

# Sun Life MPF Basic Scheme

31 December 2022

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# Scheme report for the year ended 31 December 2022

Sun Life Pension Trust Limited (the “Trustee”) has pleasure in presenting the annual report of Sun Life MPF Basic Scheme (the “Scheme”) for the year ended 31 December 2022.

## The Scheme

The Scheme is a master trust scheme set up for the purpose of providing benefits to members in accordance with the Mandatory Provident Fund Schemes Ordinance (the “Ordinance”). The Scheme was established by a trust deed dated 31 January 2000, as amended (the “Trust Deed”).

Under the Trust Deed, the Trustee is required to establish and maintain separate constituent funds in which contributions are invested. The Trustee has established and maintained nine constituent funds in respect of the Scheme for the year ended 31 December 2022. The constituent funds are only available for investment by members of the Scheme. Each constituent fund (except Sun Life MPF Basic Scheme MPF Conservative Portfolio which invests directly in permissible investments and Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio which invests in two/more unit trust approved pooled investment funds (“APIFs”) and/or two or more approved index-tracking collective investment schemes (“ITCISs”)) primarily invests its assets in a single approved pooled investment fund (“APIF”), which is either a unit trust or an insurance policy. Each constituent fund has a separate and distinct investment objective and policy. The Scheme together with its constituent funds have been registered with and approved by the Mandatory Provident Fund Schemes Authority (the “MPFA” or “Authority”).

As at 31 December 2022, the Scheme had nine constituent funds as follows:

- Sun Life MPF Basic Scheme MPF Conservative Portfolio
- Sun Life MPF Basic Scheme Capital Guaranteed Portfolio
- Sun Life MPF Basic Scheme Age 65 Plus Portfolio
- Sun Life MPF Basic Scheme Stable Growth Portfolio
- Sun Life MPF Basic Scheme Core Accumulation Portfolio
- Sun Life MPF Basic Scheme Balanced Growth Portfolio
- Sun Life MPF Basic Scheme International Equity Portfolio
- Sun Life MPF Basic Scheme Hong Kong Equity Portfolio
- Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio

# Scheme report for the year ended 31 December 2022 (continued)

## Financial development

Contributions received and receivable for the year ended 31 December 2022 by the Scheme were HK\$135,861,289. Benefits paid and payable and transfer out to other schemes (exclusive of forfeitures) for the year ended 31 December 2022 amounted to HK\$223,121,716. The Scheme has recognised a net loss of HK\$324,398,601 for the year ended 31 December 2022, arising mainly from fair value losses on investments in constituent funds.

## Changes during the year

1. Change in respect of the availability of Key Scheme Information Document (the "KSID") which is available from 30 June 2022.

In accordance with the latest requirements under the Code on Disclosure for MPF Investment Funds which was revised by the MPFA in December 2021, the KSID for the Scheme, which provides you with the key information of the Scheme, is available from 30 June 2022 onwards.

While the KSID could facilitate you to obtain an overview of the key details and features of the Scheme, which forms part of the offering document. You should not make investment decisions based solely on the KSID. You are also advised to refer to the Brochure for full details of the Scheme.

2. Changes to the investment policy of the underlying APIF invested by Sun Life MPF Basic Scheme Hong Kong Equity Portfolio

The investment policy of the underlying APIF of Sun Life MPF Basic Scheme Hong Kong Equity Portfolio, namely Schroder IPF Hong Kong Equity Fund has been revised, with effect from 30 December 2022, to expand its scope of investment to include equities and equity related securities of companies which are listed in, headquartered in or have a substantial business exposure to Hong Kong, including Chinese securities listed in Hong Kong. Following the change, the underlying APIF invests mainly in securities of companies listed on the Stock Exchange of Hong Kong and may invest up to 20 per cent. of its net asset value in companies listed outside of Hong Kong but which are related to Hong Kong by having business exposure to Hong Kong, or in China A-Shares traded via the Stock Connect programme. The underlying APIF's proposed asset allocation to Hong Kong equities has been changed from 90% - 100%, to 80% - 100% of its net asset value, and its proposed asset allocation to other equities has been changed from 0% - 10%, to 0% - 20% of its net asset value.

## Scheme report for the year ended 31 December 2022 (continued)

### Changes during the year (continued)

#### 3. Removal of certain flat fees payable by certain Constituent Funds

Prior to 26 February 2021, a flat fee of HK\$6,500 p.a. in relation to valuation of Constituent Funds was payable by each Constituent Fund (save for the Sun Life MPF Basic Scheme MPF Conservative Portfolio, Sun Life MPF Basic Scheme Core Accumulation Portfolio and Sun Life MPF Basic Scheme Age 65 Plus Portfolio) as part of the Fund Administration fee and a flat fee in relation to preparation of financial statements for the Constituent Funds in the amount of HK\$7,200 p.a. per Constituent Fund was payable by all Constituent Funds (save for the Sun Life MPF Basic Scheme MPF Conservative Portfolio, Sun Life MPF Basic Scheme Core Accumulation Portfolio and Sun Life MPF Basic Scheme Age 65 Plus Portfolio). With effect from 26 February 2021, such flat fees have been removed and are no longer applicable to the Constituent Funds.

### Directory of parties

Details of the Trustee and the parties appointed by the Trustee for managing the Scheme during the year and up to the date of this report are set out below.

Trustee	Sun Life Pension Trust Limited 16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong
Sponsor of the Scheme <sup>1</sup>	Sun Life Hong Kong Limited 16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong
Guarantor for the approved pooled investment fund invested by Sun Life MPF Basic Scheme Capital Guaranteed Portfolio <sup>1</sup>	Sun Life Hong Kong Limited 16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong

## Scheme report for the year ended 31 December 2022 (continued)

### Directory of parties (continued)

Administrator of the Scheme <sup>1</sup>	BestServe Financial Limited 10/F, One Harbourfront 18 Tak Fung Street Hungghom, Kowloon Hong Kong
Custodian	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Auditor	KPMG 8th Floor, Prince's Building 10 Chater Road, Central Hong Kong

<sup>1</sup> Associates of the Trustee

#### Investment Managers

##### Schroder Investment Management (Hong Kong) Limited

Suite 3301, Level 33  
Two Pacific Place  
88 Queensway  
Hong Kong

Being the investment manager of the Sun Life MPF Basic Scheme MPF Conservative Portfolio and the investment manager of the insurance policy approved pooled investment fund that the Sun Life MPF Basic Scheme Capital Guaranteed Portfolio invested in and the relevant underlying approved pooled investment funds that the following constituent funds of the Scheme have invested in:

1. Sun Life MPF Basic Scheme Age 65 Plus Portfolio
2. Sun Life MPF Basic Scheme Stable Growth Portfolio
3. Sun Life MPF Basic Scheme Core Accumulation Portfolio
4. Sun Life MPF Basic Scheme Balanced Growth Portfolio
5. Sun Life MPF Basic Scheme Hong Kong Equity Portfolio

## Scheme report for the year ended 31 December 2022 (continued)

### Directory of parties (continued)

Investment Managers (continued)

#### State Street Global Advisors Asia Limited

68/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

Being the investment manager of the Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio.

#### FIL Investment Management (Hong Kong) Limited

Level 21, Two Pacific Place  
88 Queensway, Admiralty  
Hong Kong

Being the investment manager of the underlying approved pooled investment fund that the Sun Life MPF Basic Scheme International Equity Portfolio invested in.

### Directors of the Trustee

The directors of the Trustee during the year and up to the date of this report are as follows:

<b>Directors</b>	<b>Address</b>
LEE Mei Yi	16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong (resigned on 11 February 2022)
MAN Yui Kan	16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong (appointed on 13 April 2022 and resigned on 19 March 2023)

## Scheme report for the year ended 31 December 2022 (continued)

### Directors of the Trustee (continued)

KWAN Hon Chung Gregory	16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong (resigned on 18 November 2022)
YANG Judy	16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong
DE LARA Maria Teresa	14/F, 14 Taikoo Wan Road Taikoo Shing Hong Kong (appointed on 18 November 2022)
NGAN Kin Wa	16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong
WONG Kwok Chun	16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road Hungghom, Kowloon, Hong Kong (appointed on 8 May 2023)
YU Tin Yau Elvin (independent director)	16/F, Cheung Kei Center Tower A No. 18 Hung Luen Road, Hungghom, Kowloon, Hong Kong



## Scheme report for the year ended 31 December 2022 (continued)

### **Directors of the Sponsor**

The directors can be contacted at the following address:

16/F, Cheung Kei Center Tower A  
No. 18 Hung Luen Road,  
Hung Hom, Kowloon,  
Hong Kong

During the year and up to the date of this report, the directors of the Sponsor are as follows:

Karim GILANI  
CHOU Chia Ling  
LAM Ka Yin  
Duarte Manuel de FRIAS  
Stuart Edward HARRISON  
Thomas Alan HULST

### **Directors of the Administrator**

The directors can be contacted at the following address:

16/F, Cheung Kei Center Tower A  
No. 18 Hung Luen Road,  
Hung Hom, Kowloon,  
Hong Kong

During the year and up to the date of this report, the directors of the Administrator are as follows:

Rainbow Jihong PAN	
Ashish Chand	(appointed on 26 August 2022)
Bianca Ilibasic	(appointed on 26 August 2022)
Jeffrey Todd KOZAN	(resigned on 30 April 2022)
Valerie Novenario PAMA	(resigned on 26 August 2022)

# Scheme report for the year ended 31 December 2022 (continued)

## Further information

Participating employers and scheme members can obtain further information about the Scheme and its operation from Sun Life Retirement Scheme Hotline 3183 1900.

For and on behalf of

Sun Life Pension Trust Limited



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

Hong Kong,

28 JUN 2023

# Investment report for the year ended 31 December 2022

## Investment objectives and policies

Each constituent fund (except Sun Life MPF Basic Scheme MPF Conservative Portfolio which invests directly in permissible investments and Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio which invests in two or more unit trust Approved Pooled Investment Funds (“APIFs”) and/or two or more approved Index-Tracking Collective Investment Schemes (“ITCISs”)) of the Scheme invests in an APIF which is either a unit trust or an insurance policy approved by the Mandatory Provident Fund Schemes Authority and authorised by the Securities and Futures Commission.

The constituent funds are classified into three categories in terms of risk level, namely low, medium or high risk. The risk level is an illustration of the amount of risks associated with the relevant constituent fund by reference to the type of investments made by the underlying APIF. The risk level is for reference only and is not an indication of the past or future performance of the constituent fund. The risk level is solely assessed by the Trustee on the assumption that equities are riskier than bonds, which in turn are riskier than cash. The actual risks associated with each constituent fund may differ from the projected risk level.

The common investment policies, which apply to all constituent funds of the Scheme, and the statement of investment objectives and policies for each constituent fund are as follows:

### Common investment policies

- Each constituent fund, except Sun Life MPF Basic Scheme MPF Conservative Portfolio (which invests directly in permissible investments) and Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio (which invests in two or more unit trust APIFs and/or two or more approved ITCISs), invests its assets in a single APIF but may also hold up to 5% of its assets in cash from time to time for ancillary purposes such as for meeting redemption requests, or for defraying operating expenses.
- Except Sun Life MPF Basic Scheme MPF Conservative Portfolio, none of the other constituent funds has direct holdings of equities or bonds.
- None of the constituent funds will neither trade in futures or options nor lend securities.
- Each constituent fund is subject to the investment and borrowing restrictions in Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation (the “General Regulation”).

## Investment report for the year ended 31 December 2022 (continued)

### Investment objectives and policies (continued)

#### Investment objectives and policies

Name of constituent fund	Investment objective of the constituent fund and the underlying APIF	Investment policy of the constituent fund or the underlying APIF
Sun Life MPF Basic Scheme MPF Conservative Portfolio	<p>To provide a return, after administrative expenses, which matches or exceeds the Hong Kong dollar savings rate.</p> <p>The fund is considered low risk.</p>	<p>The mix of the investments is 70% - 100% in deposits and debt securities; 0% - 30% in cash. It must hold 100% of its assets in Hong Kong dollar investments.</p> <p>The portfolio average remaining maturity must not exceed ninety days. It will not trade futures or options and will not engage in security lending.</p>
Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	<p>To provide capital security at the end of every 5 years and to seek long term capital appreciation. The return is expected to be stable and slightly in excess of Hong Kong inflation.</p> <p>The fund is considered low risk.</p>	<p>The Capital Guaranteed Policy invests into the Schroder IPF Global Balanced Fund (the "Global Balanced Fund") of the Schroder Institutional Pooled Funds, an APIF.</p> <p>The investment strategy of the Global Balanced Fund would include equities, bonds, and cash and cash equivalents. The current proposed asset allocation is Equities: 0% - 33%, Bonds: 67% - 95%, and Cash or cash equivalents: 0% - 33% respectively. The investments are globally diversified but with a bias towards Hong Kong. It will hold a minimum of 67% of its assets in Hong Kong dollar investments at all times through direct holdings in equities, bonds and cash and/or through currency hedging. It will not trade futures or options and will not engage in security lending.</p>

## Investment report for the year ended 31 December 2022 (continued)

### Investment objectives and policies (continued)

Name of constituent fund	Investment objective of the constituent fund and the underlying APIF	Investment policy of the constituent fund or the underlying APIF
Sun Life MPF Basic Scheme Age 65 Plus Portfolio	<p>To achieve stable growth by investing in a globally diversified manner.</p> <p>The fund is considered low risk.</p>	<p>Through its underlying investment, the Portfolio will hold 20% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global fixed income and money market instruments). The asset allocation to higher risks assets may vary between 15% and 25% due to differing price movements of various equity and bond markets.</p> <p>It will hold a minimum of 30% of its assets in Hong Kong dollar investments at all times through investment in the underlying APIFs. It will not acquire any financial futures contracts or financial option contracts except for hedging purposes and will not engage in security lending.</p>

## Investment report for the year ended 31 December 2022 (continued)

### Investment objectives and policies (continued)

Name of constituent fund	Investment objective of the constituent fund and the underlying APIF	Investment policy of the constituent fund or the underlying APIF
Sun Life MPF Basic Scheme Stable Growth Portfolio	<p>To achieve a long term return in excess of Hong Kong price inflation (as measured by the Consumer Price Index Type A).</p> <p>The fund is considered medium risk.</p>	<p>The principal underlying investments will be in quoted securities, government and corporate bonds and cash deposits worldwide. It is a globally diversified portfolio biased towards Hong Kong. The current proposed asset allocation is <b>(1) Equities (30% - 60%):</b> Hong Kong (5% - 30%), Asia ex Hong Kong ex Japan (0% - 15%), the United States (0% - 25%), Japan (0% - 15%), Europe (0% - 15%), Others (0% - 5%), <b>(2) Bonds (20% - 60%):</b> the United States dollar (5% - 55%), Global currencies ex United States dollar ex Hong Kong dollar (5% - 60%), Hong Kong dollar (0% - 30%), <b>(3) Cash or cash equivalents (0% - 20%).</b> It will hold a minimum of 30% of its assets in Hong Kong dollar investments at all times through investment in other Schroder managed funds and cash and/or through currency hedging. It will not engage in security lending but may trade in financial futures contracts or financial options contracts for hedging purposes only.</p>

## Investment report for the year ended 31 December 2022 (continued)

### Investment objectives and policies (continued)

Name of constituent fund	Investment objective of the constituent fund and the underlying APIF	Investment policy of the constituent fund or the underlying APIF
Sun Life MPF Basic Scheme Core Accumulation Portfolio	<p>To achieve capital growth by investing in a globally diversified manner.</p> <p>The fund is considered medium risk.</p>	<p>Through its underlying investment, the Portfolio will hold 60% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global fixed income and money market instruments). The asset allocation to higher risks assets may vary between 55% and 65% due to differing price movements of various equity and bond markets.</p> <p>The Portfolio will hold a minimum of 30% of its assets in Hong Kong dollar investments at all times through investment in the underlying APIFs. The Portfolio will not acquire any financial futures contracts or financial option contracts except for hedging purposes and will not engage in security lending.</p>

## Investment report for the year ended 31 December 2022 (continued)

### Investment objectives and policies (continued)

Name of constituent fund	Investment objective of the constituent fund and the underlying APIF	Investment policy of the constituent fund or the underlying APIF
Sun Life MPF Basic Scheme Balanced Growth Portfolio	<p>To achieve a long term return in excess of salary inflation in Hong Kong (as indicated by the Hong Kong Monthly Digest of Statistics as published by the Census and Statistics Department of the Government of Hong Kong Special Administrative Region).</p> <p>The fund is considered high risk.</p>	<p>The principal underlying investments will be in quoted securities, government and corporate bonds and cash deposits worldwide. It is thus globally diversified but is biased towards Hong Kong.</p> <p>The current proposed asset allocation is <b>(1) Equities (45% - 85%):</b> Hong Kong (10% - 40%), Asia ex Hong Kong ex Japan (0% - 25%), the United States (5% - 30%), Japan (0% - 20%), Europe (0% - 25%), Others (0% - 10%), <b>(2) Bonds (0% - 40%):</b> the United States dollar (0% - 25%), Global currencies ex the United States dollar ex Hong Kong dollar (0% - 40%), Hong Kong dollar (0% - 20%), <b>(3) Cash or cash equivalents (0% - 20%).</b></p> <p>It will hold a minimum of 30% of its assets in Hong Kong dollar investments at all times through investment in other Schroder managed funds and cash and/or through currency hedging.</p> <p>It will not engage in security lending but may trade in financial futures contracts or financial options contracts for hedging purposes only.</p>



## Investment report for the year ended 31 December 2022 (continued)

### Investment objectives and policies (continued)

Name of constituent fund	Investment objective of the constituent fund and the underlying APIF	Investment policy of the constituent fund or the underlying APIF
Sun Life MPF Basic Scheme International Equity Portfolio	<p>To focus investment into the global equity markets, to produce returns that are related to those achieved on the major world stock market indices and to manage the volatility of returns in the short term.</p> <p>The fund is considered high risk.</p>	<p>The indicative asset allocation is as follows: Equities 100%, Bonds 0%, Cash 0%. It should be noted that the actual portfolio will at times vary considerably from that shown above as market, political, structural, economic and other conditions change. It may engage in security lending and repurchase transactions and may also acquire financial futures contracts and financial options contracts for hedging purposes only.</p>
Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	<p>To achieve long term capital appreciation.</p> <p>The fund is considered high risk.</p>	<p>The asset allocation of the US &amp; Hong Kong Equity Portfolio (taking into account its investments in the underlying APIFs and/or approved ITCISs) is <b>(1) Equities (90% to 100%):</b> the United States (50% - 70%), Hong Kong (30% - 50%), <b>(2) Cash or cash equivalents (0% - 10%)</b>. The US &amp; Hong Kong Equity Portfolio will hold a minimum of 30% of its assets in Hong Kong dollar investments at all times through investment in APIFs and/or approved ITCISs denominated in Hong Kong dollar, and cash and/or through currency hedging. The US &amp; Hong Kong Equity Portfolio will not acquire any financial futures contracts or financial option contracts except for hedging purposes and will not engage in security lending.</p>

## Investment report for the year ended 31 December 2022 (continued)

### Investment objectives and policies (continued)

Name of constituent fund	Investment objective of the constituent fund and the underlying APIF	Investment policy of the constituent fund or the underlying APIF
Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	<p>To achieve long term capital appreciation.</p> <p>The fund is considered relatively high risk.</p>	<p>The fund may invest up to 100% in equities and equity related securities of companies which are listed in, headquartered in or have a substantial business exposure to Hong Kong, including Chinese securities listed in Hong Kong. It invests mainly in securities of companies listed on the Stock Exchange of Hong Kong and may invest up to 20% of its net asset value in companies listed outside of Hong Kong but which are related to Hong Kong by having business exposure to Hong Kong, or in China A-Shares traded via the Stock Connect programme. The current proposed asset allocation is <b>(1) Equities (90% - 100%):</b> Hong Kong (80% - 100%), Others (0% - 20%), <b>(2) Cash or cash equivalents (0% - 10%)</b>. It will maintain a minimum Hong Kong currency exposure of 30% at all times. It will not acquire any financial futures contract or financial option contracts except for hedging purposes and has no current intention to engage in security lending.</p>

# Investment report for the year ended 31 December 2022 (continued)

## Investments analysis and commentary

Hong Kong equity market made a strong comeback in the fourth quarter. Hang Seng Index surged 14.9%, snapping its five straight quarterly loss. Shrugging off constantly lacklustre macro data, the market posted a sharp rebound starting from early November, mainly fuelled by incrementally positive developments on epidemic control and real estate sector. Beijing's 20 measures issued in mid-November led to rollbacks in mass testing, quarantine and mobility restrictions to suit the new norm. The property sector also saw financing policy pivot, with the 16-point rescue plan, resumed equity financing, relaxed escrow account control and more access to credit lines. Also, stabilizing US-China relationship and earnings beats from Internet companies lent supports to the rally. In December, market was further buoyed by the policy shift from the Central Economic Work Conference in favour of private enterprise, platform economy and domestic consumption, coupled with good news from the US that China ADR delisting risk eased after positive assessment from US regulator.

Onshore Chinese equities rose in the fourth quarter but trailed their offshore peers. Shanghai Composite Index, the benchmark of A-share market, ended 2.1% and 5.4% higher in local currency terms and USD terms respectively. Value stocks such as financials, telecom and property led the gain. That said, broad A-share market underperformed offshore peers as the latter mostly consisted of internet names, which saw more robust upward reversion in valuation after heavier selloff previously.

Taiwan equities gained in the fourth quarter as well, but had a bumpier ride than their greater China peers throughout the quarter. TWSE Index rose 5.3% and 8.8% in local currency terms and USD terms respectively. In October, tech names fell on subdued third quarter earnings season arising from demand weakness, capex curtailments and inventory correction. Escalated geopolitical uncertainties from the US which tightened restrictions on chip exports to China was also the drag. In November, the broad market surged in tandem with its greater China peers, with TWSE Index soaring as much as 20.3% in USD terms. That was mainly driven by the sharp rebound in tech names overseas amidst much better-than-feared inflation reading in the US. In December, market setback resulted from renewed fears of weakened external demand and lingering inventory digestion on tech products as certain leading memory makers provided poorer-than-expected sales guidance.

## Investment report for the year ended 31 December 2022 (continued)

### Investments analysis and commentary (continued)

Asian equities surged in the fourth quarter, ending its five straight quarterly losing streak. MSCI AC Asia ex-Japan Index surged 11.0% in USD terms. Reopening news from China and slowing inflation print in the US were the two major catalysts. Easing rate hike expectation in the US amidst less hawkish stance from the US Fed led to weaker greenback. Together with stronger local currencies, global funds started bargain hunting among Asian equities. Upward reversion in valuation took place from most Asian equity market, resembling the positive trend revealed for greater China equities. ASEAN equities, excluding Indonesia, also outperformed and benefited from continued earnings upgrade amidst faster reopening of local economies, which offset the weaker exports activities. Indonesia, having been the outperformer since mid-2021, faced profit taking during the quarter in view of easing coal prices and rising inflation pressure. Korea and India also underperformed. Certain negative corporate news hit Korean equities, such as possible loss-making situation from memory makers and slowing orderbook for shipbuilders. Indian equities were rather affected by deteriorated macro data such as weaker industrial production and elevated core inflation which led to continuously hawkish stance from the central bank.

Global equities rebounded sharply in the fourth quarter, with MSCI AC World Index up 9.4%. Emerging markets trailed developed markets slightly as MSCI Emerging Market Index advanced 9.2%. Among developed markets, Europe was the biggest winner, followed by US and Japan. US Fed Funds Rate, coupled with inflation and employment data, remained the focus. The US Fed slowed down the pace of interest-rate hikes in December to 50 bps after several 75-bps-rate hikes. Coupled with resilient economic data and softening CPI prints in the US as well as reopening news from China, global equities saw a strong rally in the quarter. On the other hand, US Fed Chairman Jerome Powell guided that the terminal rates will likely go higher than market expectation and the monetary policy is likely to stay restrictive for some time until real signs of progress emerge on inflation. The market gave back some of the gains towards year end as slower pace of rate hike was priced in and investor refocused on terminal rate and recession risk. UK's mini budget proposed by Liz Truss's government created volatility in stock markets as investors were concerned about UK's fiscal budget, economic turmoil, and political stability. With the new government led by Rishi Sunak and policy U-turn, the equity markets stabilized.

In the Global Bond space, markets ended the year on a mixed note in the final quarter. Government bond yields edged up towards the end of 4Q, reflecting some market disappointment at the hawkish tone from some central banks, despite mounting evidence of slowing economic growth. The Federal Reserve raised rates twice during the quarter, ending at 4.5%. The US 10-year yield rose from 3.83% to 3.88%, with the two-year rising from 4.28% to 4.42%.

The Bank of England also announced two rate hikes, bringing the UK interest rate to 3.5% at the end of 4Q, while the Bank of Japan announced a modification to its yield curve control policy.

## Investment report for the year ended 31 December 2022 (continued)

### Investments analysis and commentary (continued)

Credit spreads tightened across the quarter on improved risk sentiment. Although strong performance was tempered slightly into year end, US and European investment grade and high yield credit generated positive returns and outperformed government bonds over the quarter.

For Hong Kong Dollar Bond, global interest rates continued to have volatile daily moves as central banks tightened monetary policies. During the quarter, the ten-year rate increased 0.05% to 3.88%. Hong Kong equity markets clawed back the bulk of its previous underperformance in this last quarter and outperformed the US. Hong Kong aggregate balance reduced to HKD 96 billion from HKD 123 billion at the start of the quarter on HKMA's open market intervention as HKD moved back to the top end of its trading band vs USD. Liquidity remained adequate in Hong Kong despite a reduction in aggregate balance. The HKD local rates curve flattened in response to global growth concerns and remain inverted with elevated US CPI prints and expectations of front-loaded interest rates by the Federal Reserve. HKD swaps underperformed USD swaps at the start of the quarter with outflows and HKD spot weakness before reversing the entire underperformance on the back of China's reopening stance.

For Hong Kong Dollar Money Market, central bank policy directions remain the focus of the market in the fourth quarter. Both October and November inflation figures in the US were weaker than expected, signalling a peak in inflation. However, central banks including US Federal Reserve and European Central Bank continued to aggressively tighten the monetary policy and delivered hawkish messages to the market. The US Federal Reserve hiked interest rate by 75bps in November and hiked another 50bps in December. The midpoint of the end-of-2023 funds rate target was raised by the committee to 5.125% which amounts to an additional 75bps of rate hikes to go in 2023. Short-end US treasury yields went up further on the back of continued aggressive rate hikes from the US Federal Reserve, while longer-end yields were stable given the recession concern. UST 2Y rose by 15bps in the fourth quarter while 10Y rose by 4bps. HKD rates largely followed the US rates movement despite the discrepancy into year-end. 2Y yield went up 22ps while the 7Y yield up 5bps. HKD money market rates got squeezed higher with tighter liquidity and more aggressive rate hikes expectations in the US.

In RMB Money Market, the fourth quarter saw a swift turnaround on risk sentiments to China assets, as the country started to pivot from the zero covid policy and continued to release more easing measures to the subdued property sector. While the policy changes could potentially trigger higher growth down the road, the economic data in China in the fourth quarter remained weak. China's November monthly economic data largely fell below expectations as covid disruptions continue to hamper growth despite loosening pandemic restrictions. Industrial production decelerated to 2.2% YoY compared to 5.0% YoY in October. Fixed-asset investment grew by only 1.0% YoY in November. And the unemployment rate in 31 major cities ticked up to 6.7%. Spot CNH appreciated sharply against USD in 4Q by 3.1%, on the back of optimism from the China reopening. CNY bond yield curve widened with the yield on 3Y up by 11bps & 10Y up by 10bps. CNH CGB yields curve followed a similar trend with the yield on 2Y up by 22bps & 10Y up by 13bps.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary

<b>Analysis of the investments held by the Scheme</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme MPF Conservative Portfolio</b> Launch date: 01/12/2000	0.09	0.16	0.09	0.55
<b>Benchmark/Performance Target</b> Hong Kong Dollar Savings Rate	0.08	0.05	0.03	0.39
<b>Deviation from the benchmark/ performance target</b>	above	above	above	above

### Trustee's commentary

The performance was above the benchmark/performance target for the specified periods. With unprecedented central banks' rate hikes in the face of raging inflation spikes, China's harsh lockdowns stunting growth for one of the world's largest growth engines and the peppering of geopolitical tensions, there was never a dull moment in 2022. The year ended on a more positive note with signs of inflation peaking in the US, abrupt reversal of China's zero-Covid policy and broad supportive economic measures during the traditional period of policy vacuum. China's sudden U-turn on its zero-Covid policies together with declining gas prices and mild weather conditions in Europe, added optimism to global economic growth. While Santa delivered and risk assets finally rallied in the fourth quarter, it fell short in offsetting the effect of the sell-offs that took place through the year. Equity markets as represented by the S&P 500 returned -18.1% almost entirely reversing its amazing run back in 2021. Fixed income markets were depressed as well though Asian markets held up relatively better than their developed markets counterparts. With the China credit space as an anchor, Asian credit markets returned -11.0% while Asian local currency bonds came in with -7.4% returns. Over the year, yields have soared and the US Treasury curve has effectively inverted.

Through the year, central banks around the world including the Fed, walked a fine line between combatting inflation while limiting downside impact on growth for the economy. However, with inflation soaring unhindered, the Fed made the hard choice to sacrifice growth for the sake of bringing inflation back down to their 2% target. As such, after flushing markets with liquidity in 2021, the Fed embarked on its hiking cycle in March with its first 25bps hike, gradually increasing pace through the year. Throughout 2022, the Fed delivered a grand total of 425bps hike. Following June's peak of 9.1% y/y, headline inflation in the US gradually moderated down to finally end the year at 6.5% y/y. While PMI readings in the US point towards a slowing growth backdrop, data prints otherwise suggest a still resilient US economy. The labour market as well maintains its strength with unemployment rate dropping a touch to 3.5%. As such, the Fed continues to maintain its hawkish bias though downshifting their pace of rate hikes.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme MPF Conservative Portfolio</b> Launch date: 01/12/2000	0.09	0.16	0.09	0.55
<b>Benchmark/Performance Target</b> Hong Kong Dollar Savings Rate	0.08	0.05	0.03	0.39
<b>Deviation from the benchmark/ performance target</b>	above	above	above	above

### Trustee's commentary (continued)

The strict implementation of its zero-covid policy during the year has isolated China from the rest of the world. Its first-in-first-out advantage in 2020-21 turned into a first-in-last-out disadvantage in 2022. Furthermore, China's housing market woes surrounding the incessant negative headlines on China property developers led to a marked slowdown in the nation's economy. While multiple stimulus efforts were introduced, the policy transmission was compromised by its covid restrictions. The sharp reversal from a three-year long zero-Covid policy at the end of 2022 marked a new phase of its epidemic control and determined shift towards renormalization. While China's reopening points to a brighter outlook for its economy, a bumpy ride may be expected with a wave of infection sweeping through major cities and causing disruptions on consumption and manufacturing. China Caixin composite PMI stayed in contractionary territory for the fifth consecutive month in December, with manufacturing demand experiencing a harder hit compared to the previous month. Separately, rescue measures were pledged by China authorities to support its housing market, including a 16-point plan, relaxation of escrow account rules, and improved funding access. The series of supportive measures and rapid reopening has brightened the outlook for China and Asia in general, boosting investor sentiment and risk appetite.

Hopping into 2023, the risk backdrop has turned favourable though the possibility of rates volatility still lingers in investors' minds. That said, with the steady pace at which Beijing is rolling out policy measures both with regards to its Zero-Covid policy and the property sector, the focus for authorities has since shifted back to growth. With China being the world's second largest economy and particularly a key anchor for Asia, global growth prospects though on shaky grounds from developed markets recessionary fears, is unlikely to collapse. The macro environment is thus supportive of dialling up of risks in a calibrated manner.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme MPF Conservative Portfolio</b> Launch date: 01/12/2000	0.09	0.16	0.09	0.55
<b>Benchmark/Performance Target</b> Hong Kong Dollar Savings Rate	0.08	0.05	0.03	0.39
<b>Deviation from the benchmark/ performance target</b>	above	above	above	above

**Trustee's commentary (continued)**

With regards to risk, the outlook for bonds has started to look more balanced. That said, following unprecedented tightening by central banks around the world, led by the Fed, overly zealous investors have already started to price in a cut. In general, the macro environment is less risk averse in comparison to less year and the extent of slowdown in the US is rather tame hence a hard landing scenario also appears remote. With China reopening faster than expected while global central banks reaching peak hawkishness, this indicates a rather constructive backdrop for risk.

Amidst cross currents in markets, inflation would be sticky on the descend and central banks would maintain their hawkish bias though in a less aggressive manner. As such, with yields remaining higher for longer, very short dated IG credits and slightly longer tenor fixed deposits would continue to be favoured for their attractive yields pick-up.



## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Capital Guaranteed Portfolio</b> Launch date: 01/12/2000	-8.12	-0.53	0.08	2.39
<b>Benchmark/Performance Target</b> Hong Kong Inflation Rate	2.20	2.10	2.90	1.90
<b>Deviation from the benchmark/performance target</b>	below	below	below	above

### Trustee's commentary

The performance was above benchmark/performance target for since launch; below the benchmark/performance target for 1 year, 5 years and 10 years. Stepping into 2022, Russia's invasion of Ukraine in late February caused a global shock. The grave human implications fed through into markets. Commodity prices soared given Russia is a key producer of several important commodities, which contributed a further surge in inflation as well as supply chain disruption. As a result the fixed income markets experienced a volatile period. The dominated headlines in the Ukraine resulted a short-lived rotation towards safe haven assets but investors later turned their focus on inflationary pressures that is high and still rising. Government bond yields rose sharply as central banks turned more hawkish, and markets were pricing in a faster pace of monetary normalization. The Fed's rhetoric turned more hawkish and "lift-off" came as expected in the first quarter with the Fed implemented a 25-bps rate hike.

The challenging backdrop stayed on in the next two quarters with global central banks raised interest rates aggressively, trying to bring inflation down from an elevated level. Chair Jerome Powell stated that the Fed's outlook remained unchanged since the Jackson Hole meeting in August and reiterated that fighting against inflation remained their priority albeit a slowing growth backdrop. As a result, yields moved markedly higher amid a slowing growth backdrop. Elsewhere, in the UK, the budgetary announcement in the third quarter further accelerated the sell-off in UK gilts as investors questioned the credibility of the government's fiscal framework.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Capital Guaranteed Portfolio</b> Launch date: 01/12/2000	-8.12	-0.53	0.08	2.39
<b>Benchmark/Performance Target</b> Hong Kong Inflation Rate	2.20	2.10	2.90	1.90
<b>Deviation from the benchmark/performance target</b>	below	below	below	above

### Trustee's commentary (continued)

The fixed income markets ended the year on a mixed note. Government bond yields edged up towards the end of December, reflecting some market disappointment at the hawkish tone from some central banks despite mounting evidence of slowing economic growth and the first downside surprise in the US inflation print.

As a reference, the US 10-year Treasury yield increased from 1.50% at the beginning of the year to 3.83% at the end of 2022. The German 10-year yield increased from -0.18% to 2.56% while the UK 10-year yield increased from 0.97% to 3.67% over the year of 2022.

Corporate bonds experienced a difficult year. In addition to the impact coming from a higher bond yield, spreads were widened due to mounting concerns over the economic outlook. Corporate bonds returned positively in Q4, outperforming government bonds as risk sentiment improved.

In terms of asset allocation, the overweight in cash and underweight in duration contributed positively. The overweight in investment grade bonds towards the end of the year also added value. Security selections was also positive, particularly exposures in USD and Euro.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</b> Launch date: 01/04/2017	-14.46	0.16	N/A	0.50
<b>Benchmark/Performance Target</b> MPF DIS Reference Portfolios	-14.94	0.01	N/A	0.64
<b>Deviation from the benchmark/performance target</b>	above	above	N/A	below

### Trustee's commentary

The performance was above benchmark/performance target for 1 year and 5 years; below the benchmark/performance target for since launch. Stepping into 2022, Russia's invasion of Ukraine in late February caused a global shock. The grave human implications fed through into markets with global equities declined. Commodity prices soared given Russia is a key producer of several important commodities, which contributed a further surge in inflation as well as supply chain disruption. Developed markets equities declined as Russia-Ukraine conflict amplified existing concerns over inflation pressures. Markets remained difficult in the next two quarters given the cross concerns around recession and inflation. US equities struggled as the hope of an interest rate cuts by the Fed were dashed as central banks reaffirmed their commitment to fight inflation. European equities also experienced a sharp fall amid the ongoing energy crisis which continued to be a large contributor of rising inflation and consequent fears about the outlook for economic growth. Asian equities were weaker on concerns over rising inflation, high interest rates, and fears over a global slowdown. China also ended the quarter lower on the alarming spread of Covid-19 which prompted fears of further lockdowns. Stock markets rounded off the year with gains in the final quarter. Asian shares were boosted by China's relaxation on its zero-Covid policy. Developed markets also returned positively with much of the gains made in November following an eased in the US inflation print. Moving onto fixed income, markets experienced a challenging period where central banks raised interest rates aggressively to fight against a rising inflationary pressure. Albeit we saw the first downside surprise in the US inflation print in November, government bond yields edged up towards the end of December, reflecting some market disappointment at the hawkish tone from some central banks, despite mounting evidence of slowing economic growth. As a reference, the US 10-year Treasury yield increased from 1.50% at the beginning of the year to 3.83% at the end of 2022. The German 10-year yield increased from -0.18% to 2.56% while the UK 10-year yield increased from 0.97% to 3.67% over the year of 2022.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</b> Launch date: 01/04/2017	-14.46	0.16	N/A	0.50
<b>Benchmark/Performance Target</b> MPF DIS Reference Portfolios	-14.94	0.01	N/A	0.64
<b>Deviation from the benchmark/performance target</b>	above	above	N/A	below
<b>Trustee's commentary (continued)</b>				
<p>Against this market backdrop, where both equities and fixed income fell in prices and experienced a volatile period, the 20/80 Fund returned negatively over the one-year period. That being said, the 20/80 Fund outperformed due to superior security selection within the equity portfolio. The allocation towards value due to the concerns around inflation and rising interest rates were particularly helpful during the second quarter of the year. Elsewhere, 80% of the 20/80 Fund is investing into fixed income, which the selection effect was relatively muted as the fixed income strategy does not aim to generate outperformance / underperformance from these investment decisions.</p>				

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Stable Growth Portfolio</b> Launch date: 01/12/2000	-16.69	-0.87	1.45	2.33
<b>Benchmark/Performance Target</b> Consumer Price Index Type A	2.20	2.10	2.90	1.90
<b>Deviation from the benchmark/performance target</b>	below	below	below	above

### Trustee's commentary

The performance was above benchmark/performance target for since launch; below the benchmark/performance target for 1 year, 5 years and 10 years. Stepping into 2022, Russia's invasion of Ukraine in late February caused a global shock. The grave human implications fed through into markets with global equities declined. Commodity prices soared given Russia is a key producer of several important commodities, which contributed a further surge in inflation as well as supply chain disruption. Developed markets equities declined as Russia-Ukraine conflict amplified existing concerns over inflation pressures. Markets remained difficult in the next two quarters given the cross concerns around recession and inflation. US equities struggled as the hope of an interest rate cuts by the Fed were dashed as central banks reaffirmed their commitment to fight inflation. European equities also experienced a sharp fall amid the ongoing energy crisis which continued to be a large contributor of rising inflation and consequent fears about the outlook for economic growth. Asian equities were weaker on concerns over rising inflation, high interest rates, and fears over a global slowdown. China also ended the quarter lower on the alarming spread of Covid-19 which prompted fears of further lockdowns. Stock markets rounded off the year with gains in the final quarter. Asian shares were boosted by China's relaxation on its zero-Covid policy. Developed markets also returned positively with much of the gains made in November following an eased in the US inflation print. Moving onto fixed income, markets experienced a challenging period where central banks raised interest rates aggressively to fight against a rising inflationary pressure. Albeit we saw the first downside surprise in the US inflation print in November, government bond yields edged up towards the end of December, reflecting some market disappointment at the hawkish tone from some central banks, despite mounting evidence of slowing economic growth. As a reference, the US 10-year Treasury yield increased from 1.50% at the beginning of the year to 3.83% at the end of 2022. The German 10-year yield increased from -0.18% to 2.56% while the UK 10-year yield increased from 0.97% to 3.67% over the year of 2022.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Stable Growth Portfolio</b> Launch date: 01/12/2000	-16.69	-0.87	1.45	2.33
<b>Benchmark/Performance Target</b> Consumer Price Index Type A	2.20	2.10	2.90	1.90
<b>Deviation from the benchmark/performance target</b>	below	below	below	above
<b>Trustee's commentary (continued)</b>				
<p>Against a challenging market backdrop, APIF Fund Manager has been positioning the Stable Growth Fund defensively by underweighting equities and duration, and overweighting cash. The defensive approach worked well but the Stable Growth Fund underperformed over the past one year. The underperformance primarily came from the month of July and November when the bear-market rally was fast and strong, and the defensive positions had therefore detracted the performance. In terms of security selections, the selections in IT and consumer discretionary names within the US equities added value. However that was unable to offset the negative selections in consumer discretionary within the China equities, and selections in industrials and energy within the European equities. In terms of currency, the hedges against JPY and EUR added value.</p>				

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Core Accumulation Portfolio</b> Launch date: 01/04/2017	-14.91	2.70	N/A	3.71
<b>Benchmark/Performance Target</b> MPF DIS Reference Portfolios	-16.32	2.50	N/A	3.83
<b>Deviation from the benchmark/ performance target</b>	above	above	N/A	below
<b>Trustee's commentary</b>				
<p>The performance was above benchmark/performance target for 1 year and 5 years; below the benchmark/performance target for since launch. Stepping into 2022, Russia's invasion of Ukraine in late February caused a global shock. The grave human implications fed through into markets with global equities declined. Commodity prices soared given Russia is a key producer of several important commodities, which contributed a further surge in inflation as well as supply chain disruption. Developed markets equities declined as Russia-Ukraine conflict amplified existing concerns over inflation pressures. Markets remained difficult in the next two quarters given the cross concerns around recession and inflation. US equities struggled as the hope of an interest rate cuts by the Fed were dashed as central banks reaffirmed their commitment to fight inflation. European equities also experienced a sharp fall amid the ongoing energy crisis which continued to be a large contributor of rising inflation and consequent fears about the outlook for economic growth. Asian equities were weaker on concerns over rising inflation, high interest rates, and fears over a global slowdown. China also ended the quarter lower on the alarming spread of Covid-19 which prompted fears of further lockdowns. Stock markets rounded off the year with gains in the final quarter. Asian shares were boosted by China's relaxation on its zero-Covid policy. Developed markets also returned positively with much of the gains made in November following an eased in the US inflation print. Moving onto fixed income, markets experienced a challenging period where central banks raised interest rates aggressively to fight against a rising inflationary pressure. Albeit we saw the first downside surprise in the US inflation print in November, government bond yields edged up towards the end of December, reflecting some market disappointment at the hawkish tone from some central banks, despite mounting evidence of slowing economic growth. As a reference, the US 10-year Treasury yield increased from 1.50% at the beginning of the year to 3.83% at the end of 2022. The German 10-year yield increased from -0.18% to 2.56% while the UK 10-year yield increased from 0.97% to 3.67% over the year of 2022.</p>				

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Core Accumulation Portfolio</b> Launch date: 01/04/2017	-14.91	2.70	N/A	3.71
<b>Benchmark/Performance Target</b> MPF DIS Reference Portfolios	-16.32	2.50	N/A	3.83
<b>Deviation from the benchmark/ performance target</b>	above	above	N/A	below
<b>Trustee's commentary (continued)</b>				
<p>Against this market backdrop, where both equities and fixed income fell in prices and experienced a volatile period, the 60/40 Fund returned negatively in 2022. That being said, the 60/40 Fund outperformed due to superior security selection within the equity portfolio. The allocation towards defensive style due to the concerns around inflation and rising interest rates were particularly helpful in the second quarter. To add on, the allocation to quality exposures through the core strategy contributed positively in the second half of the year as the concerns around recession continue to loom. Elsewhere, the 40% of the 60/40 Fund investing into fixed income, which the selection was relatively muted as the fixed income strategy does not aim to generate outperformance/underperformance from these investment decisions.</p>				



## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Balanced Growth Portfolio</b> Launch date: 01/12/2000	-16.37	0.20	3.02	3.49
<b>Benchmark/Performance Target</b> Hong Kong Salary Inflation Rate	2.30	2.40	3.30	N/A
<b>Deviation from the benchmark/ performance target</b>	below	below	below	N/A

### Trustee's commentary

The performance was below the benchmark/performance target for the specified periods. Stepping into 2022, Russia's invasion of Ukraine in late February caused a global shock. The grave human implications fed through into markets with global equities declined. Commodity prices soared given Russia is a key producer of several important commodities, which contributed a further surge in inflation as well as supply chain disruption. Developed markets equities declined as Russia-Ukraine conflict amplified existing concerns over inflation pressures. Markets remained difficult in the next two quarters given the cross concerns around recession and inflation. US equities struggled as the hope of an interest rate cuts by the Fed were dashed as central banks reaffirmed their commitment to fight inflation. European equities also experienced a sharp fall amid the ongoing energy crisis which continued to be a large contributor of rising inflation and consequent fears about the outlook for economic growth. Asian equities were weaker on concerns over rising inflation, high interest rates, and fears over a global slowdown. China also ended the quarter lower on the alarming spread of Covid-19 which prompted fears of further lockdowns. Stock markets rounded off the year with gains in the final quarter. Asian shares were boosted by China's relaxation on its zero-Covid policy. Developed markets also returned positively with much of the gains made in November following an eased in the US inflation print. Moving onto fixed income, markets experienced a challenging period where central banks raised interest rates aggressively to fight against a rising inflationary pressure. Albeit we saw the first downside surprise in the US inflation print in November, government bond yields edged up towards the end of December, reflecting some market disappointment at the hawkish tone from some central banks, despite mounting evidence of slowing economic growth. As a reference, the US 10-year Treasury yield increased from 1.50% at the beginning of the year to 3.83% at the end of 2022. The German 10-year yield increased from -0.18% to 2.56% while the UK 10-year yield increased from 0.97% to 3.67% over the year of 2022.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Balanced Growth Portfolio</b> Launch date: 01/12/2000	-16.37	0.20	3.02	3.49
<b>Benchmark/Performance Target</b> Hong Kong Salary Inflation Rate	2.30	2.40	3.30	N/A
<b>Deviation from the benchmark/ performance target</b>	below	below	below	N/A

### Trustee's commentary (continued)

Against a challenging market backdrop, APIF Fund Manager has been positioning the Balanced Investment Fund defensively by underweighting equities and duration, and overweighting cash. The defensive approach worked well but the Balanced Investment Fund underperformed over the past one year. The underperformance primarily came from the month of July and November when the bear-market rally was fast and strong, and the defensive positions had therefore detracted the performance. In terms of security selections, the selections in consumer discretionary names within the US equities, and the selections in IT within the Japan equities added value. However that was unable to offset the negative selections in IT and communication services within the Asian equities, and selections in consumer discretionary within the European equities. In terms of currency, the hedges against JPY and EUR added value.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme International Equity Portfolio</b> Launch date: 01/12/2000	-23.99	1.91	5.49	3.82
<b>Benchmark/Performance Target</b> Lipper MPF Global Equity Fund Category Median	-20.25	2.70	5.91	3.24
<b>Deviation from the benchmark/performance target</b>	below	below	below	above

**Trustee's commentary**

The performance was above benchmark/performance target for since launch; below the benchmark/performance target for 1 year, 5 years and 10 years. Over the year, the APIF fund manager reduced the exposure to US and Japanese equities and rotated into money market securities (i.e. cash). That said, the allocation to European, other Asia Pacific and Hong Kong equities was raised, supported by a potential pivot by the European Central Bank and the COVID-19 relaxation in China. Overall, the underlying fund maintains a significant exposure to US and European equities. The underlying fund generated negative returns over the year. Global equity markets came under pressure due to geopolitical risks around the Russia-Ukraine conflict and global central banks' hawkish stance to curb inflationary pressures. Nonetheless, the easing of global supply chain constraints, a potential pivot signalled by the US Federal Reserve and the relaxation of COVID-19 controls in China supported investor sentiment later in the period. Against this backdrop, positions in US and European equities were the major detractors from returns. Hong Kong, Japanese and other Asia Pacific equities also held back performance.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme Hong Kong Equity Portfolio</b> Launch date: 01/12/2000	-18.13	-1.37	2.70	7.05
<b>Benchmark/Performance Target</b> Lipper MPF Hong Kong Equity Fund Category Median	-18.49	-4.47	1.51	6.23
<b>Deviation from the benchmark/ performance target</b>	above	above	above	above

### Trustee's commentary

The performance was above the benchmark/performance target for the specified periods. The Hong Kong and China markets in 2022 was depressed by the twin overhangs of the zero COVID policy and the ongoing contraction in property activity, both of which depressed economic activity and impacted earnings in many sectors of the market. Geopolitics were also a headwind for Chinese equities, with the Russia-Ukraine situation and rising tensions with the US further raising the risk premium for broader China related assets. These events, alongside the broader global backdrop of rapidly rising inflation and interest rates, weighed significantly on the performance of Chinese equity markets in 2022.

From a market perspective, negative stock selection in China and the underweight exposure to Hong Kong were the key detractors from relative performance. On a sector basis, negative stock selection in energy detracted value while positive stock selection in materials and real estate offset this to some degree.

In terms of contributors, pharmaceutical company CSPC held up well, as market priced in the potential business growth from the company's mRNA vaccine. Insurance company AIA recovered significantly in the final quarter as market expected the company's business to pick up alongside China reopening. Zijin Mining also contributed as the stock price rose higher on the back of strong gold price during the year. Conversely, electric vehicle company Nio Inc was weak due to increasing competition in Chinese EV sector. Software company Kingdee was also weak due to market concerns on IT spending delay of enterprise given the weak macro environment. Lastly, smartphone component maker Sunny Optical underperformed as demand for consumer electronic was weak in 2022 after 2-year of above trend growth driven by Covid.

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

<b>Analysis of the investments held by the Scheme (continued)</b>				
	<i>Annualized return (in terms of %)</i>			
	<i>1 year</i>	<i>5 years</i>	<i>10 years</i>	<i>Since Launch</i>
<b>Sun Life MPF Basic Scheme US &amp; Hong Kong Equity Portfolio</b> Launch date: 17/02/2014	-15.98	2.36	N/A	5.74
<b>Benchmark/Performance Target</b> S&P 500 Index & Hang Seng Index	-14.32	4.44	N/A	8.00
<b>Deviation from the benchmark/performance target</b>	below	below	N/A	below
<b>Trustee's commentary</b>				
<p>The performance was below the benchmark/performance target for the specified periods. The main performance attribution factors include cash drag, transaction costs, cumulative security mis-weights, compounding effect, dividend withholding tax, ETF premium/discount against its net asset value, trading execution performance, FX execution performance, etc.</p> <p>State Street Global Advisors Asia Limited continue to position the portfolios to generate the returns of the benchmarks as closely as practicable, before expenses, and while attempting to minimize transaction costs. A series of controls exist to help limit any deviations in strategies, including daily tracking assessments, ex-ante and ex-post performance analyses, annual portfolio evaluations, etc.</p>				

## Investment report for the year ended 31 December 2022 (continued)

### Trustee's commentary (continued)

#### Trustee's assessment framework and action

On a quarterly basis, the Board of Trustee meets to discuss the operational and investment performance of the Sun Life MPF Basic Scheme (the "Scheme"). Evaluation of investment performance considers both qualitative and quantitative factors. These include a review of the firm (ownership, turnover of key personnel, assets under management, and regulation and/or compliance) and the fund (turnover of key investment professionals, investment process, investment policies, fund assets, and performance vs. benchmark and peers, as appropriate). Any issues of concern are monitored until the Board of Trustee is satisfied that they have been adequately addressed. In cases where serious concerns persist, the Trustee may take actions such as requesting a meeting with the investment manager to better understand causes of concern and actions taken to address such concerns and/or initiate a fund search to identify a suitable replacement manager.

The constituent funds in the Scheme had generally slightly above median level performance in 2022. In the last quarter of 2022, the International Equity Portfolio was on the watch list (based on the governance policy). We do not have any material concerns with the fund as of the time of the writing of this commentary. The funds had above median performance in Q4 including Balanced Growth Portfolio, Core Accumulation Portfolio and Hong Kong Equity Portfolio. Constituent funds that generally perform less well are being closely monitored with clear communication made to the underlying investment manager to enhance investment returns over a reasonable period.

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Investment income and performance

	<u>Sun Life MPF Basic Scheme MPF Conservative Portfolio</u>		
	2022	2021	2020
Net appreciation of investments - unrealised	\$ 515,252	\$ 615,007	\$ -
Net return/(loss) from investments - realised	<u>805,039</u>	<u>(479,021)</u>	<u>-</u>
	<u>Sun Life MPF Basic Scheme Capital Guaranteed Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$ (28,854,378)	\$ (15,480,747)	\$ 17,669,713
Net return from investments - realised	<u>6,105,751</u>	<u>10,778,557</u>	<u>9,016,900</u>
	<u>Sun Life MPF Basic Scheme Stable Growth Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$ (40,630,062)	\$ (10,905,208)	\$ 27,407,062
Net return from investments - realised	<u>4,574,015</u>	<u>9,479,323</u>	<u>6,029,228</u>
	<u>Sun Life MPF Basic Scheme Balanced Growth Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$ (54,602,823)	\$ (12,431,393)	\$ 35,859,691
Net return from investments - realised	<u>11,356,018</u>	<u>15,399,583</u>	<u>10,572,584</u>

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Investment income and performance (continued)

	<u>Sun Life MPF Basic Scheme International Equity Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$ (81,333,349)	\$ 27,065,928	\$ 22,902,332
Net return from investments - realised	<u>13,911,167</u>	<u>16,671,073</u>	<u>9,783,942</u>

	<u>Sun Life MPF Basic Scheme Hong Kong Equity Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$(123,180,669)	\$(160,033,825)	\$ 195,686,750
Net return from investments - realised	<u>18,399,143</u>	<u>47,660,377</u>	<u>33,231,967</u>

	<u>Sun Life MPF Basic Scheme US &amp; Hong Kong Equity Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$ (11,693,851)	\$ 2,454,305	\$ 3,473,413
Net return from investments - realised	<u>541,299</u>	<u>2,990,158</u>	<u>1,262,102</u>

	<u>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$ (5,180,146)	\$ (391,742)	\$ 1,886,309
Net (loss)/return from investments - realised	<u>(486,691)</u>	<u>1,091,585</u>	<u>836,895</u>



Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

Investment income and performance (continued)

	<u>Sun Life MPF Basic Scheme Core Accumulation</u>		
	<u>Portfolio</u>		
	2022	2021	2020
Net (depreciation)/appreciation of investments - unrealised	\$ (18,402,961)	\$ 4,914,564	\$ 9,644,913
Net return from investments - realised	<u>2,407,184</u>	<u>4,837,943</u>	<u>1,533,224</u>

# Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

## Sun Life MPF Basic Scheme MPF Conservative Portfolio

### Investment portfolio

	Holdings	Market value	% of net assets
<b>Quoted investment</b>			
<b>Bonds</b>			
AGRICULTURAL BK CN/MACAO SER EMTN (REG) (REG S) 0.66% 02MAR2023	1,000,000	\$ 991,447	0.60
ASB FINANCE LTD SER EMTN (REG S) (BR) 2.75% 07MAR2023	11,000,000	11,173,918	6.75
CDBL FUNDING TWO SER EMTN (REG) (REG S) 1.2% 03FEB2023	8,000,000	7,984,974	4.83
CITIGROUP GLOBAL MARKETS SER EMTN (REG) (REG S) 1.925% 25FEB2023	7,000,000	7,079,599	4.28
EXPORT-IMPORT BANK KOREA SER GMTN (REG S) 3.182% 18JUL2023	8,000,000	7,981,739	4.82
HONG KONG MORTGAGE CORP SER EMTN (BR) 3.15% 05JUN2023	5,000,000	5,018,988	3.03
HONG KONG MORTGAGE CORP SER EMTN (REG S) (BR) 5.12% 16MAR2023	8,000,000	8,038,859	4.86
HONG KONG MORTGAGE CORP SER EMTN (REG) (REG S) 0.5% 09FEB2023	10,000,000	10,018,817	6.06
KOREA DEVELOPMENT BANK SER EMTN (REG S) (BR) 1.85% 27FEB2023	11,000,000	11,129,539	6.73
THE EXPORT-IMPORT BANK 3.13% 26APR2023	3,000,000	3,001,375	1.81
		<u>\$ 72,419,255</u>	<u>43.77</u>
<b>Certificate of Deposit</b>			
AGRICULTURAL BK CHINA/HK SER CD (REG S) 0% CD 06MAR2023	5,000,000	\$ 4,954,815	2.99
AGRICULTURAL BK CHINA/HK SER FXCD (REG S) (BR) 5.1% CD 24MAY2023	6,000,000	6,034,918	3.65
CANADIAN IMP BK COMM HK SER CD (REG S) (BR) 0% CD 09FEB2023	8,000,000	7,961,280	4.81
IND & COMM BK CHN MACAU SER CD. (REG S) (BR) 0% CD 16FEB2023	3,000,000	2,980,920	1.80
IND & COMM BK CHN MACAU SER FXCD (REG S) 4.5% CD 28FEB2023	8,000,000	8,035,200	4.86
		<u>\$ 29,967,133</u>	<u>18.11</u>
<b>Commercial Paper</b>			
UNITED OVERSEAS BANK LIMITED-HONG KONG BRANCH 4% CP 02FEB2023	7,000,000	\$ 7,041,553	4.26
		<u>\$ 7,041,553</u>	<u>4.26</u>
<b>Total quoted investment *</b>		\$ 109,427,941	66.14
<b>Other net assets</b>		<u>56,025,739</u>	<u>33.86</u>
<b>Net assets attributable to the members at 31 December 2022</b>		<u>\$ 165,453,680</u>	<u>100.00</u>
<b>Total investment at cost *</b>		<u>\$ 108,297,682</u>	

\* Investment is accounted for on a trade date basis.

# Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

## Sun Life MPF Basic Scheme MPF Conservative Portfolio (continued)

### Statement of movements in investment portfolio

	Portfolio Holdings			As at 31 December 2022
	As at 31 December 2021	Additions	Deductions	
<b>Quoted investment</b>				
<b>Bonds</b>				
AGRICULTURAL BK CN/MACAO SER EMTN (REG) (REG S) 0.66% 02MAR2023	-	1,000,000	-	1,000,000
ASB FINANCE LTD SER EMTN (REG S) (BR) 2.75% 07MAR2023	-	11,000,000	-	11,000,000
CDBL FUNDING TWO SER EMTN (REG) (REG S) 1.2% 03FEB2023	-	8,000,000	-	8,000,000
CITIGROUP GLOBAL MARKETS SER EMTN (REG) (REG S) 1.925% 25FEB2023	-	7,000,000	-	7,000,000
EXPORT-IMPORT BANK KOREA SER GMTN (REG S) 3.182% 18JUL2023	-	8,000,000	-	8,000,000
HONG KONG MORTGAGE CORP SER EMTN (BR) 3.15% 05JUN2023	-	5,000,000	-	5,000,000
HONG KONG MORTGAGE CORP SER EMTN (REG S) (BR) 5.12% 16MAR2023	-	8,000,000	-	8,000,000
HONG KONG MORTGAGE CORP SER EMTN (REG) (REG S) 0.5% 09FEB2023	-	10,000,000	-	10,000,000
KOREA DEVELOPMENT BANK SER EMTN (REG S) (BR) 1.85% 27FEB2023	-	11,000,000	-	11,000,000
THE EXPORT-IMPORT BANK 3.13% 26APR2023	-	3,000,000	-	3,000,000
<b>Certificate of Deposit</b>				
AGRICULTURAL BK CHINA/HK SER CD (REG S) 0% CD 06MAR2023	-	5,000,000	-	5,000,000
AGRICULTURAL BK CHINA/HK SER FXCD (REG S) (BR) 5.1% CD 24MAY2023	-	6,000,000	-	6,000,000
CANADIAN IMP BK COMM HK SER CD (REG S) (BR) 0% CD 09FEB2023	-	8,000,000	-	8,000,000
IND & COMM BK CHN MACAU SER CD. (REG S) (BR) 0% CD 16FEB2023	-	3,000,000	-	3,000,000
IND & COMM BK CHN MACAU SER FXCD (REG S) 4.5% CD 28FEB2023	-	8,000,000	-	8,000,000
<b>Commercial Paper</b>				
UNITED OVERSEAS BANK LIMITED-HONG KONG BRANCH 4% CP 02FEB2023	-	7,000,000	-	7,000,000

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme Capital Guaranteed Portfolio

#### *Investment portfolio*

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investment</b>			
<i>Approved pooled investment fund</i>			
Sun Life MPF Capital Guaranteed Policy	12,802,356	\$ 281,011,709	99.11
<b>Total quoted investment *</b>		\$ 281,011,709	99.11
<b>Other net assets</b>		2,510,357	0.89
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 283,522,066	100.00
<b>Total investment at cost *</b>		\$ 250,652,041	

\* Investment is accounted for on a trade date basis.

Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme Capital Guaranteed Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investment</b>				
<i>Approved pooled investment fund</i>				
Sun Life MPF Capital Guaranteed Policy	13,782,827	1,062,951	2,043,422	12,802,356

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme Stable Growth Portfolio

#### Investment portfolio

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investment</b>			
<i>Approved pooled investment fund</i>			
Schroder MPF Stable Growth Fund - Class A	7,812,824	\$ 181,960,680	99.08
<b>Total quoted investment *</b>		\$ 181,960,680	99.08
<b>Other net assets</b>		1,684,291	0.92
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 183,644,971	100.00
<b>Total investment at cost *</b>		\$ 161,514,596	

\* Investment is accounted for on a trade date basis.

Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme Stable Growth Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investment</b>				
<i>Approved pooled investment fund</i>				
Schroder MPF Stable Growth Fund - Class A	8,389,189	622,139	1,198,504	7,812,824

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme Balanced Growth Portfolio

#### *Investment portfolio*

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investment</b>			
<i>Approved pooled investment fund</i>			
Schroder MPF Balanced Investment Fund - Class A	8,008,391	\$ 218,148,577	99.10
<b>Total quoted investment *</b>		\$ 218,148,577	99.10
<b>Other net assets</b>		1,988,403	0.90
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 220,136,980	100.00
<b>Total investments at cost *</b>		\$ 164,040,159	

\* Investments are accounted for on a trade date basis.



Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme Balanced Growth Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investment</b>				
<i>Approved pooled investment fund</i>				
Schroder MPF Balanced Investment Fund - Class A	8,722,163	654,134	1,367,906	8,008,391

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme International Equity Portfolio

#### *Investment portfolio*

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investment</b>			
<i>Approved pooled investment fund</i>			
Fidelity Global Investment Fund - Global Equity Fund - Class A	815,617	\$ 212,158,350	99.08
<b>Total quoted investment *</b>		\$ 212,158,350	99.08
<b>Other net assets</b>		1,968,631	0.92
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 214,126,981	100.00
<b>Total investments at cost *</b>		\$ 149,787,456	

\* Investments are accounted for on a trade date basis.

Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme International Equity Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investment</b>				
<i>Approved pooled investment fund</i>				
Fidelity Global Investment Fund - Global Equity Fund - Class A	886,960	53,032	124,375	815,617

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme Hong Kong Equity Portfolio

#### *Investment portfolio*

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investment</b>			
<i>Approved pooled investment fund</i>			
Schroder IPF Hong Kong Equity Fund - Class A	7,466,134	\$ 490,675,100	99.22
<b>Total quoted investment *</b>		\$ 490,675,100	99.22
<b>Other net assets</b>		3,842,673	0.78
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 494,517,773	100.00
<b>Total investments at cost *</b>		\$ 405,630,463	

\* Investments are accounted for on a trade date basis.

Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme Hong Kong Equity Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investment</b>				
<i>Approved pooled investment fund</i>				
Schroder IPF Hong Kong Equity Fund - Class A	7,944,250	767,796	1,245,912	7,466,134

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio

#### Investment portfolio

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investments</b>			
<i>Approved Index-Tracking Collective Investment Schemes</i>			
Tracker Fund of Hong Kong	1,147,300	\$ 22,854,216	40.15
SPDR S&P 500 ETF TRUST	11,372	\$ 33,943,680	59.63
<b>Total quoted investments *</b>		\$ 56,797,896	99.78
<b>Other net assets</b>		127,753	0.22
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 56,925,649	100.00
<b>Total investment at cost *</b>		\$ 54,091,843	

\* Investment is accounted for on a trade date basis.

Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investments</b>				
<i>Approved Index-Tracking Collective Investment Schemes</i>				
Tracker Fund of Hong Kong	1,092,300	348,000	293,000	1,147,300
SPDR S&P 500 ETF TRUST	10,974	2,485	2,087	11,372

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme Age 65 Plus Portfolio

#### Investment portfolio

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investment</b>			
<i>Approved pooled investment fund</i>			
Schroder MPF Core 20/80 Fund– Class B	3,330,818	\$ 36,372,535	98.71
<b>Total quoted investment *</b>		\$ 36,372,535	98.71
<b>Other net assets</b>		474,170	1.29
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 36,846,705	100.00
<b>Total investment at cost *</b>		\$ 38,919,102	

\* Investment is accounted for on a trade date basis.



Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme Age 65 Plus Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investment</b>				
<i>Approved pooled investment fund</i>				
Schroder MPF Core 20/80 Fund– Class B	3,210,788	1,746,270	1,626,240	3,330,818

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Sun Life MPF Basic Scheme Core Accumulation Portfolio

#### *Investment portfolio*

	<i>Holdings</i>	<i>Market value</i>	<i>% of net assets</i>
<b>Quoted investment</b>			
<i>Approved pooled investment fund</i>			
Schroder MPF Core 60/40 Fund - Class B	7,549,287	\$ 98,744,673	99.02
<b>Total quoted investment *</b>		\$ 98,744,673	99.02
<b>Other net assets</b>		972,531	0.98
<b>Net assets attributable to the members at 31 December 2022</b>		\$ 99,717,204	100.00
<b>Total investment at cost *</b>		\$ 97,136,031	

\* Investment is accounted for on a trade date basis.

Investment report  
for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

**Sun Life MPF Basic Scheme Core Accumulation Portfolio (continued)**

**Statement of movements in investment portfolio**

	<i>Portfolio Holdings</i>			<i>As at 31 December 2022</i>
	<i>As at 31 December 2021</i>	<i>Additions</i>	<i>Deductions</i>	
<b>Quoted investment</b>				
<i>Approved pooled investment fund</i>				
Schroder MPF Core 60/40 Fund - Class B	7,418,222	2,539,640	2,408,575	7,549,287

# Investment report for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

## Performance table

		2022			
		<i>Total net asset value</i>	<i>Net asset value per unit</i>	<i>Fund expense ratio %</i>	<i>Transaction cost</i>
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	165,453,680	11.26	1.14	-
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	283,522,066	16.86	2.12	-
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	183,644,971	16.62	1.85	-
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	220,136,980	21.31	1.69	-
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	214,126,981	22.88	1.91	-
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	494,517,773	44.98	1.98	-
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	56,925,649	16.41	1.20	164,377
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	36,846,705	10.29	0.90	-
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	99,717,204	12.33	0.86	-

# Investment report for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

## Performance table (continued)

		2021			
		<i>Total net asset value</i>	<i>Net asset value per unit</i>	<i>Fund expense ratio %</i>	<i>Transaction cost</i>
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	166,474,380	11.25	0.12	-
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	326,527,511	18.35	2.11	-
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	232,919,782	19.95	1.81	-
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	282,810,971	25.48	1.66	-
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	301,781,922	30.10	1.90	-
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	633,157,905	54.94	1.96	-
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	66,362,577	19.53	1.21	157,606
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	41,827,557	12.03	0.90	-
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	113,648,062	14.49	0.84	-

# Investment report for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

## Performance table (continued)

		2020			
		<i>Total net asset value</i>	<i>Net asset value per unit</i>	<i>Fund expense ratio %</i>	<i>Transaction cost</i>
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	177,593,493	11.25	0.78	-
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	353,231,775	18.83	2.13	-
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	246,773,625	20.31	1.86	-
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	293,058,116	25.48	1.70	-
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	274,199,586	26.12	1.86	-
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	779,793,030	65.66	2.01	-
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	54,564,505	17.79	1.22	153,176
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	34,794,649	11.91	0.91	-
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	87,481,933	13.22	0.93	-

# Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

## Performance table (continued)

		2022		
		Highest issue price	Lowest redemption price	Net investment return (Note 2) %
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.29	\$ 11.24	0.09
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	18.32	16.67	(8.12)
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	19.99	15.34	(16.69)
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	25.63	19.17	(16.37)
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	30.21	21.58	(23.99)
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	57.60	31.88	(18.13)
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	19.73	14.59	(15.98)
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	11.99	10.02	(14.46)
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	14.51	11.57	(14.91)

# Investment report for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

## Performance table (continued)

		2021		
		<i>Highest issue price</i>	<i>Lowest redemption price</i>	<i>Net investment return (Note 2) %</i>
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.25	\$ 11.25	0.00
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	19.18	18.35	(2.55)
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	21.25	19.63	(1.77)
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	27.41	24.86	0.00
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	30.43	25.82	15.24
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	78.58	52.78	(16.33)
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	20.09	17.70	9.78
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	12.12	11.64	1.01
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	14.52	13.11	9.61



# Investment report for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

## Performance table (continued)

		<i>2020</i>		
		<i>Highest issue price</i>	<i>Lowest redemption price</i>	<i>Net investment return (Note 2) %</i>
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.25	\$ 11.24	0.09
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	18.83	16.86	6.81
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	20.31	15.03	14.49
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	25.48	17.17	17.58
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	26.12	16.11	12.39
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	65.66	36.58	38.32
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	17.79	11.84	8.94
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	11.91	10.41	8.87
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	13.22	9.49	13.77

# Investment report for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

## Performance table (continued)

		2019		
		<i>Highest issue price</i>	<i>Lowest redemption price</i>	<i>Net investment return (Note 2) %</i>
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.24	\$ 11.20	0.36
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	17.68	16.90	4.07
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	17.75	15.82	11.36
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	21.69	18.69	14.60
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	23.28	18.12	26.17
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	48.43	39.63	16.23
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	16.35	13.09	21.50
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	10.97	10.04	8.96
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	11.66	10.08	14.48

# Investment report for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

## Performance table (continued)

		<i>2018</i>		
		<i>Highest issue price</i>	<i>Lowest redemption price</i>	<i>Net investment return (Note 2) %</i>
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.20	\$ 11.20	0.00
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	17.51	16.71	(2.14)
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	18.24	15.72	(8.24)
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	22.52	18.61	(10.42)
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	22.23	17.67	(11.48)
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	53.86	39.54	(15.23)
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	15.87	12.91	(7.95)
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio	10.30	9.95	(1.67)
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio	11.22	9.91	(5.93)

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Performance table (continued)

		2017		
		Highest issue price	Lowest redemption price	Net investment return (Note 2) %
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.20	\$ 11.20	0.00
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	17.34	16.41	5.48
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	17.36	14.99	15.89
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	21.11	17.51	20.90
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	20.84	17.51	19.19
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	48.95	35.22	37.74
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	14.63	11.50	27.96
(8)	Sun Life MPF Basic Scheme Age 65 Plus Portfolio (Note 1)	10.24	9.97	2.10
(9)	Sun Life MPF Basic Scheme Core Accumulation Portfolio (Note 1)	10.80	9.98	7.90

Note 1: Sun Life MPF Basic Scheme Age 65 Plus Portfolio and Sun Life MPF Basic Scheme Core Accumulation Portfolio were launched on 1 April 2017.

		2016		
		Highest issue price	Lowest redemption price	Net investment return (Note 2) %
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.20	\$ 11.20	0.00
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	16.97	16.18	0.06
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	15.70	14.10	0.74
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	18.10	15.66	2.40
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	17.68	15.15	1.93
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	37.54	28.65	2.73
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	11.66	9.34	7.14

# Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

## Performance table (continued)

		2015		
		Highest issue price	Lowest redemption price	Net investment return (Note 2) %
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.20	\$ 11.20	0.00
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	17.33	16.32	(2.55)
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	16.12	14.49	(2.49)
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	18.87	16.33	(2.24)
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	18.61	16.01	(1.15)
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	43.66	32.17	(6.30)
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	11.97	9.89	(2.74)
		2014		
		Highest issue price	Lowest redemption price	Net investment return (Note 2) %
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.20	\$ 11.19	0.00
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	16.98	16.34	2.56
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	15.70	14.67	0.86
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	18.10	16.49	1.22
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	17.72	15.80	4.02
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	38.45	32.72	2.48
(7)	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio (Note 3)	11.09	9.82	9.50

Note 3: Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio was launched on 17 February 2014.

## Investment report for the year ended 31 December 2022 (continued) (Expressed in Hong Kong dollars)

### Performance table (continued)

		2013		
		Highest issue price	Lowest redemption price	Net investment return (Note 2) %
(1)	Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 11.19	\$ 11.19	0.00
(2)	Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	16.85	15.99	(1.91)
(3)	Sun Life MPF Basic Scheme Stable Growth Portfolio	15.12	14.01	5.07
(4)	Sun Life MPF Basic Scheme Balanced Growth Portfolio	17.23	15.51	8.78
(5)	Sun Life MPF Basic Scheme International Equity Portfolio	16.66	13.68	24.24
(6)	Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	36.24	30.52	2.87

Note 2: The net investment return is calculated by comparing the net asset value per unit at the year end of current year against the net asset value per unit at the year end of preceding year, except that for first year, the actual net investment return for the relevant period should be shown without annualization but against the initial launch price of the portfolios of the HK\$10.00.

# Independent auditor's report to the Trustee of Sun Life MPF Basic Scheme

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Sun Life MPF Basic Scheme (the "Scheme") set out on pages 77 to 117, which comprise the statement of assets and liabilities attributable to members as at 31 December 2022, the statement of comprehensive income, the statement of changes in net assets attributable to members and the 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 2022, 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 ("HKSA") 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 to the Trustee of Sun Life MPF Basic Scheme (continued)

## **Report on the Audit of the Financial Statements (continued)**

### *Responsibilities of the Trustee 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 ("General Regulation").

### *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 to the Trustee of Sun Life MPF Basic Scheme (continued)

## 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 to the Trustee of Sun Life MPF Basic Scheme (continued)

## 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

28 JUN 2023

# Independent auditor's assurance report to the Trustee of Sun Life MPF Basic Scheme

We have audited the financial statements of Sun Life MPF Basic Scheme (the "Scheme") for the year ended 31 December 2022 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 **28 JUN 2023**

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 ("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 Authority") 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), 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 Management*

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 Management 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

# Independent auditor's assurance report to the Trustee of Sun Life MPF Basic Scheme (continued)

## *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.

# Independent auditor's assurance report to the Trustee of Sun Life MPF Basic Scheme (continued)

## *Opinion*

Based on the foregoing:

1. in our opinion:
  - a. proper accounting and other records have been kept during the year ended 31 December 2022 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 Authority 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 30 June 2022, 30 September 2022 and 31 December 2022;
  - 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 Sun Life MPF Basic Scheme Core Accumulation Portfolio and Sun Life MPF Basic Scheme Age 65 Plus Portfolio have been complied with, in all material respects, as at 30 June 2022, 30 September 2022 and 31 December 2022; and
  - d. the requirements specified in section 34DD(4)(b) of the MPFSO with respect to the controls of out-of-pocket expenses of the Sun Life MPF Basic Scheme Core Accumulation Portfolio and Sun Life MPF Basic Scheme Age 65 Plus Portfolio have been complied with, in all material respects, as at 31 December 2022.
2. as at 31 December 2022, 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), (5) with respect to locating scheme members relating to Sun Life MPF Basic Scheme Core Accumulation Portfolio and Sun Life MPF Basic Scheme Age 65 Plus Portfolio are not applicable to the Trustee during the year ended 31 December 2022 as the Trustee has completed the relevant transitional provisions. Accordingly, there is no reporting on this section.

# Independent auditor's assurance report to the Trustee of Sun Life MPF Basic Scheme (continued)

## *Intended Users and Purpose*

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



Certified Public Accountants

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

28 JUN 2023

## Statement of assets and liabilities attributable to members as at 31 December 2022



(Expressed in Hong Kong dollars)

	Note	Sun Life MPF Basic Scheme MPF Conservative Portfolio		Sun Life MPF Basic Scheme Capital Guaranteed Portfolio		Sun Life MPF Basic Scheme Stable Growth Portfolio		Sun Life MPF Basic Scheme Balanced Growth Portfolio		Sun Life MPF Basic Scheme International Equity Portfolio		Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Assets</b>													
Cash at bank		\$ 56,726,197	\$ 35,994,057	\$ 2,948,250	\$ 1,436,889	\$ 1,875,419	\$ 824,375	\$ 2,114,620	\$ 1,114,482	\$ 2,266,444	\$ 1,941,939	\$ 4,216,853	\$ 2,260,761
Amounts receivable on sales of investments		-	-	87,592	193,630	144,616	174,943	370,402	131,880	93,885	63,739	177,835	142,632
Amounts receivable on subscriptions		36,061	-	-	-	-	13,049	-	-	-	2,424	144,756	628,387
Contributions receivable		-	-	-	-	-	-	-	-	-	-	-	-
Interest, dividend and other receivables		195,021	2,643	52	1	138,406	183,056	164,580	223,130	69,620	95,590	353,171	546,452
Investments		109,427,941	131,230,340	281,011,709	325,688,204	181,960,680	232,212,743	218,148,577	281,813,071	212,158,350	300,839,153	490,675,100	630,620,919
<b>Total assets</b>		<b>\$ 166,385,220</b>	<b>\$ 167,227,040</b>	<b>\$ 284,047,603</b>	<b>\$ 327,318,724</b>	<b>\$ 184,119,121</b>	<b>\$ 233,408,166</b>	<b>\$ 220,798,179</b>	<b>\$ 283,282,563</b>	<b>\$ 214,588,299</b>	<b>\$ 302,942,845</b>	<b>\$ 495,567,715</b>	<b>\$ 634,199,151</b>
<b>Liabilities</b>													
Amounts payable on redemptions		\$ 262,808	\$ 733,653	\$ 161,125	\$ 418,074	\$ 181,857	\$ 166,369	\$ 353,970	\$ 131,115	\$ 121,309	\$ 755,399	\$ 293,976	\$ 135,348
Benefits and forfeitures payable		-	-	-	-	-	-	-	-	-	-	-	-
Amounts payable on purchases of investments		-	-	-	-	-	-	-	-	-	-	-	-
Accruals and other payables		668,732	19,007	364,412	373,139	292,293	322,015	307,229	340,477	340,009	405,524	755,966	905,898
<b>Liabilities (excluding net assets attributable to members)</b>		<b>\$ 931,540</b>	<b>\$ 752,660</b>	<b>\$ 525,537</b>	<b>\$ 791,213</b>	<b>\$ 474,150</b>	<b>\$ 488,384</b>	<b>\$ 661,199</b>	<b>\$ 471,592</b>	<b>\$ 461,318</b>	<b>\$ 1,160,923</b>	<b>\$ 1,049,942</b>	<b>\$ 1,041,246</b>
<b>Net assets attributable to members</b>		<b>\$ 165,453,680</b>	<b>\$ 166,474,380</b>	<b>\$ 283,522,066</b>	<b>\$ 326,527,511</b>	<b>\$ 183,644,971</b>	<b>\$ 232,919,782</b>	<b>\$ 220,136,980</b>	<b>\$ 282,810,971</b>	<b>\$ 214,126,981</b>	<b>\$ 301,781,922</b>	<b>\$ 494,517,773</b>	<b>\$ 633,157,905</b>
<b>Number of units in issue</b>	3	14,696,581.4409	14,799,599.0607	16,820,333.0908	17,791,820.2105	11,049,259.9514	11,677,071.8717	10,327,922.7051	11,100,119.8359	9,357,181.6187	10,027,050.8263	10,995,077.3225	11,524,466.6078
<b>Net assets attributable to members per unit</b>		<b>11.26</b>	<b>11.25</b>	<b>16.86</b>	<b>18.35</b>	<b>16.62</b>	<b>19.95</b>	<b>21.31</b>	<b>25.48</b>	<b>22.88</b>	<b>30.10</b>	<b>44.98</b>	<b>54.94</b>

Statement of assets and liabilities attributable to members as at 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

	Note	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio		Sun Life MPF Basic Scheme Age 65 Plus Portfolio		Sun Life MPF Basic Scheme Core Accumulation Portfolio		Scheme		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Assets</b>											
Cash at bank		\$ 84,041	\$ 122,026	\$ 370,837	\$ 350,990	\$ 1,021,700	\$ 433,959	\$ 4,765,479	\$ 4,926,648	\$ 76,389,840	\$ 49,406,126
Amounts receivable on sales of investments		881,582	-	183,157	95,525	148,432	219,968	-	-	2,087,501	1,022,317
Amounts receivable on subscriptions		12,020	-	133,733	820,384	85,704	115,125	(412,274)	(1,579,369)	-	-
Contributions receivable		-	-	-	-	-	-	9,500,939	10,832,678	9,500,939	10,832,678
Interest, dividend and other receivables		108,637	98,005	7	1	18	-	-	-	1,029,512	1,148,878
Investments		56,797,896	66,326,857	36,372,535	40,712,793	98,744,673	113,202,064	-	-	1,685,297,461	2,122,646,144
<b>Total assets</b>		<b>\$ 57,884,176</b>	<b>\$ 66,546,888</b>	<b>\$ 37,060,269</b>	<b>\$ 41,979,693</b>	<b>\$ 100,000,527</b>	<b>\$ 113,971,116</b>	<b>\$ 13,854,144</b>	<b>\$ 14,179,957</b>	<b>\$ 1,774,305,253</b>	<b>\$ 2,185,056,143</b>
<b>Liabilities</b>											
Amounts payable on redemptions		\$ 9,781	\$ 120,182	\$ 181,518	\$ 115,125	\$ 152,512	\$ 210,200	\$ (1,718,856)	\$ (2,785,465)	\$ -	\$ -
Benefits and forfeitures payable		-	-	-	-	-	-	2,405,509	3,932,735	2,405,509	3,932,735
Amounts payable on purchases of investments		893,153	-	-	-	-	-	-	-	893,153	-
Accruals and other payables		55,593	64,129	32,046	37,011	130,811	112,854	3,447,947	1,966,388	6,395,038	4,546,442
<b>Liabilities (excluding net assets attributable to members)</b>		<b>\$ 958,527</b>	<b>\$ 184,311</b>	<b>\$ 213,564</b>	<b>\$ 152,136</b>	<b>\$ 283,323</b>	<b>\$ 323,054</b>	<b>\$ 4,134,600</b>	<b>\$ 3,113,658</b>	<b>\$ 9,693,700</b>	<b>\$ 8,479,177</b>
<b>Net assets attributable to members</b>		<b>\$ 56,925,649</b>	<b>\$ 66,362,577</b>	<b>\$ 36,846,705</b>	<b>\$ 41,827,557</b>	<b>\$ 99,717,204</b>	<b>\$ 113,648,062</b>	<b>\$ 9,719,544</b>	<b>\$ 11,066,299</b>	<b>\$ 1,764,611,553</b>	<b>\$ 2,176,576,966</b>
<b>Number of units in issue</b>	3	<b>3,468,028.5231</b>	<b>3,398,022.0111</b>	<b>3,579,413.8902</b>	<b>3,477,929.1152</b>	<b>8,085,559.3410</b>	<b>7,842,683.0809</b>				
<b>Net assets attributable to members per unit</b>		<b>16.41</b>	<b>19.53</b>	<b>10.29</b>	<b>12.03</b>	<b>12.33</b>	<b>14.49</b>				

Approved and authorised for issue by the Trustee on 28 JUN 2023



  
 )  
 ) For and on behalf of  
 ) Sun Life Pension Trust Limited  
 )  
 )

The notes on pages 84 to 117 are an integral part of the financial statements.



## Statement of comprehensive income for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	Sun Life MPF Basic Scheme MPF Conservative Portfolio		Sun Life MPF Basic Scheme Capital Guaranteed Portfolio		Sun Life MPF Basic Scheme Stable Growth Portfolio		Sun Life MPF Basic Scheme Balanced Growth Portfolio		Sun Life MPF Basic Scheme International Equity Portfolio		Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Income</b>													
Net gain/(loss) on investments	5	\$ 1,320,291	\$ 135,986	\$ (22,748,627)	\$ (4,702,190)	\$ (36,056,047)	\$ (1,425,885)	\$ (43,246,805)	\$ 2,968,190	\$ (67,422,182)	\$ 43,737,001	\$ (104,781,526)	\$ (112,373,448)
Management fee rebate		-	-	-	-	605,820	814,403	725,855	991,400	900,524	1,180,726	1,654,126	2,640,523
Interest income		670,695	20,605	2,647	16	1,675	8	1,855	12	2,061	14	3,684	23
Dividend income		-	-	-	-	-	-	-	-	-	-	-	-
Other miscellaneous income		-	-	-	-	-	-	-	-	-	8	-	-
Exchange gain		-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income/(loss)</b>		<b>\$ 1,990,986</b>	<b>\$ 156,591</b>	<b>\$ (22,745,980)</b>	<b>\$ (4,702,174)</b>	<b>\$ (35,448,552)</b>	<b>\$ (611,474)</b>	<b>\$ (42,519,095)</b>	<b>\$ 3,959,602</b>	<b>\$ (66,519,597)</b>	<b>\$ 44,917,749</b>	<b>\$ (103,123,716)</b>	<b>\$ (109,732,902)</b>
<b>Expenses</b>													
Administration fees	7(a)	\$ (1,214,333)	\$ -	\$ (2,567,419)	\$ (2,908,355)	\$ (1,673,335)	\$ (2,068,466)	\$ (2,003,263)	\$ (2,516,905)	\$ (2,046,956)	\$ (2,466,539)	\$ (4,356,305)	\$ (6,368,695)
Management fees	8(b)	(300,767)	(43,549)	-	-	-	-	-	-	-	-	-	-
Trustee fees	7(c)	(280,765)	(153,650)	(453,074)	(513,239)	(295,294)	(365,023)	(353,517)	(444,160)	(361,228)	(435,272)	(768,760)	(1,123,887)
Custodian fees		-	-	-	-	-	-	-	-	-	-	-	-
Auditor's remuneration		(21,707)	-	(65,556)	(51,065)	(65,556)	(51,065)	(65,556)	(51,065)	(65,556)	(51,065)	(65,556)	(51,065)
SFC annual fees		-	-	(833)	(833)	(833)	(833)	(833)	(833)	(833)	(833)	(833)	(833)
MPF insurance indemnity premiums		(4,270)	-	(13,464)	(6,876)	(9,011)	(4,699)	(10,757)	(5,546)	(11,224)	(5,211)	(23,670)	(14,473)
Publishing fees		-	-	(5,640)	(5,465)	(5,640)	(5,465)	(5,640)	(5,465)	(5,640)	(5,465)	(5,640)	(5,465)
Bank charges		-	(2,824)	-	(124)	-	(123)	-	(123)	-	(123)	-	(123)
Other expenses		(7,831)	-	(58,083)	(43,882)	(38,173)	(31,073)	(45,994)	(37,870)	(47,161)	(36,390)	(100,284)	(98,490)
Transaction cost		-	-	-	-	-	-	-	-	-	-	-	-
Fund administration fees	8(a)	(25,350)	-	(69,521)	(88,006)	(45,350)	(62,543)	(54,300)	(76,037)	(55,503)	(73,974)	(118,155)	(194,835)
Accounting fees	8(a)	-	-	-	(1,504)	-	(1,504)	-	(1,503)	-	(1,504)	-	(1,504)
Sponsor fees	7(b)	-	-	(302,049)	(342,160)	(610,275)	(754,382)	(362,944)	(456,004)	(818,782)	(986,616)	(2,665,033)	(3,896,142)
Valuation fees	8(a)	-	-	-	(997)	-	(997)	-	(997)	-	(997)	-	(997)
<b>Total operating expenses</b>		<b>\$ (1,855,023)</b>	<b>\$ (200,023)</b>	<b>\$ (3,535,639)</b>	<b>\$ (3,962,506)</b>	<b>\$ (2,743,467)</b>	<b>\$ (3,346,173)</b>	<b>\$ (2,902,804)</b>	<b>\$ (3,596,508)</b>	<b>\$ (3,412,883)</b>	<b>\$ (4,063,989)</b>	<b>\$ (8,104,236)</b>	<b>\$ (11,756,509)</b>
<b>Increase/(decrease) in net assets attributable to members</b>		<b>\$ 135,963</b>	<b>\$ (43,432)</b>	<b>\$ (26,281,619)</b>	<b>\$ (8,664,680)</b>	<b>\$ (38,192,019)</b>	<b>\$ (3,957,647)</b>	<b>\$ (45,421,899)</b>	<b>\$ 363,094</b>	<b>\$ (69,932,480)</b>	<b>\$ 40,853,760</b>	<b>\$ (111,227,952)</b>	<b>\$ (121,489,411)</b>

## Statement of comprehensive income for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

	Note	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio		Sun Life MPF Basic Scheme Age 65 Plus Portfolio		Sun Life MPF Basic Scheme Core Accumulation Portfolio		Scheme		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Income</b>											
Net gain/(loss) on investments	5	\$ (11,152,552)	\$ 5,444,463	\$ (5,666,837)	\$ 699,843	\$ (15,995,777)	\$ 9,752,507	\$ -	\$ -	\$ (305,750,062)	\$ (55,763,533)
Management fee rebate		-	-	-	-	-	-	-	-	3,886,325	5,627,052
Interest income		345	2	366	4	957	5	85	93	684,370	20,782
Dividend Income		1,334,059	1,163,861	-	-	-	-	-	-	1,334,059	1,163,861
Other miscellaneous income		-	10,494	-	-	-	-	-	-	-	10,502
Exchange gain		(923)	1,326	-	-	-	-	-	-	(923)	1,326
<b>Total Income/(loss)</b>		<b>\$ (9,819,071)</b>	<b>\$ 6,620,146</b>	<b>\$ (5,666,471)</b>	<b>\$ 699,847</b>	<b>\$ (15,994,820)</b>	<b>\$ 9,752,512</b>	<b>\$ 85</b>	<b>\$ 93</b>	<b>\$ (299,846,231)</b>	<b>\$ (48,940,010)</b>
<b>Expenses</b>											
Administration fees	7(a)	\$ (444,832)	\$ (502,169)	\$ (150,098)	\$ (151,389)	\$ (407,156)	\$ (393,193)	\$ -	\$ -	\$ (14,863,697)	\$ (17,375,711)
Management fees	8(b)	(117,499)	(116,706)	(93,811)	(94,618)	(254,473)	(245,746)	-	-	(766,550)	(500,619)
Trustee fees	7(c)	(78,500)	(88,618)	(22,515)	(22,708)	(61,073)	(58,979)	-	-	(2,674,726)	(3,205,536)
Custodian fees		-	-	(8,640)	(9,614)	(23,435)	(24,895)	-	-	(32,075)	(34,509)
Auditor's remuneration		-	-	(41,555)	(41,371)	(52,400)	(47,483)	-	-	(443,442)	(344,179)
SFC annual fees		-	-	(777)	(677)	(833)	(777)	-	-	(5,775)	(5,619)
MPF insurance indemnity premiums		-	-	(680)	(710)	(2,007)	(2,181)	-	-	(75,083)	(39,696)
Publishing fees		-	-	(5,257)	(4,522)	(5,640)	(5,190)	-	-	(39,097)	(37,037)
Bank charges		-	-	-	-	-	-	(300)	(1,100)	(300)	(4,540)
Other expenses		-	-	(6,752)	(3,813)	(40,908)	(11,153)	(14,800)	(8,400)	(359,986)	(271,071)
Transaction cost		(164,377)	(157,606)	-	-	-	-	-	-	(164,377)	(157,606)
Fund administration fees	8(a)	-	-	-	-	-	-	-	-	(368,179)	(495,395)
Accounting fees	8(a)	-	-	-	-	-	-	-	-	-	(7,519)
Sponsor fees	7(b)	-	-	-	-	-	-	-	-	(4,759,083)	(6,435,304)
Valuation fees	8(a)	-	-	-	-	-	-	-	-	-	(4,985)
<b>Total operating expenses</b>		<b>\$ (805,208)</b>	<b>\$ (865,099)</b>	<b>\$ (330,085)</b>	<b>\$ (329,422)</b>	<b>\$ (847,925)</b>	<b>\$ (789,597)</b>	<b>\$ (15,100)</b>	<b>\$ (9,500)</b>	<b>\$ (24,552,370)</b>	<b>\$ (28,919,326)</b>
<b>Increase/(decrease) in net assets attributable to members</b>		<b>\$ (10,624,279)</b>	<b>\$ 5,755,047</b>	<b>\$ (5,996,556)</b>	<b>\$ 370,425</b>	<b>\$ (16,842,745)</b>	<b>\$ 8,962,915</b>	<b>\$ (15,015)</b>	<b>\$ (9,407)</b>	<b>\$ (324,398,601)</b>	<b>\$ (77,859,336)</b>

The notes on pages 84 to 117 are an integral part of the financial statements.

## Statement of changes in net assets attributable to members for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	Sun Life MPF Basic Scheme MPF Conservative Portfolio		Sun Life MPF Basic Scheme Capital Guaranteed Portfolio		Sun Life MPF Basic Scheme Stable Growth Portfolio		Sun Life MPF Basic Scheme Balanced Growth Portfolio		Sun Life MPF Basic Scheme International Equity Portfolio		Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Balance at the beginning of the year</b>		\$ 166,474,380	\$ 177,593,493	\$ 326,527,511	\$ 353,231,775	\$ 232,919,782	\$ 246,773,625	\$ 282,810,971	\$ 293,058,116	\$ 301,781,922	\$ 274,199,586	\$ 633,157,905	\$ 779,793,030
Proceeds on subscriptions of units	12	\$ 37,370,391	\$ 39,572,550	\$ 23,618,090	\$ 30,178,207	\$ 14,102,916	\$ 18,691,006	\$ 13,861,239	\$ 21,364,667	\$ 13,608,506	\$ 18,070,906	\$ 46,451,520	\$ 68,700,877
Payments on redemptions of units	13	(38,527,054)	(50,648,231)	(40,341,916)	(48,217,791)	(25,185,708)	(28,587,202)	(31,113,331)	(31,974,906)	(31,330,967)	(31,342,330)	(73,863,700)	(93,846,591)
<b>Net (redemption)/subscriptions</b>		\$ (1,156,663)	\$ (11,075,681)	\$ (16,723,826)	\$ (18,039,584)	\$ (11,082,792)	\$ (9,896,196)	\$ (17,252,092)	\$ (10,610,239)	\$ (17,722,461)	\$ (13,271,424)	\$ (27,412,180)	\$ (25,145,714)
<b>Increase/(decrease) in net assets attributable to members</b>		\$ 135,963	\$ (43,432)	\$ (26,281,619)	\$ (8,664,680)	\$ (38,192,019)	\$ (3,957,647)	\$ (45,421,899)	\$ 363,094	\$ (69,932,480)	\$ 40,853,760	\$ (111,227,952)	\$ (121,489,411)
<b>Balance at the end of the year</b>		\$ 165,453,680	\$ 166,474,380	\$ 283,522,066	\$ 326,527,511	\$ 183,644,971	\$ 232,919,782	\$ 220,136,980	\$ 282,810,971	\$ 214,126,981	\$ 301,781,922	\$ 494,517,773	\$ 633,157,905

Statement of changes in net assets attributable to members for the year ended 31 December 2022 (continued)  
(Expressed in Hong Kong dollars)

	Note	Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio		Sun Life MPF Basic Scheme Age 65 Plus Portfolio		Sun Life MPF Basic Scheme Core Accumulation Portfolio		Scheme		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Balance at the beginning of the year</b>		\$ 66,362,577	\$ 54,564,505	\$ 41,827,557	\$ 34,794,649	\$ 113,648,062	\$ 87,481,933	\$ 11,066,299	\$ 10,633,345	\$ 2,176,576,966	\$ 2,312,124,057
Proceeds on subscriptions of units	12	\$ 10,477,347	\$ 19,952,687	\$ 18,581,697	\$ 21,621,491	\$ 33,047,895	\$ 42,058,483	\$ (75,258,312)	\$ (112,411,815)	\$ 135,861,289	\$ 167,799,059
Payments on redemptions of units	13	(9,289,996)	(13,909,662)	(17,565,993)	(14,959,008)	(30,136,008)	(24,855,269)	73,926,572	112,854,176	(223,428,101)	(225,486,814)
<b>Net (redemption)/subscriptions</b>		\$ 1,187,351	\$ 6,043,025	\$ 1,015,704	\$ 6,662,483	\$ 2,911,887	\$ 17,203,214	\$ (1,331,740)	\$ 442,361	\$ (87,566,812)	\$ (57,687,755)
<b>Increase/(decrease) in net assets attributable to members</b>		\$ (10,624,279)	\$ 5,755,047	\$ (5,996,556)	\$ 370,425	\$ (16,842,745)	\$ 8,962,915	\$ (15,015)	\$ (9,407)	\$ (324,398,601)	\$ (77,859,336)
<b>Balance at the end of the year</b>		\$ 56,925,649	\$ 66,362,577	\$ 36,846,705	\$ 41,827,557	\$ 99,717,204	\$ 113,648,062	\$ 9,719,544	\$ 11,066,299	\$ 1,764,611,553	\$ 2,176,576,966

The notes on pages 84 to 117 are an integral part of the financial statements.

## Cash flow statement for the year ended 31 December 2022 (Expressed in Hong Kong dollars)

	Note	2022	2021
<b>Cash flows from operating activities</b>			
Decrease in net assets attributable to members		\$ (324,398,601)	\$ (77,859,336)
Adjustments for:			
Net decrease/(increase) in investments		437,348,683	(187,142)
Net increase in bank deposits with original maturity over 3 months		(10,158,432)	(9,925,535)
Change in amounts receivable/payable on sales/purchases of investments		(172,031)	1,712,822
Net decrease/(increase) in interest, dividend and other receivables		119,366	(378,914)
Net increase/(decrease) in accruals and other payables		1,848,596	(1,245,942)
		<u>1,848,596</u>	<u>(1,245,942)</u>
<b>Net cash inflow/(outflow) from operating activities</b>		<u>\$ 104,587,581</u>	<u>\$ (87,884,047)</u>
<b>Cash flows from financing activities</b>			
Contributions and transfers in received		\$ 137,193,028	\$ 167,356,698
Benefits and transfers out paid	9	(224,651,310)	(230,151,623)
Forfeitures paid	9	(304,017)	(332,167)
		<u>(304,017)</u>	<u>(332,167)</u>
<b>Net cash outflow from financing activities</b>		<u>\$ (87,762,299)</u>	<u>\$ (63,127,092)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		\$ 16,825,282	\$ (151,011,139)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>34,904,291</u>	<u>185,915,430</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>\$ 51,729,573</u>	<u>\$ 34,904,291</u>
<b>Analysis of balance of cash and cash equivalents:</b>			
Cash at bank		\$ 76,389,840	\$ 49,406,126
Less: Bank deposits with original maturity over 3 months		<u>(24,660,267)</u>	<u>(14,501,835)</u>
		<u>\$ 51,729,573</u>	<u>\$ 34,904,291</u>

The notes on pages 84 to 117 are an integral part of the financial statements.

# Notes to the financial statements

(Expressed in Hong Kong dollars)

## 1 The Scheme

Sun Life MPF Basic Scheme (the “Scheme”) is a master trust scheme established and governed by a Trust Deed dated 31 January 2000, as amended from time to time. The Scheme is registered under Section 21 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “MPF Ordinance”) and is required to comply with the MPF Ordinance and the relevant regulations, guidelines and codes issued by the Hong Kong Mandatory Provident Fund Schemes Authority (the “MPFA” or “Authority”).

The Scheme consists of nine constituent funds which are presented separately on the face of the statement of assets and liabilities attributable to members, the statement of comprehensive income and the statement of changes in net assets attributable to members.

The nine constituent funds operating in the current and previous year are:

- (1) Sun Life MPF Basic Scheme MPF Conservative Portfolio
- (2) Sun Life MPF Basic Scheme Capital Guaranteed Portfolio
- (3) Sun Life MPF Basic Scheme Stable Growth Portfolio
- (4) Sun Life MPF Basic Scheme Balanced Growth Portfolio
- (5) Sun Life MPF Basic Scheme International Equity Portfolio
- (6) Sun Life MPF Basic Scheme Hong Kong Equity Portfolio
- (7) Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio
- (8) Sun Life MPF Basic Scheme Age 65 Plus Portfolio
- (9) Sun Life MPF Basic Scheme Core Accumulation Portfolio

The “Scheme” column represents:

- (i) the movement between the current year-end and prior year-end for contributions receivable and contributions surcharge receivable. Contributions receivable and contributions surcharge receivable are contributions due, but not yet received from employers and members as at year-end;
- (ii) the timing difference between contribution and redemption requests being received by the Scheme and the transactions being processed by the constituent funds;
- (iii) expenses charged to, and income received by, the Scheme and not attributable to specific constituent funds; and
- (iv) the elimination of the impact of fund switching between constituent funds and fund classes.

## 1 The Scheme (continued)

As at 31 December 2022, with the exception of the Sun Life MPF Basic Scheme MPF Conservative Portfolio, the constituent funds invested in one or more underlying funds managed by various investment managers. The underlying funds in which the constituent funds invest shall be referred to as the “Investment Funds”.

All the Investment Funds are either pooled investments under Part 4 of Schedule 1 of the Mandatory Provident Fund Schemes (General) Regulation (the “Regulation”) or index-tracking collective investment schemes approved by the Authority pursuant to the Regulation (“Approved ITCISs”).

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) *Statement of compliance*

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the “HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the relevant provisions of the Trust Deed, as amended from time to time, and the relevant disclosure requirements set out in the MPF Ordinance, the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the “General Regulation”), the Hong Kong Code on MPF Investments Funds (the “MPF Code”) and Guideline II.4 (the “MPF Guideline”) 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 2(c) 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*

The financial statements are presented in Hong Kong dollars.

The measurement basis used in the preparation of the financial statements is historical cost basis except that financial assets and financial liabilities are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with the HKFRSs requires the Trustee to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. 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.

## 2 Summary of significant accounting policies (continued)

### (b) *Basis of preparation (continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (c) *Changes in accounting policies*

A number of new standards are effective from 1 January 2022 but they do not have a material effect on the Scheme's financial statements.

The Scheme has consistently applied the accounting policies as set out in note 2 to all periods presented in these financial statements.

### (d) *Financial assets and financial liabilities*

#### (i) Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") 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 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 Summary of significant accounting policies (continued)

### (d) Financial assets and financial liabilities (continued)

#### (ii) Classification (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, dividend receivables, interest receivables 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 designated by the Trustee as "financial assets at FVTPL" 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.

## 2 Summary of significant accounting policies (continued)

### (d) *Financial assets and financial liabilities (continued)*

#### (iii) Measurement (continued)

Investments in debt securities are presented inclusive of accrued interest.

Forward foreign exchange contracts are recognised initially on trade date at fair value. Outstanding forward foreign exchange contracts are valued at the year end date by reference to the forward rate of exchange applicable to the outstanding term of the contracts. Unrealised gains and losses on outstanding contracts and realised gains and losses on closed contracts are included in the “net gain/(loss) on investments” in the statement of comprehensive income.

#### (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 loss 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.

## 2 Summary of significant accounting policies (continued)

### (d) Financial assets and financial liabilities (continued)

#### (vi) Impairment (continued)

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.

#### (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 assets and liabilities, 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 assets and liabilities 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 Summary of significant accounting policies (continued)**

### **(d) Financial assets and financial liabilities (continued)**

### **(e) Income and expenses**

Realised and unrealised gains or losses on investments are included in the statement of comprehensive income. Realised gains or losses include net gains or losses on contracts which have been settled or for which offsetting contracts have been entered into.

Interest income on assets other than those designated by the trustee as “financial assets at FVTPL” at inception is recognised on a time-apportioned basis using the effective interest method.

Expenses are accounted for on an accrual basis.

### **(f) Translation of foreign currencies**

#### *Functional and presentation currency*

Items included in the financial statements of the Scheme and its constituent funds are measured using the currency of the primary economic environment in which they operate (the “functional currency”). This is the Hong Kong dollar as all contributions and benefit payments, subscriptions and redemptions of units, reporting to the members as well as settlement of fees and expenses are carried out in Hong Kong dollars.

The Scheme and its constituent funds have adopted the Hong Kong dollar as their presentation currency as all members are based in Hong Kong.

### **(g) Subscription and redemption of units**

The price at which units are subscribed or redeemed is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Proceeds and payments for units subscribed and redeemed are included in the statement of changes in net assets attributable to members of the constituent funds.

### **(h) 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, net of bank overdrafts, if any, for the purpose of the cash flow statement.

### **(i) Amounts receivable on sales of investments**

Amounts receivable on sales of investments represent receivables for investments sold that have been contracted for but not yet delivered by the end of the year.

Amounts receivable on sales of investments are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate.

## 2 Summary of significant accounting policies (continued)

### (j) **Amounts payable on purchases of investments**

Amounts payable on purchases of investments represent payables for investments purchased that have been contracted for but not yet delivered by the end of the year.

Amounts payable on purchases of investments are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate.

### (k) **Contributions**

Contributions are accounted for on an accrual basis.

### (l) **Benefits**

Benefits are accounted for on an accrual basis.

### (m) **Transfer values**

Transfer values are accounted for on the effective date of transfer.

### (n) **Forfeitures**

If a member ceases to be a member, the part of the employer's voluntary balance not otherwise disposed of in accordance with the rules of the Scheme may be applied in reducing the future contributions of the employer, or in such other manner as the trustee may determine, having consulted the employers (including payment to the employers). Forfeitures arising from such cases which have not been designated for the benefit of existing members and which have not been returned to the employers would be treated as liabilities of the Scheme.

### (o) **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;

## 2 Summary of significant accounting policies (continued)

### (o) *Related parties (continued)*

- (2) An entity is related to the Scheme if any of the following conditions applies: (continued)
- (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 an entity related to the Scheme;
  - (vi) The entity is controlled or jointly controlled by a person identified in (1); or
  - (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).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Scheme or to the Scheme's parent.

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.

### (p) *Units in issue*

The Scheme classifies financial instruments issued 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 instruments if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Scheme's net assets in the event of its 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 is 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 the Scheme over the life of the instrument.

## 2 Summary of significant accounting policies (continued)

### (p) Units in issue (continued)

In addition to the instrument having all the above features, the Scheme must have no other financial instrument or contract that has:

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or change in the fair value of the recognised and unrecognised net assets of the Scheme; and
- the effect of substantially restricting or fixing the residual return to the puttable instrument holders.

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.

## 3 Number of units in issue

	2022	2021
<b>Sun Life MPF</b>		
<b>Basic Scheme MPF Conservative Portfolio</b>		
Balance at the beginning of the year	14,799,599.0607	15,784,104.0871
Units issued	3,321,382.9326	3,517,559.9543
Units redeemed	<u>(3,424,400.5524)</u>	<u>(4,502,064.9807)</u>
Balance at the end of the year	<u>14,696,581.4409</u>	<u>14,799,599.0607</u>
<b>Sun Life MPF</b>		
<b>Basic Scheme Capital Guaranteed Portfolio</b>		
Balance at the beginning of the year	17,791,820.2105	18,757,333.0909
Units issued	1,352,804.0103	1,609,730.6256
Units redeemed	<u>(2,324,291.1300)</u>	<u>(2,575,243.5060)</u>
Balance at the end of the year	<u>16,820,333.0908</u>	<u>17,791,820.2105</u>
<b>Sun Life MPF</b>		
<b>Basic Scheme Stable Growth Portfolio</b>		
Balance at the beginning of the year	11,677,071.8717	12,152,175.4448
Units issued	811,345.7413	909,682.8261
Units redeemed	<u>(1,439,157.6616)</u>	<u>(1,384,786.3992)</u>
Balance at the end of the year	<u>11,049,259.9514</u>	<u>11,677,071.8717</u>

### 3 Number of units in issue (continued)

	2022	2021
<b>Sun Life MPF</b>		
<b>Basic Scheme Balanced Growth Portfolio</b>		
Balance at the beginning of the year	11,100,119.8359	11,500,836.7899
Units issued	627,079.8808	812,248.2370
Units redeemed	<u>(1,399,277.0116)</u>	<u>(1,212,965.1910)</u>
Balance at the end of the year	<u>10,327,922.7051</u>	<u>11,100,119.8359</u>
<b>Sun Life MPF</b>		
<b>Basic Scheme International Equity Portfolio</b>		
Balance at the beginning of the year	10,027,050.8263	10,499,379.6874
Units issued	538,543.2956	639,812.5247
Units redeemed	<u>(1,208,412.5032)</u>	<u>(1,112,141.3858)</u>
Balance at the end of the year	<u>9,357,181.6187</u>	<u>10,027,050.8263</u>
<b>Sun Life MPF</b>		
<b>Basic Scheme Hong Kong Equity Portfolio</b>		
Balance at the beginning of the year	11,524,466.6078	11,876,916.5699
Units issued	1,026,796.5820	1,078,387.4384
Units redeemed	<u>(1,556,185.8673)</u>	<u>(1,430,837.4005)</u>
Balance at the end of the year	<u>10,995,077.3225</u>	<u>11,524,466.6078</u>
<b>Sun Life MPF</b>		
<b>Basic Scheme US &amp; Hong Kong Equity Portfolio</b>		
Balance at the beginning of the year	3,398,022.0111	3,067,980.0008
Units issued	618,111.1337	1,054,394.9084
Units redeemed	<u>(548,104.6217)</u>	<u>(724,352.8981)</u>
Balance at the end of the year	<u>3,468,028.5231</u>	<u>3,398,022.0111</u>



### 3 Number of units in issue (continued)

	2022	2021
<b>Sun Life MPF</b>		
<b>Basic Scheme Age 65 Plus Portfolio</b>		
Balance at the beginning of the year	3,477,929.1152	2,920,556.2673
Units issued	1,706,235.6395	1,814,245.4214
Units redeemed	<u>(1,604,750.8645)</u>	<u>(1,256,872.5735)</u>
Balance at the end of the year	<u>3,579,413.8902</u>	<u>3,477,929.1152</u>
<b>Sun Life MPF</b>		
<b>Basic Scheme Core Accumulation Portfolio</b>		
Balance at the beginning of the year	7,842,683.0809	6,617,801.1801
Units issued	2,555,059.8190	3,012,053.2653
Units redeemed	<u>(2,312,183.5589)</u>	<u>(1,787,171.3645)</u>
Balance at the end of the year	<u>8,085,559.3410</u>	<u>7,842,683.0809</u>

### 4 Financial risk management

The Scheme and its constituent funds are exposed to various risks which are discussed below.

#### (a) Market risk

The Scheme's investment objective is to provide members with reasonable investment return or capital appreciation from their investment in accordance to the investment policies as set out in the investment report. The holding of securities and investing activities undertaken pursuant to this objective involves certain inherent risks of global investment markets.

#### (b) Price risk

Price risk is the risk that value of 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 is exposed to other price risk arising from changes in net assets of the Investment Funds.

The Investment Funds strive to invest in strong businesses with quality management and at sensible prices. Price risk is mitigated and monitored by the investment manager of the Investment Funds on a regular basis by constructing a diversified portfolio of investments across different issuers, sectors and markets.

## 4 Financial risk management (continued)

### (b) Price risk (continued)

#### Sensitivity analysis

As at the reporting date, the investments in Investment Funds held by each constituent fund were as follows. A 5% (2021: 5%) increase in prices of the investments held by each constituent fund at the reporting date, with all other variables held constant, would have increased the net assets of the respective constituent fund and the changes in net assets attributable to members by the amount shown below. A 5% (2021: 5%) decrease in prices would have an equal but opposite effect. The analysis is performed on the same basis for 2021.

	2022							
	<i>Sun Life MPF Basic Scheme Capital Guaranteed Portfolio</i>	<i>Sun Life MPF Basic Scheme Stable Growth Portfolio</i>	<i>Sun Life MPF Basic Scheme Balanced Growth Portfolio</i>	<i>Sun Life MPF Basic Scheme International Equity Portfolio</i>	<i>Sun Life MPF Basic Scheme Hong Kong Equity Portfolio</i>	<i>Sun Life MPF Basic Scheme US &amp; Hong Kong Equity Portfolio</i>	<i>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</i>	<i>Sun Life MPF Basic Scheme Core Accumulation Portfolio</i>
Investments	\$ 281,011,709	\$ 181,960,680	\$ 218,148,577	\$ 212,158,350	\$ 490,675,100	\$ 56,797,896	\$ 36,372,535	\$ 98,744,673
Increase in net assets and changes in net assets attributable to members	<u>14,050,585</u>	<u>9,098,034</u>	<u>10,907,429</u>	<u>10,607,918</u>	<u>24,533,755</u>	<u>2,839,895</u>	<u>1,818,627</u>	<u>4,937,234</u>
	2021							
	<i>Sun Life MPF Basic Scheme Capital Guaranteed Portfolio</i>	<i>Sun Life MPF Basic Scheme Stable Growth Portfolio</i>	<i>Sun Life MPF Basic Scheme Balanced Growth Portfolio</i>	<i>Sun Life MPF Basic Scheme International Equity Portfolio</i>	<i>Sun Life MPF Basic Scheme Hong Kong Equity Portfolio</i>	<i>Sun Life MPF Basic Scheme US &amp; Hong Kong Equity Portfolio</i>	<i>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</i>	<i>Sun Life MPF Basic Scheme Core Accumulation Portfolio</i>
Investments	\$ 325,688,204	\$ 232,212,743	\$ 281,813,071	\$ 300,839,153	\$ 630,620,919	\$ 66,326,857	\$ 40,712,793	\$ 113,202,064
Increase in net assets and changes in net assets attributable to members	<u>16,284,410</u>	<u>11,610,637</u>	<u>14,090,654</u>	<u>15,041,958</u>	<u>31,531,046</u>	<u>3,316,343</u>	<u>2,035,640</u>	<u>5,660,103</u>

## 4 Financial risk management (continued)

### (c) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The functional currency of all constituent funds is the Hong Kong dollars (“HKD”). As at 31 December 2022 and 2021, the constituent funds invest in Investment Funds denominated in HKD or USD and are not subject to direct currency risk. The Investment Funds may directly or indirectly invest in a variety of financial instruments denominated in currencies other than HKD and USD, which may expose the constituents funds’ investments to indirect currency risk. The investment manager of the Investment Funds have policies and procedures to manage portfolios effectively and mitigate the currency risk. Details are provided in the financial statements of the Investment Funds.

### (d) Interest rate risk

The Sun Life MPF Basic Scheme MPF Conservative Portfolio held the debt securities as investments at 31 December 2022. The carrying values of the investments as disclosed in the statement of assets and liabilities were subject to direct or indirect interest rate risks for the holdings in debt instruments.

The strategy of the Sun Life MPF Basic Scheme MPF Conservative Portfolio is to acquire fixed income securities that are attractively priced in relation to the perceived credit risk. The Investment Manager recognise and accept that losses may occur.

The fair values of the fixed income investments of the Sun Life MPF Basic Scheme MPF Conservative Portfolio fluctuate in response to changes in market interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair value of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions. Fixed interest rate investments may be more sensitive to interest rate changes than variable rate investments.

Interest rate risk is mitigated by the Investment Manager by constructing a diversified portfolio of fixed income securities with differing modified duration and term to maturity characteristics, which acts to reduce the overall exposure of the Sun Life MPF Basic Scheme MPF Conservative Portfolio and makes decisions accordingly about the composition of the portfolio of fixed income securities of the Sun Life MPF Basic Scheme MPF Conservative Portfolio in order to ensure the interest rate risk in the portfolio is maintained at an appropriate level.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Except for Sun Life MPF Basic Scheme MPF Conservative Portfolio, the majority of the financial assets and liabilities of the Scheme and its underlying constituent funds are non-interest bearing. Their interest bearing financial assets comprise bank balances. The trustee considers that these funds are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. As a result, no sensitivity analysis on interest rate movements is required.

## 4 Financial risk management (continued)

### (d) Interest rate risk (continued)

As at 31 December 2022 and 2021, the interest rate exposures of the Sun Life MPF Basic Scheme MPF Conservative Portfolio was as follows:

#### Sun Life MPF Basic Scheme MPF Conservative Portfolio

	2022			2021		
	Up to 1 year	Non-interest bearing	Total	Up to 1 year	Non-interest bearing	Total
<b>Assets</b>						
Investments	\$ 109,427,941	\$ -	\$ 109,427,941	\$ 131,230,340	\$ -	\$ 131,230,340
Cash at bank	56,726,197	-	56,726,197	35,994,057	-	35,994,057
Amounts receivable on subscriptions	-	36,061	36,061	-	-	-
Other assets	-	195,021	195,021	-	2,643	2,643
<b>Total assets</b>	<b>\$ 166,154,138</b>	<b>\$ 231,082</b>	<b>\$ 166,385,220</b>	<b>\$ 167,224,397</b>	<b>\$ 2,643</b>	<b>\$ 167,227,040</b>
<b>Liabilities</b>						
Liabilities (excluding net assets attributable to the members)	\$ -	\$ 931,540	\$ 931,540	\$ -	\$ 752,660	\$ 752,660
<b>Total interest sensitivity gap</b>	<b>\$ 166,154,138</b>			<b>\$ 167,224,397</b>		

The following table summarises the estimated effects of hypothetical 100 basis point (2021: 100 basis point) decreases and increases in interest rates on NAV of the Funds that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each relevant category of instruments. The hypothetical changes in market interest rates do not reflect what could be deemed the best or the worst case scenarios but considered to be a reasonable possible change in market interest rate. Variations in market interest rates could produce significant changes in the timing of repayments due to prepayment options available. For these reasons, actual results might differ from those reflected in the table.

	2022		2021	
	Decrease in 100bp	Increase in 100bp	Decrease in 100bp	Increase in 100bp
Sun Life MPF Basic Scheme MPF Conservative Portfolio	0.13%	(0.13%)	0.12%	(0.12%)

### (e) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation to pay dues in time. The Scheme invests mainly in debt securities and the Investment Funds of umbrella unit trusts. The Investment Funds invest in debt instruments which are in turn exposed to credit risks. The investment managers of the umbrella unit trusts have credit review processes in place. This ensures review and monitoring of credit quality and credit risk exposure on an ongoing basis, which helps protect portfolios from anticipated negative credit events. The credit risks arising from these Investment Funds are mitigated through diversification and control on exposure to any single issuer in the portfolio. There are internal control limits that ensure that exposures are orderly and not concentrated.

## 4 Financial risk management (continued)

### (e) Credit risk (continued)

As at 31 December 2022 and 2021, the Sun Life MPF Basic Scheme MPF Conservative Portfolio invested in debt securities and held bank deposits with the following credit quality:

#### Sun Life MPF Basic Scheme MPF Conservative Portfolio

	2022	2021
Debt securities:		
- AA <sup>(1)</sup> or Aa2 <sup>(2)</sup>	\$ 22,112,653	\$ 12,382,832
- AA- <sup>(1)</sup> or Aa3 <sup>(2)</sup>	10,018,817	8,284,771
- A+ <sup>(1)</sup> or A1 <sup>(2)</sup>	12,165,365	11,596,734
- A <sup>(1)</sup> or A2 <sup>(2)</sup>	15,064,573	14,105,168
- Not rated	13,057,847	55,990,721
Commercial Paper		
- Not rated	7,041,553	-
Certificate of deposits:		
- issued by authorised financial institutions in Hong Kong	29,967,133	28,870,114
	\$ 109,427,941	\$ 131,230,340
Bank deposits with:		
- authorised financial institutions in Hong Kong	47,367,745	26,802,646
- Custodian of the Scheme	9,358,452	9,191,411
	\$ 166,154,138	\$ 167,224,397

<sup>(1)</sup> Determined by Standard and Poor's Ratings Services

<sup>(2)</sup> Determined by Moody's Investors Service

Sun Life MPF Basic Scheme MPF Conservative Portfolio's financial assets exposed to credit risks was concentrated in the following industries:

#### Sun Life MPF Basic Scheme MPF Conservative Portfolio

	2022	2021
Banking and finance	\$ 109,427,941	\$ 67,043,768
Industrials	-	4,033,311
Governments	-	60,153,261
	\$ 109,427,941	\$ 131,230,340

## 4 Financial risk management (continued)

### (e) Credit risk (continued)

The Scheme's assets are safeguarded and administered by the Custodian. The Trustee analyses the credit risk of the Scheme's custodian regularly. The Scheme only has deposits with approved banks with credit ratings of Baa1 (Moody's) or BBB+ (Standard & Poor's), or with higher credit ratings. The corporate credit quality grade of the Custodian is as follows: The Hongkong and Shanghai Banking Corporation Limited: A- (Standard & Poor's).

### (f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Scheme is exposed to liquidity risk of benefit payments. It therefore invests the majority of its assets in underlying investments that are traded in an active market and can be readily disposed of.

The Scheme's objective with regard to liquidity is to ensure continuity of funding. The assets of the Scheme comprise mainly of readily realisable securities which can be sold freely to meet funding commitments if necessary. Liquidity positions are monitored on a regular basis and action taken as necessary to maintain an adequate level of liquidity to meet all known funding requirements.

Apart from liquidity risk related to benefit payments, the Scheme does not consider that there is any other significant liquidity risk.

### (g) Fair value information

As at 31 December 2022 and 2021, the only financial investments of the Scheme carried at fair value were investments.

The major method and assumptions used in estimating the fair values are stated in note 2(d)(iv) to the financial statements.

The carrying amounts of the Scheme's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 2021.

## 5 Net gain/(loss) on investments

	2022	2021
<b>Sun Life MPF Basic Scheme MPF Conservative Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ 515,252	\$ 615,007
Realised gain/(loss) on sale of investments	805,039	(479,021)
	<u>\$ 1,320,291</u>	<u>\$ 135,986</u>
<b>Sun Life MPF Basic Scheme Capital Guaranteed Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (28,854,378)	\$ (15,480,747)
Realised gain on sale of investments	6,105,751	10,778,557
	<u>\$ (22,748,627)</u>	<u>\$ (4,702,190)</u>
<b>Sun Life MPF Basic Scheme Stable Growth Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (40,630,062)	\$ (10,905,208)
Realised gain on sale of investments	4,574,015	9,479,323
	<u>\$ (36,056,047)</u>	<u>\$ (1,425,885)</u>
<b>Sun Life MPF Basic Scheme Balanced Growth Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (54,602,823)	\$ (12,431,393)
Realised gain on sale of investments	11,356,018	15,399,583
	<u>\$ (43,246,805)</u>	<u>\$ 2,968,190</u>
<b>Sun Life MPF Basic Scheme International Equity Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (81,333,349)	\$ 27,065,928
Realised gain on sale of investments	13,911,167	16,671,073
	<u>\$ (67,422,182)</u>	<u>\$ 43,737,001</u>

## 5 Net gain/(loss) on investments (continued)

	2022	2021
<b>Sun Life MPF Basic Scheme Hong Kong Equity Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (123,180,669)	\$ (160,033,825)
Realised gain on sale of investments	18,399,143	47,660,377
	<u>\$ (104,781,526)</u>	<u>\$ (112,373,448)</u>
<b>Sun Life MPF Basic Scheme US &amp; Hong Kong Equity Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (11,693,851)	\$ 2,454,305
Realised gain on sale of investments	541,299	2,990,158
	<u>\$ (11,152,552)</u>	<u>\$ 5,444,463</u>
<b>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (5,180,146)	\$ (391,742)
Realised (loss)/gain on sale of investments	(486,691)	1,091,585
	<u>\$ (5,666,837)</u>	<u>\$ 699,843</u>
<b>Sun Life MPF Basic Scheme Core Accumulation Portfolio</b>		
Change in unrealised gain or loss in value of investments	\$ (18,402,961)	\$ 4,914,564
Realised gain on sale of investments	2,407,184	4,837,943
	<u>\$ (15,995,777)</u>	<u>\$ 9,752,507</u>



## 6 Involvement with unconsolidated structured entities

The Scheme has concluded that the APIFs and approved ITCISs in which its constituent funds invest, but that they do not consolidate, meet the definition of structured entities because:

- the voting rights in the APIFs and the ITCISs are not dominant rights in deciding who controls them because they relate to administrative tasks only;
- each APIF's and the ITCIS's activities are restricted by its prospectus; and
- the APIFs and the ITCIS have narrow and well-defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the constituent funds do not consolidate but in which they hold an interest.

<i>Type of structured entity</i>	<i>Nature and purpose</i>	<i>Interest held by the constituent funds</i>
Approved pooled investment funds and approved index-tracking collective investment schemes.	To manage assets on behalf of third party investors and generate fees for the investment managers. Financed through the issue of units to investors.	Investment in units issued by the funds.

The table below sets out interest held by the constituent funds in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

## 6 Involvement with unconsolidated structured entities (continued)

31 December 2022

<i>Investment in investment funds</i>	<i>Number of investee funds</i>	<i>Total net assets (Rounded to the nearest million)</i>	<i>Carrying amount included in financial assets at fair value through profit or loss</i>
Sun Life MPF Basic Scheme Capital Guaranteed Portfolio			
- Approved pooled investment fund	1	\$ 736,000,000	\$ 281,011,709
Sun Life MPF Basic Scheme Stable Growth Portfolio			
- Approved pooled investment fund	1	\$ 1,279,000,000	\$ 181,960,680
Sun Life MPF Basic Scheme Balanced Growth Portfolio			
- Approved pooled investment fund	1	\$ 1,337,000,000	\$ 218,148,577
Sun Life MPF Basic Scheme International Equity Portfolio			
- Approved pooled investment fund	1	\$ 6,528,000,000	\$ 212,158,350
Sun Life MPF Basic Scheme Hong Kong Equity Portfolio			
- Approved pooled investment fund	1	\$ 12,057,000,000	\$ 490,675,100
Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio			
- Approved index-tracking collective investment schemes	2	\$ 2,914,630,000,000	\$ 56,797,896
Sun Life MPF Basic Scheme Age 65 Plus Portfolio			
- Approved pooled investment fund	1	\$ 2,518,000,000	\$ 36,372,535
Sun Life MPF Basic Scheme Core Accumulation Portfolio			
- Approved pooled investment fund	1	\$ 8,193,000,000	\$ 98,744,673

## 6 Involvement with unconsolidated structured entities (continued)

31 December 2021

<i>Investment in investment funds</i>	<i>Number of investee funds</i>	<i>Total net assets (Rounded to the nearest million)</i>	<i>Carrying amount included in financial assets at fair value through profit or loss</i>
Sun Life MPF Basic Scheme Capital Guaranteed Portfolio			
- Approved pooled investment fund	1	\$ 842,000,000	\$ 325,688,204
Sun Life MPF Basic Scheme Stable Growth Portfolio			
- Approved pooled investment fund	1	\$ 1,524,000,000	\$ 232,212,743
Sun Life MPF Basic Scheme Balanced Growth Portfolio			
- Approved pooled investment fund	1	\$ 1,620,000,000	\$ 281,813,071
Sun Life MPF Basic Scheme International Equity Portfolio			
- Approved pooled investment fund	1	\$ 8,152,000,000	\$ 300,839,153
Sun Life MPF Basic Scheme Hong Kong Equity Portfolio			
- Approved pooled investment fund	1	\$ 13,974,000,000	\$ 630,620,919
Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio			
- Approved index-tracking collective investment schemes	2	\$ 3,649,109,000,000	\$ 66,326,857
Sun Life MPF Basic Scheme Age 65 Plus Portfolio			
- Approved pooled investment fund	1	\$ 2,558,000,000	\$ 40,712,793
Sun Life MPF Basic Scheme Core Accumulation Portfolio			
- Approved pooled investment fund	1	\$ 7,781,000,000	\$ 113,202,064

During the year, the constituent funds did not provide financial support to the APIFs and the ITCIS and has no intention of providing financial or other support.

The constituent funds can redeem units in the APIFs and the ITCIS on a daily basis.

## 7 Transactions with associates

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.

Except as otherwise disclosed in the financial statements and in this note, the Scheme and its constituent funds did not have any material transactions with the Trustee, the Managers or their associates or delegates during the year.

### (a) Administration fees

The Administrator, BestServe Financial Limited, is entitled to receive an administration fee calculated at a rate up to 0.85% per annum on the net asset value of the respective constituent funds. The administration fee is borne by the constituent funds. For the Sun Life MPF Basic Scheme MPF Conservative Portfolio, no expenses, fees or charges may be made (other than expenses and charges permitted under the MPF legislation) unless its monthly return is above the savings rate published by the MPFA. Any expenses, fees or charges that are not deducted may be carried forward for up to 12 months.

The administration fees payable as at 31 December were as follows:

	2022	2021
Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ 534,072	\$ -
Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	\$ 212,306	\$ 244,154
Sun Life MPF Basic Scheme Stable Growth Portfolio	\$ 137,464	\$ 173,090
Sun Life MPF Basic Scheme Balanced Growth Portfolio	\$ 164,621	\$ 209,363
Sun Life MPF Basic Scheme International Equity Portfolio	\$ 162,342	\$ 221,361
Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	\$ 363,376	\$ 471,149
Sun Life MPF Basic Scheme Age 65 Plus Portfolio	\$ 13,016	\$ 14,399

## 7 Transactions with associates (continued)

### (a) Administration fees (continued)

	2022	2021
Sun Life MPF Basic Scheme Core Accumulation Portfolio	\$ 35,199	\$ 39,374

### (b) Sponsor fees

The Sponsor is entitled to receive a fee calculated at a rate of 0.52% per annum of the net asset value of the constituent funds. The sponsor fee is borne by the constituent funds.

The sponsor fees payable as at 31 December were as follows:

	2022	2021
Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	\$ 24,977	\$ 28,724
Sun Life MPF Basic Scheme Stable Growth Portfolio	\$ 50,134	\$ 63,127
Sun Life MPF Basic Scheme Balanced Growth Portfolio	\$ 29,825	\$ 37,932
Sun Life MPF Basic Scheme International Equity Portfolio	\$ 64,937	\$ 88,544
Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	\$ 222,301	\$ 288,232

### (c) Trustee fees

The Trustee is entitled to receive a fee calculated at a rate up to 1.15% per annum on the net asset value of the respective constituent funds and underlying funds. The trustee fee is borne by the constituent funds. For the Sun Life MPF Basic Scheme MPF Conservative Portfolio, no expenses, fees or charges may be made (other than expenses and charges permitted under the MPF legislation) unless its monthly return is above the savings rate published by the MPFA. Any expenses, fees or charges that are not deducted may be carried forward for up to 12 months.

## 7 Transactions with associates (continued)

### (c) Trustee fees (continued)

The trustee fees payable as at 31 December were as follows:

	2022	2021
Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ <u>21,078</u>	\$ <u>19,007</u>
Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	\$ <u>37,466</u>	\$ <u>43,086</u>
Sun Life MPF Basic Scheme Stable Growth Portfolio	\$ <u>24,258</u>	\$ <u>30,545</u>
Sun Life MPF Basic Scheme Balanced Growth Portfolio	\$ <u>29,051</u>	\$ <u>36,947</u>
Sun Life MPF Basic Scheme International Equity Portfolio	\$ <u>28,649</u>	\$ <u>39,064</u>
Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	\$ <u>64,125</u>	\$ <u>83,144</u>
Sun Life MPF Basic Scheme Age 65 Plus Portfolio	\$ <u>1,952</u>	\$ <u>2,160</u>
Sun Life MPF Basic Scheme Core Accumulation Portfolio	\$ <u>5,280</u>	\$ <u>5,906</u>

### (d) Guarantee fee

Sun Life Hong Kong Limited (“Sun Life”) is the guarantor of one of the APIFs, in which the constituent funds invested during the year. A guarantee fee was charged at a rate of 0.22% per annum on the net asset value of the relevant APIF and was reflected in the unit price of the APIF.

## 8 Fees

### (a) Fund administration fees, valuation fees and accounting fees

The Hongkong and Shanghai Banking Corporation Limited, the administrator of the constituent funds ("CF Administrator"), is entitled to receive a fee calculated at a rate up to 0.023% per annum on net asset value of the respective constituent funds. The fund administration fee is borne by the constituent funds. For the Sun Life MPF Basic Scheme MPF Conservative Portfolio, no expenses, fees or charges may be made (other than expenses and charges permitted under the MPF legislation) unless its monthly return is above the savings rate published by the MPFA. Any expenses, fees or charges that are not deducted may be carried forward for up to 12 months.

The fund administration fees payable as at 31 December were as follows:

	2022	2021
Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ <u>12,725</u>	\$ <u>-</u>
Sun Life MPF Basic Scheme Capital Guaranteed Portfolio	\$ <u>5,749</u>	\$ <u>6,608</u>
Sun Life MPF Basic Scheme Stable Growth Portfolio	\$ <u>3,721</u>	\$ <u>4,686</u>
Sun Life MPF Basic Scheme Balanced Growth Portfolio	\$ <u>4,454</u>	\$ <u>5,668</u>
Sun Life MPF Basic Scheme International Equity Portfolio	\$ <u>4,408</u>	\$ <u>5,988</u>
Sun Life MPF Basic Scheme Hong Kong Equity Portfolio	\$ <u>9,776</u>	\$ <u>12,806</u>

## 8 Fees (continued)

### (b) Management fees

The Investment Managers are entitled to receive a fee calculated at a rate up to 0.30% per annum on the net asset value of the respective constituent funds. The management fee is borne by the constituent funds. For the Sun Life MPF Basic Scheme MPF Conservative Portfolio, no expenses, fees or charges may be made (other than expenses and charges permitted under the MPF legislation) unless its monthly return is above the savings rate published by the MPFA. Any expenses, fees or charges that are not deducted may be carried forward for up to 12 months.

The management fees payable as at 31 December were as follows:

	2022	2021
Sun Life MPF Basic Scheme MPF Conservative Portfolio	\$ <u>67,050</u>	\$ <u>-</u>
Sun Life MPF Basic Scheme US & Hong Kong Equity Portfolio	\$ <u>3,981</u>	\$ <u>4,600</u>
Sun Life MPF Basic Scheme Age 65 Plus Portfolio	\$ <u>8,135</u>	\$ <u>8,999</u>
Sun Life MPF Basic Scheme Core Accumulation Portfolio	\$ <u>21,999</u>	\$ <u>24,609</u>



## 9 Cash and cash equivalents

Reconciliation of liabilities arising from financing activities

The table below details changes in the Scheme's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	<i>Benefits payable</i>	<i>Forfeitures payable</i>	<i>Total</i>
<b>At 1 January 2022</b>	\$ 3,932,735	\$ -	\$ 3,932,735
<b>Changes from financing cash flows:</b>			
Benefits and transfers out	223,121,716	-	223,121,716
Benefits and transfers out paid	(224,651,310)	-	(224,651,310)
Forfeitures	-	306,385	306,385
Forfeitures paid	-	(304,017)	(304,017)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At 31 December 2022</b>	<u>\$ 2,403,141</u>	<u>\$ 2,368</u>	<u>\$ 2,405,509</u>
<b>At 1 January 2021</b>	\$ 8,929,711	\$ -	\$ 8,929,711
<b>Changes from financing cash flows:</b>			
Benefits and transfers out	225,154,647	-	225,154,647
Benefits and transfers out paid	(230,151,623)	-	(230,151,623)
Forfeitures	-	332,167	332,167
Forfeitures paid	-	(332,167)	(332,167)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At 31 December 2021</b>	<u>\$ 3,932,735</u>	<u>\$ -</u>	<u>\$ 3,932,735</u>

## 10 Contributions

Mandatory contributions for both the employers and members are equal to 5% of the members' relevant income up to \$30,000 per month except for members earning less than \$7,100 per month where the members' mandatory contribution is nil.

Self-employed persons must contribute 5% of their relevant income subject to a maximum contribution of \$1,500 per month or \$18,000 per year to the Scheme unless their relevant income is less than \$7,100 per month or \$85,200 per year where the mandatory contribution is nil.

Employers, members or self-employed persons under the Scheme may choose to make voluntary contributions as top-up contributions in addition to the mandatory contributions for each contribution period.

## 11 Benefits

Members will become entitled to benefits in respect of mandatory contributions to the Scheme in the circumstances set out in the MPF Ordinance.

Members will become entitled to benefits in respect of voluntary contributions to the Scheme in circumstances set out in the Trust Deed and the relevant participation agreement.

With effect from 1 February 2016, benefits whether due to mandatory or voluntary contributions payable to an employee member or self-employed person on the grounds of retirement at age 65 or early retirement at age 60 may be paid in instalments, if the member so elects.

## 12 Subscriptions

Proceeds on issue of units in the statement of changes in net assets attributable to members are derived from the following:

	2022	2021
From employers		
- Mandatory	\$ 52,125,427	\$ 56,473,759
- Voluntary	9,850,485	10,255,522
From employees		
- Mandatory	48,983,338	53,099,472
- Voluntary	1,383,214	1,204,234
From self-employed persons		
- Mandatory	4,350,140	5,354,268
- Voluntary	497,000	446,300
Contribution received and receivable	\$ 117,189,604	\$ 126,833,555
Transfers in from other schemes	18,569,372	40,902,059
Contribution surcharge	102,313	63,445
	<u>\$ 135,861,289</u>	<u>\$ 167,799,059</u>

### 13 Redemptions

Payments on redemption of units in the statement of changes in net assets attributable to members are derived from the following:

	2022	2021
Permanent departure	\$ 10,866,725	\$ 9,768,766
Refund of additional voluntary contributions to leavers	12,416,690	14,430,945
Death	1,162,381	3,521,703
Retirement	24,611,393	32,942,393
Early retirement	5,515,850	9,487,073
Total incapacity	322,632	100,682
Terminal illness	108,843	191,793
	<hr/>	<hr/>
Benefits paid and payable	\$ 55,004,514	\$ 70,443,355
Transfers out to other schemes	168,117,202	154,711,292
Forfeitures	306,385	332,167
	<hr/>	<hr/>
	<u>\$ 223,428,101</u>	<u>\$ 225,486,814</u>

### 14 Capital management

The capital of the Scheme is represented by the net assets attributable to members. Subscriptions and redemptions during the year are shown in the statements of changes in net assets attributable to members. The amount of net assets attributable to members can change significantly on a daily basis as the constituent funds of the Scheme are subject to daily subscriptions and redemptions at the discretion of members. The constituent funds' objective when managing capital is to safeguard their ability to continue as a going concern in order to provide retirement benefits to members and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the constituent funds.

### 15 Accrued benefits

The total accrued benefits vested in the members' accounts amounted to \$1,762,961,866 as at 31 December 2022 (2021: \$2,174,834,591).

### 16 Tax status of the Scheme

The Scheme is a registered scheme under the MPF Ordinance and is, therefore, a recognised scheme for Hong Kong Profits Tax purposes. The policy of the 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.

## **17 Soft commission arrangements**

During the year, the 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 (2021: Nil).

## **18 Security lending arrangements**

During the year, the Scheme and its constituent funds did not enter into any security lending arrangements (2021: Nil).

## **19 Negotiability of assets**

At 31 December 2022 and 2021, there were no statutory or contractual requirements restricting the negotiability of the assets of the Scheme and its constituent funds.

## **20 Commitments**

The Scheme and its constituent funds had no commitments as at 31 December 2022 and 2021.

## **21 Contingent liabilities**

The Scheme and its constituent funds had no contingent liabilities as at 31 December 2022 and 2021.

## **22 Marketing expenses**

No advertising expenses, promotional expenses, commissions or brokerage fees paid and payable to the MPF intermediaries were deducted from the Scheme or its constituent funds during the years ended 31 December 2022 and 2021.

## **23 Deferred expenses**

In accordance with section 37 of the General Regulation, administrative expenses for the Sun Life MPF Basic Scheme MPF Conservative Portfolio which have not been deducted in the respective months may be deducted in the following twelve months. As at 31 December 2022, the amount of deferred administrative expenses amounted to \$533,555 (2021: \$1,916,500).

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

Sun Life MPF Basic Scheme Age 65 Plus Portfolio and Sun Life MPF Basic Scheme Core Accumulation Portfolio are designated as default investment strategy (“DIS”) constituent funds with effect from 1 April 2017. Payments for services, out-of-pocket expenses and other payments charged to the DIS constituent funds are disclosed below. Payments for services and out-of-pocket expenses are those defined in the MPF Ordinance.

### During the year ended 31 December 2022

	<i>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</i>	<i>Sun Life MPF Basic Scheme Core Accumulation Portfolio</i>
<b>(a) Payments for services</b>		
- Administration fees	\$ 150,098	\$ 407,156
- Custodian fees	8,640	23,435
- Management fees	93,811	254,473
- Trustee fees	22,515	61,073
	\$ 275,064	\$ 746,137
<b>(b) Out-of-pocket expenses</b>		
- Auditor’s remuneration	\$ 41,555	\$ 52,400
- Publishing fees	5,257	5,640
- MPF insurance indemnity premiums	680	2,007
- SFC annual fees	777	833
- Other expenses	6,752	40,908
	\$ 55,021	\$ 101,788
<b>(c) Payments other than (a) and (b) above</b>	\$ -	\$ -
<b>Total payments</b>	\$ 330,085	\$ 847,925
Out-of-pocket expenses expressed as a percentage of net asset value of the DIS constituent funds	0.147%	0.101%

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 last dealing day of each month during the year ended 31 December 2022.

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

**During the year ended 31 December 2021**

	<i>Sun Life MPF Basic Scheme Age 65 Plus Portfolio</i>	<i>Sun Life MPF Basic Scheme Core Accumulation Portfolio</i>
<b>(a) Payments for services</b>		
- Administration fees	\$ 151,389	\$ 393,193
- Custodian fees	9,614	24,895
- Management fees	94,618	245,746
- Trustee fees	22,708	58,979
	<hr/>	<hr/>
<b>Total payments for services</b>	<b>\$ 278,329</b>	<b>\$ 722,813</b>
	<hr/>	<hr/>
<b>(b) Out-of-pocket expenses</b>		
- Auditor's remuneration	\$ 41,371	\$ 47,483
- Publishing fees	4,522	5,190
- MPF insurance indemnity premiums	710	2,181
- SFC annual fees	677	777
- Other expenses	3,813	11,153
	<hr/>	<hr/>
<b>Total out-of-pocket expenses</b>	<b>\$ 51,093</b>	<b>\$ 66,784</b>
	<hr/>	<hr/>
<b>(c) Payments other than (a) and (b) above</b>	<b>\$ -</b>	<b>\$ -</b>
	<hr/>	<hr/>
<b>Total payments</b>	<b>\$ 329,422</b>	<b>\$ 789,597</b>
	<hr/>	<hr/>
Out-of-pocket expenses expressed as a percentage of net asset value of the DIS constituent funds	<hr/> <b>0.134%</b> <hr/>	<hr/> <b>0.067%</b> <hr/>

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 last dealing day of each month during the year ended 31 December 2021.

## 25 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These include the following which may be relevant to the Scheme.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 1, <i>Presentation of financial statements</i> and <i>HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024

The Scheme is in the process of making an assessment of what the impact of these amendments are 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.

# Sun Life MPF Basic Scheme Governance Report For the year ended 31 December 2022

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This Governance Report is intended for scheme members of Sun Life MPF Basic Scheme and contains of the following information:-

- Introduction
  - Section 1: Trustee's governance framework
  - Section 2: Assessment areas
    - (i) Value for money assessment
    - (ii) Sustainable investing strategy and implementation progress
- 

## Introduction

Sun Life Financial Inc. ("Sun Life") is one of the world's largest asset managers, with CAD1.36 trillion<sup>1</sup> in assets under management ("AUM") as at March 31, 2023. One of the pillars of Sun Life's Sustainability Plan is Sustainable Investing. Across Sun Life, we integrate environmental, social and governance ("ESG") factors into our investment processes and decision-making, where material, as part of fulfilling our duty to act in the best interest of our asset management Clients. Sustainable investing can help Sun Life deliver on our purpose of helping Clients achieve lifetime financial security and live healthier lives while making a positive impact on society. Through its sustainable investment activities, Sun Life aspires to deliver sustainable returns for Clients and drive the transition to a low-carbon, inclusive economy.

Sun Life Pension Trust Limited (the "Company") is the trustee of the Sun Life MPF Basic Scheme (the "Scheme"). The Company, with the agreement of the Board, has prepared this report to demonstrate, and where needed, to enhance the transparency of the Company's commitment to ESG integration to Scheme participants.

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## Section 1: Trustee's governance framework

The Company maintains a governance framework with clear governance structure setting out the following:-

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<sup>1</sup> As of March 31, 2023. Comprises general fund assets, segregated funds, mutual funds, and other AUM.



- Composition of the Board;
- Structure and operations of the Board;
- Decision making by the Board;
- Duties of the Board regarding care, skill, diligence and prudence; and
- Roles and responsibilities of the Board, Chief Executive Officer (the "CEO"), management and other staffs of the Company.

The Board of Directors of the Company (the "Board") has oversight responsibilities with respect to the governance model, management of the business and affairs of the Scheme. The Board endorses the governance framework and provides direction to the CEO, compliance officer (the "CO") and risk officer (the "RO") to implement the governance framework accordingly.

### ***1. The Company***

The Board will be approached for direction from time to time on ad hoc issues and will also receive updated information on a regular basis (at least on a quarterly basis), including the following:

- how the business operates from the CEO;
- any compliance issues or potential issues from the CO;
- any significant and/or emerging risk from the RO; and
- any internal control issues identified by internal auditor.

The CEO reports the business operation to the Board on quarterly basis. The Board, without the presence of the CEO, meets quarterly with the CO, RO and internal auditor on any particular issues (including governance issues) that the Board needs to pay attention to and/or provide direction on, in accordance with the governance framework.

### ***2. Service Providers of the Scheme***

In exercising the duties in respect of the Scheme with which it has been entrusted, the Company has delegated the scheme administration, investment management and custody functions to service providers. The Company sets out a monitoring framework to oversee the management and performance of those providing such services to the Scheme through regular reviews of the following:-

- compliance with its obligations under the agreement, including service level, compliance issues and any non-compliance incidents;
- complaints arising from services provided under the Scheme;
- findings from internal or external auditors and regulators;
- the status of any initiatives of the Company, the Scheme sponsor and/or service providers which will directly affect the Scheme; and

- any operational issues, including ones relating to human resources, cyber security, and emerging market issues.

The Company has set out and documented all required service levels in the respective agreements with the service providers to monitor their performance at a regular basis. Service providers are required to provide an explanation should there be any deviations from the expected service level.

The Board is notified of any ad hoc issues arising with any service providers (if necessary) and will provide direction for handling. The Board also receives updated performance information on a regular basis (not less than quarterly basis).

### ***3. Governance over Investment***

Apart from those monitoring measures mentioned under paragraph 2 above, the Company has deployed additional measures in monitoring investment performance of all constituent funds offered by the Scheme, particularly for those constituent funds ("CFs") which achieve their investment objectives primarily through investing in approved pooled investment funds ("APIFs") and/or approved index-tracking collective investment schemes ("ITCIS") (collectively "underlying investments").

Sun Life's International Investment Centre ("IIC") is an investment consultant of the Company. The IIC, on behalf of the Company will evaluate services of the investment managers of the CFs ("investment managers") and underlying investments ("underlying managers") (collectively "fund managers") including but not limited to asset allocation strategies, the overall investment performance of CFs, and underlying investments. The IIC will summarize key findings and report to the Board on a regular basis (not less than quarterly). Should the performance of fund managers fall below the agreed performance levels (which is subject to the Company's review on a regular basis), the Company will direct fund managers to provide alternative solutions if necessary.

### ***4. Board's Decision***

Business initiatives and major decisions affecting the MPF business and operations require prior approval of the Board. These initiatives and decisions include but are not limited to: change of service providers, change of services, change to the investment policy and objective of CFs, addition/cancellation of CFs and scheme restructuring.

All proposed business initiatives and major decisions or directions must be supported with assessments on how they are "value-for-money" by demonstrating the benefits to the Scheme and Scheme participants.

## Section 2: Assessment Areas

### (i) Value for Money

In managing the business and affairs of the Scheme, the Company is committed to delivering on-going value-for-money to the Scheme and Scheme participants. This commitment is delivered through continuous review on various areas, including but not limited to the following:-

#### 1. *Governance*

- Monitoring the established governance framework and reviewing its effectiveness
- Monitoring conflicts of interest

#### 2. *Client Experience*

- Providing transparency of Scheme information
- Monitoring and improving the types and quality of services provided by the service providers
- Accessibility of services

#### 3. *Investment Services*

- Selection and ongoing monitoring of the investment manager
- Ensuring a range of CFs which can satisfy the risk appetite and investment needs of Scheme participants
- Monitoring performance of CFs in comparing to benchmark or funds with similar investment objectives

#### 4. *Fees and Charges*

- Monitoring the types and level of fees and charges to ensure fairness
- Reviewing and measuring the types and level of benefits, services and/or subsidies in moderating fees and charges

In 2022, the Company has achieved/provided the following value-for-money services to Scheme participants:-

- enhanced the transparency of Scheme information through the introduction of the Key Scheme Information Document which allows easy accessibility of scheme information; and
- supported employers in their application of the government subsidy including providing information to the Government without adding any charges to the employers or the Scheme.

## (ii) Sustainable Investing Strategy and Implementation Progress

### 1. *The impact of ESG factors on investment portfolios*

The Company believes that certain ESG risks may impact the value of MPF members' portfolios over the long term. ESG is not just about excluding high risk companies, it is also a critical lens for identifying strong investment opportunities. Therefore, integrating ESG factors is consistent with the Company's objective to help clients achieve their investment objectives in the long run and act in the best interest of the members.

### 2. *ESG Integration Strategy ("Strategy")*

The Company integrates ESG factors into the investment process, where material, to the extent that doing so is consistent with the Company's objective to act in the best interests of the members. Fund managers will be expected to integrate ESG considerations into their investment processes to effectively support overall value generation and risk management.

### 3. *Putting Strategy into Practice*

The Company together with the IIC monitors the fund managers' approach to ESG integration. Note that for funds with feeder approach, the Company relies on its underlying managers to perform the day-to-day ESG integration and stewardship activities. For funds with direct investment, the Company has delegated the day-to-day ESG integration and stewardship activities to its investment managers. Therefore, the Company, through the IIC, monitors the fund managers to ensure that they are considering the ESG policies and practices to the extent that these managers believes that such policies and practices are material and have a long-term economic impact on MPF members' portfolio values.

### 4. *Engagement*

The IIC reviews the fund managers' engagement and proxy-voting policies and will communicate IIC's expectation for fund managers to promote good corporate governance, accountability and positive change.

### 5. *Governance*

At each Board meeting and on an annual basis, the Company, with the involvement of IIC, has discussions with fund managers to determine if their practices are in line with Company's objective to act in the best interests of the members. To facilitate this, IIC

reports on an annual basis whether there are any significant findings with fund managers, including material changes to the fund managers' ESG policies, integration and/or practices and if any, what IIC's next steps are.

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The Company is committed to maintaining high standards of corporate governance and believes that good corporate governance practices are essential to the operational transparency of the Company and to its ability to act in the best interest of the Scheme participants and enhance the value of the products and services offered.