

CHINA LIFE MPF MASTER TRUST SCHEME
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

CHINA LIFE MPF MASTER TRUST SCHEME

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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CHINA LIFE MPF MASTER TRUST SCHEME

SCHEME REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview

China Life MPF Master Trust Scheme (the “Scheme”) is a master trust scheme established by a trust deed dated 26 January 2000, as amended (the “Trust Deed”). The sponsor and administrator is China Life Insurance (Overseas) Company Limited (incorporated in the People's Republic of China with limited liability) (the “Insurer”). The trustee of the Scheme is China Life Trustees Limited (the “Trustee”). The Scheme was approved by the Mandatory Provident Fund Schemes Authority (the “MPFA”) on 31 January 2000.

Whilst the Scheme has been designed to ensure that participating employers can comply with the requirements of the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “MPF Ordinance”) in respect of those employees covered by the MPF Ordinance, it is also possible for self-employed persons and non-employed persons to join the Scheme. If an employee member changes employment, he can leave the whole or any part of his accrued benefits in the Scheme and become a deferred member. Employees, self-employed members and non-employed members are all collectively referred to as “Scheme members” hereinafter.

Mandatory contributions in accordance with the MPF Ordinance are fully vested and belong immediately to Scheme members from the date the contributions were received by the Trustee. Participating employers, employees and self-employed members can choose to make additional voluntary contributions at their own discretion. However, benefits accruing on employers' voluntary contributions need not belong immediately to the employees, but will be subject to a vesting scale determined by length of employment or other restrictions.

In accordance with the Trust Deed of the Scheme, the Trustee must procure that the trust assets of the Scheme members are invested in the constituent funds. During the year, eleven constituent funds (including the two new constituent funds launched on 1 April 2017 and for the use of investment by Default Investment Strategy, a default investment arrangement as stipulated in accordance with the MPF Ordinance), each having a separate and distinct investment objective and policy, were offered exclusively for Scheme members' selection. The Scheme members can allocate their accrued benefits to one or more constituent funds that best suit their investment objectives and constraints. The Scheme members may also select Default Investment Strategy as their investment choice.

2 Financial Developments

The Scheme commenced operations on 31 January 2000. The total contributions received and receivable including transfers in and benefits paid and payable including transfers out during the year were HK\$677,808,955 (2017: HK\$1,183,202,434) and HK\$788,568,696 (2017: HK\$377,867,949) respectively. The net asset value as at 31 December 2018 was HK\$3,839,690,769 (2017: HK\$4,122,483,182). The Scheme had 35,566 (2017: 34,179) members as at 31 December 2018.

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3 Changes to the governing rules of the Scheme

The following is a brief summary of the key changes made to the governing rules / principal brochure of the Scheme during the year.

- new grounds added for suspension of dealings of constituent funds
- modified the default arrangement for deemed instruction in relation to termination of constituent funds
- fee reduced for certain constituent funds
- cut-off time extended for receipt of contributions, redemption requests, rebalancing and mandate change instructions on any dealing day
- update the office address of Invesco Hong Kong Limited, one of the investment manager of the approved pooled investment funds

For details, please refer to the relevant parts of the Principal Brochure.

4 Contact

Further information about the Scheme and its operations can be obtained from the following:

Interactive website	:	www.chinalifetrustees.com.hk
Employer hotline	:	(852) 3999 5555
Member hotline	:	(852) 3999 5555
Fax number	:	(852) 2893 2103
Postal address	:	China Life Trustees Limited 17/F CLI Building 313 Hennessy Road Wan Chai, Hong Kong

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FOR THE YEAR ENDED 31 DECEMBER 2018

5 Service providers

Trustee

China Life Trustees Limited
17/F, CLI Building
313 Hennessy Road
Wan Chai, Hong Kong

Sponsor and Administrator

China Life Insurance (Overseas) Company Limited¹
(incorporated in the People's Republic of China with limited liability)
22/F, CLI Building
313 Hennessy Road
Wan Chai, Hong Kong

Custodian

Bank of China (Hong Kong) Limited
14/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

Legal advisor

China Life Trustees Limited does not retain a regular external legal advisor.

¹Note: The Trustee is a wholly-owned subsidiary of the service provider.
The substitution of the description of "Hong Kong Branch" after the name of China Life Insurance (Overseas) Company Limited with "(incorporated in the People's Republic of China with limited liability)" took effect in June 2019.

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5 Service providers (Continued)

Investment Managers

Taiping Assets Management (H.K.) Company Limited

Unit 1-2, 19th Floor,
No. 18 King Wah Road,
Hong Kong

Being the investment manager of China Life MPF Conservative Fund, the relevant approved pooled investment funds and the underlying unit trust approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Guaranteed Return Fund
2. China Life Retire-Easy Guarantee Fund

Invesco Hong Kong Limited

41/F, Champion Tower
Three Garden Road
Central, Hong Kong

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Retire-Easy Balanced Fund
2. China Life Retire-Easy Capital Stable Fund
3. China Life Retire-Easy Global Equity Fund
4. China Life Core Accumulation Fund
5. China Life Age 65 Plus Fund

FIL Investment Management (Hong Kong) Limited

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

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Balanced Fund
2. China Life Growth Fund
3. China Life Hong Kong Equity Fund

Insurer and Guarantor

China Life Insurance (Overseas) Company Limited¹
(incorporated in the People's Republic of China with limited liability)
22/F, CLI Building
313 Hennessy Road
Wan Chai, Hong Kong

¹Note: The Trustee is a wholly-owned subsidiary of the service provider.
The substitution of the description of "Hong Kong Branch" after the name of China Life Insurance (Overseas) Company Limited with "(incorporated in the People's Republic of China with limited liability)" took effect in June 2019.

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SCHEME REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

5 Service providers (Continued)

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

6 Board of Directors

Directors of the Trustee

China Life Trustees Limited

Stuart Hamilton Leckie

(Independent Director)

Business address:
2802 Tower Two, Lippo Centre, 89 Queensway,
Hong Kong

Tam Tsz Kin, Thomas

(Chief Executive Director)

Business address:
17/F, CLI Building
313 Hennessy Road
Wan Chai, Hong Kong

Fang Jun

(Director)

Business address:
12/F, China Life Center Tower A
One HarbourGate,
No.18 Hung Luen Road, Kowloon

Lee Fong Yee, Fanny

(Non-executive Director)

Business address:
Room 1101, 11/F, Tower 1
Admiralty Centre,
18 Harcourt Road,
Hong Kong

Chau Chi Kin

(Non-executive Director)

Business address:
Room 3101, Henley Building,
5 Queen's Road Central,
Hong Kong

CHINA LIFE MPF MASTER TRUST SCHEME

**SCHEME REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018.**

6 Board of Directors (Continued)

Controllers of Associate

The controllers of China Life Insurance (Overseas) Company Limited, which is one of the above parties and an associate of the Trustee, during the financial year ended 31 December 2018 are as follows:

Liu Anlin (resigned on 1 February 2019)

Fang Jun

The business address of the above controllers is:
12/F, China Life Center Tower A
One HarbourGate,
No.18 Hung Luen Road , Kowloon

Kuang Tao

Yang Mingsheng (resigned on 18 October 2018)

Wang Bin (appointed on 18 October 2018)

The business address of the above controllers is:
China Life Center
22-28 Floor, 17 Financial Street,
Xicheng District, Beijing
China

Lin Yunxia (resigned on 23 January 2019)

Business address:
Room 2603, Tower 1
Lianhua Community
Haidian District, Beijing
China

Yu Sheng Quan

Address:
808, Building 32
Ding Hui Dongli
Haidian District, Beijing
China

CHINA LIFE MPF MASTER TRUST SCHEME

SCHEME REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Board of Directors (Continued)

Controllers of Associate (Continued)

Zhang Shengman

Address:

Flat A, 31/F, Tower 1,
Regence Royale,
2 Bowen Road, Mid-Levels
Hong Kong

Mao Yumin

Address:

41D, Sorrento Tower 3
1 Austin Road West, Kowloon
Hong Kong

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview

China Life MPF Master Trust Scheme (the “Scheme”) offers exclusively to Scheme members eleven constituent funds to invest their accrued benefits, each has a separate and distinct investment objective and policy. Scheme members can allocate their accrued benefits to one or more constituent funds that best suit their investment objectives and constraints. The eleven constituent funds are:

China Life Balanced Fund (BF)
China Life MPF Conservative Fund (MCF)
China Life Growth Fund (GF)
China Life Guaranteed Return Fund (GRF)
China Life Hong Kong Equity Fund (HKEF)
China Life Retire-Easy Guarantee Fund (REGF)
China Life Retire-Easy Capital Stable Fund (RECSF)
China Life Retire-Easy Balanced Fund (REBF)
China Life Retire-Easy Global Equity Fund (REGEF)
China Life Core Accumulation Fund (CAF)
China Life Age 65 Plus Fund (APF)

Investment objectives and policies

China Life Balanced Fund

The investment objectives of BF are to provide capital appreciation as well as to seek income so as to achieve long-term balanced growth in capital.

The fund achieves its investment objectives by investing in an approved pooled investment fund (“APIF”) managed by FIL Investment Management (Hong Kong) Limited which invests in a diversified range of global equities and bonds.

China Life MPF Conservative Fund

The investment objective of MCF is to provide capital security with a level of income in Hong Kong dollars.

The fund achieves its investment objectives through investing primarily in Hong Kong bank deposits, commercial papers and short-term notes and the fund is managed by Taiping Assets Management (H.K.) Company Limited. The fund will maintain 10-30% bank deposits under normal circumstances.

China Life Growth Fund

The investment objectives of GF are to provide capital growth by long-term investment in global equities so that the members are adequately rewarded for foregoing the capital security and higher income that could have been achieved by investing in the money markets.

The fund achieves its investment objectives to provide capital growth by investing in an APIF managed by FIL Investment Management (Hong Kong) Limited which invests in a diversified international portfolio of equity securities in the world’s major equities market and will have the flexibility to invest in the global bonds to manage the volatility of returns in the short term. The fund is designed for members who seek a significant and growing capital return together with a modest element of income growth.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment objectives and policies (Continued)

China Life Guaranteed Return Fund

The investment objective of GRF is to provide a return that is above the guaranteed rate of return to participants.

The investment policy is to invest solely in a relevant insurance policy approved pooled investment fund ("relevant APIF") issued by China Life Insurance (Overseas) Company Limited and will in turn solely invest in an underlying unit trust approved pooled investment fund ("UT APIF") which maintains a well-diversified portfolio comprising the following:

- (a) Global equities such as common stocks and preferred stocks;
- (b) Fixed income securities that satisfy the minimum credit rating set by the MPFA, based on the credit rating of the security as determined by a credit rating agency approved by the MPFA; debt securities issued or guaranteed by an exempt authority, or listed on an approved stock exchange, and being issued by or guaranteed by a company or corporation whose shares are so listed;
- (c) Bank deposits that are assets deposited with authorised financial institutions being an institution authorised under Part IV of the Hong Kong Banking Ordinance (Cap. 155).

China Life Hong Kong Equity Fund

The investment objective of HKEF is to produce returns that are related to those achieved on the major stock market indices of Hong Kong.

The investment policy is to invest in an APIF managed by FIL Investment Management (Hong Kong) Limited, which focuses on investment (i.e. at least 70% of its net asset value) into the equity markets of Hong Kong, namely equities of companies listed in Hong Kong (including Greater China companies that are listed in Hong Kong) or companies which have a business connection with Hong Kong (including companies which are listed outside Hong Kong). Companies which have a business connection with Hong Kong include but are not limited to companies that are domiciled or incorporated in Hong Kong, and the APIF will have the flexibility to invest in bonds in a limited manner (i.e. less than 30% of its net asset value) and to accept a high level of return volatility in the short term.

The fund maintains a minimum effective currency exposure of 30% of its net asset value in Hong Kong dollars.

China Life Retire-Easy Guarantee Fund

The investment objectives of REGF are to provide capital preservation in the long term and to enhance return with limited exposure to global equities, while also providing a guaranteed return.

The investment policy is to invest solely in a relevant insurance policy approved pooled investment fund ("relevant APIF") issued by China Life Insurance (Overseas) Company Limited and will in turn solely invest in an UT APIF which maintains a diversified portfolio comprising the following:

- (a) Global equities such as common stocks and preferred stocks;
- (b) Intermediate-term global fixed income securities with maturity of up to ten years that meet the minimum credit rating as stipulated by the MPFA;
- (c) Debt securities issued or guaranteed by an exempt authority or listed on approved stock exchanges.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment objectives and policies (Continued)

China Life Retire-Easy Capital Stable Fund

The investment objectives of RECSF are to achieve capital preservation over the long term whilst seeking to enhance returns through limited exposure to global equities.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which invests in a combination of global bonds and global equities. The fund maintains a minimum effective currency exposure of 30% of its net asset value in Hong Kong dollars.

China Life Retire-Easy Balanced Fund

The investment objectives of REBF are to achieve capital appreciation in excess of Hong Kong salary inflation over the long term.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which invests in a combination of global bonds and global equities. The fund maintains a minimum effective currency exposure of 30% of its net asset value in Hong Kong dollars.

China Life Retire-Easy Global Equity Fund

The investment objectives of REGEF are to maximize capital appreciation over the long term through investments in global equities.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which invests up to 100% of the net asset value in global equities. The fund maintains a minimum effective currency exposure of 30% of its net asset value in Hong Kong dollars.

China Life Core Accumulation Fund

The investment objectives of CAF are to provide capital growth by investing in a globally diversified manner.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which in turn invests in two underlying APIFs. The fund primarily invests in a combination of global equities and bonds in a globally diversified manner. It targets to invest 60% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds, cash and money market instruments). The asset allocation to higher risk assets may vary between 55% and 65% due to differing price movements of various equity and bond markets.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment objectives and policies (Continued)

China Life Age 65 Plus Fund

The investment objectives of APF are to provide stable growth by investing in a globally diversified manner.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which in turn invests in two underlying APIFs. The fund primarily invests in a combination of global equities and bonds in a globally diversified manner. It targets to invest 20% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds, cash and money market instruments). The asset allocation to higher risk assets may vary between 15% and 25% due to differing price movements of various equity and bond markets.

Investment analysis and commentary

Out of the eleven constituent funds, ten of them (BF, GF, GRF, HKEF, REGF, RECSF, REBF, REGEF, CAF and APF) are currently feeder funds and each invests in a relevant approved pooled investment fund. The remaining constituent fund (MCF) invests in bank deposits and debt securities during the relevant year.

The investment policy of each constituent fund is described in the latest Principal Brochure of the Scheme. A brief summary of the investment policy and strategy is stated above.

The investment performance of each constituent fund during the year varied and is shown in the following pages of this report.

Investment managers' market perspective

Invesco Hong Kong Limited

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

- i) China Life Retire-Easy Balanced Fund
- ii) China Life Retire-Easy Capital Stable Fund
- iii) China Life Retire-Easy Global Equity Fund
- iv) China Life Core Accumulation Fund
- v) China Life Age 65 Plus Fund

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

Invesco Hong Kong Limited (Continued)

- i) China Life Retire-Easy Balanced Fund
- ii) China Life Retire-Easy Capital Stable Fund
- iii) China Life Retire-Easy Global Equity Fund

2018 Market Overview

Global financial markets have been beset by worries in 2018 over rising interest rates and a slowing global economy. At the top of the list are concerns that the US/China trade relationship is likely to continue to worsen. Global economic growth is mixed. The US continues to be propelled by fiscal stimulus and still-supportive domestic financial conditions. Europe and Japan are following at a still-healthy but clearly decelerated pace. In the meantime, Chinese economic growth moderated but the government's stimulus provides hopes that a recovery may be expected in 2019. The US Federal Reserve's (Fed) continued its path of rate hikes in 2018 but it has signals a dovish shift in 2019 that it will keep interest rate on hold for the rest of the year.

2019 Market Outlook and Strategy

We are positive towards global equity markets in 2019 given the Fed's prompt decision to change its policy stance and de-escalation of trade tensions between China and the US. We believe the real investment opportunities lie outside of the US as we look to exploit the valuation disparities between the US and the rest of the world. US equities are trading at an elevated valuation compared to other regions, skewed by technology stocks. As such, we are more constructive on the prospects for European, UK, and Asian markets over the next few years in regard to their ability to generate returns. We see risks mainly arising from market's concerns over the end of the cycle this year, but we believe government's supportive policies and solid domestic fundamentals in most markets will be sufficient to help generate sustained growth. In US, despite market concern, first-quarter economic data in 2019 have not shown signs of recession. Increased market volatility experienced at the end of 2018 may likely have some slowing effect on growth, but the pause in Fed's rate hiking cycle and its shift to a more dovish stance should ease financial conditions. Within the Eurozone, we believe outlook for domestic demand looks good as Europe recovers from various crises of the last decade. Corporates are regaining their appetite to invest again whilst falling unemployment and rising wages are supporting consumption. We find most attractive valuations at the value end of the spectrum, including a wide range of sectors such as financials, telecoms, energy amongst others. In Japan, from a long-term perspective, labour force and capacity shortage combined with companies' cash hoard will continue to support the capex cycle fostering innovation and productivity improvement among Japanese companies. Furthermore, corporate governance reform continues to progress slowly but surely leading improvements in capital efficiency and profitability. A further ROE improvement is expected, and the current valuations are very attractive, in our view. In the context of HK & China equities, we expect economic growth will bottom-out towards the latter part of first half in 2019 due to the government's accommodative policies, stable consumption and progress in the trade-dispute with the US. We have seen economic data improving in recent months and we believe the government is determined to ensure a smooth transition of the economy towards a consumption- and service-led growth model. Valuation remains attractive for Chinese equities. Lastly, we believe 2019 will be a positive year for Asian equities thanks to attractive valuation and fading risks factors including the dovish shift of the Fed stance and progress with trade talks. Most Asian economies are expected to maintain stable growth on the back of resilient labour market and pro-growth policies. Elections in India, Thailand and Indonesia are worthy of monitoring.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

Invesco Hong Kong Limited (Continued)

- iv) China Life Core Accumulation Fund
- v) China Life Age 65 Plus Fund

2018 Market Overview

Equity

While markets enjoyed a good start into the new year supported by strength in corporate earnings, a pick-up in economic growth and optimism over US tax cuts, global equity markets witnessed a sharp correction in the first half of February. The catalyst for the weakness was an increase in government yields in major markets, especially in the US. This increase in yields was driven by investor concerns over rising inflation as recent data on wage growth in US has been ahead of market expectations, and increased government budget deficits caused by the recent tax cut package. President Trump's decision to put tariffs on China heightened concerns that a trade war could hurt global economic growth. As a result, in the US the share prices of the sectors that have benefited the most from strength in the global economy saw the sharpest falls. A technology-led rout dominated global equity markets in March rounding off the worst quarter for global equities in more than two years.

Global equity markets recovered over the second quarter despite concerns about trade tensions and increased political and economic uncertainty. In particular in May, markets remained on a strong footing. Macro data has been largely supportive in the US with unemployment falling to the lowest level since the end of 2000. In terms of corporate news, global dealmaking reached US\$2.5 trillion in the first half of 2018, breaking the all-time high for the period in spite of an increasingly challenging geopolitical backdrop. A wave of mega deals led by the US media and telecoms sector helped to lift worldwide deal volumes. Regarding monetary policy, the US Fed raised interest rates in June for the second time this year, as expected. It also signaled that it expected two further increases in 2018 – one more than it had previously forecast. In the eurozone, the ECB announced its intention to end its bond buying program by the end of the year.

The positive trend continued into the third quarter despite mounting political, trade and policy headwinds. Despite the sharp decline in share prices in US megacap technology stocks in July after their latest earnings and the political concerns about ongoing trade tensions, the main US equity markets continued its record-setting run in August to reach twin landmarks: an all-time high and the longest bull run in history. September also rounded off a strong third quarter for the US equity market, as it clocked its best quarterly performance since 2013. The quarter-point interest rate hike from 2% to 2.25% reflected an upbeat assessment of the US economy. UK and eurozone equities were broadly flat during September after the more challenging environment in August, mainly driven by concerns over the Italian budget combined with contagion fears over Turkish Lira weakness. Meanwhile, Japan's equity market ended September with solid gains, shrugging off investor concerns about the outlook for Chinese economy and escalating trade tensions between the US and China.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

Invesco Hong Kong Limited (Continued)

2018 Market Overview (Continued)

Towards the end of 2018, global equity markets rounded off their worst year since the global financial crisis. October was one of the worst months for equity markets in more than six years. Investors grew cautious in the face of a cocktail of factors including signs that trade tensions are fueling a global economic slowdown. Meanwhile, increases in US interest rates have signaled the end of cheap money that has driven a near decade-long bull market for equities. The combination of a less aggressive Fed and the easing of trade tensions between the US and China saw global equity markets deliver positive returns in November. The UK and eurozone equity markets continued to struggle during November. In December, markets were rattled by a myriad of concerns including the US Federal Reserve raising interest rates too quickly, US economic growth being revised down for the third quarter, political turmoil in Washington, as well as the UK's exit from the EU and the ongoing US-China trade talks.

Fixed Income

2018 has been a year of turmoil for financial markets with weakness in the bond markets and two significant sell-offs in equity markets. The year started with a strong economic backdrop for US and EU, with US Treasuries and Bunds posting higher yields. Comments from US administration on preference for a weaker US dollar drove the currency lower during the first quarter and stronger than expected US economic data released in February led the market to start positioning for more US interest rate rises than had previously been thought necessary. February 2018 will be remembered most for when volatility returned to markets, after the best part of two years' worth of very low volatility across most major markets. Among the factors contributing to the volatility was the US Government's imposition of tariffs on select Chinese imports and survey data that suggested global economic growth might be weakening. Volatility eased in April and investors' appetite for risk increased as concerns about a trade war moderated but May saw a surge in political risk, primarily Italy, where the new coalition struggled to form a government but also Spain, after the opposition filed a vote of no-confidence against the prime minister. Both events raised the threats of another euro-area crisis in the eyes of the many investors and led to a sudden shift towards less risky assets. Risk off sentiment eased in July helped by a strong start to the second quarter earnings season, with US company profits boosted by the impact of earlier tax cuts. This strong performance helped offset concerns about ongoing trade tensions. Relations between Italy's populist government and the European Union (EU) continued to worry markets in August, with governments plans to meet budget pledges that some estimate to be over 100 billion euros. After a calm September, "red October" saw increased levels of volatility and a significant sell-off in markets. The US Federal Reserve (Fed) increased US interest rates by 25bps at their December meeting. However, the market's interpretation of the accompanying statement was that the Fed was becoming dovish. While US Treasury yields rallied, the biggest change in yield occurred in longer-dated bonds. This led to parts of the yield curve becoming inverted during the month. This is a bond market phenomenon often associated with weaker growth. Italian government bonds bounced back in December after the Italian government agreed to reduce its planned budget deficit from 2.4% to 2.04% following pressure from the European Commission. Brexit continues to dominate the sterling market. Despite her government's agreement with the European Union on the process of the UK's withdrawal, Prime Minister May was unable to put the deal to a vote in parliament during December for fear of it being rejected.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

Invesco Hong Kong Limited (Continued)

2018 Market Overview (Continued)

Throughout 2018 our portfolio was positioned to take advantage of deeper valued government bonds, but with hedges in lower volatility bonds to control portfolio tail risk, an allocation designed to do well in an environment of generally rising rates. The year was marked by increasing levels of volatility, with risk-off being the dominant sentiment at times. In these periodic environments of flight to quality, our short positions in the core rates of the US and EU performed weakly, however our position in Switzerland added to performance. The value tilt performed strongly, with our long positions in Canada and New Zealand performing well, with poor GDP growth and low inflation respectively, helping to keep down expectations that these countries' central banks would hike rates. Our position in Mexico was a drag to performance, NAFTA talks progress at the start of the year were supportive but later in the year the political uncertainty by new President Obrador's decision to scrap a large airport project based on a referendum among the general public weighted on performance. Our position in Poland performed well with dovish rhetoric from the Poland Central Bank dominating sentiment, similarly our position in Thailand also outperformed, even with the Bank of Thailand raising rates for the first time in seven years, this was broadly expected and policy bias then shifted back to neutral.

2019 Market Outlook and Strategy

Equity

The outlook for global equity markets is moderately positive. Valuations are still attractive in all regions with the exception of the USA, where we have a neutral stance on valuation, as US stocks have reached their fair value. Market trends are positive in all regions except for Japan where they are neutral, resulting in an overall moderately positive signal for global stocks. Low risk aversion supports the positive outlook while the global economic environment scores currently neutral.

Fixed Income

We expect global growth momentum to moderate but to remain positive. In the US macro indicators point to a slowdown to 2.3% in 2019 which is still above potential, and continued stimulative fiscal policy and healthy private consumption, (supported by tight labor markets and higher confidence levels) could provide support in the short term. Yet uncertainty regarding growth trajectory in 2019 is higher than in the recent past due to the roll off of tax cut stimulus and tightening monetary policy. In Europe, the outlook for domestic demand remains strong; rising wages and falling unemployment are supporting consumption. However political uncertainties could provide some headwinds for the region and worsening export outlook will likely continue to weigh on growth. We don't expect the European Central Bank to hike until Q4 2019 which is largely the consensus. In China, deleveraging efforts have led to an economic slowdown, while trade issues have increased uncertainty in the outlook. Deceleration is expected to stabilise as credit extension shows marginal improvement and fiscal policy is expected to be more proactive. In terms of inflation we expect the slowing trend we predicted for 2018 to start coming to an end and we see a period of conflicting inflation signals in which core inflation is volatile and difficult to predict. We still believe US will likely remain in a moderate inflation environment and in Europe we expect core inflation to rise and headline inflation to decline on the back of lower oil prices. In China, however inflation is expected to be less than 2018 which should allow for an accommodative monetary policy and proactive fiscal policy. While we do not yet see evidence for a shut down in growth (either globally or in the US), we think caution is warranted given looming risks mentioned above. Overall, we expect Q1 to be about stabilization in the US, Europe and China, rather than a continued downturn.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

FIL Investment Management (Hong Kong) Limited

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

- i) China Life Balanced Fund
- ii) China Life Growth Fund
- iii) China Life Hong Kong Equity Fund

2018 General Markets Review

United States

- US equities fell during the period, mainly on account of a sharp decline in the fourth quarter, amid heightened concerns over economic growth, trade frictions and higher interest rates.
- Data releases pointed to a continued expansion in the economy. However, consumers are becoming less confident and manufacturing surveys are mixed.
- There was some optimism about a truce in the trade war between the US and China in December, but investors remain sceptical about a firm consensus on trade issues between the two countries.
- The US Federal Reserve (Fed) raised its benchmark interest rate four times in 2018. However, the Fed's tightening stance added to the jitters as it indicated that interest rates will rise two more times next year as economic growth continues.

Europe

- European equities ended a volatile year in negative territory.
- Markets started the period on a negative note, as rising bond yields, fears over a trade war between the US and China, and the uncertain political environment in Italy hurt investor sentiment.
- Equities declined the most, primarily due to ongoing trade worries, continued Brexit-related uncertainty and weak corporate earnings. Concerns over whether the US and China would be able to reach a long-term agreement during the 90-day truce period, and the deferment of the parliamentary vote on Brexit weighed on equities.

Japan

- Japanese equities fell sharply in local currency terms over the year. The yen's rise against the US dollar towards the end of the period and persistent worries about the ongoing trade frictions between the US and China weighed on markets.
- The Japanese economy contracted the most in over four years in the third quarter as companies slashed spending.
- However, key indicators related to production, capital expenditure and consumption subsequently rebounded, and the economy was expected to have returned to above-trend growth in the fourth quarter. Stocks started the year on a positive note amid robust global macroeconomic indicators and upbeat corporate earnings results.
- Earnings expectations moderated in 2018, with Japanese corporate profits expected to grow at a slower pace in 2019 on account of weaker demand, especially from overseas.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

FIL Investment Management (Hong Kong) Limited (Continued)

2018 General Markets Review (Continued)

Asia Pacific

- Asia Pacific ex Japan equities retreated in 2018. Investor sentiment was subdued due to concerns over US-China trade issues and weakening global growth.
- There were also worries about the pace of interest rate increases in the US. Against this risk-off environment, there was a broad-based sell-off across all country indices in the region, with South Korea and China among the key laggards.
- Concerns around premium valuations, regulatory and competitive pressure, particularly among internet-led businesses, as well as the risk of slowing consumption growth hurt these sectors.
- Meanwhile, price cuts in a potential new drug procurement policy hurt health care stocks.

Greater China

- In China, the domestic deleveraging campaign led to risk aversion and reversed the growth-oriented rally seen in the previous year.
- China announced steps to stimulate economic growth and cushion the impact of the trade war with the US. Chinese authorities eased foreign investment restrictions on sectors such as banking, automobiles and agriculture in order to open up its markets.
- Authorities also announced that China is likely to step up the protection of intellectual property rights, expand imports and support the private sector.
- Index compiler MSCI implemented the long-awaited inclusion of 226 Chinese A-shares to its Emerging Markets Index in a step towards deeper integration of China's bourses with the rest of the world.

Bond

- Fixed income markets posted mixed returns over the review period.
- Central banks dominated headlines as the shift towards monetary policy normalisation continued in 2018.
- Driven by political uncertainty in Italy, concerns over Brexit, stock market uncertainty and rising country-specific risks in emerging markets, this stoked demand for safe haven assets and global government bonds rallied, ending the year on a positive note.
- The US Federal Reserve (Fed) raised interest rates four times over the year and continued with its balance sheet normalisation programme. The European Central Bank (ECB) signalled that interest rates would remain low until well into 2019. In the UK, the Bank of England (BoE) raised its base rate for the second time in a decade. Meanwhile, the Bank of Japan kept its long-term and short-term interest rates at the current ultra-low levels and continued its large-scale asset purchases.
- Credit markets recorded a year of negative performance, as the threat of protectionism, a government shutdown and financial market volatility drove credit spreads wider.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

FIL Investment Management (Hong Kong) Limited (Continued)

2019 Market Outlook

In terms of the latest asset allocation, we maintain our tactical overweight in global equities. Accommodative stance from the major central banks, loosening fiscal policy together with subdued inflation readings all suggest that the near term risk of recession remains low. However, we are cautious about the recent market rally despite weakening economics; downgrades in analysts' earnings expectation have increasingly outnumbered upgrades as well. That said, we kept our slight underweight position in fixed income assets. The Fed's policy may create a relatively benign environment for bonds if they keep on pause for the entire 2019 to assess the effects of slowing growth and stricter financial condition. Market has already completely priced out any chance for rate hike this year, this leaves no room for the fed to maneuver if growth stabilizes and inflation pressure gradually re-builds.

At the regional level, we have a slight overweight position in US equities. The US stands out among the global markets in terms of the economic strength as indicators show the economy is still expanding but at a slower pace. Job market remains healthy; however, we are monitoring the implication of latest surge in job cut announcement. We have a slight underweight in European equities. Survey data in Europe continues to suggest a weakening economic momentum and certainly the lingering uncertainty around Brexit is not helpful. External weakness seems to be contributing to the deterioration so far, for example, the US auto tariff on the auto manufacturing sector. We have a neutral position for Japan. Japan remains defensive and politically stable relative to other global equity regions. Despite softening manufacturing data, inflation remains modestly stable amid stealth tapering by the BoJ. We added to Hong Kong and Asian equities. Investor sentiment remains supported by optimism given the coordinated domestic policy support, reasonable valuations and the Fed pause. However, it is still difficult to envisage a reverse course of corporate earning downgrade amid tighter financial condition and slowing price pressure. Elsewhere, Asian region has a busy agenda in elections in the second quarter, investors are waiting for more clarity on the upcoming governments and the implication on future policies. Real yields in some Asian countries are rising high as well, this provides rooms for the central banks to cut rates to support their economies.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

Taiping Assets Management (H.K.) Company Limited

Being the investment manager of China Life MPF Conservative Fund, the relevant approved pooled investment funds and the underlying unit trust approved pooled investment funds that the following constituent funds of the Scheme have invested in.

- i) China Life Guaranteed Return Fund
- ii) China Life Retire-Easy Guarantee Fund

2018 Market Overview

Bond Market

US treasury yield kept rising in the first 3 quarters of the year, but market's view on yield trend has turned in the fourth quarter as FOMC's stance turned dovish. Inflation expectation and real growth rate has fallen, causing US treasury yield to slide.

Due to market's concern that the economy has turned soft and the occurrence of credit events for certain US investment-grade bonds, investment-grade bonds' credit spread has increased.

Equity Market

Despite surging during the first month, Hong Kong stock market fluctuated throughout the whole year of 2018, with Hang Seng Index eventually dropped by 13.6%.

Hong Kong Stock market experienced the worst performance in past seven years and about HK\$4.5 trillion in market capitalization was wiped out during 2018. The market has been volatile by the US-China trade disputes and US tightening liquidity due to US interest rate hikes, China's economy losing steam in the second half, as well as worries over a synchronized global economic slowdown.

2019 Market Outlook and Strategy

Bond Market

Growth potential and inflation expectation drive market's expectation on Fed's monetary policy. Currently the market expects the Fed to pause the rate hike to wait for economic data. If economy recovers in the second half, the Fed may restart rate hikes.

Inflation expectation remains stable, but demand and supply factors are less certain. The Fed is implementing quantitative tightening, foreign buyers has decreased, fiscal deficit and new treasury issue has increased.

Fundamental of BBB rated bonds remain stable. In the past few years, leverage ratio has climbed as a result of quantitative easing, but we expect it to fall in the future. Also, corporate earning power remains strong.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Investment managers' market perspective (Continued)

Taiping Assets Management (H.K.) Company Limited (Continued)

2019 Market Outlook and Strategy (Continued)

Equity Market

The Market has rebound ever since the start of 2019. The VAT cut and the social security contribution fee reduction as well as further inclusion of China A shares and Chinese bonds into global indices would favor the HK equity market. However, since May, The United States and China intensified their trade disputes as both sides failed to reach trade deal and declared to further hike tariffs on each other, which raised market concerns and caused rising risk aversion.

For equity investment in 2019, we will probably maintain a relatively low equity position to against current unclear trade disputes. We have moderately improved the defensiveness of the portfolio and will maintain main position on quality stocks. We prefer high dividend yield names with solid fundamental and industry leaders with stable cash flow.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Trustee's commentary

A. Trustee's commentary on analysis of the investments held by the scheme and supporting information of its commentary				
	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Hong Kong Equity Fund <i>Launch date: 23/12/2011</i>	(12.50%)	4.58%	N/A	5.97%
Benchmark / Performance target	(14.69%) ^{Note 1}	3.02% ^{Note 1}	N/A	N/A ^{Note 2}
Deviation from the benchmark / performance target	Above the performance target	Above the performance target	N/A	N/A
Trustee's commentary	<p>The fund's performance target: average performance of its fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 1 year and 5 years term. According to the investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - Positions in China related insurance companies retreated on concerns that weaker investment income would hurt its earnings outlook. While the allocations during the period in certain Chinese automobile manufacturers, companies in the container segment and laser equipment manufacturers were among the leading decliners. - Allocations during the year in the Chinese property developers benefited from optimism around its healthy sales momentum. Within the investments in certain companies in the energy sector, certain pharmaceutical companies setoff some of the negative returns of the fund. 			
China Life Retire-Easy Global Equity Fund <i>Launch date: 01/10/2007</i>	(13.03%)	2.39%	7.06%	0.67%
Benchmark / Performance target	(11.91%) ^{Note 1}	2.23% ^{Note 1}	7.10% ^{Note 1}	N/A ^{Note 2}
Deviation from the benchmark / performance target	Below the performance target	Above the performance target	Below the performance target	N/A
Trustee's commentary	<p>The fund's performance target: average performance of its fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 5 years term, while its performance was below the performance target in 1 year and 10 years term. According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - Selection effect from regional equities were mixed – Asia Pac, HK & China and Europe lagged, whilst America and Japan equities were more resilient. - Hong Kong and China equity were dragged by selected auto and consumer names. In Europe, having an overweight in financials weighed on performance, as political outlook and ongoing Brexit negotiations remains an overhang. 			

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Growth Fund <i>Launch date: 01/12/2000</i>	(12.38%)	2.38%	7.58%	4.89%
Benchmark / Performance target	(13.38%) ^{Note 1}	1.79% ^{Note 1}	6.53% ^{Note 1}	N/A ^{Note 2}
Deviation from the benchmark / performance target	Above the performance target	Above the performance target	Above the performance target	N/A
Trustee's commentary	<p>The fund's performance target: average performance of its fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 1 year, 5 years and 10 years term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - Reduced exposure to all the key equity markets and added to high-quality bonds to enhance the defensiveness of the portfolio. - The fund generated negative returns over the year, primarily due to the weak performance of the equity segment. - The exposure to bonds enhanced gains. 			
China Life Retire-Easy Balanced Fund <i>Launch date: 01/10/2007</i>	(10.56%)	1.97%	5.46%	1.25%
Benchmark / Performance target	(10.64%) ^{Note 1}	1.73% ^{Note 1}	5.61% ^{Note 1}	N/A ^{Note 2}
Deviation from the benchmark / performance target	Above the performance target	Above the performance target	Below the performance target	N/A
Trustee's commentary	<p>The fund's performance target: average performance of its fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 1 year and 5 years term, while its performance was below the performance target in 10 years term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - The overweight in equities, dragged from relative return as equities were broadly weaker throughout the year as trade tension talks led to a risk-off rotation. - For fixed income, the call on Dollar bloc duration relative to non-dollar bloc duration exposure detracted from performance. Currency positioning also weighed on relative returns. 			

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Balanced Fund <i>Launch date: 01/12/2000</i>	(9.82%)	2.05%	6.38%	4.58%
Benchmark / Performance target	(10.64%) ^{Note 1}	1.73% ^{Note 1}	5.61% ^{Note 1}	N/A ^{Note 2}
Deviation from the benchmark / performance target	Above the performance target	Above the performance target	Above the performance target	N/A
Trustee's commentary	<p>The fund's performance target: average performance of its fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 1 year, 5 years and 10 years term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - Reduced the exposure to all the key equity markets and added to high-quality bonds to enhance the defensiveness of the portfolio. - The fund generated negative returns over the year, primarily due to the weak performance of the equity segment. - The exposure to bonds enhanced gains. 			
China Life Core Accumulation Fund <i>Launch date: 01/04/2017</i>	(6.20%)	N/A	N/A	1.07%
Benchmark / Performance target	(5.79%) ^{Note 3}	N/A	N/A	1.92% ^{Note 3}
Deviation from the benchmark / performance target	Below the performance target	N/A	N/A	Below the performance target
Trustee's commentary	<p>The fund's performance target (recognized reference portfolio): Willis Towers Watson MPF DIS Reference Portfolios - Core Accumulation Fund</p> <p>The fund's performance was below the performance target in 1 year and since launch term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - For equity, stock selection had a negative impact on relative performance, notwithstanding contributions from countries and currencies had a moderately positive impact on portfolio performance. - For fixed income, throughout 2018 portfolio was positioned to take advantage of deeper valued government bonds, but with hedges in lower volatility bonds to control portfolio tail risk, an allocation designed to do well in an environment of generally rising rates. 			

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Age 65 Plus Fund <i>Launch date: 01/04/2017</i>	(1.80%)	N/A	N/A	0.20%
Benchmark / Performance target	(1.55%) ^{Note 3}	N/A	N/A	1.19% ^{Note 3}
Deviation from the benchmark / performance target	Below the performance target	N/A	N/A	Below the performance target
Trustee's commentary	<p>The fund's performance target (recognized reference portfolio): Willis Towers Watson MPF DIS Reference Portfolios - Age 65 Plus Fund</p> <p>The fund's performance was below the performance target in 1 year and since launch term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - For equity, stock selection had a negative impact on relative performance, notwithstanding contributions from countries and currencies had a moderately positive impact on portfolio performance. - For fixed income, throughout 2018 portfolio was positioned to take advantage of deeper valued government bonds, but with hedges in lower volatility bonds to control portfolio tail risk, an allocation designed to do well in an environment of generally rising rates. 			
China Life Retire-Easy Capital Stable Fund <i>Launch date: 01/10/2007</i>	(6.42%)	1.10%	3.02%	1.60%
Benchmark / Performance target	(5.64%) ^{Note 1}	0.83% ^{Note 1}	2.88% ^{Note 1}	N/A ^{Note 2}
Deviation from the benchmark / performance target	Below the performance target	Above the performance target	Above the performance target	N/A
Trustee's commentary	<p>The fund's performance target: average performance of its fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 5 years and 10 years term, while its performance was below the performance target in 1 year term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - The overweight in equities, dragged from relative return as equities were broadly weaker throughout the year as trade tension talks led to a risk-off rotation. - For fixed income, the call on Dollar bloc duration relative to non-dollar bloc duration exposure detracted from performance. Currency positioning also weighed on relative returns. 			

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Guaranteed Return Fund <i>Launch date: 01/12/2000</i>	(1.34%)	1.24%	2.77%	2.11%
Benchmark / Performance target	Net guarantee rate	Net guarantee rate	Net guarantee rate	Net guarantee rate
Deviation from the benchmark / performance target	N/A	N/A	N/A	N/A
Trustee's commentary	<p>The fund's performance target: net guaranteed rate (i.e. 2.5% per annum)</p> <p>The comparison between the performance and the average performance of its fund type may not be meaningful as guaranteed funds may have different guarantee mechanism. According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <p>- In 2018, the equity portion of the portfolio had gross return of -1.1% due to the overall poor performance of the market while the fixed income portion had gross return of 1.6%.</p>			
China Life Retire-Easy Guarantee Fund <i>Launch date: 01/10/2007</i>	2.02%	2.80%	3.40%	3.35%
Benchmark / Performance target	Net guarantee rate	Net guarantee rate	Net guarantee rate	Net guarantee rate
Deviation from the benchmark / performance target	N/A	N/A	N/A	N/A
Trustee's commentary	<p>The fund's performance target: net guaranteed rate (i.e. 2% per annum)</p> <p>The comparison between the performance and the average performance of its fund type may not be meaningful as guaranteed funds may have different guarantee mechanism. According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <p>- In 2018, the equity portion of the portfolio had gross return of -1.1% due to the overall poor performance of the market while the fixed income portion had gross return of 1.6%.</p>			

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life MPF Conservative Fund <i>Launch date: 01/12/2000</i>	0.44%	0.10%	0.04%	0.43%
Benchmark / Performance target	0.04%	0.01%	0.01%	0.45%
Deviation from the benchmark / performance target	Above the performance target	Above the performance target	Above the performance target	Below the performance target
Trustee's commentary	<p>The fund's performance target: Prescribed Savings Rate</p> <p>The comparison between the performance and the average performance of its fund type may not be meaningful as fees and charges of MPF conservative funds can either be deducted from the assets of the funds or members' accounts by way of unit deduction.</p> <p>The fund's performance was above the performance target in 1 year, 5 years and 10 years, while its performance was below the performance target in since launch term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> - In 2018, due to the continuation of the rate hikes in the U.S., fixed time deposit rates has increased accordingly. 			

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

1 Overview (Continued)

Trustee's commentary (Continued)

B. Supporting information in relation to trustee's assessment framework for deriving its commentary and trustee's action, if any, to address its concerns raised in its commentary in section A
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<p>Trustee reviews constituent fund performance regularly by reference to information from industrial data providers who are independent from the trustee. Should there be underperformance of a constituent fund, trustee will carry out review with involvement from relevant investment manager of the underlying funds.</p>

<p>Further to regular monitoring, fund performance also will be overseen by Investment Committee of the Trustee, a committee set up by the Board of the Trustee for assessing and monitoring the overall performance of the funds of the Scheme.</p>
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Note 1: The figure is obtained from Lipper.

Note 2: The comparison between the performance and the market average of the corresponding fund types may not be meaningful as different funds may have different launch dates.

Note 3: The figure is obtained from Towers Watson Investment Services Hong Kong Limited.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

2 Investment valuations and movements

Contribution monies received during the year were invested into the following constituent funds based on the investment options chosen by the Scheme members. Movements in their net asset values during the year and their net asset value positions at year end are summarised as follows:

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund HK\$	China Life Hong Kong Equity Fund HK\$	China Life Retire-Easy Guarantee Fund HK\$	China Life Retire-Easy Capital Stable Fund HK\$	China Life Retire-Easy Balanced Fund HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
Opening net asset value	304,021,048	181,179,862	604,688,745	1,677,770,563	184,994,100	887,766,105	45,271,179	54,003,313	141,222,069	12,588,159	4,245,703
Proceeds on issue of units	51,603,182	79,815,450	93,360,721	465,504,727	237,730,862	534,666,335	24,410,434	18,544,045	32,741,649	25,158,492	9,643,723
Payments on redemption of units	(44,022,610)	(69,813,791)	(101,328,840)	(522,465,104)	(188,993,264)	(699,354,671)	(14,049,047)	(13,271,874)	(30,095,813)	(8,337,864)	(2,889,831)
Total comprehensive (losses)/income for the year	(30,441,512)	838,376	(73,163,537)	(20,828,352)	(28,131,902)	17,705,590	(3,458,755)	(6,081,177)	(18,520,067)	(1,869,150)	(141,389)
Change of net asset value during the year	(22,860,940)	10,840,035	(81,131,656)	(77,788,729)	20,605,696	(146,982,746)	6,902,632	(809,006)	(15,874,231)	14,951,478	6,612,503
Closing net asset value	<u>281,160,108</u>	<u>192,019,897</u>	<u>523,557,089</u>	<u>1,599,981,834</u>	<u>205,599,796</u>	<u>740,783,359</u>	<u>52,173,811</u>	<u>53,194,307</u>	<u>125,347,838</u>	<u>27,539,637</u>	<u>10,858,206</u>

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

2 Investment valuations and movements (Continued)

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund HK\$	China Life Hong Kong Equity Fund HK\$	China Life Retire-Easy Guarantee Fund HK\$	China Life Retire-Easy Capital Stable Fund HK\$	China Life Retire-Easy Balanced Fund HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
As at 31 December 2018											
Investments	281,741,751	-	524,751,937	1,605,084,031	204,595,966	742,327,891	52,395,057	53,417,231	125,527,542	27,388,607	10,534,441
(% of net asset value)	100.21%	-	100.23%	100.32%	99.51%	100.21%	100.42%	100.42%	100.14%	99.45%	97.02%
Other assets/(liabilities)	(581,643)	192,019,897	(1,194,848)	(5,102,197)	1,003,830	(1,544,532)	(221,246)	(222,924)	(179,704)	151,030	323,765
(% of net asset value)	(0.21%)	100.00%	(0.23%)	(0.32%)	0.49%	(0.21%)	(0.42%)	(0.42%)	(0.14%)	0.55%	2.98%
Net asset value	281,160,108	192,019,897	523,557,089	1,599,981,834	205,599,796	740,783,359	52,173,811	53,194,307	125,347,838	27,539,637	10,858,206
Net asset value per unit	22.50	10.80	23.73	14.58	15.03	14.49	11.96	11.50	10.78	10.19	10.04
As at 31 December 2017											
Investments	304,823,177	-	605,669,886	1,679,979,783	184,474,778	891,560,129	45,445,417	54,210,332	141,735,088	12,709,581	3,619,762
(% of net asset value)	100.26%	-	100.16%	100.13%	99.72%	100.43%	100.38%	100.38%	100.36%	100.96%	85.26%
Other assets/(liabilities)	(802,129)	181,179,862	(981,141)	(2,209,220)	519,322	(3,794,024)	(174,238)	(207,019)	(513,019)	(121,422)	625,941
(% of net asset value)	(0.26%)	100.00%	(0.16%)	(0.13%)	0.28%	(0.43%)	(0.38%)	(0.38%)	(0.36%)	(0.96%)	14.74%
Net asset value	304,021,048	181,179,862	604,688,745	1,677,770,563	184,994,100	887,766,105	45,271,179	54,003,313	141,222,069	12,588,159	4,245,703
Net asset value per unit	24.95	10.76	27.08	14.78	17.18	14.21	12.78	12.86	12.40	10.86	10.22

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

2 Investment valuations and movements (Continued)

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund HK\$	China Life Hong Kong Equity Fund HK\$	China Life Retire-Easy Guarantee Fund HK\$	China Life Retire-Easy Capital Stable Fund HK\$	China Life Retire-Easy Balanced Fund HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
As at 31 December 2016											
Investments	248,692,187	-	462,861,808	1,322,037,975	106,004,974	492,141,006	32,753,233	39,516,785	106,911,908	N/A	N/A
(% of net asset value)	100.24%	-	100.26%	100.04%	99.84%	100.37%	100.39%	100.04%	100.39%	N/A	N/A
Other assets/(liabilities)	(587,023)	167,401,166	(1,197,370)	(560,020)	166,671	(1,827,918)	(127,945)	(17,351)	(419,295)	N/A	N/A
(% of net asset value)	(0.24%)	100.00%	(0.26%)	(0.04%)	0.16%	(0.37%)	(0.39%)	(0.04%)	(0.39%)	N/A	N/A
Net asset value	248,105,164	167,401,166	461,664,438	1,321,477,955	106,171,645	490,313,088	32,625,288	39,499,434	106,492,613	N/A	N/A
Net asset value per unit	20.32	10.76	21.10	14.75	12.08	13.80	11.35	10.40	9.49	N/A	N/A

Note: Please refer to note 9 to the financial statements for details of the investment portfolio held by each constituent fund.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

3 Investment performance

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund HK\$	China Life Hong Kong Equity Fund HK\$	China Life Retire-Easy Guarantee Fund HK\$	China Life Retire-Easy Capital Stable Fund HK\$	China Life Retire-Easy Balanced Fund HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
2018											
Guaranteed return	-	-	-	60,489,571	-	34,524,147	-	-	-	-	-
Net (losses)/income excluding capital (depreciation) and guaranteed return	(1,963,772)	838,376	(3,789,753)	(22,328,653)	(25,306)	(13,410,162)	(778,433)	(843,943)	(2,054,072)	(134,857)	(52,640)
Capital depreciation	(28,477,740)	-	(69,373,784)	(58,989,270)	(28,106,596)	(3,408,395)	(2,680,322)	(5,237,234)	(16,465,995)	(1,734,293)	(88,749)
Net (losses)/income for the year	(30,441,512)	838,376	(73,163,537)	(20,828,352)	(28,131,902)	17,705,590	(3,458,755)	(6,081,177)	(18,520,067)	(1,869,150)	(141,389)
Total net asset value	281,160,108	192,019,897	523,557,089	1,599,981,834	205,599,796	740,783,359	52,173,811	53,194,307	125,347,838	27,539,637	10,858,206
Net asset value per unit	22.50	10.80	23.73	14.58	15.03	14.49	11.96	11.50	10.78	10.19	10.04
2017											
Guaranteed return	-	-	-	46,999,222	-	13,035,833	-	-	-	-	-
Net (losses)/income excluding capital appreciation/ (depreciation) and guaranteed return	(1,939,971)	12,531	(3,724,398)	(21,824,570)	(59,307)	(12,106,417)	(587,171)	(704,764)	(1,883,767)	(35,417)	(11,465)
Capital appreciation/ (depreciation)	59,093,285	-	136,533,016	(19,508,452)	51,067,408	22,769,437	5,059,993	10,513,438	35,053,432	622,346	59,037
Net income for the year	57,153,314	12,531	132,808,618	5,666,200	51,008,101	23,698,853	4,472,822	9,808,674	33,169,665	586,929	47,572
Total net asset value	304,021,048	181,179,862	604,688,745	1,677,770,563	184,994,100	887,766,105	45,271,179	54,003,313	141,222,069	12,588,159	4,245,703
Net asset value per unit	24.95	10.76	27.08	14.78	17.18	14.21	12.78	12.86	12.40	10.86	10.22

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

3 Investment performance (Continued)

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund HK\$	China Life Hong Kong Equity Fund HK\$	China Life Retire-Easy Guarantee Fund HK\$	China Life Retire-Easy Capital Stable Fund HK\$	China Life Retire-Easy Balanced Fund HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
2016											
Guaranteed return	-	-	-	39,718,530	-	11,166,346	-	-	-	N/A	N/A
Net (losses)/income excluding capital appreciation/ (depreciation) and guaranteed return	(1,778,491)	10,720	(3,275,921)	(16,310,899)	(85,274)	(6,251,079)	(475,017)	(572,435)	(1,526,208)	N/A	N/A
Capital appreciation/ (depreciation)	4,036,632	-	6,979,392	(23,004,181)	1,822,344	7,081,406	639,621	1,275,621	4,000,242	N/A	N/A
Net income for the year	2,258,141	10,720	3,703,471	403,450	1,737,070	11,996,673	164,604	703,186	2,474,034	N/A	N/A
Total net asset value	248,105,164	167,401,166	461,664,438	1,321,477,955	106,171,645	490,313,088	32,625,288	39,499,434	106,492,613	N/A	N/A
Net asset value per unit	20.32	10.76	21.10	14.75	12.08	13.80	11.35	10.40	9.49	N/A	N/A

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

3 Investment performance (Continued)

Performance record (Note 1)

Name of constituent fund	Highest issue price									
	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$	2011 HK\$	2010 HK\$	2009 HK\$
China Life Balanced Fund	26.55	24.91	21.32	22.69	21.33	20.27	18.14	18.46	17.87	16.60
China Life MPF Conservative Fund	10.80	10.76	10.76	10.76	10.75	10.75	10.75	10.75	10.76	10.77
China Life Growth Fund	29.24	27.04	22.13	24.21	22.25	21.03	18.13	18.92	18.21	16.62
China Life Guaranteed Return Fund	15.19	15.28	15.20	15.12	14.37	13.79	13.31	13.36	13.46	12.82
China Life Hong Kong Equity Fund	19.01	17.18	13.26	15.16	12.93	12.25	11.21	10.00	N/A	N/A
China Life Retire-Easy Guarantee Fund	14.49	14.21	13.80	13.39	13.00	12.62	12.16	11.81	11.46	11.13
China Life Retire-Easy Capital Stable Fund	13.15	12.76	11.99	12.06	11.80	11.35	11.02	10.71	10.54	10.11
China Life Retire-Easy Balanced Fund	13.62	12.84	10.80	11.63	11.02	10.40	9.41	9.45	9.08	8.57
China Life Retire-Easy Global Equity Fund	13.34	12.39	9.78	10.99	10.22	9.53	8.18	8.54	8.08	7.46
China Life Core Accumulation Fund	11.32	10.87	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China Life Age 65 Plus Fund	10.31	10.24	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Name of constituent fund	Lowest redemption price									
	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$	2011 HK\$	2010 HK\$	2009 HK\$
China Life Balanced Fund	22.16	20.32	18.17	19.21	19.37	17.83	15.74	14.91	15.00	10.66
China Life MPF Conservative Fund	10.76	10.76	10.76	10.75	10.75	10.75	10.75	10.73	10.73	10.74
China Life Growth Fund	23.28	21.10	18.21	19.67	19.80	17.97	15.24	14.27	14.82	9.92
China Life Guaranteed Return Fund	14.48	14.47	14.25	13.95	13.40	12.80	12.58	12.16	12.50	11.05
China Life Hong Kong Equity Fund	14.38	12.08	9.84	11.04	11.00	10.11	9.14	9.98	N/A	N/A
China Life Retire-Easy Guarantee Fund	14.21	13.80	13.39	13.00	12.63	12.26	11.81	11.47	11.13	10.38
China Life Retire-Easy Capital Stable Fund	11.84	11.35	10.87	11.12	11.20	10.66	10.08	9.93	9.50	8.17
China Life Retire-Easy Balanced Fund	11.29	10.40	9.27	9.78	10.02	9.24	8.09	7.86	7.82	5.92
China Life Retire-Easy Global Equity Fund	10.53	9.49	8.01	8.72	9.00	8.07	6.67	6.52	6.61	4.59
China Life Core Accumulation Fund	9.93	9.99	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China Life Age 65 Plus Fund	9.94	9.92	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Name of constituent fund	Net annualised investment return (Note 2)									
	2018 %	2017 %	2016 %	2015 %	2014 %	2013 %	2012 %	2011 %	2010 %	2009 %
China Life Balanced Fund	(9.82)	22.79	0.89	(2.23)	1.33	12.51	13.86	(11.04)	8.98	32.55
China Life MPF Conservative Fund	0.37	0.00	0.00	0.09	0.00	0.00	0.00	0.00	(0.09)	0.00
China Life Growth Fund	(12.37)	28.34	0.62	(2.01)	1.42	16.90	16.53	(14.94)	10.43	40.70
China Life Guaranteed Return Fund	(1.35)	0.20	0.00	3.87	3.57	3.08	(1.63)	3.05	3.55	(0.47)
China Life Hong Kong Equity Fund	(12.51)	42.22	1.43	(4.26)	3.58	7.14	12.32	(8.11)	N/A	N/A
China Life Retire-Easy Guarantee Fund	1.97	2.97	3.06	3.00	3.01	2.94	3.81	2.96	3.05	7.33
China Life Retire-Easy Capital Stable Fund	(6.42)	12.60	0.71	(2.42)	2.03	2.91	9.13	(2.23)	4.14	11.36
China Life Retire-Easy Balanced Fund	(10.58)	23.65	1.86	(3.77)	1.73	11.31	15.11	(9.35)	6.27	24.08
China Life Retire-Easy Global Equity Fund	(13.06)	30.66	2.26	(4.53)	1.46	17.55	18.80	(14.57)	8.51	33.82
China Life Core Accumulation Fund	(6.17)	6.48	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China Life Age 65 Plus Fund	(1.76)	1.66	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note 1: Past performance is not necessarily a guide to future performance. Investors are reminded that the price of units and the income from them are not guaranteed and may go down as well as up. China Life Core Accumulation Fund and China Life Age 65 Plus Fund were launched on 1 April 2017.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

3 Investment performance (Continued)

Performance record (Continued)

Note 2: Net annualised investment return is determined by the following formula:

$$\frac{\text{Unit price at the end of the relevant period} - \text{Unit price at the beginning of the relevant period}}{\text{Unit price at the beginning of the relevant period}} \times \frac{\text{Total number of days for the relevant year}}{\text{Total number of days for the relevant period}}$$

The following table summarises the fund expense ratio ("FER") and transaction costs of the constituent funds:

	FER 2018 %	Transaction costs 2018 HK\$
China Life Balanced Fund	1.51%	-
China Life MPF Conservative Fund	1.03%	-
China Life Growth Fund	1.51%	-
China Life Guaranteed Return Fund	1.93%	-
China Life Hong Kong Equity Fund	1.00%	-
China Life Retire-Easy Guarantee Fund	2.52%	-
China Life Retire-Easy Capital Stable Fund	1.68%	-
China Life Retire-Easy Balanced Fund	1.68%	-
China Life Retire-Easy Global Equity Fund	1.65%	-
China Life Core Accumulation Fund	0.91%	-
China Life Age 65 Plus Fund	0.94%	-

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

4 Investment portfolio as at 31 December 2018

		2018			
		Cost	Fair value	% of net asset	
	Holding units	HK\$	HK\$	value	
1)	China Life Balanced Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Balanced Fund Class A	1,365,027.86	232,877,622	281,741,751	100.21%
2)	China Life Growth Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Growth Fund Class A	2,456,128.89	422,510,051	524,751,937	100.23%
3)	China Life Guaranteed Return Fund <u>Approved pooled investment fund</u> China Life Guaranteed Return (PIF) Fund	84,134,042.93	1,540,607,427	1,605,084,031	100.32%
4)	China Life Hong Kong Equity Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Hong Kong Equity Fund	739,494.58	210,606,199	204,595,966	99.51%
5)	China Life Retire-Easy Guarantee Fund <u>Approved pooled investment fund</u> China Life Retire-Easy Guarantee (PIF) Fund	41,277,853.89	737,453,228	742,327,891	100.21%
6)	China Life Retire-Easy Capital Stable Fund <u>Approved pooled investment fund</u> Invesco Global Stable Fund	2,158,422.44	49,877,578	52,395,057	100.42%
7)	China Life Retire-Easy Balanced Fund <u>Approved pooled investment fund</u> Invesco Global Balanced Fund	2,060,643.28	46,770,442	53,417,231	100.42%

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

4 Investment portfolio as at 31 December 2018 (Continued)

			2018	
	Holding units	Cost HK\$	Fair value HK\$	% of net asset value
8)	China Life Retire-Easy Global Equity Fund <u>Approved pooled investment fund</u>			
	Invesco Global Equities Fund	4,676,952.79	100,768,734	125,527,542
				100.14%
9)	China Life Core Accumulation Fund <u>Approved pooled investment fund</u>			
	Invesco Core Accumulation Fund	2,646,830.39	28,788,162	27,388,607
				99.45%
10)	China Life Age 65 Plus Fund <u>Approved pooled investment fund</u>			
	Invesco Age 65 Plus Fund	1,023,824.88	10,582,682	10,534,441
				97.02%

Note: The underlying approved pooled investment funds as listed above were established in Hong Kong and have been approved by the MPFA.

CHINA LIFE MPF MASTER TRUST SCHEME

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

5 Investment portfolio movement report for the year ended 31 December 2018

	At 1 January 2018	Holdings		At 31 December 2018
		Additions	Disposals	
1) China Life Balanced Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Balanced Fund Class A	1,341,179.06	155,985.17	(132,136.37)	1,365,027.86
2) China Life Growth Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Growth Fund Class A	2,501,837.69	258,421.09	(304,129.89)	2,456,128.89
3) China Life Guaranteed Return Fund <u>Approved pooled investment fund</u> China Life Guaranteed Return (PIF) Fund	88,093,578.68	24,169,407.83	(28,128,943.58)	84,134,042.93
4) China Life Hong Kong Equity Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Hong Kong Equity Fund	582,417.06	621,622.08	(464,544.56)	739,494.58
5) China Life Retire-Easy Guarantee Fund <u>Approved pooled investment fund</u> China Life Retire-Easy Guarantee (PIF) Fund	51,004,046.28	31,147,401.25	(40,873,593.64)	41,277,853.89
6) China Life Retire-Easy Capital Stable Fund <u>Approved pooled investment fund</u> Invesco Global Stable Fund	1,780,309.12	772,699.37	(394,586.05)	2,158,422.44
7) China Life Retire-Easy Balanced Fund <u>Approved pooled investment fund</u> Invesco Global Balanced Fund	1,901,002.98	563,593.29	(403,952.99)	2,060,643.28
8) China Life Retire-Easy Global Equity Fund <u>Approved pooled investment fund</u> Invesco Global Equities Fund	4,661,909.05	751,734.02	(736,690.28)	4,676,952.79
9) China Life Core Accumulation Fund <u>Approved pooled investment fund</u> Invesco Core Accumulation Fund	1,153,979.18	2,141,983.50	(649,132.29)	2,646,830.39
10) China Life Age 65 Plus Fund <u>Approved pooled investment fund</u> Invesco Age 65 Plus Fund	348,127.69	943,243.07	(267,545.88)	1,023,824.88

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME (THE "SCHEME")

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of the Scheme and each of its constituent funds set out on pages 41 to 84, which comprise:

- the statement of net assets available for benefits of the Scheme and the statement of net assets of each of its constituent funds as at 31 December 2018;
- the statement of comprehensive income of each of the constituent funds for the year then ended;
- the statement of changes in net assets available for benefits of the Scheme and the statement of changes in net assets attributable to members of each of its constituent funds for the year then ended;
- the statement of cash flows of the Scheme and each of its constituent funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme and each of its constituent funds as at 31 December 2018, and of their 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 ("HKSAs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme and each of its constituent funds 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.

Emphasis of Matter

We draw attention to Note 2(a) to these financial statements, which states that the Trustee has resolved to terminate China Life Retire-Easy Balanced Fund and China Life Retire-Easy Capital Stable Fund. As a result, these financial statements have not been prepared on a going concern basis, and are prepared in accordance with the basis set out in Note 2(a). Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME (THE "SCHEME") (CONTINUED)

Other Information

The Trustee is responsible for the other information. The other information comprises all of 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.

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 and each of its constituent funds' 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 and its constituent funds 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 Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the "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. We report our opinion solely to you, as a body, 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 HKSA's 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 and each of its constituent funds 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
CHINA LIFE MPF MASTER TRUST SCHEME (THE "SCHEME") (CONTINUED)**

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

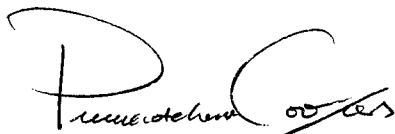
As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 and its constituent funds' 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 and its constituent funds' 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 and its constituent funds 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.

Report on Matters under the General Regulation

- a. In our opinion, the financial statements of the Scheme and each of its constituent funds 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.



PricewaterhouseCoopers
Certified Public Accountants

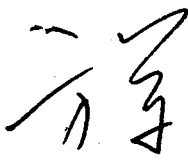
Hong Kong, 21 June 2019

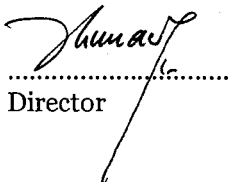
CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS - THE SCHEME AS AT 31 DECEMBER 2018

	Note	2018 HK\$	2017 HK\$
Assets			
Investments	9	3,812,215,882	4,097,750,846
Contributions receivable			
From employers		14,501,220	13,176,387
From members		11,166,890	10,277,977
Amounts receivable on sale of investments		431,612	615,822
Cash and cash equivalents		19,688,442	17,815,309
Total assets		<u>3,858,004,046</u>	<u>4,139,636,341</u>
Liabilities			
Accruals and other payables		6,705,940	6,908,945
Benefits payable		9,737,442	6,268,508
Accounts payable on funds switching		1,830,792	3,936,603
Forfeitures payable		39,103	39,103
Total liabilities		<u>18,313,277</u>	<u>17,153,159</u>
Net assets available for benefits attributable to members		<u><u>3,839,690,769</u></u>	<u><u>4,122,483,182</u></u>

On behalf of China Life Trustees Limited


.....
Director


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Director

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - THE SCHEME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK\$	2017 HK\$
Income			
Net change in unrealised (loss)/gain on investments		(165,380,984)	318,005,275
Net realised gain on investments		1,289,109	428,004
Bank interest income		9,523	3,885
		<u>(164,082,352)</u>	<u>318,437,164</u>
Expenses			
Bank charges		-	600
Net (loss)/income for the year		<u>(164,082,352)</u>	<u>318,436,564</u>
Contributions received and receivable	6		
From employers			
- Mandatory		120,971,331	109,427,806
- Additional voluntary		64,101,420	42,910,614
From members			
- Mandatory		142,101,686	125,636,966
- Additional voluntary		26,919,841	118,061,163
- Additional voluntary (Smart Easy Personal Contributions)		100,086,902	417,113,250
		<u>454,181,180</u>	<u>813,149,799</u>
Transfers in			
Group transfers in from other schemes		58,517,277	62,087,071
Individual transfers in from other schemes		165,110,498	307,965,564
		<u>223,627,775</u>	<u>370,052,635</u>

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - THE SCHEME (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK\$	2017 HK\$
Benefits paid and payable	7		
Retirement/early retirement		50,372,161	47,550,927
Death		6,095,301	1,625,174
Permanent departure		16,111,179	13,266,772
Total incapacity		1,270,062	614,737
Terminal illness		2,981,752	77,725
Refund of additional voluntary contributions		479,084,894	175,546,896
Long service payment refund		12,277,340	9,208,958
		<u>568,192,689</u>	<u>247,891,189</u>
Transfers out			
Group transfers out to other schemes		59,529,067	11,516,031
Individual transfers out to other schemes		160,846,940	118,460,729
		<u>220,376,007</u>	<u>129,976,760</u>
Forfeitures		<u>7,950,320</u>	<u>3,789,999</u>
Change in net assets available for benefits attributable to members for the year		(282,792,413)	1,119,981,050
Net assets available for benefits attributable to members at the beginning of the year			
- members' accounts		<u>4,122,483,182</u>	<u>3,002,502,132</u>
Net assets available for benefits attributable to members at the end of the year			
- members' accounts		<u>3,839,690,769</u>	<u>4,122,483,182</u>

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CASH FLOWS - THE SCHEME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK\$	2017 HK\$
Cash flows from operating activities		
Net (loss)/income	(164,082,352)	318,436,564
Adjustment for bank interest income	(9,523)	(3,885)
	<hr/>	<hr/>
Net decrease/(increase) in investments	(164,091,875)	318,432,679
Net decrease/(increase) in amounts receivable on sale of investments and other receivables	285,534,964	(1,124,000,055)
	<hr/>	<hr/>
	184,210	(481,774)
Net decrease in accruals and other payables	(203,005)	(3,066,865)
Net decrease in accounts payable on funds switching	(2,105,811)	(596,400)
	<hr/>	<hr/>
Bank interest received	119,318,483	(809,712,415)
	9,523	3,885
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	119,328,006	(809,708,530)
	<hr/>	<hr/>
Cash flows from financing activities		
Contributions and transfers in received	675,595,209	1,185,292,590
Benefits and transfers out paid	(785,099,762)	(375,301,273)
Forfeitures paid	(7,950,320)	(3,789,999)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(117,454,873)	806,201,318
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,873,133	(3,507,212)
Cash and cash equivalents at the beginning of the year	17,815,309	21,322,521
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	19,688,442	17,815,309
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	19,688,442	17,815,309
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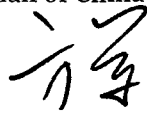
The notes on pages 58 to 84 are an integral part of these financial statements.


CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF NET ASSETS - CONSTITUENT FUNDS AS AT 31 DECEMBER 2018

	Note	China Life Balanced Fund		China Life MPF Conservative Fund		China Life Growth Fund	
		2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Assets							
Investments	9	281,741,751	304,823,177	-	-	524,751,937	605,669,886
Amounts receivable on funds switching		201,328	68,663	81,716	615,283	255,642	720,323
Interest receivable		-	-	930,095	515,931	-	-
Amounts receivable on sale of investments		36,737	49,272	-	-	301,207	175,506
Fund transfer in receivable		107,612	229,920	-	-	177,464	732,757
Other receivables		-	-	-	-	-	-
Bank deposits with original maturity over three months		-	-	178,386,737	136,168,911	-	-
Cash and cash equivalents		504	503	13,425,133	44,364,700	508	506
Total assets		282,087,932	305,171,535	192,823,681	181,664,825	525,486,758	607,298,978
Liabilities							
Accruals and other payables		765,108	862,918	456,628	484,963	1,446,834	1,701,970
Amounts payable on funds switching		125,979	238,297	347,156	-	181,628	732,757
Amounts payable on purchase of investments		36,737	49,272	-	-	301,207	175,506
Total liabilities		927,824	1,150,487	803,784	484,963	1,929,669	2,610,233
Net assets attributable to members		281,160,108	304,021,048	192,019,897	181,179,862	523,557,089	604,688,745
Units in issue		12,494,224.44	12,183,587.72	17,772,616.01	16,843,532.58	22,063,713.11	22,329,703.68
Net asset value per unit		22.50	24.95	10.80	10.76	23.73	27.08

On behalf of China Life Trustees Limited


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Director


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Director

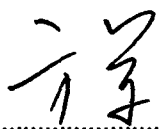
The notes on pages 58 to 84 are an integral part of these financial statements.


CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF NET ASSETS - CONSTITUENT FUNDS (CONTINUED) AS AT 31 DECEMBER 2018

	Note	<u>China Life Guaranteed Return Fund</u>		<u>China Life Hong Kong Equity Fund</u>		<u>China Life Retire-Easy Guarantee Fund</u>	
		2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Assets							
Investments	9	1,605,084,031	1,679,979,783	204,595,966	184,474,778	742,327,891	891,560,129
Amounts receivable on funds switching		1,002,589	4,217,020	1,280,497	738,871	2,519,873	1,287,838
Interest receivable		-	-	-	-	-	-
Amounts receivable on sale of investments		-	-	-	147,508	-	-
Fund transfer in receivable		-	-	2,036,581	1,489,582	-	-
Other receivables		-	-	-	-	-	-
Bank deposits with original maturity over three months		-	-	-	-	-	-
Cash and cash equivalents		517	517	201	201	266	266
Total assets		<u>1,606,087,137</u>	<u>1,684,197,320</u>	<u>207,913,245</u>	<u>186,850,940</u>	<u>744,848,030</u>	<u>892,848,233</u>
Liabilities							
Accruals and other payables		6,045,357	6,339,373	252,346	219,750	3,029,076	3,675,925
Amounts payable on funds switching		59,946	87,384	2,061,103	1,489,582	1,035,595	1,406,203
Amounts payable on purchase of investments		-	-	-	147,508	-	-
Total liabilities		<u>6,105,303</u>	<u>6,426,757</u>	<u>2,313,449</u>	<u>1,856,840</u>	<u>4,064,671</u>	<u>5,082,128</u>
Net assets attributable to members		<u>1,599,981,834</u>	<u>1,677,770,563</u>	<u>205,599,796</u>	<u>184,994,100</u>	<u>740,783,359</u>	<u>887,766,105</u>
Units in issue		<u>109,702,523.56</u>	<u>113,498,224.70</u>	<u>13,680,584.60</u>	<u>10,771,113.52</u>	<u>51,107,893.29</u>	<u>62,473,424.53</u>
Net asset value per unit		<u>14.58</u>	<u>14.78</u>	<u>15.03</u>	<u>17.18</u>	<u>14.49</u>	<u>14.21</u>

On behalf of China Life Trustees Limited


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Director


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Director

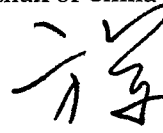
The notes on pages 58 to 84 are an integral part of these financial statements.


CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF NET ASSETS - CONSTITUENT FUNDS (CONTINUED) AS AT 31 DECEMBER 2018

	Note	<u>China Life Retire-Easy Capital Stable Fund</u>		<u>China Life Retire-Easy Balanced Fund</u>		<u>China Life Retire-Easy Global Equity Fund</u>	
		2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Assets							
Investments	9	52,395,057	45,445,417	53,417,231	54,210,332	125,527,542	141,735,088
Amounts receivable on funds switching		8,361	1,881	3,737	1,029	323,221	56,432
Interest receivable		-	-	-	-	-	-
Amounts receivable on sale of investments		34,138	-	2,015	175,699	49,291	67,837
Fund transfer in receivable		4,501	-	104,668	164,097	398,137	139,714
Other receivables		-	-	-	-	-	-
Bank deposits with original maturity over three months		-	-	-	-	-	-
Cash and cash equivalents		50	50	55	55	93	93
Total assets		<u>52,442,107</u>	<u>45,447,348</u>	<u>53,527,706</u>	<u>54,551,212</u>	<u>126,298,284</u>	<u>141,999,164</u>
Liabilities							
Accruals and other payables		208,046	176,169	215,532	207,991	489,588	547,720
Amounts payable on funds switching		26,112	-	115,852	164,209	411,567	161,538
Amounts payable on purchase of investments		34,138	-	2,015	175,699	49,291	67,837
Total liabilities		<u>268,296</u>	<u>176,169</u>	<u>333,399</u>	<u>547,899</u>	<u>950,446</u>	<u>777,095</u>
Net assets attributable to members		<u>52,173,811</u>	<u>45,271,179</u>	<u>53,194,307</u>	<u>54,003,313</u>	<u>125,347,838</u>	<u>141,222,069</u>
Units in issue		<u>4,363,644.87</u>	<u>3,543,537.18</u>	<u>4,625,490.95</u>	<u>4,200,085.78</u>	<u>11,624,094.71</u>	<u>11,390,296.08</u>
Net asset value per unit		<u>11.96</u>	<u>12.78</u>	<u>11.50</u>	<u>12.86</u>	<u>10.78</u>	<u>12.40</u>

On behalf of China Life Trustees Limited


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Director


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Director


The notes on pages 58 to 84 are an integral part of these financial statements.


CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF NET ASSETS - CONSTITUENT FUNDS (CONTINUED) AS AT 31 DECEMBER 2018

	Note	<u>China Life Core Accumulation Fund</u>		<u>China Life Age 65 Plus Fund</u>		<u>Total</u>	
		2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Assets							
Investments	9	27,388,607	12,709,581	10,534,441	3,619,762	3,627,764,454	3,924,227,933
Amounts receivable on funds switching		192,079	904	336,552	626,942	6,205,595	8,335,186
Interest receivable		-	-	-	-	930,095	515,931
Amounts receivable on sale of investments		8,224	-	-	-	431,612	615,822
Fund transfer in receivable		8,653	8,518	153	-	2,837,769	2,764,588
Other receivables		3,499	4,499	3,499	4,499	6,998	8,998
Bank deposits with original maturity over three months		-	-	-	-	178,386,737	136,168,911
Cash and cash equivalents		-	-	-	-	13,427,327	44,366,891
Total assets		<u>27,601,062</u>	<u>12,723,502</u>	<u>10,874,645</u>	<u>4,251,203</u>	<u>3,829,990,587</u>	<u>4,117,004,260</u>
Liabilities							
Accruals and other payables		43,489	16,732	16,286	5,500	12,968,290	14,239,011
Amounts payable on funds switching		9,712	118,611	153	-	4,374,803	4,398,581
Amounts payable on purchase of investments		8,224	-	-	-	431,612	615,822
Total liabilities		<u>61,425</u>	<u>135,343</u>	<u>16,439</u>	<u>5,500</u>	<u>17,774,705</u>	<u>19,253,414</u>
Net assets attributable to members		<u>27,539,637</u>	<u>12,588,159</u>	<u>10,858,206</u>	<u>4,245,703</u>	<u>3,812,215,882</u>	<u>4,097,750,846</u>
Units in issue		<u>2,702,947.75</u>	<u>1,158,925.40</u>	<u>1,081,931.88</u>	<u>415,434.19</u>		
Net asset value per unit		<u>10.19</u>	<u>10.86</u>	<u>10.04</u>	<u>10.22</u>		

On behalf of China Life Trustees Limited


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Director


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Director

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF COMPREHENSIVE INCOME - CONSTITUENT FUNDS FOR THE YEAR ENDED 31 DECEMBER 2018

		China Life MPF				China Life Guaranteed				China Life Hong Kong	
		China Life Balanced Fund		Conservative Fund		China Life Growth Fund		Return Fund		Equity Fund	
	Note	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Income											
Bank interest income		1	-	2,782,516	1,604,629	1	1	-	-	1	-
Guaranteed return	8(a)	-	-	-	-	-	-	60,489,571	46,999,222	-	-
Net realised gains/(losses) on sale of investments		7,518,314	7,230,815	-	-	22,063,638	10,912,520	(26,373,574)	(22,979,664)	15,060,583	11,791,597
Net change in unrealised (losses)/gains on investments		(35,996,054)	51,862,470	-	-	(91,437,422)	125,620,496	(32,615,696)	3,471,212	(43,167,179)	39,275,811
Other income		1,225,425	1,057,034	-	-	2,374,017	2,023,315	-	-	869,704	575,585
		(27,252,314)	60,150,319	2,782,516	1,604,629	(66,999,766)	138,556,332	1,500,301	27,490,770	(27,236,891)	51,642,993
Expenses											
Auditor's remuneration		33,740	21,128	18,524	14,841	68,946	44,081	170,696	175,614	31,599	20,401
Administration fee	4(a)	1,755,385	1,684,858	772,301	648,838	3,395,366	3,232,042	14,155,444	13,837,789	420,499	298,877
Custodian fee		304,447	280,810	204,944	162,210	588,309	538,674	1,572,827	1,537,532	210,250	149,438
MPF indemnity insurance		9,495	12,020	5,874	8,022	18,703	22,540	52,988	62,793	5,777	5,361
Trustee fee	4(a)	1,065,566	982,834	717,307	567,733	2,059,082	1,885,358	6,291,308	6,150,129	210,250	149,438
Investment management fee	4(b)	-	-	204,944	162,210	-	-	-	-	-	-
Other expenses		20,565	15,355	20,246	28,244	33,365	25,019	85,390	60,713	16,636	11,377
		3,189,198	2,997,005	1,944,140	1,592,098	6,163,771	5,747,714	22,328,653	21,824,570	895,011	634,892
Total comprehensive (losses)/income for the year											
		(30,441,512)	57,153,314	838,376	12,531	(73,163,537)	132,808,618	(20,828,352)	5,666,200	(28,131,902)	51,008,101

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF COMPREHENSIVE INCOME - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

		<u>China Life Retire-Easy</u> <u>Guarantee Fund</u>		<u>China Life Retire-Easy Capital</u> <u>Stable Fund</u>		<u>China Life Retire-Easy</u> <u>Balanced Fund</u>		<u>China Life Retire-Easy</u> <u>Global Equity Fund</u>	
	Note	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Income									
Bank interest income		-	-	-	-	-	-	-	-
Guaranteed return	8(b)	34,524,147	13,035,833	-	-	-	-	-	-
Net realised gains on sale of investments		14,582,174	7,659,948	939,384	1,231,445	2,647,744	1,086,088	6,915,576	4,553,678
Net change in unrealised (losses)/gains on investments		(17,990,569)	15,109,489	(3,619,706)	3,828,548	(7,884,978)	9,427,350	(23,381,571)	30,499,754
Other income		-	-	-	-	-	-	-	-
		<u>31,115,752</u>	<u>35,805,270</u>	<u>(2,680,322)</u>	<u>5,059,993</u>	<u>(5,237,234)</u>	<u>10,513,438</u>	<u>(16,465,995)</u>	<u>35,053,432</u>
Expenses									
Auditor's remuneration		107,262	121,653	7,061	3,389	7,179	4,094	16,463	11,150
Administration fee	4(a)	5,293,107	4,770,564	298,253	225,430	323,742	271,013	772,192	727,887
Custodian fee		1,323,277	1,192,641	77,134	58,301	83,726	70,090	208,039	188,247
MPF indemnity insurance		28,268	23,000	1,451	1,594	1,692	1,903	4,398	5,199
Trustee fee	4(a)	3,087,646	2,782,829	179,980	136,036	195,362	163,542	485,425	439,242
Investment management fee	4(b)	3,528,738	3,180,376	205,691	155,469	223,271	186,906	554,771	501,991
Other expenses		41,864	35,354	8,863	6,952	8,971	7,216	12,784	10,051
		<u>13,410,162</u>	<u>12,106,417</u>	<u>778,433</u>	<u>587,171</u>	<u>843,943</u>	<u>704,764</u>	<u>2,054,072</u>	<u>1,883,767</u>
Total comprehensive income/(losses) for the year		<u>17,705,590</u>	<u>23,698,853</u>	<u>(3,458,755)</u>	<u>4,472,822</u>	<u>(6,081,177)</u>	<u>9,808,674</u>	<u>(18,520,067)</u>	<u>33,169,665</u>

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF COMPREHENSIVE INCOME - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

		<u>China Life Core Accumulation Fund</u>		<u>China Life Age 65 Plus Fund</u>		<u>Total</u>	
	Note	2018	2017	2018	2017	2018	2017
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Income							
Bank interest income		-	-	-	-	2,782,519	1,604,630
Guaranteed return		-	-	-	-	95,013,718	60,035,055
Net realised gains on sale of investments		241,137	46,471	13,380	5,148	43,608,356	21,538,046
Net change in unrealised (losses)/gains on investments		(1,975,430)	575,875	(102,129)	53,889	(258,170,734)	279,724,894
Other income		3	-	-	-	4,469,149	3,655,934
		<u>(1,734,290)</u>	<u>622,346</u>	<u>(88,749)</u>	<u>59,037</u>	<u>(112,296,992)</u>	<u>366,558,559</u>
Expenses							
Auditor's remuneration		4,762	1,026	1,716	309	467,948	417,686
Administration fee	4(a)	57,494	14,373	20,414	4,331	27,264,197	25,716,002
Custodian fee		20,533	5,133	7,291	1,547	4,600,777	4,184,623
MPF indemnity insurance		371	326	137	111	129,154	142,869
Trustee fee	4(a)	43,092	10,771	15,300	3,242	14,350,318	13,271,154
Investment management fee	4(b)	-	-	-	-	4,717,415	4,186,952
Other expenses		8,608	3,788	7,782	1,925	265,074	205,994
		<u>134,860</u>	<u>35,417</u>	<u>52,640</u>	<u>11,465</u>	<u>51,794,883</u>	<u>48,125,280</u>
Total comprehensive (losses)/income for the year		<u><u>(1,869,150)</u></u>	<u><u>586,929</u></u>	<u><u>(141,389)</u></u>	<u><u>47,572</u></u>	<u><u>(164,091,875)</u></u>	<u><u>318,433,279</u></u>

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS - CONSTITUENT FUNDS FOR THE YEAR ENDED 31 DECEMBER 2018

	China Life Balanced Fund		China Life MPF Conservative Fund		China Life Growth Fund		China Life Guaranteed Return Fund		China Life Hong Kong Equity Fund	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at the beginning of the year	304,021,048	248,105,164	181,179,862	167,401,166	604,688,745	461,664,438	1,677,770,563	1,321,477,955	184,994,100	106,171,645
Units issued	51,603,182	44,974,310	79,815,450	182,771,937	93,360,721	78,782,739	465,504,727	693,543,103	237,730,862	136,240,860
Units redeemed	(44,022,610)	(46,211,740)	(69,813,791)	(169,005,772)	(101,328,840)	(68,567,050)	(522,465,104)	(342,916,695)	(188,993,264)	(108,426,506)
	7,580,572	(1,237,430)	10,001,659	13,766,165	(7,968,119)	10,215,689	(56,960,377)	350,626,408	48,737,598	27,814,354
Total comprehensive (losses)/income for the year	(30,441,512)	57,153,314	838,376	12,531	(73,163,537)	132,808,618	(20,828,352)	5,666,200	(28,131,902)	51,008,101
Balance at the end of the year	281,160,108	304,021,048	192,019,897	181,179,862	523,557,089	604,688,745	1,599,981,834	1,677,770,563	205,599,796	184,994,100
Units outstanding at the beginning of the year	12,183,587.72	12,211,810.99	16,843,532.58	15,563,682.78	22,329,703.68	21,875,944.98	113,498,224.70	89,573,257.41	10,771,113.52	8,787,757.89
Units issued	2,096,637.99	1,990,425.03	7,413,957.03	16,992,228.10	3,502,990.22	3,281,583.40	31,247,466.74	47,022,030.82	14,136,305.46	9,196,624.17
Units redeemed	(1,786,001.27)	(2,018,648.30)	(6,484,873.60)	(15,712,378.30)	(3,768,980.79)	(2,827,824.70)	(35,043,167.88)	(23,097,063.53)	(11,226,834.38)	(7,213,268.54)
Units outstanding at the end of the year	12,494,224.44	12,183,587.72	17,772,616.01	16,843,532.58	22,063,713.11	22,329,703.68	109,702,523.56	113,498,224.70	13,680,584.60	10,771,113.52

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

	China Life Retire-Easy Guarantee Fund		China Life Retire-Easy Capital Stable Fund		China Life Retire-Easy Balanced Fund		China Life Retire-Easy Global Equity Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at the beginning of the year	887,766,105	490,313,088	45,271,179	32,625,288	54,003,313	39,499,434	141,222,069	106,492,613
Units issued	534,666,335	745,340,346	24,410,434	20,491,594	18,544,045	11,795,439	32,741,649	24,269,349
Units redeemed	(699,354,671)	(371,586,182)	(14,049,047)	(12,318,525)	(13,271,874)	(7,100,234)	(30,095,813)	(22,709,558)
	(164,688,336)	373,754,164	10,361,387	8,173,069	5,272,171	4,695,205	2,645,836	1,559,791
Total comprehensive income/(losses) for the year	17,705,590	23,698,853	(3,458,755)	4,472,822	(6,081,177)	9,808,674	(18,520,067)	33,169,665
Balance at the end of the year	740,783,359	887,766,105	52,173,811	45,271,179	53,194,307	54,003,313	125,347,838	141,222,069
Units outstanding at the beginning of the year	62,473,424.53	35,539,205.03	3,543,537.18	2,873,589.44	4,200,085.78	3,799,653.35	11,390,296.08	11,217,189.15
Units issued	37,452,590.55	53,397,785.40	1,940,035.14	1,671,189.31	1,464,741.11	1,011,466.90	2,693,560.73	2,229,909.36
Units redeemed	(48,818,121.79)	(26,463,565.90)	(1,119,927.45)	(1,001,241.57)	(1,039,335.94)	(611,034.47)	(2,459,762.10)	(2,056,802.43)
Units outstanding at the end of the year	51,107,893.29	62,473,424.53	4,363,644.87	3,543,537.18	4,625,490.95	4,200,085.78	11,624,094.71	11,390,296.08

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>China Life Core Accumulation Fund</u>		<u>China Life Age 65 Plus Fund</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at the beginning of the year	12,588,159	-	4,245,703	-	4,097,750,846	2,973,750,791
Units issued	25,158,492	14,523,469	9,643,723	5,529,290	1,573,179,620	1,958,262,436
Units redeemed	(8,337,864)	(2,522,239)	(2,889,831)	(1,331,159)	(1,694,622,709)	(1,152,695,660)
	16,820,628	12,001,230	6,753,892	4,198,131	(121,443,089)	805,566,776
Total comprehensive (losses)/income for the year	(1,869,150)	586,929	(141,389)	47,572	(164,091,875)	318,433,279
Balance at the end of the year	27,539,637	12,588,159	10,858,206	4,245,703	3,812,215,882	4,097,750,846
Units outstanding at the beginning of the year	1,158,925.40	-	415,434.19	-		
Units issued	2,306,403.79	1,400,822.54	950,565.38	547,317.68		
Units redeemed	(762,381.44)	(241,897.14)	(284,067.69)	(131,883.49)		
Units outstanding at the end of the year	2,702,947.75	1,158,925.40	1,081,931.88	415,434.19		

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CASH FLOWS - CONSTITUENT FUNDS FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>China Life Balanced Fund</u>		<u>China Life MPF Conservative Fund</u>		<u>China Life Growth Fund</u>		<u>China Life Guaranteed Return Fund</u>		<u>China Life Hong Kong Equity Fund</u>	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cash flows from operating activities										
Total comprehensive (losses)/income for the year	(30,441,512)	57,153,314	838,376	12,531	(73,163,537)	132,808,618	(20,828,352)	5,666,200	(28,131,902)	51,008,101
Adjustment for:										
Bank interest income	(1)	-	(2,782,516)	(1,604,629)	(1)	(1)	-	-	(1)	-
Net decrease/(increase) in investments	23,081,426	(56,130,990)	-	-	80,917,949	(142,808,078)	74,895,752	(357,941,808)	(20,121,188)	(78,469,804)
Net (increase) in interest receivable	-	-	(414,164)	(196,509)	-	-	-	-	-	-
Net (increase) in bank deposits with original maturity over three months	-	-	(42,217,826)	(7,072,171)	-	-	-	-	-	-
Net decrease/(increase) in amounts receivable on sale of investments	12,535	(47,695)	-	-	(125,701)	(175,506)	-	-	147,508	(111,611)
Net decrease/(increase) in other receivables	-	-	-	-	-	-	-	-	-	-
Net (decrease)/increase in accruals and other payables	(97,810)	115,522	(28,335)	163,902	(255,136)	311,731	(294,016)	1,441,796	32,596	80,712
Net (decrease)/increase in amounts payable on purchase of investments	(12,535)	47,695	-	-	125,701	175,506	-	-	(147,508)	111,611
Cash (used in)/generated from operations	(7,457,897)	1,137,846	(44,604,465)	(8,696,876)	7,499,275	(9,687,730)	53,773,384	(350,833,812)	(48,220,495)	(27,380,991)
Bank interest income received	1	-	2,782,516	1,604,629	1	1	-	-	1	-
Net cash (used in)/generated from operating activities	(7,457,896)	1,137,846	(41,821,949)	(7,092,247)	7,499,276	(9,687,729)	53,773,384	(350,833,812)	(48,220,494)	(27,380,991)
Cash flows from financing activities										
Receipts on subscription*	51,592,825	44,835,597	80,349,017	182,195,993	94,380,695	77,522,023	468,719,158	693,663,123	236,642,237	134,326,987
Payments on redemption*	(44,134,928)	(45,973,443)	(69,466,635)	(169,460,422)	(101,879,969)	(67,834,293)	(522,492,542)	(342,829,311)	(188,421,743)	(106,945,995)
Net cash generated from financing activities	7,457,897	(1,137,846)	10,882,382	12,735,571	(7,499,274)	9,687,730	(53,773,384)	350,833,812	48,220,494	27,380,992
Net increase in cash and cash equivalents	1	-	(30,939,567)	5,643,324	2	1	-	-	-	1
Cash and cash equivalents at the beginning of the year	503	503	44,364,700	38,721,376	506	505	517	517	201	200
Cash and cash equivalents at the end of the year	504	503	13,425,133	44,364,700	508	506	517	517	201	201
Analysis of balances of cash and cash equivalents										
Cash and cash equivalents	504	503	13,425,133	44,364,700	508	506	517	517	201	201

*Include increase/decrease in amounts receivable/payable on funds switching and sale/purchase of investments.

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CASH FLOWS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>China Life Retire-Easy Guarantee Fund</u>		<u>China Life Retire-Easy Capital Stable Fund</u>		<u>China Life Retire-Easy Balanced Fund</u>		<u>China Life Retire-Easy Global Equity Fund</u>	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cash flows from operating activities								
Total comprehensive income/(losses) for the year	17,705,590	23,698,853	(3,458,755)	4,472,822	(6,081,177)	9,808,674	(18,520,067)	33,169,665
Adjustment for:								
Bank interest income	-	-	-	-	-	-	-	-
Net decrease/(increase) in investments	149,232,238	(399,419,123)	(6,949,640)	(12,692,184)	793,101	(14,693,547)	16,207,546	(34,823,180)
Net (increase) in interest receivable	-	-	-	-	-	-	-	-
Net (increase) in bank deposits with original maturity over three months	-	-	-	-	-	-	-	-
Net (increase)/decrease in amounts receivable on sale of investments	-	-	(34,138)	-	173,684	(175,699)	18,546	28,737
Net decrease/(increase) in other receivables	-	-	-	-	-	-	-	-
Net(decrease)/ increase in accruals and other payables	(646,849)	1,799,996	31,877	43,531	7,541	48,742	(58,132)	114,826
Net (decrease)/increase in amounts payable on purchase of investments	-	-	34,138	-	(173,684)	175,699	(18,546)	(28,737)
Cash generated from/(used in) operations	166,290,979	(373,920,274)	(10,376,518)	(8,175,831)	(5,280,535)	(4,836,131)	(2,370,653)	(1,538,689)
Bank interest income received	-	-	-	-	-	-	-	-
Net cash generated from/(used in) operating activities	166,290,979	(373,920,274)	(10,376,518)	(8,175,831)	(5,280,535)	(4,836,131)	(2,370,653)	(1,538,689)
Cash flows from financing activities								
Receipts on subscription*	533,434,300	745,633,689	24,399,453	20,494,356	18,600,766	12,026,361	32,216,437	24,086,709
Payments on redemption*	(699,725,279)	(371,713,415)	(14,022,935)	(12,318,525)	(13,320,231)	(7,190,230)	(29,845,784)	(22,548,020)
Net cash generated from financing activities	(166,290,979)	373,920,274	10,376,518	8,175,831	5,280,535	4,836,131	2,370,653	1,538,689
Net increase in cash and cash equivalents	-	-	-	-	-	-	-	-
Cash and cash equivalents at the beginning of the year	266	266	50	50	55	55	93	93
Cash and cash equivalents at the end of the year	266	266	50	50	55	55	93	93
Analysis of balances of cash and cash equivalents								
Cash and cash equivalents	266	266	50	50	55	55	93	93

*Include increase/decrease in amounts receivable/payable on funds switching and sale/purchase of investments.

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

STATEMENT OF CASH FLOWS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>China Life Core Accumulation Fund</u>		<u>China Life Age 65 Plus Fund</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cash flows from operating activities						
Total comprehensive (losses)/income for the year	(1,869,150)	586,929	(141,389)	47,572	(164,091,875)	318,433,279
Adjustment for:						
Bank interest income	-	-	-	-	(2,782,519)	(1,604,630)
Net (increase)/decrease in investments	(14,679,026)	(12,709,581)	(6,914,679)	(3,619,762)	296,463,479	(1,113,308,057)
Net (increase) in interest receivable	-	-	-	-	(414,164)	(196,509)
Net (increase) in bank deposits with original maturity over three months	-	-	-	-	(42,217,826)	(7,072,171)
Net (increase)/decrease in amounts receivable on sale of investments	(8,224)	-	-	-	184,210	(481,774)
Net decrease/(increase) in other receivables	1,000	(4,499)	1,000	(4,499)	2,000	(8,998)
Net increase/(decrease) in accruals and other payables	26,757	16,732	10,786	5,500	(1,270,721)	4,142,990
Net increase/(decrease) in amounts payable on purchase of investments	8,224	-	-	-	(184,210)	481,774
Cash (used in)/generated from operations	(16,520,419)	(12,110,419)	(7,044,282)	(3,571,189)	85,688,374	(799,614,096)
Bank interest income received	-	-	-	-	2,782,519	1,604,630
Net cash (used in)/generated from operating activities	(16,520,419)	(12,110,419)	(7,044,282)	(3,571,189)	88,470,893	(798,009,466)
Cash flows from financing activities						
Receipts on subscription*	24,967,182	14,514,047	9,933,960	4,902,348	1,575,236,030	1,954,201,233
Payments on redemption*	(8,446,763)	(2,403,628)	(2,889,678)	(1,331,159)	(1,694,646,487)	(1,150,548,441)
Net cash generated from financing activities	16,520,419	12,110,419	7,044,282	3,571,189	(119,410,457)	803,652,792
Net increase in cash and cash equivalents	-	-	-	-	(30,939,564)	5,643,326
Cash and cash equivalents at the beginning of the year	-	-	-	-	44,366,891	38,723,565
Cash and cash equivalents at the end of the year	-	-	-	-	13,427,327	44,366,891
Analysis of balances of cash and cash equivalents						
Cash and cash equivalents	-	-	-	-	13,427,327	44,366,891

*Include increase/decrease in amounts receivable/payable on funds switching and sale/purchase of investments.

The notes on pages 58 to 84 are an integral part of these financial statements.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

1 The Scheme

China Life MPF Master Trust Scheme (the “Scheme”) is established and governed by its Trust Deed dated 26 January 2000, as amended. 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 Mandatory Provident Fund Schemes Authority (the “MPFA”) and the Securities and Futures Commission of Hong Kong (the “SFC”).

The Scheme comprises eleven constituent funds. Each of the constituent funds is approved by the MPFA and authorised by the SFC, and has its own investment policy and predetermined fees and charges. The constituent funds are as follows:

China Life Balanced Fund
China Life MPF Conservative Fund
China Life Growth Fund
China Life Guaranteed Return Fund
China Life Hong Kong Equity Fund
China Life Retire-Easy Guarantee Fund
China Life Retire-Easy Capital Stable Fund
China Life Retire-Easy Balanced Fund
China Life Retire-Easy Global Equity Fund
China Life Core Accumulation Fund
China Life Age 65 Plus Fund

With effect from April 1, 2017, Default Investment Strategy (“DIS”) is the default investment arrangement of the Scheme as stipulated by the MPF Ordinance. DIS is a strategy that uses two constituent funds, namely China Life Core Accumulation Fund and China Life Age 65 Plus Fund for investment. DIS is a ready-made investment arrangement mainly designed for those Members who are not interested or do not wish to make a fund choice, and is also available as an investment choice itself, for Members who find it suitable for their own circumstances. For those Members who do not make an investment choice, their contributions and accrued benefits transferred from another scheme will be invested in accordance with the DIS. DIS is required by law to be offered in every MPF scheme and is designed to be substantially similar in all schemes.

China Life Retire-Easy Balanced Fund and China Life Retire-Easy Capital Stable Fund (collectively, the “Terminating Funds”) will be terminated with effect from 23 September 2019. MPFA had approved in principle the termination of the Terminating Funds.

2 Summary of significant accounting policies

The principal accounting policies applied 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) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

China Life Retire-Easy Balanced Fund and China Life Retire-Easy Capital Stable Fund (collectively, the “Terminating Funds”) will be terminated with effect from 23 September 2019. MPFA had approved in principle the termination of the Terminating Funds. As a result, the financial statements for the year ended have not been prepared on a going concern basis. The Trustee has assessed that the values of all assets and liabilities at the reporting date approximate their net realizable value, and therefore no changes of accounting policies or adjustments have been made in the financial statements in order to reflect the fact that the Scheme, will be able to realise its assets or to extinguish its liabilities in the normal course of business.

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

Standards and amendments to existing standards effective 1 January 2018

HKFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in HKAS 39.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. HKFRS 9 also introduces a new expected credit loss (ECL) impairment model.

HKFRS 9 has been applied retrospectively by the Scheme and constituent funds and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Scheme and constituent fund’s investment portfolio continue to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Scheme and constituent funds.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Scheme and constituent funds.

(b) Investments

The Scheme and constituent funds classifies its investments based on both the Scheme and constituent funds' business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Scheme and constituent funds are primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Scheme and constituent funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Scheme and constituent funds' business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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 measured at fair value. Realised and unrealised gains and losses on investments are recognised in the statement of comprehensive income within net gains/(losses) on investments in the year in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Scheme and constituent funds has transferred substantially all risks and rewards of ownership.

Investments in unitised constituent funds are valued at their respective closing net asset value per unit. Investments in approved pooled investment funds are valued at their respective closing bid prices.

(c) Income and expenses

Guaranteed return is recognised when declared by China Life Insurance (Overseas) Company Limited (incorporated in the People's Republic of China with limited liability) (the "Guarantor"). Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accruals basis.

Expenses are accounted for on an accruals basis.

(d) Translation of foreign currencies

(i) 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"). The financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of the Scheme and its constituent funds.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(d) Translation of foreign currencies (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of changes in net assets available for benefits for the Scheme and the statement of comprehensive income for the constituent funds.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of changes in net assets available for benefits for the Scheme and statement of comprehensive income for the constituent funds within the fair value changes.

(e) Proceeds and payments on issue and redemption of units

The net asset value of the constituent funds is computed on each business day. Prices for issues and redemptions on each business day are based on the closing valuation of that business day.

Proceeds and payments for units subscribed and redeemed are included in the statement of changes in net assets attributable to members of the respective constituent funds.

(f) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise bank deposits with a maturity of three months or less from the date of placement, net of bank overdrafts, if any.

(g) Amounts receivable on sale of investments/payable on purchase of investments

Amounts receivable on sale of investments/payable on purchase of investments represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled by the end of the year.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme and constituent funds shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme and constituent funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the brokers, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(h) Contributions

Contributions are accounted for on an accruals basis.

(i) Benefits

Benefits are accounted for on an accruals basis.

(j) Transfers in/out

Transfer-in amounts are recognised when the right to receive payment is established. Transfer-out amounts are accounted for when the obligation to make payment is established.

(k) Forfeitures

If a member ceases to be a member, the part of the employer's voluntary contributions not otherwise disposed of in accordance with the rules of the Scheme may be applied in reducing the 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.

(l) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- (a) restricted activities,
- (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors,
- (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and
- (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Scheme and its constituent funds consider all of its investments in constituent funds and APIFs respectively ("Investee Funds") to be investments in unconsolidated structured entities. Refer to note 3(a) for investment strategies of the Investee Funds. The Investee Funds finance their operations by issuing units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. The Scheme and its constituent funds hold units in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the statement of changes in net assets available for benefits for the Scheme and statement of comprehensive income for the constituent funds.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

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

(a) Strategy in using financial instruments

China Life Balanced Fund

The investment strategy is an attempt to limit risk through prudent diversification in various asset classes as stated below:

- a) Cash (5%)
- b) Bonds (25%)
- c) Equities (70%)

China Life MPF Conservative Fund

The investment strategy is an attempt to limit risk through prudent diversification in various short-term notes or commercial papers as stated below:

- a) Bank deposits and commercial papers (0% to 100%)
- b) Short-term notes (maximum 2 years) (0% to 12%)

China Life Growth Fund

The investment strategy is an attempt to achieve high return through prudent diversification in various asset classes as stated below:

- a) Cash (3%)
- b) Bonds (7%)
- c) Equities (90%)

China Life Guaranteed Return Fund

The investment strategy is an attempt to limit risk through prudent diversification in various asset classes as stated below:

- a) Cash/bank deposits (0% to 50%)
- b) Fixed income securities (50% to 80%)
- c) Global equities (0% to 30%)

The targeted geographic distribution of the assets is:

- a) Hong Kong/China (30% to 80%)
- b) Europe (0% to 40%)
- c) America (0% to 40%)
- d) Asia Pacific (0% to 40%)
- e) Middle East (debt securities only) (0% to 40%)

China Life Hong Kong Equity Fund

The investment strategy is an attempt to limit risk through diversification in various asset classes as stated below:

- a) Cash (0%)
- b) Bonds (0%)
- c) Equities (100%)*

* Please note that this only represents the target allocations and the actual asset allocations will at times vary considerably from that shown above.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Strategy in using financial instruments (Continued)

China Life Retire-Easy Guarantee Fund

The constituent fund through the approved pooled investment fund maintains at least 30% effective currency exposure to Hong Kong dollars. It generally follows the assets allocation as below:

- a) Global equities (0% to 30%)
- b) Fixed income securities (50% to 80%)
- c) Cash/bank deposits (0% to 50%)

The targeted geographic distribution of the assets is:

- a) Hong Kong/China (30% to 80%)
- b) Europe (0% to 40%)
- c) America (0% to 40%)
- d) Asia Pacific (0% to 40%)
- e) Middle East (debt securities only) (0% to 40%)

China Life Retire-Easy Capital Stable Fund

The constituent fund invests in Invesco Global Stable Fund which will normally invest 70% of its net asset value in global bonds and 30% of its net asset value in global equities.

China Life Retire-Easy Balanced Fund

The constituent fund invests in Invesco Global Balanced Fund which will normally invest around 30% of its net asset value in global bonds and 70% of its net asset value in global equities.

China Life Retire-Easy Global Equity Fund

The constituent fund invests in Invesco Global Equities Fund. Investments will be made with an emphasis on the Hong Kong market but in general may cover a global range of markets in Asia, Australia, Japan, Europe and North America.

China Life Core Accumulation Fund

The constituent fund invests in Invesco Core Accumulation Fund which invests in a combination of global equities and bonds in a globally diversified manner through investment into two underlying Invesco approved pooled investment funds. It will target to invest 60% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds, cash and money market instruments). The asset allocation to higher risk assets may vary between 55% and 65% due to differing price movements of various equity and bond markets.

China Life Age 65 Plus Fund

The constituent fund invests in Invesco Age 65 Plus Fund which invests in a combination of global equities and bonds in a globally diversified manner through investment into two underlying Invesco approved pooled investment funds. It will target to invest 20% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds, cash and money market instruments). The asset allocation to higher risk assets may vary between 15% and 25% due to differing price movements of various equity and bond markets.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market. The investments are subject to market price risk arising from uncertainties about the future prices of the investments.

Except for China Life MPF Conservative Fund, the constituent funds' market price risk is managed through diversification of the underlying investment portfolio of the approved pooled investment funds held. The market price risk of China Life MPF Conservative Fund is covered under interest rate risk. Refer to note 3(c).

At the year end date, should market prices of the approved pooled investment funds have risen/lowered by 5% with all other variables held constant, the net assets attributable to members would increase/decrease by approximately:

	2018 HK\$	2017 HK\$
China Life Balanced Fund	14,087,088	15,241,159
China Life Growth Fund	26,237,597	30,283,494
China Life Guaranteed Return Fund	80,254,202	83,998,989
China Life Hong Kong Equity Fund	10,229,798	9,223,739
China Life Retire-Easy Guarantee Fund	37,116,395	44,578,006
China Life Retire-Easy Capital Stable Fund	2,619,753	2,272,271
China Life Retire-Easy Balanced Fund	2,670,862	2,710,517
China Life Retire-Easy Global Equity Fund	6,276,377	7,086,754
China Life Core Accumulation Fund	1,369,430	635,479
China Life Age 65 Plus Fund	526,722	180,998

Management has used its view of what would be a "reasonable possible shift" in the market prices, having regard to the historical volatility of the market prices, to estimate the change for use in the sensitivity analysis above.

(c) Interest rate risk

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

Except for China Life MPF Conservative Fund, the majority of the financial assets and liabilities of the Scheme and its constituent funds are non-interest bearing. As a result, the Scheme and its constituent funds are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. However, some constituent funds are indirectly exposed to interest rate risk in respect of certain approved pooled investment funds for their fixed income investment portfolios, and these are covered under market price risk.

The Scheme and its constituent funds had interest bearing cash and cash equivalents of HK\$19,260,915 (2017: HK\$17,815,309) and HK\$187,423,961 (2017: HK\$173,724,797) respectively at 31 December 2018 and are therefore exposed to interest rate risk on these bank deposits.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(c) Interest rate risk (Continued)

At 31 December 2018, should the relevant market interest rates have risen/lowered by 25 basis points (2017: 25 basis points) with all other variables held constant, the net assets of the Scheme and its constituent funds would increase/decrease by approximately HK\$48,152 (2017: HK\$44,538) and HK\$468,560 (2017: HK\$434,312) respectively, arising mainly from the increase/decrease in bank interest income.

The table below summarizes China Life MPF Conservative Fund's exposure to interest rate risk at the year end date:

	Up to 1 year HK\$	1-5 years HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
At 31 December 2018					
<u>Assets</u>					
Amounts receivable on funds switching	-	-	-	81,716	81,716
Interest receivable	-	-	-	930,095	930,095
Bank deposits with original maturity over three months	178,386,737	-	-	-	178,386,737
Cash and cash equivalents	9,035,029	-	-	4,390,104	13,425,133
	<u>187,421,766</u>	<u>-</u>	<u>-</u>	<u>5,401,915</u>	<u>192,823,681</u>
<u>Liabilities</u>					
Accruals and other payables	-	-	-	456,628	456,628
Amounts payable on funds switching	-	-	-	347,156	347,156
	<u>-</u>	<u>-</u>	<u>-</u>	<u>803,784</u>	<u>803,784</u>
Interest sensitivity gap	<u>187,421,766</u>	<u>-</u>	<u>-</u>		
At 31 December 2017					
<u>Assets</u>					
Amounts receivable on funds switching	-	-	-	615,283	615,283
Interest receivable	-	-	-	515,931	515,931
Bank deposits with original maturity over three months	136,168,911	-	-	-	136,168,911
Cash and cash equivalents	37,553,695	-	-	6,811,005	44,364,700
	<u>173,722,606</u>	<u>-</u>	<u>-</u>	<u>7,942,219</u>	<u>181,664,825</u>
<u>Liabilities</u>					
Accruals and other payables	-	-	-	484,963	484,963
Amounts payable on funds switching	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>484,963</u>	<u>484,963</u>
Interest sensitivity gap	<u>173,722,606</u>	<u>-</u>	<u>-</u>		

At 31 December 2018 and 2017, China Life MPF Conservative Fund did not hold any debt securities.

Taiping Assets Management (H.K.) Company Limited, the investment manager of China Life MPF Conservative Fund, has used its view of what would be a "reasonable possible shift" in the market interest rates, having regard to the historical volatility of the market interest rates, to estimate the change for use in the sensitivity analysis above.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Certain transactions entered into by the constituent funds may expose them to risks associated with counterparties not able to fulfil their obligations. To mitigate this risk, the constituent funds only buy and sell through brokers which have been approved as an acceptable counterparty according to the investment managers' internal counterparty credit review procedures.

The Scheme's financial assets which are potentially subject to concentrations of credit risk consist principally of bank balances. Details are as follows:

	HK\$	Credit rating	Source
At 31 December 2018			
Bank of China (Hong Kong) Limited	19,260,915	Aa3	Moody's
Citibank, N.A.	427,527	A+	S&P
At 31 December 2017			
Bank of China (Hong Kong) Limited	17,705,484	Aa3	Moody's
Citibank, N.A.	109,825	A+	S&P

The constituent funds' financial assets which are potentially subject to concentrations of credit risk consist principally of bank balances held with the banks and investments held with the custodians (including the custodian of the underlying approved pooled investment funds). The table below summarises the assets placed with banks and custodians at the year end date:

	Bank	2018		2017		Source
		Bank balances HK\$	Credit rating	Bank balances HK\$	Credit rating	
China Life Balanced Fund	Bank of China (Hong Kong) Limited	504	Aa3	503	Aa3	Moody's
China Life MPF Conservative Fund	Bank of China (Hong Kong) Limited	4,390,104	Aa3	6,811,005	Aa3	Moody's
	Bank of Communications	14,481,752	A-	12,764,783	A-	S&P
	Bank of East Asia	14,877,683	A-	11,710,311	A-	S&P
	China CITIC Bank International Limited	15,145,035	A3	15,367,544	Baa1	Moody's
	China Construction Bank (Asia) Corporation Limited	15,361,838	A	14,155,549	A	S&P
	China Merchants Bank	15,523,073	BBB+	15,265,181	A-2	S&P
	Chiyu Banking Corporation	12,567,582	Baa1	12,421,413	Baa1	Moody's
	Chong Hing Bank	15,593,474	Baa1	14,791,948	Baa2	Moody's

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(d) Credit and custody risk (Continued)

	Bank	2018	Credit rating	2017	Credit rating	Source
		Bank balances HK\$		Bank balances HK\$		
China Life MPF Conservative Fund (Continued)	Citibank, N.A.	7,500,000	A+	N/A	N/A	S&P
	CMB Wing Lung Bank Ltd. (formerly named as Wing Lung Bank Ltd.)	14,885,538	A3	11,723,682	A3	Moody's
	Dah Sing Bank Limited	11,638,954	A2	13,871,586	A3	Moody's
	DBS Bank	2,054,876	AA-	3,022,922	AA-	S&P
	Fubon Bank	15,030,779	BBB+	13,835,574	BBB+	S&P
	Hang Seng Bank	13,679,668	AA-	11,074,394	AA-	S&P
	Industrial and Commercial Bank of China (Asia) Limited	14,980,471	A1	14,776,790	A2	Moody's
	Standard Chartered Bank (Hong Kong) Limited	4,101,043	A+	8,940,929	A+	S&P
China Life Growth Fund	Bank of China (Hong Kong) Limited	508	Aa3	506	Aa3	Moody's
China Life Guaranteed Return Fund	Bank of China (Hong Kong) Limited	517	Aa3	517	Aa3	Moody's
China Life Hong Kong Equity Fund	Bank of China (Hong Kong) Limited	201	Aa3	201	Aa3	Moody's
China Life Retire-Easy Guarantee Fund	Bank of China (Hong Kong) Limited	266	Aa3	266	Aa3	Moody's
China Life Retire-Easy Capital Stable Fund	Bank of China (Hong Kong) Limited	50	Aa3	50	Aa3	Moody's
China Life Retire-Easy Balanced Fund	Bank of China (Hong Kong) Limited	55	Aa3	55	Aa3	Moody's
China Life Retire-Easy Global Equity Fund	Bank of China (Hong Kong) Limited	93	Aa3	93	Aa3	Moody's
China Life Core Accumulation Fund	Bank of China (Hong Kong) Limited	-	Aa3	-	Aa3	Moody's
China Life Age 65 Plus Fund	Bank of China (Hong Kong) Limited	-	Aa3	-	Aa3	Moody's

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(d) Credit and custody risk (Continued)

	Custodian	2018		2017		Source
		Investments HK\$	Credit rating	Investments HK\$	Credit rating	
China Life Balanced Fund	HSBC ¹ #	281,741,751	A-1+	304,823,177	A-1+	S&P
China Life Growth Fund	HSBC ¹ #	524,751,937	A-1+	605,669,886	A-1+	S&P
China Life Guaranteed Return Fund	Bank of China (Hong Kong) Limited	1,605,084,031	Aa3	1,679,979,783	Aa3	Moody's
China Life Hong Kong Equity Fund	HSBC ¹ #	204,595,966	A-1+	184,474,778	A-1+	S&P
China Life Retire-Easy Guarantee Fund	Bank of China (Hong Kong) Limited	742,327,891	Aa3	891,560,129	Aa3	Moody's
China Life Retire-Easy Capital Stable Fund	BCT ² #	52,395,057	Unrated	45,445,417	Unrated	N/A
China Life Retire-Easy Balanced Fund	BCT ² #	53,417,231	Unrated	54,210,332	Unrated	N/A
China Life Retire-Easy Global Equity Fund	BCT ² #	125,527,542	Unrated	141,735,088	Unrated	N/A
China Life Core Accumulation Fund	BCT ² #	27,388,607	Unrated	12,709,581	Unrated	N/A
China Life Age 65 Plus Fund	BCT ² #	10,534,441	Unrated	3,619,762	Unrated	N/A

¹ HSBC stands for "HSBC Institutional Trust Services (Asia) Limited".

² BCT stands for "Bank Consortium Trust Company Limited".

represents custodian of underlying approved pooled investment funds

The Scheme and constituent funds measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2018 and 2017, all transactions in securities are settled/paid for upon delivery using approved and reputable brokers. Also, delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme and constituent funds.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The constituent funds are exposed to daily cash redemptions of units in the constituent funds. The constituent funds invest in approved pooled investment funds or quoted debt securities that are considered to be readily realisable.

At 31 December 2018, the constituent funds held fixed deposits of HK\$187,421,766 (2017: HK\$173,722,606) and approved pooled investment funds of HK\$3,627,764,454 (2017: HK\$3,924,227,933) that are expected to readily generate cash inflows for managing liquidity risk.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(e) Liquidity risk (Continued)

The table below analyses the financial liabilities of the constituent funds into relevant maturity groupings based on the remaining period at the year ended date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 1 month</u>			<u>1-3 months</u>	<u>More than 3 months</u>	
	Amounts payable on funds switching HK\$	Amounts payable on purchase of investments HK\$	Sub-total HK\$	Accruals and other payables HK\$	Accruals and other payables HK\$	Total HK\$
At 31 December 2018						
China Life Balanced Fund	125,979	36,737	162,716	703,428	61,680	927,824
China Life MPF Conservative Fund	347,156	-	347,156	418,332	38,296	803,784
China Life Growth Fund	181,628	301,207	482,835	1,327,677	119,157	1,929,669
China Life Guaranteed Return Fund	59,946	-	59,946	5,726,421	318,936	6,105,303
China Life Hong Kong Equity Fund	2,061,103	-	2,061,103	209,723	42,623	2,313,449
China Life Retire-Easy Guarantee Fund	1,035,595	-	1,035,595	2,850,673	178,403	4,064,671
China Life Retire-Easy Capital Stable Fund	26,112	34,138	60,250	197,620	10,426	268,296
China Life Retire-Easy Balanced Fund	115,852	2,015	117,867	204,220	11,312	333,399
China Life Retire-Easy Global Equity Fund	411,567	49,291	460,858	461,489	28,099	950,446
China Life Core Accumulation Fund	9,712	8,224	17,936	39,309	4,180	61,425
China Life Age 65 Plus Fund	153	-	153	14,800	1,486	16,439

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(e) Liquidity risk (Continued)

	<u>Less than 1 month</u>			<u>1-3 months</u>	<u>More than 3 months</u>	
	Amounts payable on funds switching HK\$	Amounts payable on purchase of investments HK\$	Sub-total HK\$	Accruals and other payables HK\$	Accruals and other payables HK\$	Total HK\$
At 31 December 2017						
China Life Balanced Fund	238,297	49,272	287,569	794,345	68,573	1,150,487
China Life MPF Conservative Fund	-	-	-	441,013	43,950	484,963
China Life Growth Fund	732,757	175,506	908,263	1,570,873	131,097	2,610,233
China Life Guaranteed Return Fund	87,384	-	87,384	5,966,852	372,521	6,426,757
China Life Hong Kong Equity Fund	1,489,582	147,508	1,637,090	184,102	35,648	1,856,840
China Life Retire-Easy Guarantee Fund	1,406,203	-	1,406,203	3,485,710	190,215	5,082,128
China Life Retire-Easy Capital Stable Fund	-	-	-	166,775	9,394	176,169
China Life Retire-Easy Balanced Fund	164,209	175,699	339,908	196,651	11,340	547,899
China Life Retire-Easy Global Equity Fund	161,538	67,837	229,375	517,203	30,517	777,095
China Life Core Accumulation Fund	118,611	-	118,611	15,679	1,053	135,343
China Life Age 65 Plus Fund	-	-	-	5,180	320	5,500

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(f) Currency risk

Currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in foreign exchange rates. As at 31 December 2018 and 2017, all of the constituent funds' assets and liabilities are denominated in Hong Kong dollars. Thus, the constituent funds were not directly exposed to currency risk.

China Life Guaranteed Return Fund and China Life Retire-Easy Guarantee Fund have indirect currency risk exposure through its investment in the APIFs (China Life Guaranteed Return (PIF) Fund and China Life Retire-Easy Guarantee (PIF) Fund), which invest in UT APIFs (China Life Stable Return Unit Trust (PIF) Fund and China Life Retire-Easy Stable Return Unit Trust (PIF) Fund) with major investment in securities, and from such investment in securities generate investment income, which is denominated in currencies other than Hong Kong dollars.

As at 31 December 2018, China Life Stable Return Unit Trust (PIF) Fund and China Life Retire-Easy Stable Return Unit Trust (PIF) Fund had net monetary exposure of HK\$1,013,947,086 (2017: HK\$1,091,890,517) and HK\$467,784,595 (2017: HK\$582,010,512) respectively which are denominated in United States dollar and Renminbi and therefore, the constituent funds were indirectly exposed to currency risk. Since the Hong Kong dollar is currently pegged to the United States dollar within a narrow range, the currency risk is considered minimal. However, the constituent funds are exposed to currency risk on Renminbi, as the value of assets and liabilities denominated in Renminbi will fluctuate due to changes in foreign exchange rates.

The table below summarises the impact on net assets attributable to unitholders of the UT APIFs as a result of increases/decreases of key exchange rates on the exposures above.

China Life Guaranteed Return Fund

	2018		2017	
	Change in foreign exchange rates +/-	Impact HK\$ +/-	Change in foreign exchange rates +/-	Impact HK\$ +/-
Renminbi	5.00%	2,091,718	5.00%	2,252,890

China Life Retire-Easy Guarantee Fund

	2018		2017	
	Change in foreign exchange rates +/-	Impact HK\$ +/-	Change in foreign exchange rates +/-	Impact HK\$ +/-
Renminbi	-	-	5.00%	244,670

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(g) Capital risk management

The capital of the constituent funds is represented by the units of the constituent funds, and shown as net assets attributable to members in the statement of net assets. The amount of net assets attributable to members for each constituent fund can change significantly on a daily basis as the constituent funds are subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in net assets attributable to members. The constituent funds' objective when managing capital is to safeguard the constituent funds' ability to continue as a going concern in order to provide retirement benefits to members. In order to achieve the investment objectives, the constituent funds endeavor to invest their capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

(h) Fair value estimation

As at 31 December 2018 and 2017, the carrying values of financial assets and liabilities other than investments are a reasonable approximation of their fair values.

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Scheme and its constituent funds is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The constituent funds classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes observable requires significant judgment by the constituent funds. The constituent funds consider observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(h) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the constituent funds' financial assets measured at fair value at the year end date.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2018				
China Life Balanced Fund				
Approved pooled investment fund	281,741,751	-	-	281,741,751
China Life Growth Fund				
Approved pooled investment fund	524,751,937	-	-	524,751,937
China Life Guaranteed Return Fund				
Approved pooled investment fund	-	1,605,084,031	-	1,605,084,031
China Life Hong Kong Equity Fund				
Approved pooled investment fund	204,595,966	-	-	204,595,966
China Life Retire-Easy Guarantee Fund				
Approved pooled investment fund	-	742,327,891	-	742,327,891
China Life Retire-Easy Capital Stable Fund				
Approved pooled investment fund	52,395,057	-	-	52,395,057
China Life Retire-Easy Balanced Fund				
Approved pooled investment fund	53,417,231	-	-	53,417,231
China Life Retire-Easy Global Equity Fund				
Approved pooled investment fund	125,527,542	-	-	125,527,542
China Life Core Accumulation Fund				
Approved pooled investment fund	27,388,607	-	-	27,388,607
China Life Age 65 Plus Fund				
Approved pooled investment fund	10,534,441	-	-	10,534,441

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(h) Fair value estimation (Continued)

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2017				
China Life Balanced Fund				
Approved pooled investment fund	304,823,177	-	-	304,823,177
China Life Growth Fund				
Approved pooled investment fund	605,669,886	-	-	605,669,886
China Life Guaranteed Return Fund				
Approved pooled investment fund	-	1,679,979,783	-	1,679,979,783
China Life Hong Kong Equity Fund				
Approved pooled investment fund	184,474,778	-	-	184,474,778
China Life Retire-Easy Guarantee Fund				
Approved pooled investment fund	-	891,560,129	-	891,560,129
China Life Retire-Easy Capital Stable Fund				
Approved pooled investment fund	45,445,417	-	-	45,445,417
China Life Retire-Easy Balanced Fund				
Approved pooled investment fund	54,210,332	-	-	54,210,332
China Life Retire-Easy Global Equity Fund				
Approved pooled investment fund	141,735,088	-	-	141,735,088
China Life Core Accumulation Fund				
Approved pooled investment fund	12,709,581	-	-	12,709,581
China Life Age 65 Plus Fund				
Approved pooled investment fund	3,619,762	-	-	3,619,762

Investments whose values are based on quoted market prices in active markets are classified within level 1. The constituent funds do not adjust the quoted price for these instruments.

Financial instruments traded in markets that are not considered to be active and are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

As at 31 December 2018, contribution receivable, amounts receivable on funds switching, interest receivable and receivable on sale of investment, benefits payable, forfeitures payable, accruals and other payables, accounts payable on funds switching and amounts payable on purchase of investments of the Scheme and constituent funds are measured at amortised cost, which is a reasonable approximation of fair value.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

4 Transactions with associates

Except as disclosed below, the Scheme and its constituent funds did not have any transactions and balances with related parties, including the Trustee, Taiping Assets Management (H.K.) Company Limited, Invesco Hong Kong Limited, FIL Investment Management (Hong Kong) Limited and their associates or delegates during the year. All transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) Trustee and administration fees

China Life Trustees Limited, the Trustee, and China Life Insurance (Overseas) Company Limited, the Administrator, are entitled to receive a fee calculated based on the net asset value of the respective constituent funds at the following annual rates:

	China Life Balanced Fund	China Life MPF Conservative Fund	China Life Growth Fund	China Life Guaranteed Return Fund	China Life Hong Kong Equity Fund	China Life Retire- Easy Guarantee Fund	China Life Retire- Easy Capital Stable Fund	China Life Retire- Easy Balanced Fund	China Life Retire- Easy Global Equity Fund	China Life Core Accumulation Fund	China Life Age 65 Plus Fund
Trustee fee	0.35%	0.35%	0.35%	0.40%	0.10%	0.35%	0.35%	0.35%	0.35%	0.21%	0.21%
Administration fee (Before 2 October 2018)	0.60%	0.40%	0.60%	0.90%	0.20%	0.60%	0.58%	0.58%	0.58%	0.28%	0.28%
Administration fee (On or after 2 October 2018)	0.50%	0.30%	0.50%	0.90%	0.20%	0.60%	0.58%	0.58%	0.48%	0.28%	0.28%

The trustee and administration fees are calculated and accrued on each valuation day and payable quarterly in arrears.

The trustee and administration fees for the year are disclosed in the statement of comprehensive income. The trustee and administration fees payable at the year end date were as follows:

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund HK\$	China Life Hong Kong Equity Fund HK\$	China Life Retire- Easy Guarantee Fund HK\$	China Life Retire- Easy Capital Stable Fund HK\$	China Life Retire- Easy Balanced Fund HK\$	China Life Retire- Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
At 31 December 2018											
Trustee fee	258,243	171,614	487,389	1,636,120	52,431	665,157	46,734	48,295	116,757	13,987	5,266
Administration fee	371,402	148,652	701,034	3,681,270	104,862	1,140,269	77,445	80,032	161,257	18,658	7,025
At 31 December 2017											
Trustee fee	264,782	162,479	523,624	1,704,815	46,026	813,332	39,440	46,505	122,312	5,578	1,841
Administration fee	453,911	185,690	897,642	3,835,833	92,051	1,394,284	65,358	77,066	202,688	7,443	2,460

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

4 Transactions with associates (Continued)

(b) Investment management fees

The following investment managers are entitled to receive a fee calculated based on the net asset value of the respective constituent funds at the following annual rates:

Taiping Assets Management (H.K.) Company Limited

Being the investment manager for China Life MPF Conservative Fund and the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Guaranteed Return Fund
2. China Life Retire-Easy Guarantee Fund

Invesco Hong Kong Limited

Being the investment manager for the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Retire-Easy Balanced Fund
2. China Life Retire-Easy Capital Stable Fund
3. China Life Retire-Easy Global Equity Fund
4. China Life Core Accumulation Fund
5. China Life Age 65 Plus Fund

FIL Investment Management (Hong Kong) Limited

Being the investment manager for the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Balanced Fund
2. China Life Growth Fund
3. China Life Hong Kong Equity Fund

	China Life Balanced Fund ¹	China Life MPF Conservative Fund	China Life Growth Fund ¹	China Life Guaranteed Return Fund ¹	China Life Hong Kong Equity Fund ¹	China Life Retire- Easy Guarantee Fund	China Life Retire- Easy Capital Stable Fund	China Life Retire- Easy Balanced Fund	China Life Retire- Easy Global Equity Fund	China Life Core Accum- ulation Fund ¹	China Life Age 65 Plus Fund ¹
Investment management fee	0.45%	0.10%	0.45%	0.10%	0.45%	0.40%	0.40%	0.40%	0.40%	0.08%	0.08%

¹ The investment management fees are deducted at the approved pooled investment fund level.

The investment management fees are calculated and accrued on each valuation day and payable quarterly in arrears.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

4 Transactions with associates (Continued)

(b) Investment management fees (Continued)

The investment management fees for the year are disclosed in the statement of comprehensive income. The investment management fees payable at the year end date were as follows:

	China Life Balanced Fund ¹ HK\$	China Life MPF Conservative Fund ¹ HK\$	China Life Growth Fund ¹ HK\$	China Life Guaranteed Return Fund ¹ HK\$	China Life Hong Kong Equity Fund ¹ HK\$	China Life Retire- Easy Guarantee Fund ¹ HK\$	China Life Retire- Easy Capital Stable Fund ¹ HK\$	China Life Retire- Easy Balanced Fund ¹ HK\$	China Life Retire- Easy Global Equity Fund ¹ HK\$	China Life Core Accumul ation Fund ¹ HK\$	China Life Age 65 Plus Fund ¹ HK\$
At 31 December 2018											
Investment management fee	N/A	49,033	N/A	N/A	N/A	760,180	53,411	55,195	133,437	N/A	N/A
At 31 December 2017											
Investment management fee	N/A	46,422	N/A	N/A	N/A	929,523	45,075	53,149	139,785	N/A	N/A

1 The investment management fees are deducted at the approved pooled investment fund level.

5 Payments charged to Default Investments Strategy (“DIS”) constituent funds (“CF”) or scheme or members who invest in the constituent funds

In accordance with the MPF Ordinance, the aggregate of the payments for services of the CAF and APF must not, in a single day, exceed the daily rate of 0.75% per annum of the net asset value (“NAV”) of each of these DIS CFs divided by the number of days in the year.

The above aggregate payments for services include, but is not limited to, the fees paid or payable for the services provided by the trustee, the administrator, the investment manager(s), the custodian and the sponsor and/or the promoter of the Scheme and the underlying investment fund(s) of the respective DIS CF, and any of the delegates from these parties and such fees are calculated as a percentage of the NAV of each of the DIS CFs and its underlying investment fund(s), but does not include any out-of-pocket expenses incurred by each DIS CF and its underlying investment fund(s).

In addition, in accordance with the MPF Ordinance, the total amount of all payments that are charged to or imposed on the DIS CFs or Members who invest in DIS CF, for out-of-pocket expenses incurred by the Approved Trustee on a recurrent basis in the discharge of the Approved Trustee’s duties to provide services in relation to the DIS CF, shall not in a single year exceed 0.2% of the NAV of the DIS CF.

For this purpose, out-of-pocket expenses include, for example, annual audit expenses, printing or postage expenses relating to recurrent activities (such as issuing annual benefit statements), recurrent legal and professional expenses, safe custody charges which are customarily not calculated as a percentage of NAV and transaction costs incurred by a DIS CF in connection with recurrent acquisition of investments for the DIS CF (including, for example, costs incurred in acquiring underlying funds) and annual statutory expenses (such as compensation fund levy where relevant) of the DIS CF. Out-of-pocket expenses that are not incurred on a recurrent basis may still be charged or imposed on DIS CFs.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

5 Payments charged to Default Investments Strategy (“DIS”) constituent funds (“CF”) or scheme or members who invest in the constituent funds (Continued)

Payment for services, out-of-pocket expenses and other payment charged to the China Life Core Accumulation Fund and China Life Age 65 Plus Fund are disclosed below. Payments for services and out-of-pocket expenses are those defined in the MPF Ordinance.

For the year ended 31 December 2018

	China Life Core Accumulation Fund	China Life Age 65 Plus Fund
Payments for services		
- Administration fee	57,494	20,414
- Custodian fee	20,533	7,291
- Trustee fee	43,092	15,300
- Investment management fee	-	-
Total payments services	<u>121,119</u>	<u>43,005</u>
Out-of-pocket expenses		
- Auditor’s remuneration	4,762	1,716
- MPF indemnity insurance	371	137
- Other expenses	7,608	6,782
Total out-of-pocket expenses	<u>12,741</u>	<u>8,635</u>
Other payments		
- Organisational costs	1,000	1,000
Total other payments	<u>1,000</u>	<u>1,000</u>
Total payments	<u>134,860</u>	<u>52,640</u>
Out-of-pocket expenses expressed as a percentage of average net asset value as at the last dealing day of each month of the constituent funds	<u>0.06%</u>	<u>0.12%</u>

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

5 Payments charged to Default Investments Strategy (“DIS”) constituent funds (“CF”) or scheme or members who invest in the constituent funds (Continued)

During the period from 1 April 2017 (date of commencement of operations) to 31 December 2017

	China Life Core Accumulation Fund	China Life Age 65 Plus Fund
Payments for services		
- Administration fee	14,373	4,331
- Custodian fee	5,133	1,547
- Trustee fee	10,771	3,242
- Investment management fee	-	-
Total payments services	<u>30,277</u>	<u>9,120</u>
Out-of-pocket expenses		
- Auditor’s remuneration	1,026	309
- MPF indemnity insurance	326	111
- Other expenses	3,287	1,424
Total out-of-pocket expenses	<u>4,639</u>	<u>1,844</u>
Other payments		
- Organisational costs	501	501
Total other payments	<u>501</u>	<u>501</u>
Total payments	<u>35,417</u>	<u>11,465</u>
Out-of-pocket expenses expressed as a percentage of average net asset value as at the last dealing day of each month of the constituent funds	<u>0.09%</u>	<u>0.11%</u>

6 Contributions

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

Self-employed persons must contribute 5% of their relevant income subject to a maximum mandatory contribution of HK\$1,500 per month unless their relevant income is less than HK\$7,100 per month.

Any contributions made to the Scheme by the employers or members in excess of their mandatory contributions are additional voluntary contributions.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

7 Benefits

Members will become entitled to benefits in respect of mandatory contributions to the Scheme in the circumstances set out in the MPF Ordinance. Currently, these circumstances include where the members (i) reach the age of 65; (ii) permanently cease employment, after reaching the age of 60; (iii) become totally incapacitated; (iv) permanently depart from Hong Kong; (v) die; (vi) have the right to claim a small balance pursuant to the MPF Ordinance or (vii) become terminally ill.

With effect from 1 February 2016, the scheme member can choose one of the following ways to manage MPF benefits: (a) withdraw MPF benefits by instalments, (b) withdraw all MPF benefits in a lump sum and (c) retain all the MPF benefits in the account for continuous investment.

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.

8 Guaranteed return

(a) China Life Guaranteed Return Fund

The amount represented the shortfall between the actual rate of return at the year end date and the guaranteed compound rate of return of not less than 4% (2017: 5%) per annum before the deduction of administration expenses (1.5%). The amount is guaranteed by China Life Insurance (Overseas) Company Limited.

(b) China Life Retire-Easy Guarantee Fund

The amount represented the shortfall between the actual rate of return at the year end date and the guaranteed compound rate of return of not less than 3.5% (2017: 4.5%) per annum before the deduction of administration expenses (1.5%). The amount is guaranteed by China Life Insurance (Overseas) Company Limited.

9 Investments

	2018 HK\$	2017 HK\$
<u>Scheme</u>		
China Life Balanced Fund	281,160,108	304,021,048
China Life MPF Conservative Fund	192,019,897	181,179,862
China Life Growth Fund	523,557,089	604,688,745
China Life Guaranteed Return Fund	1,599,981,834	1,677,770,563
China Life Hong Kong Equity Fund	205,599,796	184,994,100
China Life Retire-Easy Guarantee Fund	740,783,359	887,766,105
China Life Retire-Easy Capital Stable Fund	52,173,811	45,271,179
China Life Retire-Easy Balanced Fund	53,194,307	54,003,313
China Life Retire-Easy Global Equity Fund	125,347,838	141,222,069
China Life Core Accumulation Fund	27,539,637	12,588,159
China Life Age 65 Plus Fund	10,858,206	4,245,703
Investments at fair value	<u>3,812,215,882</u>	<u>4,097,750,846</u>
Investments at cost	<u>3,183,012,435</u>	<u>3,303,166,415</u>

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

9 Investments (Continued)

	2018 HK\$	2017 HK\$
<u>Constituent funds</u>		
China Life Balanced Fund		
<u>Approved pooled investment fund</u>		
Fidelity Global Investment Fund - Balanced Fund Class A	281,741,751	304,823,177
China Life Growth Fund		
<u>Approved pooled investment fund</u>		
Fidelity Global Investment Fund - Growth Fund Class A	524,751,937	605,669,886
China Life Guaranteed Return Fund		
<u>Approved pooled investment fund</u>		
China Life Guaranteed Return (PIF) Fund	1,605,084,031	1,679,979,783
China Life Hong Kong Equity Fund		
<u>Approved pooled investment fund</u>		
Fidelity Global Investment Fund - Hong Kong Equity Fund	204,595,966	184,474,778
China Life Retire-Easy Guarantee Fund		
<u>Approved pooled investment fund</u>		
China Life Retire-Easy Guarantee (PIF) Fund	742,327,891	891,560,129
China Life Retire-Easy Capital Stable Fund		
<u>Approved pooled investment fund</u>		
Invesco Global Stable Fund	52,395,057	45,445,417
China Life Retire-Easy Balanced Fund		
<u>Approved pooled investment fund</u>		
Invesco Global Balanced Fund	53,417,231	54,210,332
China Life Retire-Easy Global Equity Fund		
<u>Approved pooled investment fund</u>		
Invesco Global Equities Fund	125,527,542	141,735,088
China Life Core Accumulation Fund		
<u>Approved pooled investment fund</u>		
Invesco Core Accumulation Fund	27,388,607	12,709,581
China Life Age 65 Plus Fund		
<u>Approved pooled investment fund</u>		
Invesco Age 65 Plus Fund	10,534,441	3,619,762
Investments at fair value	<u>3,627,764,454</u>	<u>3,924,227,933</u>
Investments at cost	<u>3,380,842,125</u>	<u>3,419,213,636</u>

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

10 Bank loans, overdrafts and other borrowings

The Scheme and its constituent funds had no bank loans, overdrafts and other borrowings as at 31 December 2018 and 2017.

11 Accrued benefits of the Scheme

The total accrued benefits vested in the members' accounts amounted to HK\$3,790,828,327 as at 31 December 2018 (2017: HK\$3,768,147,800).

12 Taxation

The Scheme is not subject to Hong Kong profits tax as it is not considered to be carrying on a business in Hong Kong.

13 Soft commission arrangements

During the year ended 31 December 2018 and 2017, the investment managers and their associates did not enter into any soft commission arrangements with brokers in relation to dealings in the assets of the Scheme and its constituent funds.

14 Security lending arrangements

During the year ended 31 December 2018 and 2017, the Scheme and its constituent funds did not enter into any security lending arrangements.

15 Negotiability of assets

There were no statutory or contractual requirements restricting the negotiability of the assets of the Scheme and its constituent funds as at 31 December 2018 and 2017.

16 Commitments

The Scheme and its constituent funds had no commitments as at 31 December 2018 and 2017.

17 Contingent liabilities

The Scheme and its constituent funds had no contingent liabilities as at 31 December 2018 and 2017.

18 Marketing expenses

There have been no advertising expenses, promotional expenses or commissions or brokerage fees paid or payable to the MPF intermediaries deducted from the Scheme or its constituent funds during the year ended 31 December 2018 and 2017.

CHINA LIFE MPF MASTER TRUST SCHEME

NOTES TO THE FINANCIAL STATEMENTS

19 Subsequent event

With effect from 1 April 2019, tax deductible voluntary contribution (“TVC”), a new type of contribution was introduced into the Scheme following the enactment of Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Ordinance 2019.

With effect from 23 September 2019, China Life Retire-Easy Balanced Fund and China Life Retire-Easy Capital Stable Fund will be terminated, which approval in principal has been obtained from the MPFA.

Other miscellaneous changes to the governing rules /principal brochure of the Scheme (i.e. change of reference index name for China Life MPF Default Investment Strategy, disclosure enhancement on investment objective of China Life Hong Kong Equity Fund, relaxation of number of free withdrawal instalment, update the office address of Taiping Assets Management (HK) Company Limited, etc.) took effect in June 2019.

20 Approval of financial statements

The financial statements were approved by the Trustee on 21 June 2019.

CHINA LIFE MPF MASTER TRUST SCHEME

INDEPENDENT AUDITOR'S ASSURANCE REPORT

FOR THE YEAR ENDED

31 DECEMBER 2018

INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME

We have audited the financial statements of the China Life MPF Master Trust Scheme and each of its constituent funds (hereafter referred to as the "Scheme") for the year ended 31 December 2018 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised) "The Audit of Retirement Schemes" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have issued an unqualified auditor's report thereon dated 21 June 2019.

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

Trustee's Responsibility

The General Regulation requires the Trustee to ensure that:

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

Our Independence and Quality Control

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

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME (CONTINUED)

Auditor's Responsibility (Continued)

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 Practice Note 860.1, (Revised) "The Audit of Retirement Schemes" 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 Practice Note 860.1 (Revised), which included reviewing, on a test basis, evidence obtained from the Trustee regarding the Scheme's compliance with the above requirements.

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

Opinion

Based on the foregoing:

- (a) in our opinion:
 - (i) proper accounting and other records have been kept during the year ended 31 December 2018 in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme; and
 - (ii) the requirements specified in the guidelines made by the MPFA under section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation have been complied with, in all material respects, as at 31 December 2018, 31 August 2018 and 30 April 2018; and
 - (iii) the requirements specified in the Ordinance 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 China Life Core Accumulation Fund and China Life Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2018, 31 August 2018 and 30 April 2018; and
 - (iv) the requirements specified in section 34DD(4)(b) of the Ordinance with respect to the controls of out-of-pocket expenses of the China Life Core Accumulation Fund and China Life Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2018.
- (b) as at 31 December 2018, the Scheme assets were not subject to any encumbrance, otherwise than as permitted by the General Regulation.

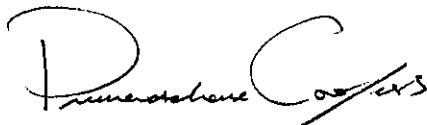
**INDEPENDENT AUDITOR'S ASSURANCE REPORT
TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME
(CONTINUED)**

Other Matter

The requirements specified in the Ordinance under sections 34DI(1) and (2) and 34DK(2) with respect to the transfer of accrued benefits to an account and specified notice, and 34DJ(2), (3), (4) and (5) with respect to locating scheme members relating to China Life Core Accumulation Fund and China Life Age 65 Plus Fund are not applicable to the Trustee during the year ended 31 December 2018 as the Trustee has completed the relevant transitional provisions and the default investment arrangement of the Scheme prior to 1 April 2017 was not guaranteed funds. Accordingly, there is no reporting on these sections.

Intended Users and Purpose

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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over the printed name of the firm.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 June 2019