China Life MPF Master Trust Scheme (the "Scheme")

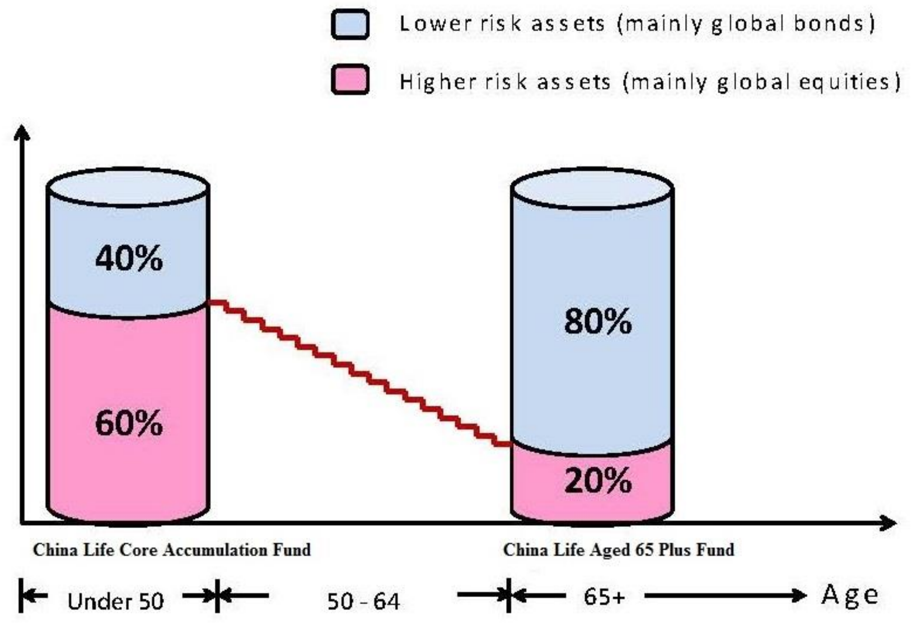
A. What is Default Investment Strategy ("DIS")?

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 Future Investments will be invested in accordance with the DIS. The DIS is required by law to be offered in every MPF scheme and is designed to be substantially similar in all MPF schemes.

(a) Objective and Strategy

The DIS aims to balance the long term effects of risk and return through investing in two constituent funds, namely the China Life Core Accumulation Fund ("**CAF**") and the China Life Age 65 Plus Fund ("**A65F**"), according to the pre-set allocation percentages at different ages. The CAF will invest around 60% in higher risk assets (higher risk assets generally mean equities or similar investments) and 40% in lower risk assets (lower risk assets generally mean bonds or similar investments) of its net asset value whereas the A65F will invest around 20% in higher risk assets and 80% in lower risk assets. The DIS Funds adopt globally diversified investment principles and use different classes of assets, including global equities, fixed income, money market and cash, and other types of assets allowed under the MPF legislation.

Diagram 1: Asset Allocation between the DIS Funds according to the DIS



Note:The exact proportion of the portfolio in higher/lower risk assets at any point in time may deviate from the target glide path due to market fluctuations.

(b) *Annual de-risking*

Accrued benefits invested through the DIS will be invested in a way that adjusts risk depending on a Member’s age. The DIS will manage investment risk exposure by **automatically** reducing the exposure to higher risk assets and correspondingly increasing the exposure to lower risk assets as the Member gets older. Such de-risking is to be achieved by way of reducing the holding in the CAF and increasing the holding in the A65F over time. The asset allocation stays the same up until 50 years of age, then reduces steadily until age 64, after which it stays steady again.

In summary, under the DIS:

(1) When a Member is below the age of 50, all accrued benefits and Future Investments will be invested in the CAF.

(2) When a Member is between the ages of 50 and 64, all accrued benefits and Future Investments will be invested according to the allocation percentages between the

CAF and A65F as shown in the DIS de-risking table (as per Diagram 2 below). The de-risking on the existing accrued benefits and Future Investments will be automatically carried out as described above.

(3) When a Member reaches the age of 64, all accrued benefits and Future Investments will be invested in the A65F.

Diagram 2: DIS De-risking Table

Age	***Core Accumulation Fund ("CAF")***	***Age 65 Plus Fund ("A65F")***
Below 50	100.0%	0.0%
50	93.3%	6.7%
51	86.7%	13.3%
52	80.0%	20.0%
53	73.3%	26.7%
54	66.7%	33.3%
55	60.0%	40.0%
56	53.3%	46.7%
57	46.7%	53.3%
58	40.0%	60.0%
59	33.3%	66.7%
60	26.7%	73.3%
61	20.0%	80.0%
62	13.3%	86.7%
63	6.7%	93.3%
64 and above	0.0%	100.0%

Note: The above allocation between the CAF and A65F is made at the point of annual de-risking and the proportion of the CAF and A65F in the DIS portfolio may vary during the year due to market fluctuations.

(c) *Fees and out-of-pocket expenses of the CAF and A65F*

The aggregate of the payments for services of the CAF and A65F must not, in a single day, exceed a daily rate of 0.75% per annum of the net asset value ("NAV") of each of the DIS Funds divided by the number of days in the year. It includes, but is not limited to, the fees paid or payable for the services provided by the Approved 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 Funds, and any of the delegates from these parties and such fees are calculated as a percentage of the NAV of each of the DIS Funds and its underlying investment fund(s), but does not include any out-of-pocket expenses incurred by each DIS Fund and its underlying investment fund(s).

The total amount of all payments that are charged to or imposed on the DIS Funds or Members who invest in DIS Funds, for out-of-pocket expenses incurred by the Approved Trustee on a recurrent basis in the discharge of the trustee's duties to provide services in relation to the DIS Funds, shall not in a single year exceed 0.2% of the NAV of each of the DIS Funds. 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 Fund in connection with recurrent acquisition of investments for the DIS Fund (including, for example, costs incurred in acquiring underlying investment funds) and annual statutory expenses (such as compensation fund levy where relevant) of the DIS Fund. Please note that out-of-pocket expenses that are not incurred on a recurrent basis may still be charged to or imposed on a DIS Fund. Such fees are not subjected to the statutory caps mentioned in the preceding paragraphs.

(d) *Key Risks Relating to the DIS*

Members should note that DIS of the Scheme is a statutory arrangement. Though the pre-determined asset allocation and risk reduction strategy of DIS of the Scheme do reduce risks over the long term, there are still investment risks. The pre-determined asset allocation may limit the ability of the investment manager to adjust asset allocations in response to market fluctuations. There are also risks associated with its strategy. There is neither capital guarantee nor positive investment returns and there will be usual investment volatility especially in the short term.

DIS of the Scheme only takes into account age in risk tolerance and does not consider other factors such as financial needs, market and economic situations in making investment choice. DIS of the Scheme may not be flexible enough to accommodate the needs of different Members.

Please refer to the section "Key Risks Relating to the DIS" in Appendix 1 of Schedule 3 of the Second Addendum for details of the risks specific to DIS of the Scheme.

(e) <u>Information on Performance of DIS Funds</u>

The fund performance of the DIS Funds will be published in the fund factsheet. One of the fund factsheets will be attached to the annual benefit statement and will be sent to Members. Members can visit www.chinalifetrustees.com.hk or call our hotline on 3999 5555 for information. Members may also obtain the fund performance information at the website of the Mandatory Provident Fund Schemes Authority (www.mpfa.org.hk).

B. Summary of Former and Existing Default Fund/Arrangement and the DIS

Please find below the summary of the key features of the former and existing default fund/arrangement and the DIS for reference:

	Former and Existing Default Fund / Arrangement	The DIS (comprising 2 constituent funds with de-risking feature)
Name	<u>Former Default Fund</u> China Life MPF Conservative Fund <u>Existing Default Fund</u> China Life Balanced Fund	China Life Age 65 Plus Fund China Life Core Accumulation Fund
Fund Type	<u>China Life MPF Conservative Fund</u> Money market fund <u>China Life Balanced Fund</u> Mixed assets fund	<u>China Life Age 65 Plus Fund</u> Mixed assets fund <u>China Life Core Accumulation Fund</u> Mixed assets fund
De-risking Feature	No	Yes
Daily Fees Cap	No	Yes
Total Management Fees for	<u>China Life MPF Conservative Fund</u> 0.95% p.a. of Net Asset Value	<u>China Life Age 65 Plus Fund</u> 0.75% p.a. of Net Asset Value

Constituent Funds and Approved Pooled Investment Fund(s)	China Life Balanced Fund 1.6% p.a. of Net Asset Value	China Life Core Accumulation Fund 0.75% p.a. of Net Asset Value
Expected Risk Profile#	China Life MPF Conservative Fund Low China Life Balanced Fund Medium to high	China Life Age 65 Plus Fund Low to medium China Life Core Accumulation Fund Medium to high
Guarantee Feature	No	No

#The determination of risk is based on the investment mix and/or advice of the investment manager of the respective constituent fund and APIF, and the risk assigned is for reference only and subject to regular review.

For details of the key features of the former and existing default fund/arrangement and the DIS, please refer to Annexure A-1, Annexure A-4 of the Principal Brochure and the section "Investment Policies and Objectives of China Life Core Accumulation Fund and China Life Age 65 Plus Fund in Appendix 1 of Schedule 3 of the Second Addendum.

C. Implications for New and Pre-existing Accounts on or after DIS Implementation

(a) Implications on accounts opened on or after Effective Date

When Members join the Scheme or set up a new account in the Scheme on or after Effective Date, they have the opportunity to give an investment instruction for their Future Investments. If Members fail to or do not want to submit to the Approved Trustee an investment instruction at the time of their requests to join / set up a new account in the Scheme, the Approved Trustee shall invest any of their Future Investments into the DIS.

(b) Implications on accounts opened before Effective Date

There are special rules to be applied for pre-existing accounts and these rules only apply to Members who are under or becoming 60 years of age on Effective Date

(1) For a Member's pre-existing account with all accrued benefits being invested into the former default fund or existing default fund and no specific investment instruction is given on those accrued benefits generally (known as "DIA account"):

There are special rules and arrangements to be applied to determine whether accrued benefits in a DIA account will be transferred to the DIS. If your pre-existing account is considered as a DIA account, you will receive a notice called the DIS Re-investment Notice explaining the impacts on your pre-existing account and giving you an opportunity to give a specified investment instruction to the Approved Trustee before the accrued benefits are invested into the DIS.

For details of the arrangement, Members should refer to the DIS Re-investment Notice.

(2) For a Member's pre-existing account with part of the accrued benefits in the former default fund or existing default fund:

If part of the accrued benefits of your pre-existing account was invested in the former default fund or existing default fund, unless the Approved Trustee has received any investment instructions, your accrued benefits will be invested in the same manner as accrued benefits were invested immediately before the Effective Date. Future Investments will be invested in the same manner as the investment mandate immediately before the Effective Date.

For more details on DIS, Members can refer to the Second Addendum to the Principal Brochure of China Life MPF Master Trust Scheme. Should you have any queries about the matter, please contact our hotline on 3999 5555.

China Life Trustees Limited
12 December 2016