,567	240,822
Amounts receivable on sales of investments	930,657	-	96,073	73,258	1,618	34,720	82,929	167,319
Other receivables	22,901	-	-	-	192,293	49,110	99,962	135,304
Cash at bank	-	-	-	-	-	-	-	-
Total assets	<u>271,736,899</u>	<u>158,944,579</u>	<u>259,870,982</u>	<u>404,604,635</u>	<u>416,239,191</u>	<u>128,848,330</u>	<u>216,910,101</u>	<u>295,884,120</u>
Liabilities								
Benefits payable	-	-	-	-	-	-	-	-
Transfers out payable	-	-	-	-	-	-	-	-
Forfeitures payable	-	-	-	-	-	-	-	-
Amounts payable on redemptions	930,657	-	96,073	73,258	1,618	34,720	82,929	167,319
Amounts payable on purchases of investments	737,735	124,136	101,537	278,447	504,779	141,982	246,529	376,126
Other payables	257,148	-	454,023	700,077	525,744	156,865	276,353	373,096
Total liabilities (excluding net assets attributable to members)	<u>1,925,540</u>	<u>124,136</u>	<u>651,633</u>	<u>1,051,782</u>	<u>1,032,141</u>	<u>333,567</u>	<u>605,811</u>	<u>916,541</u>
Net assets attributable to members	<u>269,811,359</u>	<u>158,820,443</u>	<u>259,219,349</u>	<u>403,552,853</u>	<u>415,207,050</u>	<u>128,514,763</u>	<u>216,304,290</u>	<u>294,967,579</u>

Statement of net assets available for benefits as at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	2019								
	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	The Constituent Funds \$	The Scheme \$	Total \$
Assets									
Investments	74,597,656	290,564,140	230,163,272	268,699,445	32,452,782	72,704,592	3,118,322,879	-	3,118,322,879
Contributions receivable									
- from employers	-	-	-	-	-	-	-	6,596,849	6,596,849
- from members	-	-	-	-	-	-	-	6,334,848	6,334,848
Transfers in receivable	-	-	-	-	-	-	-	7,413,370	7,413,370
Amounts receivable on subscriptions	56,903	326,529	1,803,719	884,051	742,804	759,534	6,585,241	(6,585,241)	-
Amounts receivable on sales of investments	18,564	58,343	308,013	628,184	-	30,427	2,430,105	-	2,430,105
Other receivables	34,602	-	104,224	-	-	-	638,396	5,160,012	5,798,408
Cash at bank	-	-	-	-	-	-	-	10,204,558	10,204,558
Total assets	74,707,725	290,949,012	232,379,228	270,211,680	33,195,586	73,494,553	3,127,976,621	29,124,396	3,157,101,017
Liabilities									
Benefits payable	-	-	-	-	-	-	-	4,039,363	4,039,363
Transfers out payable	-	-	-	-	-	-	-	2,593,526	2,593,526
Forfeitures payable	-	-	-	-	-	-	-	32,470	32,470
Amounts payable on redemptions	18,564	58,343	308,013	628,184	-	30,427	2,430,105	(2,430,105)	-
Amounts payable on purchases of investments	91,505	326,529	1,907,943	884,051	742,804	759,534	7,223,637	-	7,223,637
Other payables	99,434	498,485	189,058	955,935	41,329	94,225	4,621,772	1,816,000	6,437,772
Total liabilities (excluding net assets attributable to members)	209,503	883,357	2,405,014	2,468,170	784,133	884,186	14,275,514	6,051,254	20,326,768
Net assets attributable to members	74,498,222	290,065,655	229,974,214	267,743,510	32,411,453	72,610,367	3,113,701,107	23,073,142	3,136,774,249

Statement of net assets available for benefits as at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	2018							
	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$	Asian Pacific Equity Fund \$
Assets								
Investments	266,714,825	149,019,980	236,731,048	366,868,761	393,506,432	121,368,284	184,985,041	283,480,885
Contributions receivable								
- from employers	-	-	-	-	-	-	-	-
- from members	-	-	-	-	-	-	-	-
Transfers in receivable	-	-	-	-	-	-	-	-
Amounts receivable on subscriptions	798,786	344,607	121,634	191,156	213,502	126,994	81,059	142,798
Amounts receivable on sales of investments	32,820	304,405	486	-	4,566	-	-	-
Other receivables	22,378	-	-	-	185,465	46,040	88,538	133,488
Cash at bank	-	-	-	-	-	-	-	-
Total assets	267,568,809	149,668,992	236,853,168	367,059,917	393,909,965	121,541,318	185,154,638	283,757,171
Liabilities								
Benefits payable	-	-	-	-	-	-	-	-
Transfers out payable	-	-	-	-	-	-	-	-
Forfeitures payable	-	-	-	-	-	-	-	-
Amounts payable on redemptions	32,820	304,405	486	-	4,566	-	-	-
Amounts payable on purchases of investments	821,164	344,607	121,634	191,156	398,967	173,034	169,597	276,286
Other payables	281,866	-	559,149	872,273	554,706	161,767	267,223	402,674
Total liabilities (excluding net assets attributable to members)	1,135,850	649,012	681,269	1,063,429	958,239	334,801	436,820	678,960
Net assets attributable to members	266,432,959	149,019,980	236,171,899	365,996,488	392,951,726	121,206,517	184,717,818	283,078,211

Statement of net assets available for benefits as at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	2018								Total \$
	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	The Constituent Fund	The Scheme \$	
Assets									
Investments	65,320,075	268,621,364	123,697,741	199,597,420	19,756,284	46,180,759	2,725,848,899	-	2,725,848,899
Contributions receivable									
- from employers	-	-	-	-	-	-	-	7,113,476	7,113,476
- from members	-	-	-	-	-	-	-	6,708,932	6,708,932
Transfers in receivable	-	-	-	-	-	-	-	4,788,367	4,788,367
Amounts receivable on subscriptions	14,646	123,842	227,529	151,922	92,045	143,154	2,773,674	(2,773,674)	-
Amounts receivable on sales of investments	-	4,717	5,973	5,312	519	16,046	374,844	-	374,844
Other receivables	30,966	-	58,522	-	-	-	565,397	1,313,841	1,879,238
Cash at bank	-	-	-	-	-	-	-	7,382,869	7,382,869
Total assets	65,365,687	268,749,923	123,989,765	199,754,654	19,848,848	46,339,959	2,729,562,814	24,533,811	2,754,096,625
Liabilities									
Benefits payable	-	-	-	-	-	-	-	2,536,934	2,536,934
Transfers out payable	-	-	-	-	-	-	-	2,915,052	2,915,052
Forfeitures payable	-	-	-	-	-	-	-	113,121	113,121
Amounts payable on redemptions	-	4,717	5,973	5,312	519	16,046	374,844	(374,844)	-
Amounts payable on purchases of investments	45,612	123,842	286,051	151,922	92,045	143,154	3,339,071	-	3,339,071
Other payables	97,166	636,861	120,767	539,202	29,190	57,082	4,579,926	1,381,853	5,961,779
Total liabilities (excluding net assets attributable to members)	142,778	765,420	412,791	696,436	121,754	216,282	8,293,841	6,572,116	14,865,957
Net assets attributable to members	65,222,909	267,984,503	123,576,974	199,058,218	19,727,094	46,123,677	2,721,268,973	17,961,695	2,739,230,668

Statement of net assets available for benefits as at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

		2019					
Note	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$
<i>Representing:</i>							
Net assets attributable to members	269,811,359	158,820,443	259,219,349	403,552,853	415,207,050	128,514,763	216,304,290
Total number of units in issue	6 24,523,677.7167	14,288,349.9681	12,344,539.2953	17,568,748.2518	15,188,994.7314	9,370,095.4470	7,641,843.9319
Net asset value per unit	11.0021	11.1154	20.9987	22.9699	27.3360	13.7154	28.3052

		2019					
Note	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$
<i>Representing:</i>							
Net assets attributable to members	294,967,579	74,498,222	290,065,655	229,974,214	267,743,510	32,411,453	72,610,367
Total number of units in issue	6 17,504,254.6332	6,171,274.7909	21,832,929.7476	9,402,115.8559	16,457,191.8319	2,935,337.3314	6,154,257.3119
Net asset value per unit	16.8512	12.0718	13.2857	24.4598	16.2691	11.0418	11.7984

Statement of net assets available for benefits as at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

		2018						
	Note	MPF Conservative Fund \$	Guaranteed Fund \$	Global Stable Fund \$	Global Growth Fund \$	Asian Balanced Fund \$	Global Bond Fund \$	Global Equity Fund \$
<i>Representing:</i>								
Net assets attributable to members		266,432,959	149,019,980	236,171,899	365,996,488	392,951,726	121,206,517	184,717,818
Total number of units in issue	6	24,494,362.7713	14,283,706.8947	12,507,139.5072	18,131,396.4424	15,533,915.2621	9,010,595.1016	7,643,909.8287
Net asset value per unit		10.8773	10.4329	18.8830	20.1858	25.2964	13.4516	24.1654

Statement of net assets available for benefits as at 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

		2018						
	Note	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$
<i>Representing:</i>								
Net assets attributable to members		<u>283,078,211</u>	<u>65,222,909</u>	<u>267,984,503</u>	<u>123,576,974</u>	<u>199,058,218</u>	<u>19,727,094</u>	<u>46,123,677</u>
Total number of units in issue	6	<u>18,120,522.0075</u>	<u>6,369,508.2012</u>	<u>22,457,911.0326</u>	<u>6,587,331.7256</u>	<u>16,485,715.4565</u>	<u>1,946,847.3868</u>	<u>4,524,102.2533</u>
Net asset value per unit		<u>15.6220</u>	<u>10.2399</u>	<u>11.9327</u>	<u>18.7598</u>	<u>12.0746</u>	<u>10.1328</u>	<u>10.1951</u>

Approved and authorised for issue by the Trustee on **29 JUN 2020**




)
) For and on behalf of
) YF Life Trustees Limited
)

The notes on pages 114 to 137 form part of these financial statements.

Statement of changes in net assets attributable to members
- Master trust scheme
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	2019 \$	2018 \$
Net assets attributable to members brought forward	<u>2,739,230,668</u>	<u>3,067,895,909</u>
Contributions received and receivable from employers		
From employers		
- Mandatory	78,695,303	80,056,460
- Additional voluntary	20,405,257	15,974,143
From members		
- Mandatory	93,897,570	95,665,303
- Additional voluntary	9,539,804	10,635,199
Contribution surcharge received and receivable	509,933	484,982
Transfers in		
Group transfers in from other schemes	8,515,889	7,731,868
Individual transfers in from other schemes	<u>129,292,954</u>	<u>138,914,373</u>
	<u>340,856,710</u>	<u>349,462,328</u>

Statement of changes in net assets attributable to members
- Master trust scheme
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

	2019 \$	2018 \$
Benefits paid and payable		
Retirement	29,555,117	34,872,133
Early retirement	8,757,995	8,582,480
Death	3,351,530	2,646,629
Permanent departure	18,803,382	19,792,014
Total incapacity	436,933	969,864
Small balance	4,844	4,117
Refund of additional voluntary contributions to leavers	1,598,142	2,005,553
Terminal illness	836,779	512,587
Transfers out		
Group transfers out to other schemes	63,127,678	67,283,809
Individual transfers out to other schemes	145,518,468	152,399,228
Forfeitures	1,548,778	2,306,457
Withdrawal of additional voluntary contributions	374,730	199,965
Long services payments	9,793,141	7,442,549
	<u>283,707,517</u>	<u>299,017,385</u>
Increase/(decrease) in the net assets attributable to members for the year	<u>340,394,388</u>	<u>(379,110,184)</u>
Net assets attributable to members carried forward	<u>3,136,774,249</u>	<u>2,739,230,668</u>

The notes on pages 114 to 137 form part of these financial statements.

Cash flow statement - Master trust scheme
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	2019 \$	2018 \$
Operating activities		
Increase/(decrease) in net assets attributable to members	340,394,388	(379,110,184)
Adjustments for:		
Interest income	(1,309)	(751)
Net (gain)/loss on investments	(340,394,639)	379,109,575
Operating cash flow before changes in working capital	(1,560)	(1,360)
(Increase)/decrease in other receivables	(3,846,171)	554,023
Increase in accruals and other payables	434,147	57,895
Payment for purchases of investments	(619,390,276)	(762,055,223)
Proceeds from sales of investments	569,109,087	711,382,798
Net cash used in operating activities	(53,694,773)	(50,061,867)
Investing activity		
Interest received	1,309	751
Net cash generated from investing activity	1,309	751
Financing activities		
Contributions and transfers in received	339,122,418	350,165,429
Benefits, transfers out, forfeitures, long service payments and initial charges paid	(282,607,265)	(301,771,121)
Net cash generated from financing activities	56,515,153	48,394,308

**Cash flow statement - Master trust scheme
for the year ended 31 December 2019 (continued)**
(Expressed in Hong Kong dollars)

	2019 \$	2018 \$
Net increase/(decrease) in cash and cash equivalents	2,821,689	(1,666,808)
Cash and cash equivalents at 1 January	<u>7,382,869</u>	<u>9,049,677</u>
Cash and cash equivalents at 31 December	<u><u>10,204,558</u></u>	<u><u>7,382,869</u></u>
Analysis of balance of cash and cash equivalents:		
Cash at bank	<u><u>10,204,558</u></u>	<u><u>7,382,869</u></u>

The notes on pages 114 to 137 form part of these financial statements.

Statement of changes in net assets attributable to members - Constituent funds
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	2019						
	<i>MPF Conservative Fund</i>	<i>Guaranteed Fund</i>	<i>Global Stable Fund</i>	<i>Global Growth Fund</i>	<i>Asian Balanced Fund</i>	<i>Global Bond Fund</i>	<i>Global Equity Fund</i>
	\$	\$	\$	\$	\$	\$	\$
Net assets attributable to members brought forward	<u>266,432,959</u>	<u>149,019,980</u>	<u>236,171,899</u>	<u>365,996,488</u>	<u>392,951,726</u>	<u>121,206,517</u>	<u>184,717,818</u>
Proceeds on units issued	120,043,005	35,717,843	24,291,132	29,269,042	35,618,776	27,705,323	24,547,849
Payments on units redeemed	<u>(119,713,372)</u>	<u>(36,841,547)</u>	<u>(27,598,853)</u>	<u>(41,640,816)</u>	<u>(44,661,741)</u>	<u>(22,810,740)</u>	<u>(24,718,885)</u>
	<u>329,633</u>	<u>(1,123,704)</u>	<u>(3,307,721)</u>	<u>(12,371,774)</u>	<u>(9,042,965)</u>	<u>4,894,583</u>	<u>(171,036)</u>
Increase in net assets attributable to members for the year	<u>3,048,767</u>	<u>10,924,167</u>	<u>26,355,171</u>	<u>49,928,139</u>	<u>31,298,289</u>	<u>2,413,663</u>	<u>31,757,508</u>
Net assets attributable to members carried forward	<u>269,811,359</u>	<u>158,820,443</u>	<u>259,219,349</u>	<u>403,552,853</u>	<u>415,207,050</u>	<u>128,514,763</u>	<u>216,304,290</u>

Statement of changes in net assets attributable to members - Constituent funds
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

	2019							Total \$
	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	
Net assets attributable to members brought forward	<u>283,078,211</u>	<u>65,222,909</u>	<u>267,984,503</u>	<u>123,576,974</u>	<u>199,058,218</u>	<u>19,727,094</u>	<u>46,123,677</u>	<u>2,721,268,973</u>
Proceeds on units issued	31,521,210	11,941,973	71,790,454	108,162,253	54,183,027	18,185,075	30,224,881	623,201,843
Payments on units redeemed	<u>(41,557,312)</u>	<u>(14,283,701)</u>	<u>(80,173,559)</u>	<u>(43,463,180)</u>	<u>(54,169,874)</u>	<u>(7,557,542)</u>	<u>(11,973,226)</u>	<u>(571,164,348)</u>
	<u>(10,036,102)</u>	<u>(2,341,728)</u>	<u>(8,383,105)</u>	<u>64,699,073</u>	<u>13,153</u>	<u>10,627,533</u>	<u>18,251,655</u>	<u>52,037,495</u>
Increase in net assets attributable to members for the year	<u>21,925,470</u>	<u>11,617,041</u>	<u>30,464,257</u>	<u>41,698,167</u>	<u>68,672,139</u>	<u>2,056,826</u>	<u>8,235,035</u>	<u>340,394,639</u>
Net assets attributable to members carried forward	<u>294,967,579</u>	<u>74,498,222</u>	<u>290,065,655</u>	<u>229,974,214</u>	<u>267,743,510</u>	<u>32,411,453</u>	<u>72,610,367</u>	<u>3,113,701,107</u>

Statement of changes in net assets attributable to members - Constituent funds
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

	2018						
	<i>MPF Conservative Fund</i>	<i>Guaranteed Fund</i>	<i>Global Stable Fund</i>	<i>Global Growth Fund</i>	<i>Asian Balanced Fund</i>	<i>Global Bond Fund</i>	<i>Global Equity Fund</i>
	\$	\$	\$	\$	\$	\$	\$
Net assets attributable to members brought forward	<u>205,907,680</u>	<u>151,097,210</u>	<u>262,885,641</u>	<u>444,063,468</u>	<u>470,527,484</u>	<u>109,324,099</u>	<u>237,873,252</u>
Proceeds on units issued	179,688,288	47,359,165	29,159,802	34,218,497	45,313,121	34,963,071	20,532,285
Payments on units redeemed	<u>(120,560,128)</u>	<u>(37,370,404)</u>	<u>(31,484,146)</u>	<u>(60,246,245)</u>	<u>(57,152,857)</u>	<u>(21,404,202)</u>	<u>(40,211,805)</u>
	<u>59,128,160</u>	<u>9,988,761</u>	<u>(2,324,344)</u>	<u>(26,027,748)</u>	<u>(11,839,736)</u>	<u>13,558,869</u>	<u>(19,679,520)</u>
Increase/(decrease) in net assets attributable to members for the year	<u>1,397,119</u>	<u>(12,065,991)</u>	<u>(24,389,398)</u>	<u>(52,039,232)</u>	<u>(65,736,022)</u>	<u>(1,676,451)</u>	<u>(33,475,914)</u>
Net assets attributable to members carried forward	<u>266,432,959</u>	<u>149,019,980</u>	<u>236,171,899</u>	<u>365,996,488</u>	<u>392,951,726</u>	<u>121,206,517</u>	<u>184,717,818</u>

Statement of changes in net assets attributable to members - Constituent funds
for the year ended 31 December 2019 (continued)
(Expressed in Hong Kong dollars)

	2018							Total \$
	Asian Pacific Equity Fund \$	European Equity Fund \$	Hong Kong Equities Fund \$	US Equity Fund \$	Greater China Equity Fund \$	Age 65 Plus Fund \$	Core Accumulation Fund \$	
Net assets attributable to members brought forward	<u>369,776,745</u>	<u>75,726,181</u>	<u>332,421,465</u>	<u>111,765,186</u>	<u>241,525,408</u>	<u>9,927,408</u>	<u>27,887,652</u>	<u>3,050,708,879</u>
Proceeds on units issued	43,613,242	19,909,584	100,287,867	65,143,711	77,159,661	29,656,010	33,104,625	760,108,929
Payments on units redeemed	<u>(66,100,824)</u>	<u>(19,613,179)</u>	<u>(108,685,132)</u>	<u>(48,855,529)</u>	<u>(67,603,982)</u>	<u>(19,612,159)</u>	<u>(11,538,668)</u>	<u>(710,439,260)</u>
	<u>(22,487,582)</u>	<u>296,405</u>	<u>(8,397,265)</u>	<u>16,288,182</u>	<u>9,555,679</u>	<u>10,043,851</u>	<u>21,565,957</u>	<u>49,669,669</u>
Increase/(decrease) in net assets attributable to members for the year	<u>(64,210,952)</u>	<u>(10,799,677)</u>	<u>(56,039,697)</u>	<u>(4,476,394)</u>	<u>(52,022,869)</u>	<u>(244,165)</u>	<u>(3,329,932)</u>	<u>(379,109,575)</u>
Net assets attributable to members carried forward	<u>283,078,211</u>	<u>65,222,909</u>	<u>267,984,503</u>	<u>123,576,974</u>	<u>199,058,218</u>	<u>19,727,094</u>	<u>46,123,677</u>	<u>2,721,268,973</u>

The notes on pages 114 to 137 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 The Scheme

Mass Mandatory Provident Fund Scheme (“the Scheme”) is a master trust scheme established under a trust deed dated 27 January 2000, as amended by the deeds of amendment dated 24 October 2000, 15 August 2002, 27 February 2003, 20 January 2006, 1 March 2007, 30 September 2009, 1 May 2011, 15 November 2011, 13 June 2012, 31 January 2013, 17 July 2013, 27 August 2015, 24 December 2015, 21 November 2016, 2 December 2016, 11 January 2019, 14 March 2019, 1 May 2019 and 16 March 2020 with YF Life Trustees Limited as the Trustee. The Scheme is registered under Section 21 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the MPFSO”).

Under the trust deed, the Trustee is required to establish and maintain separate constituent funds into which contributions may be invested. The constituent funds are established within the Scheme and are only available for investment by members of the Scheme.

The Scheme had the following constituent funds during the year ended 31 December 2019:

- MPF Conservative Fund
- Guaranteed Fund
- Global Stable Fund
- Global Growth Fund
- Asian Balanced Fund
- Global Bond Fund
- Global Equity Fund
- Asian Pacific Equity Fund
- European Equity Fund
- Hong Kong Equities Fund
- US Equity Fund
- Greater China Equity Fund
- Age 65 Plus Fund
- Core Accumulation Fund

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the relevant disclosure requirements of the MPFSO, the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (“the General Regulation”), the Hong Kong Code on MPF Investment Funds (“the MPF Code”) and Guidelines II.4 (“the MPF Guidelines”) issued by the Hong Kong Mandatory Provident Fund Schemes Authority. A summary of the significant accounting policies adopted by the Scheme is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Scheme. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Scheme for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(c) Revenue recognition

Provided it is probable that the economic benefits will flow to the Scheme and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

- Distributions from approved pooled investment funds (“APIFs”) are recognised only when declared.
- Rebates income is recognised when the right to receive payment is established.
- Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(d) Contributions/subscriptions for units

Contributions/subscriptions for units are accounted for on an accrual basis.

Contributions receivable are initially recognised at fair value and thereafter stated at amortised cost less allowance for credit losses, except where effect of discounting would be immaterial. In such cases, contributions receivable is stated at cost less allowance for credit losses. Contributions receivable are assessed for expected credit losses (“ECLs”) in accordance with the policy set out in note 2(g)(vi).

(e) Amounts paid and payable on redemption of units

Amounts paid and payable on redemption of units are accounted for on an accrual basis.

Redemptions payable is initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case it is stated at cost.

(f) Other expenses

Other expenses are accounted for on an accrual basis.

(g) Financial assets and financial liabilities

(i) Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Scheme becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, the Scheme classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and Interest (“SPPI”).

All other financial assets of the Scheme are measured at FVTPL.

2 Significant accounting policies (continued)

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Scheme considers all of the relevant information about how the business is managed. The Scheme has determined that it has two business models:

- Held-to-collect: this includes cash at bank, amounts receivable on sales of investments, amounts receivable on subscriptions, contributions receivable, transfers in receivable and other receivables.
- Other: this includes investments where their performance is evaluated on a fair value basis with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Scheme considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(iii) Measurement

All investments have been classified by the Trustee as "financial assets at fair value through profit or loss" at inception.

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the statement of comprehensive income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are fair valued based on quoted bid prices.

Investments which are not listed on an exchange are valued by using bid price quotes from brokers.

Investments in debt securities are presented inclusive of accrued interest.

2 Summary of significant accounting policies (continued)

(iv) Fair value measurement principles

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Scheme has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Scheme measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Scheme measures instruments quoted in an active market at a bid price.

If there is no quoted price in an active market, then the Scheme uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(v) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount and, for financial assets, adjusted for any loss allowance.

(vi) Impairment

The Scheme recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. A loss allowance on financial assets carried at amortised cost would be recognised with reference to credit losses expected to arise on the financial asset, discounted where the effect would be material, and taking into account whether the credit risk of the financial asset had increased significantly since initial recognition.

At each reporting date, the Scheme assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Scheme has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

2 Summary of significant accounting policies (continued)

(vii) Derecognition

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Scheme neither transfer nor retain substantially all of the risks and rewards of ownership and do not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Scheme is recognised as a separate asset or liability.

The Scheme enters into transactions whereby they transfer assets recognised on the statement of net assets available for benefits, but retain either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Scheme derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire.

(viii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Scheme has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

2 Significant accounting policies (continued)

(h) Units in issue

The Scheme classifies financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the Scheme to repurchase or redeem that instrument for cash or another financial asset is classified as equity instrument if it has all of the following conditions:

- it entitles the holder to a pro rata share of the Scheme's net assets in the event of the Scheme's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that are subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Scheme to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of Scheme over the life of the instrument.

The redeemable units are not in the class of instruments that are subordinate to all other classes of instruments which have identical features. Therefore, they do not meet the criteria for equity classification and therefore are classified as financial liabilities. They are measured at the present value of the redemption amounts.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognised directly in the statement of changes in net assets attributable to members - Master trust scheme as a deduction from the proceeds or part of the acquisition cost.

(i) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the date of the statement of net assets available for benefits. Exchange gains and losses are recognised in the statement of comprehensive income.

2 Significant accounting policies (continued)

(j) *Related parties*

- (1) A person, or a close member of that person's family, is related to the Scheme if that person:
 - (i) has control or joint control over the Scheme;
 - (ii) has significant influence over the Scheme; or
 - (iii) is a member of the key management personnel of the Scheme.
- (2) An entity is related to the Scheme if any of the following conditions applies:
 - (i) The entity and the Scheme are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Scheme or an entity related to the Scheme;
 - (vi) The entity is controlled or jointly controlled by a person identified in (1);
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Scheme.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(k) *Obligations to pay retirement benefits in the future*

No provision is made in the financial statements for these obligations, except to the extent indicated in note 2(e).

2 Significant accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Segment reporting

An operating segment is a component of the Scheme that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Scheme's other components, whose operating results are reviewed regularly by the chief operating decision maker ("the CODM") to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chief Executive Officer of the Trustee acting as the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Scheme. None of these developments are relevant to the Scheme's financial statements position.

The Scheme has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Taxation

The Scheme is registered under the MPFSO and is therefore a recognised scheme for Hong Kong Profits Tax purposes. The policy of the Hong Kong Inland Revenue Department ("IRD"), as set out in IRD Practice Note No. 23, is that "recognised retirement schemes and their Trustees are not considered to be subject to profits tax on their investment income". Accordingly, no provision for Hong Kong Profits Tax has been made in the Scheme's financial statements.

5 Transactions with related parties

The following is a summary of transactions with related parties during the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

- (a) The Trustee is entitled to receive a trustee fee accrued daily and payable monthly at an annual rate of 0.47% to 1.00% of the net asset value of the respective constituent funds. During the year, the Trustee received \$24,859,132 (2018: \$25,800,807) trustee fees.

The trustee fee for the Guaranteed Fund was borne by Mass MPF Guaranteed Policy in accordance with the MPF Scheme brochure of the Scheme.

- (b) The Trustee is entitled to receive a fund administration fee at an annual rate of US\$7,500 (approximately \$58,500) per constituent fund including MPF Conservative Fund, Global Stable Fund, Global Growth Fund, Asian Balanced Fund, Asian Pacific Equity Fund, European Equity Fund, Hong Kong Equities Fund, Global Bond Fund, Global Equity Fund, US Equity Fund and Greater China Equity Fund. During the year, the Trustee received \$643,500 (2018: \$682,500) fund administration fees.

The fund administration fee for the Guaranteed Fund was borne by Mass MPF Guaranteed Policy in accordance with the MPF Scheme brochure of the Scheme.

- (c) During the year, rebates of \$265,894 (2018: \$232,892), calculated at an annual rate of 0.10% of the net asset value of Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund, were received from the Investment Manager, Allianz Global Investors Asia Pacific Limited, and were reinvested into Allianz Choice HK\$ Liquidity Fund of the Allianz Global Investors Choice Fund.

- (d) During the year, rebates of \$6,823,412 (2018: \$7,072,071), calculated at an annual rate of 0.45% to 0.55% of the net asset value of the respective sub-funds of the Templeton MPF Investment Funds held by the constituent funds, were received from the Investment Manager, Franklin Templeton Investments (Asia) Limited, and were reinvested into the respective sub-funds of the Templeton MPF Investment Funds.

- (e) During the year, investment management fee of \$3,621,344 (2018: \$3,917,680), calculated at an annual rate of 0.33% to 0.43% of the net asset value of the underlying investment funds of Global Stable Fund, Global Growth Fund and Hong Kong Equities Fund, were paid to the Investment Manager, Allianz Global Investors Asia Pacific Limited. During the year, Allianz Global Investors Asia Pacific Limited has provided a one-off sponsorship in respect of the period from 1 July 2019 to 30 June 2020 to the MASS MPF Scheme. The sponsorship allocated to Global Stable Fund, Global Growth Fund and Hong Kong Equities Fund are \$116,500, \$181,500 and \$130,500 respectively. The investment management fee, net of sponsorship, is \$3,192,844 (2018: \$3,917,680).

5 Transactions with related parties (continued)

- (f) During the year, investment management fee of \$1,175,758 (2018: \$1,169,996), calculated at an annual rate of 0.50% of the net asset value of the underlying investment fund of Greater China Equity Fund were paid to the Investment Manager, JP Morgan Asset Management (Asia Pacific) Limited.
- (g) The transactions with related parties as stated in notes 5(a) to 5(f) are within the definition of transactions with associates in accordance with the MPFSO and MPF Guidelines II.4 Annex CI(D)2.

6 Units in issue

	<i>Balance at 1 January 2019</i>	<i>Issued during the year</i>	<i>Redeemed during the year</i>	<i>Balance at 31 December 2019</i>
MPF Conservative Fund	24,494,362.7713	10,977,816.9832	10,948,502.0378	24,523,677.7167
Guaranteed Fund	14,283,706.8947	3,291,651.4130	3,287,008.3396	14,288,349.9681
Global Stable Fund	12,507,139.5072	1,210,735.1735	1,373,335.3854	12,344,539.2953
Global Growth Fund	18,131,396.4424	1,349,082.5848	1,911,730.7754	17,568,748.2518
Asian Balanced Fund	15,533,915.2621	1,368,769.9811	1,713,690.5118	15,188,994.7314
Global Bond Fund	9,010,595.1016	2,035,759.7899	1,676,259.4445	9,370,095.4470
Global Equity Fund	7,643,909.8287	937,867.5906	939,933.4874	7,641,843.9319
Asian Pacific Equity Fund	18,120,522.0075	1,951,753.4466	2,568,020.8209	17,504,254.6332
European Equity Fund	6,369,508.2012	1,070,509.7750	1,268,743.1853	6,171,274.7909
Hong Kong Equities Fund	22,457,911.0326	5,633,061.4971	6,258,042.7821	21,832,929.7476
US Equity Fund	6,587,331.7256	4,724,917.3419	1,910,133.2116	9,402,115.8559
Greater China Equity Fund	16,485,715.4565	3,782,238.8691	3,810,762.4937	16,457,191.8319
Age 65 Plus Fund	1,946,847.3868	1,683,369.6628	694,879.7182	2,935,337.3314
Core Accumulation Fund	4,524,102.2533	2,697,728.7848	1,067,573.7262	6,154,257.3119

7 Soft commission arrangements

During the year ended 31 December 2019, the Investment Managers and their associates did not enter into any soft commission arrangements with brokers in relation to dealings in the assets of the Scheme and its constituent funds (2018: Nil).

8 Marketing expenses

There were no advertising expenses, promotional expenses, commissions or brokerage fees payable to the MPF intermediaries of the Scheme deducted from the constituent funds during the year ended 31 December 2019 (2018: Nil).

9 Bank loans and other borrowings

The Scheme had no bank loans and other borrowings as at 31 December 2019 (2018: Nil).

10 Commitments

The Scheme had no commitments as at 31 December 2019 (2018: Nil).

11 Contingent liabilities

The Scheme had no contingent liabilities as at 31 December 2019 (2018: Nil).

12 Negotiability of assets

At 31 December 2019, there was no statutory or contractual requirement restricting the negotiability of the assets of the Scheme (2018: Nil).

13 Financial risk management

The Scheme is exposed to various risks which are discussed below:

(a) Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk.

The Scheme only invests its funds in the APIFs managed by the Investment Managers, Allianz Global Investors Asia Pacific Limited, Franklin Templeton Investments (Asia) Limited, JP Morgan Asset Management (Asia Pacific) Limited and Invesco Hong Kong Limited. The investment objectives of each of the constituent funds under the Scheme have been set out in Section 2 of the Investment Report.

The Scheme's strategy on the management of investment risk is driven by the Scheme investment objectives of the constituent funds. The Scheme's market risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place. The Scheme's overall market positions are monitored by the Trustee.

(i) Other price risk

Other price risk is the risk that value of the investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Scheme's investments are subject to other price risk inherent in all investments i.e. the value of holdings may fall as well as rise.

The Scheme's other price risk is managed through diversification of the underlying investment portfolio of the Scheme.

13 Financial risk management (continued)

Sensitivity analysis

A 10% (2018: 10%) increase in the underlying fund price of the constituent funds under the Scheme at 31 December 2019 would have increased the respective net profit and net asset value by the following amounts:

<i>Name of the constituent fund</i>	<i>2019 Increase in net income/ net asset value \$</i>	<i>2018 Increase in net income/ net asset value \$</i>
MPF Conservative Fund	27,006,851	26,671,483
Guaranteed Fund	15,882,044	14,901,998
Global Stable Fund	25,967,337	23,673,105
Global Growth Fund	40,425,293	36,686,876
Asian Balanced Fund	41,573,279	39,350,643
Global Bond Fund	12,867,163	12,136,828
Global Equity Fund	21,658,064	18,498,504
Asian Pacific Equity Fund	29,534,068	28,348,089
European Equity Fund	7,459,766	6,532,008
Hong Kong Equities Fund	29,056,414	26,862,136
US Equity Fund	23,016,327	12,369,774
Greater China Equity Fund	26,869,945	19,959,742
Age 65 Plus Fund	3,245,278	1,975,628
Core Accumulation Fund	7,270,459	4,618,076
	<u>311,832,288</u>	<u>272,584,890</u>

Any equal change in the opposite direction would have decreased the net profit and the net asset value by an equal but opposite direction.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Scheme's financial assets are non-interest bearing, except for the bank balance at the Scheme level.

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Scheme's net profit and net asset value by approximately \$78,503 (2018: \$48,661).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date. The 100 basis point increase or decrease represents Trustee's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2018.

13 Financial risk management (continued)

The Investment Funds, consisting of MPF Conservative Fund, Guaranteed Fund, Global Stable Fund, Global Growth Fund, Asian Balanced Fund, Global Bond Fund, Age 65 Plus Fund and Core Accumulation Fund, holding interest rate debt securities are exposed to interest rate risk, where the value of these securities may fluctuate as a result of changes in interest rate. In general, if interest rates rise, the income potential of the floating interest rate securities also rises but the value of fixed rate securities declines. A fall in interest rates would generally have the opposite effect. Aligning the portfolio maturity profile to that of the internal benchmark (for Investment Funds that use such internal benchmarks like Financial Times Stock Exchange World Government Bond Index) and keeping deviations within certain limits is an important way of controlling relative interest rate risk. The Investment Managers of the Investment Funds are also aware of the running yield of the portfolio, in absolute and relative terms, based on which they adjust portfolio holdings with the objective of optimising total portfolio returns from the two sources i.e. running yield and expected price changes.

(iii) Currency risk

The constituent funds hold investments in various currencies and are therefore exposed to currency risk that the exchange rate may change in a manner that has an adverse effect on the value of the constituent fund's investments.

The currency exposure of the constituent funds is managed by the Investment Managers and the Trustee. They would monitor the currency positions of the constituent funds on an ongoing basis to ascertain that the currency exposures are within an acceptable range and are complied with the requirements of the General Regulation.

At 31 December, the constituent funds have the following currency exposure:

	2019	2018
MPF Conservative Fund		
- Hong Kong dollars	100%	100%
Guaranteed Fund		
- Hong Kong dollars	37%	39%
- United States dollars	24%	21%
- Euro	18%	17%
- Japanese Yen	11%	12%
- Others	10%	11%
Global Stable Fund		
- Hong Kong dollars	35%	36%
- United States dollars	23%	22%
- Euro	16%	15%
- Japanese Yen	12%	12%
- Others	14%	15%

13 Financial risk management (continued)

	2019	2018
Global Growth Fund		
- Hong Kong dollars	34%	37%
- United States dollars	22%	22%
- Euro	14%	11%
- Japanese Yen	12%	12%
- Others	18%	18%
Asian Balanced Fund		
- Hong Kong dollars	43%	46%
- Korean Won	12%	10%
- Singapore dollars	5%	2%
- Australian dollars	1%	1%
- Thai Baht	8%	4%
- Japanese Yen	11%	6%
- New Taiwanese dollars	4%	4%
- Indian Rupee	3%	14%
- Others	13%	13%
Global Bond Fund		
- Hong Kong dollars	40%	46%
- Japanese Yen	8%	0%
- Korean Won	1%	1%
- Mexican Peso	2%	8%
- United States dollars	22%	17%
- Thailand Baht	0%	7%
- Indonesian Rupee	8%	7%
- Indian Rupee	0%	11%
- Others	19%	3%
Global Equity Fund		
- Hong Kong dollars	39%	44%
- United States dollars	7%	5%
- Euro	24%	21%
- Great British Pound	7%	8%
- Japanese Yen	8%	6%
- Korean Won	3%	3%
- Swiss Franc	4%	4%
- Others	8%	9%

13 Financial risk management (continued)

	2019	2018
Asian Pacific Equity Fund		
- Hong Kong dollars	46%	46%
- Korean Won	19%	18%
- Thai Baht	8%	6%
- Singapore dollars	2%	3%
- New Taiwanese dollars	10%	8%
- Australian dollars	5%	4%
- Indian Rupee	7%	9%
- Others	3%	6%
European Equity Fund		
- Hong Kong dollars	38%	43%
- Euro	43%	38%
- Great British Pound	4%	5%
- Swiss Franc	6%	5%
- Others	9%	9%
Hong Kong Equities Fund		
- Hong Kong dollars	94%	95%
- Others	6%	5%
US Equity Fund		
- United States dollars	63%	56%
- Hong Kong dollars	37%	44%
Greater China Equity Fund		
- Hong Kong dollars	66%	68%
- Others	34%	32%

13 Financial risk management (continued)

	2019	2018
Age 65 Plus Fund		
- Hong Kong dollars	80%	79%
- United States dollars	12%	11%
- Euro	2%	2%
- Japanese Yen	2%	2%
- Others	4%	6%
Core Accumulation Fund		
- Hong Kong dollars	40%	43%
- United States dollars	36%	33%
- Euro	5%	5%
- Japanese Yen	5%	5%
- Others	14%	14%

For any change in the exchange rate, the resulting impact on the constituent funds would be reflected as a change in the underlying fund price of the constituent funds.

Sensitivity analysis

The following table indicates the instantaneous change in the Scheme's net profit and net asset value that would arise if foreign exchange rates to which the Scheme has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

13 Financial risk management (continued)

<i>(Expressed in HKD)</i>	2019		2018	
	<i>Increase/ (decrease) in foreign exchange rates</i>	<i>Effect on net profit and net asset value \$'000</i>	<i>Increase/ (decrease) in foreign exchange rates</i>	<i>Effect on net profit and net asset value \$'000</i>
Australian dollars	10% (10%)	2,035 (2,035)	10% (10%)	1,641 (1,641)
Euros	10% (10%)	21,744 (21,744)	10% (10%)	16,979 (16,979)
Great British Pounds	10% (10%)	2,802 (2,802)	10% (10%)	2,910 (2,910)
Indian Rupee	20% (20%)	6,840 (6,840)	20% (20%)	18,858 (18,858)
Japanese Yen	10% (10%)	17,438 (17,438)	10% (10%)	12,155 (12,155)
Korean Won	5% (5%)	5,700 (5,700)	5% (5%)	4,771 (4,771)
New Taiwanese dollars	5% (5%)	2,523 (2,523)	5% (5%)	2,017 (2,017)
Singapore dollars	10% (10%)	3,026 (3,026)	10% (10%)	1,999 (1,999)
Swiss Franc	20% (20%)	2,590 (2,590)	20% (20%)	2,082 (2,082)
Thai Baht	10% (10%)	6,142 (6,142)	10% (10%)	4,242 (4,242)
Others	10% (10%)	32,805 (32,805)	10% (10%)	25,455 (25,455)

13 Financial risk management (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the constituent funds' net profit and net asset value measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Scheme which expose the Scheme to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment to pay dues in time.

The APIF's Investment Manager has a credit review process in place. This ensures that credit quality and credit risk exposure are reviewed and monitored regularly on an ongoing basis, which helps protect portfolios from anticipated negative credit events. The APIF's credit risk is also mitigated through diversification and control on exposure to any single issuer in the APIF.

Credit risk of the APIFs arising on debt securities is mitigated by investing primarily in rated securities or securities issued by rated counterparties of minimum credit ratings ("BBB" by Standard and Poor's). Typically, in cases where credit rating of an investment falls below the above minimum ratings, the Investment Manager disposes it as soon as practical.

As at 31 December 2019, the Scheme net assets amounted to \$3,136,774,249 (2018: \$2,739,230,668) and the investment in APIFs amounted to \$3,118,322,879 (2018: \$2,725,848,899).

With respect to credit risk arising from the other financial assets of the Scheme which comprise cash and cash equivalents, the Scheme's exposure equal to the carrying amount of these instruments. The MPFA requests the Scheme to place deposits with an authorised financial institution or an eligible overseas bank according to the requirement in Schedule 1 to the General Regulation. The credit risk is not considered to be significant.

(c) Liquidity risk

The major liquidity requirement of the Scheme is to meet benefit payments. The Scheme's investments are made in active markets and are liquid. The Investment Managers would monitor the liquidity positions of the APIFs on an ongoing basis.

13 Financial risk management (continued)

(d) Fair value information

All of the Scheme's investments are carried at fair value on the statement of net assets available for benefits. Usually the fair value of investments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including contributions receivable, transfers in receivable, amounts receivable on subscriptions, amounts receivable on sales of investments, other receivables, benefits payable, transfers out payable, forfeitures payable, amounts payable on redemptions, amounts payable on purchases of investments and other payables, the carrying amounts approximate their fair value due to the immediate or short-term nature of these financial instruments.

14 Segment information

The CODM of the Scheme makes the strategic resource allocations on behalf of the Scheme. The operating segments were determined based on the reports reviewed by the CODM, which are used to make strategic decisions. The CODM is responsible for the Scheme's entire portfolio and considers the business to have a single operating segment.

The asset allocation decisions are based on a single, integrated investment strategy, and the Scheme's performance is evaluated on an overall basis.

The internal reporting provided to the CODM for the Scheme's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of HKFRSs.

The segment information provided to the CODM is the same as that disclosed in the statement of comprehensive income.

The Scheme has a diversified population of members. No individual member holds more than 10% of the net assets of the Scheme. The Scheme has no assets classified as non-current assets as at 31 December 2019 and 2018.

15 Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Scheme does not consolidate but in which it holds an interest.

<i>Type of structured entity</i>	<i>Nature and purpose</i>	<i>Interest held by the Scheme</i>
Investment fund	To manage assets on behalf of the investors and earn fees for the investment manager. These vehicles are financed through the issue of units to investors.	Investments in units issued by the investment fund

The table below sets out interests held by the Scheme in unconsolidated structured entities as at year end. The maximum exposure to loss is the carrying amount of the financial assets held by the Scheme.

As at 31 December 2019

<i>Structured entity</i>	<i>Number of investee funds</i>	<i>Total net assets</i> \$	<i>Carrying amount included in investment</i> \$
Unlisted open-ended investment funds	14	30,470,000,369	3,118,322,879

As at 31 December 2018

<i>Structured entity</i>	<i>Number of investee funds</i>	<i>Total net assets</i> \$	<i>Carrying amount included in investment</i> \$
Unlisted open-ended investment funds	14	25,591,456,335	2,725,848,899

During the year, the Scheme did not provide financial support to unconsolidated structured entities and had no intention of providing financial or other support.

The Scheme can redeem units in the above investment funds on a daily basis.

16 Payments charged to default investments strategy constituent funds or scheme members who invest in the constituent funds

Age 65 Plus Fund and Core Accumulation Fund are designated as default investment strategy (“DIS”) constituent funds with effect from 1 April 2017. Payments for services and out-of-pocket expenses charged to DIS constituent funds are disclosed below. Payments for services and out-of-pocket expenses are those defined in the MPFSO.

During the year ended 31 December 2019

	<i>Age 65 Plus Fund</i>	<i>Core Accumulation Fund</i>
	\$	\$
Payments for services		
- Trustee fees	151,523	344,725
Total payments for services	<u>151,523</u>	<u>344,725</u>
Out-of-pocket expenses		
- Auditor's remuneration	5,830	26,391
- Printing and postage	5,763	16,157
- Insurance	1,441	3,233
- Price listing	12,648	12,648
Total out-of-pocket expenses	<u>25,682</u>	<u>58,429</u>
Total payments	<u>177,205</u>	<u>403,154</u>
Out of pocket expenses expressed as a percentage of net asset value of the DIS constituent funds *	<u>0.10%</u>	<u>0.10%</u>

* The net asset value used for calculating the percentage is the average of the net asset value of the DIS constituent funds as at the month end during the period from 1 January 2019 to 31 December 2019.

16 Payments charged to default investments strategy constituent funds or scheme members who invest in the constituent funds (continued)

During the year ended 31 December 2018

	<i>Age 65 Plus Fund \$</i>	<i>Core Accumulation Fund \$</i>
Payments for services		
- Trustee fees	133,962	232,887
Total payments for services	<u>133,962</u>	<u>232,887</u>
Out-of-pocket expenses		
- Auditor's remuneration	19,212	34,005
Total out-of-pocket expenses	<u>19,212</u>	<u>34,005</u>
Total payments	<u>153,174</u>	<u>266,892</u>
Out of pocket expenses expressed as a percentage of net asset value of the DIS constituent funds *	<u>0.08%</u>	<u>0.08%</u>

* The net asset value used for calculating the percentage is the average of the net asset value of the DIS constituent funds as at the month end during the period from 1 January 2018 to 31 December 2018.

17 Non-adjusting subsequent events

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The effect of COVID-19 remains an emerging and rapidly evolving issue, leading to a high degree of volatility and uncertainty, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown.

The Trustee is continuously monitoring developments relating to the COVID-19 outbreak and still assessing the impact on the Scheme and the service providers of the Scheme as of the date of this report.

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Scheme.

*Effective for
accounting periods
beginning on or after*

Amendments to HKAS 1 and HKAS 8, *Definition of material*

1 January 2020

The Trustee is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Scheme’s financial statements.