

China Life Central Provident Fund ("Fund")

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 July 2011 Edition of the Fund. If you are in doubt about the contents of this notice, you should seek independent professional financial advice.

Dear Employers and Members,

1. Reduction of guaranteed net return of the Guaranteed Policy

Currently, the Guaranteed Policy (into which the contributions of Employers and Members of the Fund are solely invested) of the Fund provides a capital guarantee and a guaranteed net return of 3.5% per annum. The guarantor, China Life Insurance (Overseas) Company Limited ("CLIO"), has decided **to reduce the current guaranteed net return of the Guaranteed Policy from 3.5% per annum to 3% per annum with effect from [1st January 2019] ("Effective Date") by giving 6 months' written notice to us as policyholder as well as Employers and Members of the Fund as participants of the Guaranteed Policy.**

We are informed that the decision of CLIO to reduce the guaranteed net return of the Guaranteed Policy is attributable to the volatility of global bond markets and the commencement of US federal funds interest rate hike cycle.

Investment in global bonds command a major proportion of the Guaranteed Policy. The volatility of global bond market at the end of 2016 and the first quarter of 2017 was higher than the past few years due to various economic and political events. These uncertainties are expected to persist and continue to affect the global bond market. In addition, interest rate hike is unfavourable to bond investments and leads to drop in bond prices and lowers the return on investment portfolios investing in bond investments due to mark-to-market loss. In view of the above, to prevent loss in bond prices in the Guaranteed Policy, the Guaranteed Policy has to be invested in bonds with shorter maturity. Bonds with shorter maturity tend to have lower return. Thus, the return of the bond investments of the Guaranteed Policy will be lower, and this lower return may lead to potential shortfall (when compared with the guaranteed net return) that the guarantor is obligated to make up. The above circumstances inevitably affect the sustainability of the current guaranteed net return of the Guaranteed Policy. In view of these circumstances, as a prudent guarantor, CLIO decides to reduce the guaranteed net return ("Reduction of Rate") with the aim of sustaining the continuous operation of the Guaranteed Policy.

2. Actions required by Employers and Members

As the Fund solely invests in the Guaranteed Policy and the choice of participating in the Fund lies with Employers, before the Effective Date of Reduction of Rate:

- (i) Employers may choose not to take any action, Members will continue to invest their current balances and future contributions in the Guaranteed Policy. The guarantee entitlements of the Members of the Fund previously accrued and any guarantee entitlements calculated prior to the Reduction of Rate (i.e. up to 31st December 2018) will not be affected as the current guaranteed net return of 3.5% per annum will still be credited to the Members prior to the Effective Date of Reduction of Rate. The new guaranteed net return of 3% per annum will be applied to any accumulated balances of the

Members starting from the Effective Date of Reduction of Rate.

- (ii) In case Employers choose to terminate their participation in the Guaranteed Policy, Employers may give at least 1 months' written notice ("Notice of Cessation") to us advising the date of termination ("Termination Date"). All such Employers' Notice of Cessation must be received by us on or before 31st December 2018 ("Cut-Off Date"). The Termination Charge applicable to termination within first 5 years of participation of an Employer will be waived by CLIO if the Notice of Cessation is received by us on or before the Cut-off Date and there will be no other fees or charges whatsoever to be charged on the termination of Employer's participation. Please note that if an Employer's Notice of Cessation (whose termination is within 5 years of participation) is received by us after the Cut-Off Date, the Employer will still be subject to the payment of a Termination Charge. Please refer to page [14] "Early Termination of Participation in the Policy" and pages [15 and 16] "Charges" of the Principal Brochure for details.

The guarantee entitlements of the Members of the Fund for the year 2018 previously accrued and any guarantee entitlements calculated prior to the Termination Date at the current guaranteed net return of 3.5% per annum, will be credited to the Members on a pro-rata basis if the Termination Date is before the Effective Date of Reduction of Rate. If the Termination Date takes place on or after the Effective Date of Reduction of Rate, the guarantee entitlements of the Members of the Fund prior to the Effective Date of Reduction of Rate calculated at the current guaranteed net return of 3.5% per annum will be credited to the Members and the new guaranteed net return of 3% per annum will be applied to any accumulated balances of the Members commencing from the Effective Date of Reduction of Rate to the Termination Date.

3. Impact on Members of the Fund

All costs and expenses associated with the Reduction of Rate of the Guaranteed Policy will be solely borne by us. Other than the Reduction of Rate of the Guaranteed Policy, there will be no change in the range of asset allocation and geographical distributions, the guarantee mechanism and the fee structure of the Guaranteed Policy as set out in the Principal Brochure.

With the provision of information and explanation in items (i) and (ii) of section 2 "Actions required by Employers and Members" above to enable Members and Employers (both as participants to the Guaranteed Policy) to consider their rights and options available from the Reduction of Rate coupled with no change in the asset allocation and geographical distributions, the guarantee mechanism and the fee structure of the Guaranteed Policy, we believe that the accumulated balances of Members of the Fund accrued prior to the Effective Date of Reduction of Rate will be adequately protected and will not be materially prejudiced.

The latest Principal Brochure have been amended to reflect the above changes by way of the Fourth Addendum.

The latest Principal Brochure, including the First Addendum, the Second Addendum, the Third Addendum and the Fourth Addendum can be obtained free of charge by accessing our website www.chinalifetrustees.com.hk. The Trust Deed and the latest Principal Brochure (including the First Addendum, the Second Addendum, the Third Addendum and the Fourth Addendum) are also be available for inspection at our office at 17/F, CLI Building, 313 Hennessy Road, Wanchai, Hong Kong.

Should you have any queries, please contact our hotline 3999 5555.

China Life Trustees Limited

8 January 2018

This is a computer printout and no signature is required.