

# China Life MPF Master Trust Scheme

## ("China Life Scheme")

### NOTICE TO PARTICIPATING EMPLOYERS AND MEMBERS

This notice is important. Terms used in this notice (unless otherwise defined below) bear the same meaning as in the Principal Brochure October 2018 Edition of China Life Scheme. If you are in doubt about the contents of this notice, you should seek independent professional financial advice.

#### Summary of the Key Changes to China Life Scheme

##### 1. Termination of Constituent Funds

a. Termination of China Life Retire-Easy Balanced Fund and China Life Retire-Easy Capital Stable Fund ("Termination")

Pursuant to clause 17.3.1 of the Trust Deed of China Life Scheme, China Life Retire-Easy Balanced Fund and China Life Retire-Easy Capital Stable Fund (each is referred to as is a "Terminating CF") will be terminated with effect from 23 September 2019. The redemption proceeds of each of the Terminating CF will be transferred to and used to purchase units in China Life Balanced Fund and China Life Age 65 Plus Fund (each a "Transferee CF") respectively whereby the Transferee CFs have very similar investment objectives.

b. Reasons for the Termination

The Termination will simplify the choice of Constituent Funds available under China Life Scheme and enhance the competitiveness of China Life Scheme. The Approved Trustee considers that the Termination is for the interests of Members.

c. Cut-off Time and Actions Required for the Termination

Members who hold units in the Terminating CF(s) and/or whose investment mandates are to invest future contributions and/or transfer-in assets in the Terminating CF(s) please note that the cut-off times for instructions\* relating to the Terminating CF(s) will be as follows:

Rebalancing and change of investment mandate	4p.m. on 11 September 2019
Redemption (i.e. claims, withdrawals and transfer-out assets)	4p.m. on 19 September 2019
Member enrolment and Subscriptions (i.e. contributions and transfer-in assets)	4p.m. on 19 September 2019

*\* Members' instructions may be submitted online or delivered by hand, fax, post or email to the Approved Trustee. The Interactive Voice Response System only provides enquiry services and is not available for receiving instructions.*

The change of investment mandate and rebalancing instructions concerning subscription or redemption of units of the Terminating CF(s) which are received by the Approved Trustee after the above stated cut-off time will be rejected. The Approved Trustee will inform the affected Members of the rejection by call and letter as soon as practicable.

For Members who do not exercise their rights to notify the Approved Trustee of the (a) rebalancing instructions or (b) change of investment mandate in respect of future contributions and/or transfer-in assets on or before the cut-off time stated above in relation to the Terminating CF(s); in the case of (a), Members will be deemed to have given instructions to redeem their units in the Terminating CF(s) on 23 September 2019 and the redemptions proceeds will be transferred to purchase the units in the corresponding Transferee CF(s); and as for (b), Members will be deemed to have given instructions substituting investing future contributions and/or transfer-in assets in the Terminating CF(s) to the corresponding Transferee CFs.

Dealings of the Terminating CFs will be suspended on 20 September 2019 ("Suspension") in order to process and settle all the dealing instructions that may be received by the Approved Trustee prior to the Suspension. The determination of net asset value of each of the Terminating CF will continue and will not be affected during the Suspension.

The Terminating CFs will cease having any investments and operations from 24 September 2019. (Please refer to A below for details of the Termination.)

d. The Impact

The Management fees of the corresponding Transferee CFs and their APIFs in aggregate will be lower than those Terminating CFs and their APIFs in aggregate. Please refer to A(1) below for details.

There will be no bid and offer spreads or other transaction costs in relation to the redemption of units of the Terminating CFs and the subscription for units of the Transferee CFs.

All costs of the Termination will be borne by the Approved Trustee. The Approved Trustee will use its best endeavor to ensure Members' interest are protected and that there will not be any adverse impact to Members.

e. Alternatives to Participating Employers and Members

Employers, self-employed persons or personal account holders who do not wish to be involved in the Termination may, apart from the above, transfer out of China Life Scheme to other MPF schemes free of charge. Employee members who do not wish to be involved in the Termination, may transfer their accrued benefits derived from their employee mandatory contributions under their current employment to another MPF scheme chosen by them once every year which will be free of charge as well.

2. **Other Changes**

There are also other miscellaneous changes to the Principal Brochure of China Life Scheme which will take immediate effect. Please refer to B(2) below for details.

3. Endorsement from the board of directors of the Approved Trustee has been obtained in relation to the Termination. The amendments stated in this notice are in line with the Trust Deed of China Life Scheme.

Dear Employer/Member,

We are writing to inform you of the following changes to be made to China Life Scheme:

**A. Termination of Constituent Funds**

- (1) To simplify the choice of Constituent Funds and to enhance the competitiveness of China Life Scheme, two of the Constituent Funds, China Life Retire-Easy Balanced Fund and China Life Retire-Easy Capital Stable Fund will be terminated with effect from 23 September 2019.

On 23 September 2019, the Approved Trustee will redeem all units relating to each of the above Terminating CFs and use the redemption proceeds to purchase the units in the corresponding Transferee CFs, i.e. China Life Balanced Fund and China Life Age 65 Plus Fund which share similar investment objectives. The Approved Trustee is of the view that streamlining of the fund platform under China Life Scheme by terminating the Terminating CFs will be in the best interests of Members. The Management fees of the corresponding Transferee CFs and their APIFs in aggregate will be lower than those Terminating CFs and their APIFs in aggregate.

The following is a diagram of Terminating CFs and their corresponding Transferee CFs (with respective Management fees set out in brackets) for Members' reference:

China Life Retire-Easy Balanced Fund (1.58% p.a.)	→	China Life Balanced Fund (1.50% p.a.)
China Life Retire-Easy Capital Stable Fund (1.58% p.a.)	→	China Life Age 65 Plus Fund (0.75% p.a.)

As from 24 September 2019, the Terminating CFs will cease having any investments and operations. There will be 9 Constituent Funds in China Life Scheme after the completion of the termination of Terminating CFs.

(2) Transitional Arrangement

Dealings of the Terminating CFs will be suspended on 20 September 2019 ("Suspension") in order to process and settle all

dealing instructions that may be received by the Approved Trustee prior to the Suspension. The determination of the net asset value of each of the Terminating CFs, however, will continue and remain unaffected during the Suspension. Details of the transitional arrangement of instructions involving the Terminating CFs will be as follows:

<b>Types of instructions relating to the Terminating CFs</b>	<b>Relevant cut-off time</b>	<b>After the relevant cut-off time</b>
Member enrolment, Subscriptions (i.e. contributions and transfer-in assets)  Redemption (i.e. claims, withdrawals, and transfer -out assets)	Relevant instructions received on or before the relevant cut-off time (i.e. 19 September 2019 4p.m.) will be processed in accordance with the normal timeframe free of charge.	Relevant instructions received after the relevant cut-off time (i.e. 19 September 2019 4p.m.) will be withheld. Such instructions involving the Terminating CFs will be deemed and processed as instructions with respect to the corresponding Transferee CFs. Processing of these instructions will be resumed from 24 to 27 September 2019 free of charge.
Rebalancing and change of investment mandate	Relevant instructions received on or before the relevant cut-off time (i.e. 11 September 2019 4p.m.) will be processed in accordance with the normal timeframe free of charge.	Relevant instructions received after the relevant cut-off time (i.e. 11 September 2019 4p.m.) will be rejected. The Approved Trustee will inform the affected Members of the rejection as soon as practicable.

Members should note that the Terminating CFs will not be available for selection for rebalancing or change of investment mandate after 4p.m. on 11 September 2019. Website service for account balance enquiry will remain available to Members after cut-off time.

New versions of enrolment forms (with Terminating CFs removed) will be made available from 23 September 2019 onwards. There will be a transitional period of 3 months (i.e. up to 22 December 2019) for accepting the old version of enrolment forms by the Approved Trustee. Upon receipt of the old versions of enrolment forms during the 3-month period, instructions for investing in any of the Terminating CFs will be deemed and processed as instructions with respect to the corresponding Transferee CFs. Old versions of enrolment forms received by the Approved Trustee after the 3-month period will be rejected.

(3) Details of Termination for Members who hold units in the Terminating CFs as at 23 September 2019

On 23 September 2019, all units in each of the Terminating CFs will be redeemed and the redemption proceeds of each of the Terminating CFs will be used to purchase the units in the corresponding Transferee CFs. The Approved Trustee will issue a confirmation to Members who have units holding or investment mandate investing in Terminating CF(s) immediately prior to 23 September 2019, showing the amount of accrued benefits and unit holdings and/or investment mandates being transferred from the Terminating CFs to the corresponding Transferee CFs. The confirmation will be issued within 1 month after 23 September 2019. For Members who have units holding investing in Terminating CF(s) immediately prior to 23 September 2019, may also check their latest unit holdings as a result of the termination of the Terminating CFs by accessing our website on 25 September 2019.

The value of holdings of the Members investing in a Terminating CF immediately before the termination will be the same as the value of holdings of the Members transferred to the corresponding Transferee CF immediately after the termination of the Terminating CFs.

The number of units of the Transferee CFs to be allocated to each Member concerned will be determined by dividing the redemption value of each Terminating CF attributable to the Member concerned on 23 September 2019 by the unit price of the corresponding Transferee CF on 23 September 2019.

The Transferee CFs below share similar investment objectives and risk levels compared to the Terminating CFs. Members will not subject to higher risk after the transfer of the Terminating CFs to the Transferee CFs.

The following table is a comparison of the investment objectives and policies of the Terminating CFs and their Transferee

CFs for Members' reference:

<b>Terminating CFs</b>	<b>Transferee CFs</b>
<b>China Life Retire-Easy Balanced Fund</b>	<b>China Life Balanced Fund</b>
<p><u>Objective</u> The investment objective is to achieve a capital appreciation in excess of Hong Kong salary inflation over the long term. This is designed for Members who are willing to assume medium to high risk investment.</p> <p><u>Investments</u> China Life Retire-Easy Balanced Fund is a feeder fund investing entirely in Invesco Global Balanced Fund, an approved pooled investment fund which will invest in a combination of global bonds and global equities.</p> <p>Invesco Global Balanced Fund normally invests around 30% of its net asset value in global bonds and 70% of its net asset value in global equities.</p>	<p><u>Objective</u> The investment objective is to provide capital appreciation as well as seek income so as to achieve long term balanced growth in capital. This is designed for Members who are willing to assume medium to high risk investment.</p> <p><u>Investments</u> China Life Balanced Fund is a feeder fund investing entirely in Fidelity Global Investment Fund – Balanced Fund, an approved pooled investment fund which will invest in a diversified range of global equities and bonds.</p> <p>Fidelity Global Investment Fund – Balanced Fund intends to invest 5% in cash, 25% in bonds and 70% in equities. The relevant APIF will invest in Hong Kong, America, Europe, Japan and Asia Pacific.</p>
<b>China Life Retire-Easy Capital Stable Fund</b>	<b>China Life Age 65 Plus Fund (“A65F”)</b>
<p><u>Objective</u> The investment objective is to achieve capital preservation over the long term whilst seeking to enhance returns through limited exposure to global equities. This is designed for Members who are willing to assume low to medium risk investment.</p> <p><u>Investments</u> China Life Retire-Easy Capital Stable Fund is a feeder fund investing entirely in Invesco Global Stable Fund, an approved pooled investment fund which will invest in a combination of global bonds and global equities.</p> <p>Invesco Global Stable Fund normally invests around 70% of its net asset value in global bonds and 30% of its net asset value in global equities.</p>	<p><u>Objective</u> The investment objective is to provide stable growth by investing in a globally diversified manner. This is designed for Members who are willing to assume low to medium risk investment.</p> <p><u>Investments</u> A65F is a feeder fund investing entirely in an approved pooled investment fund, which in turn invests in 2 underlying approved pooled investment funds, Global Strategic Bond Fund and Global Strategic Equity Fund of Invesco Pooled Investment Funds. A65F will primarily invest in a combination of global equities and bonds in a globally diversified manner through investment in the Underlying APIFs.</p> <p>Through Global Strategic Bond Fund and Global Strategic Equity Fund of Invesco Pooled Investment Funds, A65F targets to invest 20% of its net assets in higher risk assets (such as global equities), with the remainder investing in lower risk assets (such as global bonds, cash and money market instruments). The asset allocation to higher risk assets may vary between 15% and 25% due to differing price movements of various equity and bond markets. The asset allocation of A65F will make reference to the A65F Reference Portfolio.</p>

- (4) Impact on affected Members who fail to give rebalancing instructions and/or change of investment mandate on or before 4p.m. 11 September 2019 in relation to the Terminating CFs

For Members who do not exercise their rights to notify the Approved Trustee of the (a) rebalancing instructions or (b) change of investment mandate in respect of future contributions and/or transfer-in assets on or before 4p.m. 11 September 2019 in

relation to the Terminating CF(s); in the case of (a), Members will be deemed to have given instructions to redeem their units in the Terminating CF(s) on 23 September 2019 and the redemption proceeds will be transferred to purchase the units in the corresponding Transferee CF(s); and as for (b), Members will be deemed to have given instructions substituting investing future contributions and/or transfer-in assets in the Terminating CF(s) to the corresponding Transferee CFs.

(5) Impact of Termination

The Approved Trustee will liaise with all service providers such as the Investment Managers, Custodians and Administrator of China Life Scheme and the relevant APIFs to ensure proper arrangements (including but not limit to administrative and operational) are in place for the transition and a smooth transfer of accrued benefits of the Members from the Terminating CFs to the Transferee CFs (or to other Constituent Funds as the Members may instruct). There will be no bid and offer spreads or other transaction costs in relation to the redemptions of the units of the Terminating CFs and the subsequent subscriptions in the units of the Transferee CFs.

The Approved Trustee does not foresee any loss of accrued benefits of Members arising out of the termination of the Terminating CFs. In case there is any event (other than fluctuation of fund price or circumstances beyond the control of the Approved Trustee) resulting in any loss of accrued benefits of the Members as a result of the termination of the Terminating CFs, the Approved Trustee will compensate the loss incurred.

The cost of the termination of the Terminating CFs is estimated to be around HK\$1 million and will be borne by the Approved Trustee.

(6) Alternatives to Participating Employers and Members

Employers, self-employed persons or personal account holders who do not wish to be involved in the Termination may, apart from the above, transfer out of China Life Scheme to other MPF schemes free of charge. Employee members who do not wish to be involved in the Termination, may transfer their accrued benefits derived from their employee mandatory contributions under their current employment to another MPF scheme chosen by them once every year which will be free of charge as well.

**B. Other Changes**

Miscellaneous Changes Effective Immediately

(i) Change of the Reference Index name for China Life MPF Default Investment Strategy

Following the acquisition of certain Citi indices from Citigroup by the London Stock Exchange Group and as part of the corresponding rebranding exercise, “Citi MPF World Government Bond Index” that forms part of the reference indices of the Constituent Fund of Default Investment Strategy of China Life Scheme (i.e. China Life Core Accumulation Fund and China Life Age 65 Plus Fund”) will be substituted by “FTSE MPF World Government Bond Index” with immediate effect to reflect the rebranding.

(ii) Substitution of the description of “Hong Kong Branch” at the end of the name of China Life Insurance (Overseas) Company Limited with “(incorporated in the People’s Republic of China with limited liability)”

China Life Insurance (Overseas) Company Limited, the Promoter and Administrator of China Life Scheme as well as the guarantor of the Policy APIFs of the guarantee funds of China Life Scheme, is a non-Hong Kong registered company under the Companies Ordinance. In order to align with its latest corporate practice to display the name, place of incorporation and liability of members is limited in notices and other official publications (including products and marketing materials etc.) as required under the Companies Ordinance, the phrase “(incorporated in the People’s Republic of China with limited liability)” will substitute the description of “Hong Kong Branch” after the name China Life Insurance (Overseas) Company Limited.

(iii) Enhancement of disclosures on investment objective and alignment of asset allocation of China Life Hong Kong Equity Fund

The Constituent Fund, China Life Hong Kong Equity Fund, invests in an approved pooled investment fund (“relevant APIF”) managed by FIL Investment Management (Hong Kong) Limited. As informed by FIL Investment Management (Hong Kong) Limited, the disclosures on investment objectives of the relevant APIF in the explanatory memorandum are enhanced to specify the percentage limit.

In order to align with disclosures of the relevant APIF, it is enhanced to disclose that China Life Hong Kong Equity Fund will focus investment (**i.e. at least 70% of its net asset value**) into the equity market 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), and has the flexibility to invest in bonds in a limited manner (**i.e. less than 30% of its net asset value**).

In addition, the asset allocation of China Life Hong Kong Equity Fund is aligned with the relevant APIF as follows and thus, the reference to geographical allocation is removed.

<u>Asset Class</u>	<u>Allocation</u>
Cash	0%
Bonds	0%
Equities	100% *

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

There is no change in the manner in which China Life Hong Kong Equity Fund is managed in practice. The above is an enhancement/alignment of disclosures. There is no change to the investment objective and policy of China Life Hong Kong Equity Fund.

(iv) Change of the number of free withdrawal instalments

The number of free withdrawal instalment for retirement and early retirement claims will be increased from 4 times per year to 12 times per year and a handling fee for withdrawal exceeding the limit of 12 times per year will be remained as HK\$100 for each additional withdrawal instalment.

(v) The business address of the Investment Manager, Taiping Assets Management (HK) Company Limited, has been relocated to “Unit 1-2, 19th Floor, No. 18 King Wah Road, Hong Kong.

(vi) All references to “financial year” in the Principal Brochure will be substituted by “financial period” for the purpose of standardization.

All costs and expenses associated with the above changes in relation to China Life Scheme will be solely borne by us. The Approved Trustee confirms that the changes above do not have any adverse impact on the interests of employers and Members.

The Trust Deed as well as the latest Principal Brochure have been amended to reflect all the above changes by way of the Twenty First deed of variation and the Second Addendum respectively and will be available for inspection at our office at 17/F, CLI Building, 313 Hennessy Road, Wanchai, Hong Kong. The latest Principal Brochure including the Second Addendum can also be obtained free of charge by accessing our website [www.chinalifetrustees.com.hk](http://www.chinalifetrustees.com.hk). Alternatively, Members may contact our hotline 3999 5555 for any queries regarding the above matters.

China Life Trustees Limited

10 June 2019

This is a computer printout and no signature is required.