

China Life MPF Master Trust Scheme (“the Scheme”)

FAQs for change of Guaranteed Rates of Return and net guaranteed rates of return of China Life Guaranteed Return Fund ("GNT") and China Life Retire-Easy Guarantee Fund ("RGU")

1. When is the effective date of the new Guaranteed Rates of Return and net guaranteed rates of return?

The new rates are effect from 1 January 2018.

2. What are the changes to the Guaranteed Rates of Return and net guaranteed rates of return of RGU and GNT?

(i) RGU -

with effect from 1 January 2018, the current Guaranteed Rate of Return of RGU will be reduced from 4.5% per annum to 3.5% per annum. As a consequence of the adoption of the new Guaranteed Rate of Return, the current net guaranteed rate of return of 3% per annum for calculating guarantee return of RGU will also be reduced to 2% per annum with effect from 1 January 2018.

(ii) GNT -

with effect from 1 January 2018, the current Guaranteed Rate of Return of GNT will be reduced from 5% per annum to 4% per annum. As a consequence of the adoption of the new Guaranteed Rate of Return, the current net guaranteed rate of return of 3.5% per annum for calculating guarantee return of GNT will also be reduced to 2.5% per annum with effect from 1 January 2018.

3. What are the reasons for reduction of Guaranteed Rates of Return and net guaranteed rates of return of RGU and GNT?

The trustee is informed that the exercise of discretion to reduce the Guaranteed Rates of Return of the relevant Approved Pooled Investment Funds ("APIFs") of RGU and GNT by CLIO is due to the volatility of global bond markets and the commencement of US federal funds interest rate hike cycle. Please refer to the section A of Notice to Participating Employers and Members for more details.

As RGU and GNT take the form of feeder funds, pursuant to Part II Clause 1(c) of Annexure B and Part II Clause 2(c) of Annexure F of the Trust Deed, reductions of the current Guaranteed Rates of Return as mentioned above will be made to the corresponding constituent funds, i.e. RGU and GNT respectively.

4. What action should scheme members take if they are currently holding units of RGU and/or GNT?

Scheme members who invest in RGU and/or GNT may choose to continue to invest in them and there is no need for these members to take any action.

However, scheme members may also give a rebalancing instruction to switch out their current balances from RGU and/or GNT to other constituent funds of China Life MPF Master Trust Scheme (“China Life Scheme”) free of charge in light of the implementation of the new Guaranteed Rates of Return and net guaranteed

rates of return.

Scheme members should note that they will not be entitled to any guarantee entitlement under GNT for the year 2017 for any rebalancing or transferring their accrued benefits out from China Life Scheme to other registered schemes other than the satisfaction of any one of the 2 conditions of withdrawal, namely (a) on the first Dealing Day on or after 1 January (or if that day is not a business day, then the first business day thereafter) of each financial period of China Life Scheme) or (b) by reason of termination of employment (applicable to employee members only).

Scheme members should also note that they will still be entitled to guarantee entitlement under RGU for any rebalancing or transferring their accrued benefits out from China Life Scheme to other registered schemes as the guarantee return is pro-rated to the daily Unit Price on each Dealing Day.

5. What action should scheme members take if they have investment mandates given to invest all or part of future contributions and transfer-in benefits in the RGU and/or GNT?

Scheme members whose investment mandates are to invest future contributions and transfer-in benefits in RGU and/or GNT may choose to maintain the same investment mandates and there is no need for these members to take any action.

However, scheme members may choose to change their investment mandates from RGU and/or GNT to other constituent funds of China Life Scheme.

Please note that in case scheme members choose both rebalancing and change their investment mandates from RGU and/or GNT to other constituent funds of China Life Scheme concurrently, they will have to give us instructions for each of these choices to effect both choices. If scheme members only choose to give rebalancing instruction to switch out current balances from RGU and/or GNT to other constituent funds of China Life Scheme and maintain the same investment mandate to invest future contributions and transfer-in benefits in RGU and/or GNT, they will have to give us instruction only for the rebalancing (or vice versa).

6. What are the impacts on scheme members?

The net guaranteed rate of return of RGU is pro-rated on a daily basis and applied in calculating the daily Unit Price on each Dealing Day. If Members with unit holdings in RGU decide not to take any action in relation to the change of Guaranteed Rate of Return and net guaranteed rate of return (“Reduction of Rate”) of RGU, their guarantee entitlements previously accrued and any guarantee entitlements calculated prior to such reduction (i.e. up to 31 December 2017) will not be affected as the guarantee return calculated under the current net guaranteed rate of return of 3% per annum will have been pro-rated to the daily Unit Price. The new Guaranteed Rate of Return and net guaranteed rate of return of RGU will be applied to any unit holdings in RGU starting from 1 January 2018.

In respect of GNT, the net guarantee return is reflected in Members’ Account on an annual basis. If Members with unit holdings in GNT decide not to take any action in relation to the Reduction of Rate of GNT, their guarantee entitlements previously accrued and any guarantee entitlements calculated prior to such

reduction (i.e. up to 31 December 2017) will not be affected as the net guarantee return of 3.5% per annum will have been reflected in Members' Account. The new Guaranteed Rate of Return and net guaranteed rate of return of GNT will be applied to any unit holdings in GNT starting from 1 January 2018.

Other than the Reduction of Rate of RGU and GNT, there will be no change to

- (i) the investment objectives and policies, risk profiles and fee structures of RGU, GNT, their relevant APIFs and underlying APIFs; and
- (ii) the guarantee mechanism of RGU, GNT and their relevant APIFs.

All costs and expenses incurred in relation to the Reduction of Rate will be borne by the Approved Trustee. No fees or charges nor bid and offer spread will be imposed on any rebalancing instructions, change of investment mandate or transfer out of China Life Scheme as a result of the Reduction of Rate.