

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 MPF Scheme Brochure March 2020 Edition of China Life Scheme. If you are in doubt about the contents of this notice, you should seek independent professional financial advice. The Approved Trustee of China Life Scheme accepts responsibility for the contents of this notice as being accurate as of the date of this notice.

Summary of Key Changes to China Life Scheme

1. Termination of Constituent Fund

a. Termination of China Life Guaranteed Return Fund (“Termination”)

Pursuant to clause 17.3.1 of the Master Trust Deed of China Life Scheme, the Approved Trustee is hereby giving not less than three months’ notice to Members in relation to the **Termination of the China Life Guaranteed Return Fund (“Terminating CF”), which will take effect on 30 November 2020** (“Termination Effective Date”). The consent of participating employers and Members is not required for such Termination. **Should you choose to remain invested in the Terminating CF, the payout amount of the Terminating CF will be transferred to and used to purchase units in China Life Retire-Easy Guarantee Fund (“Transferee CF”) whereby the Transferee CF is also a guaranteed fund and has similar investment objectives.**

b. One-off Special Arrangement

Under the current guarantee mechanism of the Terminating CF, the guarantee will only be offered to a Member if a Member withdraws in any of the following circumstances (“Relevant Circumstances”), namely (a) on the first Dealing Day on or after 1 January of each financial period of China Life Scheme, or (b) by reason of termination of employment (applicable to employee Members only). Accordingly, the Approved Trustee has put in place a one-off special arrangement (“One-off Arrangement”) where Members will remain entitled to the guarantee offered under the Terminating CF for those accrued benefits investing in the Terminating CF immediately prior to the Termination Effective Date even though it is not one of the Relevant Circumstances.

Accordingly, Members who wish to remain entitled to the guarantee offered under the Terminating CF for those accrued benefits investing in the Terminating CF should remain invested in the Terminating CF and not withdraw such accrued benefits unless such withdrawal falls within any of the Relevant Circumstances. For the avoidance of doubt, Members will not be entitled to the guarantee offered under the Terminating CF if they withdraw their accrued benefits investing in the Terminating CF prior to the Termination Effective Date (since the One-off Arrangement will not be available for such withdrawal) where the withdrawal does not fall within one of the Relevant Circumstances.

Please refer to section A(3) “Details of Termination for Members who hold units in the Terminating CF immediately prior to the Termination Effective Date” below for details.

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

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

Rebalancing and change of investment mandate	4:00 p.m. (HKT) on 18 November 2020
Redemption (i.e. claims, withdrawals and transfer-out assets)	4:00 p.m. (HKT) on 26 November 2020
Member enrolment and subscriptions (i.e. contributions and transfer-in assets)	4:00 p.m. (HKT) on 26 November 2020

**Members’ instructions may be submitted online or delivered by hand, fax, post or email to us. 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 the Terminating CF received by the Approved Trustee after the stated cut-off time will be rejected. Please refer to section A(2) “Transitional Arrangement” for more details including the arrangements where the relevant instructions are given after the above stated cut-off time.

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 relevant cut-off time in relation to the Terminating CF; in the case of (a), Members will be deemed to have given instructions to redeem their units in the Terminating CF on 30 November 2020 and the payout amount will be transferred to purchase the units in the Transferee CF; and as for (b), Members will be deemed to have given instructions to substitute the investment of future contributions and/or transfer-in assets in the Terminating CF to the Transferee CF.

Dealings of the Terminating CF will be suspended on 27 November 2020 (“Suspension”) for a period of one day 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 the Terminating CF will continue and will not be affected during the Suspension.

The Terminating CF will cease to have any investments and operations from 1 December 2020 and all assets of the Terminating CF will be transferred to the Transferee CF by way of transfer-in-specie. On the Termination Effective Date, the remaining amounts of the smoothing provision of the Terminating CF will be used for the purpose of providing guarantee entitlement under the One-off Arrangement to those Members who are being transferred to the Transferee CF upon Termination. To the extent that there are any remaining amounts of the smoothing provision thereafter, such amounts will be distributed to the Members being transferred to the Transferee CF in the form of units of the Transferee CF on a pro-rata basis. (Please refer to section A “Termination of Constituent Fund” below for details of the Termination.)

d. The Impact

Please note that **certain changes (“Transferee CF Changes”) will be made to the Transferee CF**, including changes to its guarantee mechanism, reduction of Management fees and guarantee charge, and change to its name, which **will take effect on 4 December 2020** (“Transferee CF Effective Date”).

If Members choose to remain invested in the Terminating CF, their accrued benefits investing in the Terminating CF immediately before the Termination will be transferred to the Transferee CF upon Termination. As noted in the section above, the remaining amounts of the smoothing provision after the One-off Arrangement (if any) will be distributed to the Members who are being transferred to the Transferee CF upon Termination in the form of units of the Transferee CF and such Members will be notified by letter as soon as practicable if they receive any additional units of the Transferee CF as a result of the residual smoothing provision.

These Members should note that under the Transferee CF, after the Transferee CF Changes, all their accrued benefits investing in the Transferee CF will be subject to (i) a guaranteed rate of return (“GRR”) of 1.35% p.a. (being the GRR to be applied directly to the “Qualifying Balance” (as defined in section B(1) “Details relating to the Transferee CF Changes”) of Members’ accounts), instead of a net GRR of 2.5% p.a. currently offered under the Terminating CF (i.e. there will be a reduction of 46% of guaranteed return), and (ii) applicable fees of 2.0% p.a. (comprising Management fees and guarantee charge) instead of the 1.5% p.a. applicable fees currently chargeable under the Terminating CF (comprising Management fees) (i.e. there will be an increase of around 33.33% of applicable fees while no more proceeds will be held for the purpose of the smoothing provision)¹. Unlike the Terminating CF, if the “Actual Balance” of Members’ accounts in the Transferee CF as at the end of the current financial period is greater than the “Qualifying Balance” of Members’ accounts after the Transferee CF Changes, the “Qualifying Balance” will *not* be reset to the “Actual Balance” to become the opening balance of the “Qualifying Balance” for the next financial period. For the meaning of “Actual Balance” and “Qualifying Balance”, please refer to section B(1) “Details relating to the Transferee CF Changes”.

Please refer to section B “Transferee CF Changes” for details of the Transferee CF Changes. For illustrative examples showing the impact of different actions by Members before and after the Termination Effective Date, and before and after the Transferee CF Effective Date, please refer to the Appendix to this notice.

¹ For the avoidance of doubt, please note that the difference in applicable fees is due to the differences between the features of the Terminating CF and the features of the Transferee CF. As shown in the table under section A(1) “Details relating to the Termination”, under the Terminating CF, the applicable fees comprise Management fees and there is a smoothing provision, while under the Transferee CF, the applicable fees comprise guarantee charge, in addition to Management fees, but there is no smoothing provision.

There will be no bid and offer spreads or other transaction costs in relation to the redemption of units of the Terminating CF and the subscription for units of the Transferee CF. All costs of the Termination will be borne by the Approved Trustee. The Approved Trustee will use its best endeavour to ensure Members' interests are protected and believes that there will not be any adverse impact to Members.

e. Reasons for the Termination and Alternatives to Participating Employers and Members

For details of the reasons for the Termination and alternatives available to participating employers and Members, please refer to section A(1) "Details relating to the Termination" and section A(6) "Alternative to Participating Employers and Members" respectively.

2. Transferee CF Changes

a. Changes to the Guarantee Mechanism

Pursuant to Part II Clause 2(c) of Annexure E of the Master Trust Deed, the Approved Trustee hereby gives 3 months' written notice to inform employers and Members that effective from **the Transferee CF Effective Date (i.e. 4 December 2020)**, the following changes ("Guarantee Changes") will be made to the Transferee CF:

- (i) the current GRR of 3.5% and net GRR of 2% of the Transferee CF will be deleted and replaced by a new GRR of 1.35% p.a., being the GRR to be applied directly to Members' account balance for simplicity and Members' easier understanding, which represents a reduction of 32.5% of guaranteed return offered to Members; and
- (ii) guarantee entitlement will be subject to qualifying conditions.

Please refer to section B "Transferee CF Changes" for details.

b. Reduction of Management Fees and Guarantee Charge

In addition, the Management fees and the guarantee charge of the Transferee CF will be reduced from 1.5% p.a. to 1.2% p.a. and from 1% p.a. to 0.8% p.a. respectively, representing a reduction of 20% in applicable fees (i.e. the Management fees and the guarantee charge) for the Transferee CF. Please refer to section B "Transferee CF Changes" for details.

c. Change to the name of the Transferee CF

The name of the Transferee CF will be changed from "China Life Retire-Easy Guarantee Fund" to "China Life Joyful Retirement Guaranteed Fund".

d. Changes relating to the maximum limit of aggregate investment amount of Smart Easy Personal Contribution

The maximum limit of the aggregate amount of Smart Easy Personal Contribution which can be invested in the Transferee CF by way of new contributions in any financial period will be increased from HK\$500,000 to HK\$1,000,000 and the maximum limit of the aggregate amount of Smart Easy Personal Contribution which can be invested in the Transferee CF by way of rebalancing will be removed.

e. Reasons for Transferee CF Changes

The Guarantee Changes were introduced with the aim of sustaining the continuous operation of the insurance policy approved pooled investment fund ("Relevant Fund") of the Transferee CF and to ensure that Members can continue to enjoy having a guaranteed fund as one of their fund choices, taking into account recent market conditions of the bond and credit market in which the Relevant Fund of the Transferee CF primarily invests and the resulting expectation that the return of investments of the Relevant Fund of the Transferee CF will be low. For details of the relevant recent market conditions prompting the Guarantee Changes, please refer to the section titled "Guarantee Changes" under section B(1) "Details relating to the Transferee CF Changes".

For the reasons set out above, the Approved Trustee does not expect that the Guarantee Changes will have any adverse impact on the interests of Members in the long run. Nevertheless, the Management fees and guarantee charge will be reduced for the benefit of Members. The changes relating to the maximum limit of aggregate investment amount of Smart Easy Personal Contribution are proposed for the purpose of providing greater flexibility for Members' retirement planning and assisting with the achievement of retirement goals by Members.

For the above reasons, the Transferee CF Changes are in the interests of Members investing in the Transferee CF.

f. Actions Required

Before the implementation of the Transferee CF Changes on the Transferee CF Effective Date, Members who invest in the Transferee CF may:

- (i) choose not to take any action and continue to invest their current balances in the Transferee CF;
- (ii) maintain their same investment mandates to invest future contributions and transfer-in benefits in the Transferee CF;
- (iii) give a rebalancing instruction to switch out their current balances from the Transferee CF to other Constituent Funds of China Life Scheme and/or change their investment mandates to invest future contributions and transfer-in benefits in the Transferee CF to other Constituent Funds of China Life Scheme; or
- (iv) transfer their benefits out from China Life Scheme to other registered schemes.

For members who wish to carry out the actions set out in (iii) or (iv) above before the Transferee CF Changes take effect, they should give the relevant instructions **at or before 4:00 p.m. (HKT) on 3 December 2020** (i.e. the Dealing Day immediately preceding the Transferee CF Effective Date) in order for the instructions to be processed before the Transferee CF Changes take effect. Instructions received after that cut-off time will be subject to the Transferee CF Changes.

Members are reminded that they will still be entitled to guarantee entitlement under the Transferee CF in respect of the above circumstances (iii) & (iv) as the guarantee return is pro-rated to the daily Unit Price on each Dealing Day up to the Dealing Day immediately preceding the Transferee CF Effective Date.

Please refer to section B(2) “Actions required by Members” below for details. For illustrative examples showing the impact of different actions by Members before and after the Transferee CF Effective Date, please refer to the Appendix to this notice.

g. Impact

Before the Transferee CF Effective Date, for Members who have accrued benefits investing in the Transferee CF, their entitlement to guarantee return under the Transferee CF will be determined in accordance with the current guarantee mechanism before the Guarantee Changes (where the guarantee return is pro-rated to the daily Unit Price on each Dealing Day up to the Dealing Day immediately preceding the Transferee CF Effective Date). The current Management fees and guarantee charge will also continue to apply to Members up to the Transferee CF Effective Date. From the Transferee CF Effective Date onwards, for Members who have accrued benefits investing in the Transferee CF, their entitlement to guarantee return under the Transferee CF will be determined in accordance with the guarantee mechanism after the Guarantee Changes, i.e. their guarantee return, calculated using the new GRR, will be subject to qualifying conditions and will no longer be an unconditional guarantee that is pro-rated on a daily basis and applied in calculating the unit price of the Transferee CF. The new Management fees and guarantee charge after the Transferee CF Changes will apply to Members after the Transferee CF Effective Date.

Other than the Transferee CF Changes, the investment objectives and policies, and risk profiles of the Transferee CF, the Relevant Fund and the underlying unit trust approved pooled investment fund (“Underlying Fund”) of the Transferee CF will remain unchanged. All costs and expenses incurred in relation to the Transferee CF Changes 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 Transferee CF Changes.

h. Alternatives to Participating Employers and Members

For details of alternatives available to participating employers and Members, please refer to section B(4) “Alternative to Participating Employers and Members” respectively.

3. Change of Auditor’s Address

The address of the auditor of China Life Scheme has been changed to 22/F, Prince’s Building, Central, Hong Kong.

4. Governance

The Termination and the Transferee CF Changes have been duly endorsed by the board of directors of the Approved Trustee and the relevant provisions of the constitutive documents of China Life Scheme respectively governing the

Termination and the Transferee CF Changes have been complied with. Members may contact our hotline 3999 5555 in case of any queries regarding the Termination and the Transferee CF Changes.

Dear Employer/Members,

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

A. Termination of Constituent Fund

(1) Details relating to the Termination

Pursuant to clause 17.3.1 of the Master Trust Deed of China Life Scheme, the Approved Trustee is hereby giving not less than three months' notice to Members in relation to the Termination of the Terminating CF, which will take effect on **the Termination Effective Date (i.e. 30 November 2020)**. Such Termination is not required to be approved by Members. Should you choose to remain invested in the Terminating CF, the payout amount of the Terminating CF will be transferred to and used to purchase units in the Transferee CF whereby the Transferee CF is also a guaranteed fund and has similar investment objectives.

The Approved Trustee no longer considers it advisable to maintain two similar guaranteed funds, being the Terminating CF and the Transferee CF, under China Life Scheme. To allow for a more cost-effective scheme structure, achieve better economies of scale (by consolidating the assets of the Terminating CF and the Transferee CF) and streamline its fund platform, the Terminating CF (i.e. China Life Guaranteed Return Fund) will be terminated which will take effect on the Termination Effective Date (i.e. 30 November 2020). For the foregoing reasons, the Approved Trustee considers that the Termination to be in the best interest of Members.

On the Termination Effective Date, the Approved Trustee will redeem all units relating to the Terminating CF and use the payout amount to purchase the units in the Transferee CF (i.e. China Life Retire-Easy Guarantee Fund) which shares similar investment objectives. The Approved Trustee is of the view that the streamlining of its fund platform under China Life Scheme by terminating the Terminating CF will be in best interests of Members.

The following is a comparison table showing certain key features of the Terminating CF and the Transferee CF (both before and after the Transferee CF Changes).

	Terminating CF	Transferee CF (before Transferee CF Changes)	Transferee CF (after Transferee CF Changes)
Name	China Life Guaranteed Return Fund	China Life Retire-Easy Guarantee Fund	China Life Joyful Retirement Guaranteed Fund
Fund type	Guaranteed fund	Guaranteed fund	
Investment objectives	To provide a return that is above the GRR to participants.	To provide capital preservation in the long-term and offer to enhance return with limited exposure to global equities, while also providing a guaranteed return.	
Investment policy	To invest solely in the Relevant Fund issued by China Life Insurance (Overseas) Company Limited ("Insurer") and will in turn solely invest in the Underlying Fund which maintains a well-diversified portfolio comprising global equities, fixed income securities, and bank deposits.	To invest solely in the Relevant Fund issued by the Insurer and will in turn solely invest in the Underlying Fund which maintains a diversified portfolio comprising global equities, intermediate term global fixed income securities and debt securities.	
Asset allocation	Bank deposits: 0-50% Fixed income securities: 50-80% Global equities: 0-30%	Cash/bank deposits: 0-50% Fixed income securities: 50-80% Global equities: 0-30%	

Risk level	Low	Low	
GRR	4% p.a.	3.5% p.a.	1.35% p.a.*
Net GRR	2.5% p.a.	2% p.a.	
Conditions on guarantee entitlement	Yes	No	Yes
Qualifying Period[^]	No	No	36 completed months
Management fees	1.5% p.a.	1.5% p.a.	1.2% p.a.
Guarantee charge[#]	N.A.	1% p.a.	0.8% p.a.
Smoothing provision[#]	0.0077% per week (i.e. approximately 0.4% p.a.)	N.A.	N.A.

*Please note that for simplicity reasons, the current GRR and net GRR will be deleted and replaced by a new GRR of 1.35% (as shown in the table above). The new GRR represents the GRR that will be applied directly to the account balance of Members.

[#]Please note that the guarantee charge is the property of the Insurer whilst the smoothing provision is the property of the Terminating CF.

[^]Please refer to section B(1) “Details relating to the Transferee CF Changes” for definition of “Qualifying Period”.

Please refer to section B “Transferee CF Changes” for more details on the Transferee CF Changes.

As from 1 December 2020, the Terminating CF will cease to have any investments and operations and all assets of the Terminating CF will be transferred to the Transferee CF by way of transfer-in-specie. There will be 8 Constituent Funds in China Life Scheme after completion of the Termination.

(2) Transitional Arrangement

The Suspension will take place on 27 November 2020 for a period of one day 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 the Terminating CF, however, will continue and remain unaffected during the Suspension. Details of the transitional arrangement in respect of different types of instructions involving the Terminating CF will be as follows:

Types of instructions*	At or before the relevant cut-off time	After the relevant cut-off time
Member enrolment and subscriptions (i.e. contributions and transfer-in assets)	Relevant instructions received on or before the relevant cut-off time (i.e. 4 p.m. (HKT) on 26 Nov 2020) will be processed in accordance with the normal timeframe free of charge.	Relevant instructions received after the relevant cut-off time (i.e. 4 p.m. (HKT) on 26 Nov 2020) will be withheld. Such instructions involving the Terminating CF will be deemed and processed as instructions with respect to the Transferee CF. Processing of these instructions will be resumed from 1 to 3 Dec 2020 free of charge.
Redemption (i.e. claims, withdrawals, and transfer-out assets)		
Rebalancing and change of investment mandate	Relevant instructions received on or before the relevant cut-off time (i.e. 4 p.m. (HKT) on 18 Nov 2020) will be processed in accordance with the normal timeframe free of charge.	Relevant instructions received after the relevant cut-off time (i.e. 4 p.m. (HKT) on 18 Nov 2020) will be rejected. The Approved Trustee will inform the affected Members of the rejection by phone within the same working day of the receipt of the relevant instructions, followed by the issuance of a letter on the following working day.

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

Please note that the guarantee will only be offered to a Member if a Member withdraws in any of the Relevant Circumstances, namely (a) on the first Dealing Day on or after 1 January of each financial period of China Life Scheme, or (b) by reason of termination of employment (applicable to employee Members only), and the One-off Arrangement will not be available for Members who withdraw their accrued benefits investing in the Terminating CF prior to the Termination Effective Date.

Members should note that the Terminating CF will not be available for selection for rebalancing or change of investment mandate after 4 p.m. on 18 November 2020. Website service for account balance enquiry will remain available to Members after cut-off time.

New versions of enrolment forms (with the Terminating CF removed) will be made available from the Termination Effective Date onwards. There will be a transitional period (from the Termination Effective Date up to 26 February 2021) for accepting the old version of enrolment forms by the Approved Trustee. Upon receipt of the old versions of enrolment forms during the transitional period, instructions for investing in the Terminating CF will be deemed and processed as instructions with respect to the Transferee CF. Old versions of enrolment forms received by the Approved Trustee after 26 February 2021 will be rejected.

(3) Details of Termination for Members who hold units in the Terminating CF immediately prior to the Termination Effective Date

On the Termination Effective Date, all units in the Terminating CF will be redeemed and the payout amount of the Terminating CF will be used to purchase the units in the Transferee CF, whilst the remaining amounts of the smoothing provision of the Terminating CF will be used for the purpose of providing guarantee entitlement under the One-off Arrangement to those Members who are being transferred to the Transferee CF upon Termination. To the extent that there are any remaining amounts of the smoothing provision thereafter, such amounts will be distributed to the Members being transferred to the Transferee CF in the form of units of the Transferee CF on a pro-rata basis. The Approved Trustee will issue a confirmation to Members who have units holding or investment mandate investing in Terminating CF immediately prior to the Termination Effective Date, showing the amount of accrued benefits and unit holdings and/or investment mandates being transferred from the Terminating CF to the Transferee CF. The confirmation will be issued within 1 month after the Termination Effective Date. For Members who have unit holdings in Terminating CF immediately prior to the Termination Effective Date, may also check their latest unit holdings as a result of the Termination by accessing our website on 2 December 2020. Members will also be notified by letter as soon as practicable if they receive any additional units of the Transferee CF as a result of the residual smoothing provision.

Since the guarantee will only be offered if a Member withdraws in any of the Relevant Circumstances under the current guarantee mechanism of the Terminating CF, **the Approved Trustee has put in place the One-off Arrangement where Members will remain entitled to the guarantee offered under the Terminating CF for those accrued benefits investing in the Terminating CF immediately prior to the Termination Effective Date even though the transfer of holdings to the Transferee CF upon Termination does not fall within any of the Relevant Circumstances.** The value of holdings of the Members investing in the Terminating CF immediately before the Termination (including the value of guarantee entitlement (if applicable)) will be the same as the value of holdings of the Members transferred to the Transferee CF immediately after the Termination. The number of units of the Transferee CF to be allocated to each member concerned will be determined by dividing the transfer value of the Terminating CF attributable to the member concerned on 30 November 2020 by the unit price of the Transferee CF on 30 November 2020.

However, please note that the One-off Arrangement will not be available for Members who withdraw their accrued benefits investing in the Terminating CF prior to the Termination Effective Date and therefore, Members will not be entitled to the guarantee offered under the Terminating CF if they withdraw their accrued benefits investing in the Terminating CF prior to the Termination Effective Date unless the withdrawal falls within one of the Relevant Circumstances.

As shown in the comparison table set out in section A(1) "Details relating to the Termination" above, the Transferee CF shares similar investment objectives and risk levels compared to the Terminating CF. Members will not be subject to higher risk after the transfer from the Terminating CF to the Transferee CF.

(4) Impact on affected Members who fail to give rebalancing instructions and/or change of investment mandate at or before 4 p.m. (HKT) on 18 November 2020 in relation to the Terminating CF

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 at or before 4 p.m. on 18 November 2020 in relation to the Terminating CF; in the case of (a), Members will be deemed to have given instructions to redeem their units in the Terminating CF on the Termination Effective Date and the redemption proceeds will be transferred to purchase the units in the Transferee CF; 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 to the Transferee CF.

For illustrative examples showing the impact of different actions by Members before and after the Termination Effective Date, and before and after the Transferee CF Effective Date, please refer to the Appendix to this notice.

(5) Impact of Termination

The Approved Trustee will liaise with all service providers such as the investment manager, custodian and administrator of China Life Scheme and the Relevant Funds to ensure proper arrangements (including but not limited to administrative and operational arrangements) are put in place for the transition and a smooth transfer of accrued benefits of the Members from the Terminating CF to the Transferee CF (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 CF and the subsequent subscriptions in the units of the Transferee CF.

The Approved Trustee does not foresee any loss of accrued benefits of Members arising out of the Termination, but note that Members will not be entitled to guarantee under the Terminating CF if they withdraw their accrued benefits in circumstances other than the Relevant Circumstances before the relevant cut-off time. In case there is any event (other than fluctuation of fund price, circumstances beyond the control of the Approved Trustee or loss of guarantee entitlement as a result of withdrawal by Members in situations other than the Relevant Circumstances to which the One-off Arrangement does not apply) resulting in any loss of accrued benefits of the Members as a result of the Termination, the Approved Trustee will compensate the loss incurred.

The cost of the termination of the Terminating CF is estimated to be around HK\$1.5 million and will be borne by the Approved Trustee.

(6) Alternatives to Participating Employers and Members

Apart from the options to give rebalancing and/or change of investment mandate instructions as set out in section A(2) “Transitional Arrangement”, employers, self-employed persons, personal account holders or tax-deductible voluntary contribution account holders who do not wish to be involved in the Termination may elect to transfer out of China Life Scheme to other MPF schemes free of charge. Employee Members may transfer the portion of their accrued benefits derived from their employee mandatory contributions under their current employment to another MPF scheme chosen by them pursuant to the ECA (i.e. the Employee Choice Arrangement as described under the section titled “Employee Choice Arrangement” in the MPF Scheme Brochure March 2020 Edition) in accordance with statutory requirements, which will be free of charge as well. Please note that a transfer under the ECA can only be made once every calendar year. Smart Easy Personal Contribution Account holders who do not wish to be involved in the Termination may, apart from the options to give rebalancing and/or change of investment mandate instructions as set out in section A(2) “Transitional Arrangement”, elect to withdraw all their benefits in and terminate the Smart Easy Personal Contribution Account.

However, as mentioned above, the One-off Arrangement will not be available for Members who withdraw their accrued benefits investing in the Terminating CF prior to the Termination Effective Date and the Members will not be entitled to the guarantee offered under the Terminating CF unless the withdrawal falls within one of the Relevant Circumstances.

B. Transferee CF Changes

(1) Details relating to the Transferee CF Changes

Guarantee Changes

The Approved Trustee was informed by the Insurer (as the insurer and guarantor of the Relevant Fund of the Transferee CF) that the Guarantee Changes are made with the aim of sustaining the continuous operation of the Relevant Fund of the Transferee CF and to ensure that Members can continue to enjoy having a guaranteed fund as one of their fund choices, taking into account recent market conditions of the bond and credit market in which the Relevant Fund of the

Transferee CF primarily invests. Such conditions mainly refer to a number of stimulus measures introduced by governments and central banks to prevent further deterioration of the weak economy and a global solvency crisis. For example, central banks have implemented a lower interest rate policy for a longer period, while the Eurozone and Japanese governments have rolled out massive fiscal and monetary policies with their interest rates being in negative territory. The Federal Reserve System has also cut its rate to the zero lower bound and taken exceptional measures to bolster credit markets with treasury yields plummeting to historical lows.

In light of the above development, the return of bond investments of the Relevant Fund of the Transferee CF is expected to be lower. Together with low return generated from money market, it is expected that the investment return of the Transferee CF may fall below the guarantee rate provided under the Transferee CF, therefore leading to proposed Guarantee Changes. The Guarantee Changes, which contribute to the sustainability of the continuous operation of the Relevant Fund of the Transferee CF, are in the interests of Members investing in the Transferee CF.

The Transferee CF takes the form of feeder fund where it invests solely in the Relevant Fund issued by the Insurer, which in turn solely invests in the relevant Underlying Fund. Pursuant to Part II Clause 2(c) of Annexure E of the Master Trust Deed, the Approved Trustee hereby gives 3 months' written notice to inform employers and Members that the Insurer has exercised its discretion and introduced the following Guarantee Changes, which will **take effect from the Transferee CF Effective Date (i.e. 4 December 2020)**:

- (i) replacement of the current GRR of 3.5% and net GRR of 2% with a new GRR of 1.35% p.a., being the GRR to be applied directly to the account balance of Members for simplicity and Members' easier understanding, which represents a reduction of 32.5% of guaranteed return offered to Members; and
- (ii) changes to the guarantee mechanism such that the guarantee will no longer be unconditional and will be provided to a Member upon satisfaction of any of the following qualifying conditions ("Qualifying Conditions"):
 - (A) withdrawals on any of the grounds specified in section 15 of the Mandatory Provident Fund Schemes Ordinance which currently include:
 - (i) attainment of the normal retirement age (i.e. the retirement age of 65);
 - (ii) retirement after attaining the early retirement age (i.e. the age of 60);
 - (iii) total incapacity;
 - (iv) death;
 - (v) permanent departure from Hong Kong;
 - (vi) small balance in the account; or
 - (vii) terminal illness; or
 - (B) withdrawal in circumstances other than the ones set out in (A) above where the period starting from the first Dealing Day on which contributions relating to the Transferee CF are credited to a particular sub-account of a Member Account (or such other earlier Dealing Day as determined by the Approved Trustee in its discretion for the benefit of that Member)* ("First Dealing Day") and ending on the relevant Dealing Day on which the contributions relating to the Transferee CF credited to that sub-account are withdrawn ("Qualifying Period") equals a continuous period of at least 36 completed months or more.

For the avoidance of doubt, condition (B) of the Qualifying Conditions is not applicable in the case of withdrawal by way of rebalancing or rectification of overpaid contributions.

The Approved Trustee will maintain two balances for each sub-account of each Member Account, namely the "Actual Balance" which represents the net asset value of Units holding relating to the Transferee CF in a sub-account of a Member Account without guarantee applied, and the "Qualifying Balance" which is a notional balance representing the amount credited or debited to a sub-account of a Member Account relating to the Transferee CF increased by the new GRR of 1.35% p.a. on a daily basis on each Dealing Day. These increases will be calculated on a compound annual interest basis.

In respect of withdrawals in situations where none of the Qualifying Conditions are satisfied, the withdrawal value should be the redemption price of the Transferee CF multiplied by the number of Units to be redeemed. Accordingly, Members may suffer loss if they withdraw without meeting any of the Qualifying Conditions. In respect of withdrawals where any of the Qualifying Conditions are satisfied, the withdrawal value should be the greater of (A) the redemption price of the Transferee CF multiplied by the number of Units to be redeemed; and (B) the Qualifying Balance.

Under the new guarantee mechanism after the Guarantee Changes take effect, the Qualifying Period in respect of a sub-account of a Member Account will be reset to zero if those contributions relating to the Transferee CF credited to that sub-account (e.g. the Mandatory Contributions relating to the Transferee CF in a particular sub-account in respect of Mandatory Contributions, or the Voluntary Contributions relating to the Transferee CF in a particular sub-account in respect of Voluntary Contributions) are fully withdrawn, except in certain prescribed circumstances where the

contributions and the Qualifying Period may be preserved and carried forward to a new account. Please refer to the section titled “Transfer within Scheme” in the new MPF Scheme Brochure (as amended by way of the First Addendum). For the avoidance of doubt, in the case where all contributions credited to a particular sub-account of a Member Account relating to the Transferee CF have been fully withdrawn and the Qualifying Period of that sub-account has been reset to zero, the reference to the First Dealing Day shall instead be interpreted as a reference to first Dealing Day on which the contributions relating to the Transferee CF are again credited to that sub-account after such reset.

*Please note that for Members who have unit holdings in the Transferee CF immediately prior to the Transferee CF Effective Date (including those Members who have unit holdings which were converted from the Terminating CF as a result of the Termination), the Approved Trustee will exercise the discretion provided in condition (B) of the Qualifying Conditions for the benefit of these Members and the reference to the First Dealing Day shall be deemed as follows:

- (i) in the case of a Member whose unit holdings in the Transferee CF *do not* comprise any unit holdings that were converted from the Terminating CF, a reference to the first Dealing Day on which the contributions of that Member relating to the Transferee CF were credited to that sub-account before the Transferee CF Effective Date;
- (ii) in the case of a Member whose unit holdings in the Transferee CF are comprised *wholly* of unit holdings that were converted from the Terminating CF, a reference to the first Dealing Day on which the contributions of that Member relating to the Terminating CF were credited to that sub-account; and
- (iii) in the case of a Member whose unit holdings in the Transferee CF are comprised *partly* of unit holdings that were converted from the Terminating CF and *partly* of that Member’s existing unit holdings in the Transferee CF, a reference to the earlier of – (A) the first Dealing Day on which the contributions of that Member relating to the Terminating CF were credited to that sub-account, and (B) the first Dealing Day on which the contributions of that Member relating to the Transferee CF were credited to that sub-account before the Transferee CF Effective Date,

except where the contributions relating to the Transferee CF and/or the Terminating CF (as the case may be) in that sub-account of the Member Account were at any time fully withdrawn, the first Dealing Day referred to in each of (i), (ii) and (iii) above shall mean the first Dealing Day on which the contributions of that Member relating to the Transferee CF and/or the Terminating CF (as the case may be) were again credited to that sub-account of the Member Account after such withdrawal.

Please refer to the section titled “Description of the guarantee mechanism” in the new MPF Scheme Brochure (as amended by way of the First Addendum mentioned below) for details on how guarantee entitlement is calculated. As the Transferee CF takes the form of feeder fund, the Guarantee Changes will be mirrored on the Transferee CF level, effective from the Transferee CF Effective Date.

Reduction of Management fees and guarantee charge

The Management fees and the guarantee charge will be reduced from the Transferee CF Effective Date and the following is a table showing the details of such reduction.

	Before the Transferee CF Effective Date	From the Transferee CF Effective Date onwards
Management fees (p.a. of the Net Asset Value of the Transferee CF)	1.5% <i>Breakdown</i> Trustee fee: 0.35% Administrator fee: 0.6% Custodian fee: 0.15% Investment management fee: 0.4%	1.2% <i>Breakdown</i> Trustee fee: 0.35% Administrator fee: 0.55% Custodian fee: 0.1% Investment management fee: 0.2%
Guarantee charge (p.a. of the Net Asset Value of the relevant underlying fund)	1%	0.8%

The reduction of Management fees and guarantee charge is in the interests of the Members investing in the Transferee CF.

Change to the name of the Transferee CF

From the Transferee CF Effective Date, the name of the Transferee CF will be changed from “China Life Retire-Easy Guarantee Fund” to “China Life Joyful Retirement Guaranteed Fund”.

Changes relating to the maximum limit of aggregate investment amount of Smart Easy Personal Contribution

From the Transferee CF Effective Date, the maximum limit of the aggregate amount of Smart Easy Personal Contribution which can be invested in the Transferee CF by way of new contributions in any financial period will be increased from HK\$500,000 to HK\$1,000,000 and the maximum limit of the aggregate amount of Smart Easy Personal Contribution which can be invested in the Transferee CF by way of rebalancing will be removed. These changes are proposed for the purpose of providing greater flexibility for Members’ retirement planning and assisting with the achievement of retirement goals by Members.

(2) Actions required by Members

Members may take any of the following possible actions (if applicable) before the implementation of the Transferee CF Changes which will take effect on 4 December 2020:

- (i) Members may choose not to take any action and continue to invest their current balances in the Transferee CF. However, these Members should note the net GRR of the Transferee CF before the Transferee CF Changes is pro-rated on a daily basis and applied in calculating the daily Unit Price on each Dealing Day until 3 December 2020. If Members with unit holdings in the Transferee CF decide not to take any action in relation to the Transferee CF Changes, their guarantee entitlements previously accrued and any guarantee entitlements calculated prior to such changes (i.e. up to 3 December 2020) will not be affected as the guarantee return calculated under the current net GRR of 2% will have been pro-rated to the daily Unit Price. Under the new guarantee mechanism, the new reduced Management fee and guarantee charge under the Transferee CF Changes will be applied to any unit holdings in the Transferee CF starting from the Transferee CF Effective Date.
- (ii) Members whose investment mandates are to invest future contributions and transfer-in benefits in the Transferee CF may maintain the same investment mandates in view of the Transferee CF Changes. The future contributions and transfer-in benefits of these Members will continue to be invested in the Transferee CF in accordance with their investment mandates.
- (iii) Members may choose to give a rebalancing instruction to switch out their current balances from the Transferee CF to other Constituent Funds of China Life Scheme and/or change their investment mandates to invest future contributions and transfer-in benefits in the Transferee CF to other Constituent Funds of China Life Scheme.

If Members choose to give rebalancing instructions to switch out current balances from the Transferee CF to other Constituent Funds of China Life Scheme and maintain the same investment mandate to invest future contributions and transfer-in benefits in the Transferee CF, they will only need to give us an instruction for rebalancing. On the other hand, if Members choose to change investment mandates to invest future contributions and transfer-in benefits in the Transferee CF to other Constituent Funds of China Life Scheme and continue to invest current balances in the Transferee CF, they will only need to give us an instruction for change of investment mandate. In case Members choose to give rebalancing instructions to switch out current balances from the Transferee CF and change investment mandates from the Transferee CF to other Constituent Funds of China Life Scheme, they will have to give separate instruction to us for processing both rebalancing and change investment mandates.

- (iv) Members who wish to have their benefits transferred out from China Life Scheme to other registered schemes may choose to do so by notifying us in writing in accordance with the section “TRANSFER OF ACCRUED BENEFITS” of the MPF Scheme Brochure.

For members who wish to carry out the actions set out in (iii) or (iv) above before the Transferee CF Changes take effect, they should give the relevant instructions **at or before 4:00 p.m. (HKT) on 3 December 2020** (i.e. the Dealing Day immediately preceding the Transferee CF Effective Date) in order for the instructions to be processed before the Transferee CF Changes take effect. Instructions received after that cut-off time will be subject to the Transferee CF Changes.

Members are reminded that they will still be entitled to guarantee entitlement under the Transferee CF in respect of the above circumstances (iii) & (iv) if the instructions are given before the Transferee CF Effective Date as the guaranteed return is pro-rated to the daily Unit Price on each Dealing Day up to the Dealing Day immediately preceding the Transferee CF Effective Date.

For illustrative examples showing the impact of different actions by Members before and after the Transferee CF Effective Date, please refer to the Appendix to this notice.

Please note that no fees, charges or 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 Transferee CF Changes.

(3) Impact of the Transferee CF Changes

Before the Transferee CF Effective Date, for Members who have accrued benefits investing in the Transferee CF, their entitlement to guarantee return under the Transferee CF will be determined in accordance with the current guarantee mechanism before the Guarantee Changes (where the guarantee return is pro-rated to the daily Unit Price on each Dealing Day up to the Dealing Day immediately preceding the Transferee CF Effective Date). The current Management fees and guarantee charge will also continue to apply to Members up to the Transferee CF Effective Date. From the Transferee CF Effective Date onwards, for Members who have accrued benefits investing in the Transferee CF, their entitlement to guarantee return under the Transferee CF will be determined in accordance with the guarantee mechanism after the Guarantee Changes. The new Management fees and guarantee charge after the Transferee CF Changes will apply to Members after the Transferee CF Effective Date.

All costs and expenses associated with the Transferee CF Changes will be solely borne by the Approved Trustee. Other than the Transferee CF Changes, there will be **no change** to the investment objectives and policies, and risk profiles of the Transferee CF, its Relevant Fund and Underlying Fund.

With the provision of information and explanation in section B(2) “Actions required by Members” above to enable Members to consider their rights and available options arising from the Transferee CF Changes and given there is no change to the investment objective and policies, and risk profiles of the Transferee CF, its Relevant Fund and Underlying Fund, we believe that the accrued benefits of Members who invest in the Transferee CF or whose investment mandates are to invest future contributions and transfer-in benefits in the Transferee CF will be adequately protected and will not be materially prejudiced.

(4) Alternatives to Participating Employers and Members

Apart from the options to give rebalancing and/or change of investment mandate instructions as set out in section B(2) “Actions required by Members”, employers, self-employed persons, personal account holders or tax deductible voluntary contribution account holders who do not wish to be subject to the Transferee CF Changes may elect to transfer out of China Life Scheme to other MPF schemes free of charge. Employee Members may transfer the portion of their accrued benefits derived from their employee mandatory contributions under their current employment to another MPF scheme chosen by them pursuant to the ECA (i.e. the Employee Choice Arrangement described under the section titled “Employee Choice Arrangement” in the MPF Scheme Brochure March 2020 Edition) in accordance with statutory requirements, which will be free of charge as well. Please note that a transfer under the ECA can only be made once every calendar year. Smart Easy Personal Contribution Account holders who do not wish to be subject to the Transferee CF Changes may, apart from the options to give rebalancing and/or change of investment mandate instructions as set out in section B(2) “Actions required by Members”, elect to withdraw all their benefits in and terminate the Smart Easy Personal Contribution Account.

C. Change of Auditor’s Address

The address of the auditor of China Life Scheme, PricewaterhouseCoopers, has been changed to 22/F, Prince’s Building, Central, Hong Kong.

D. Resulting Amendments to the Master Trust Deed and the MPF Scheme Brochure

The Master Trust Deed as well as the MPF Scheme Brochure March 2020 Edition will be amended (as applicable) to reflect the Termination, the Transferee CF Changes and the change of auditor’s address by way of the Twenty-fourth Deed of Variation and the First Addendum respectively and will be available for inspection at our office at 17/F, CLI Building, 313 Hennessy Road, Wanchai, Hong Kong. The latest MPF Scheme Brochure including the First Addendum can also be obtained free of charge by accessing our website www.chinalife.com.hk. Alternatively, Members may contact our hotline 3999 5555 for any queries regarding the above matters.

China Life Trustees Limited
28 August 2020
This is a computer printout and no signature is required.

Appendix – Illustrative Examples

For ease of reference and illustration, in this Appendix:

- the Terminating CF (i.e. China Life Guaranteed Return Fund) will be referred to as “GNT”;
- the Transferee CF before the Transferee CF Changes take effect (i.e. China Life Retire-Easy Guarantee Fund) will be referred to as “RGU”;
- the Transferee CF after the Transferee CF Changes take effect (i.e. China Life Joyful Retirement Guaranteed Fund) will be referred to as “New RGU”;
- the balance of the Member Account under GNT and the Actual Balance under New RGU will both be referred to as “AB”; and
- the balance of the Guaranteed Account under GNT and the Qualifying Balance under New RGU will both be referred to as “GB”.

Scenario 1. Where members choose not to take any action

Assumptions:

Member A has 1,000 unit holdings in GNT immediately prior to the Termination Effective Date.

Member B has 800 unit holdings in RGU immediately prior to the Transferee CF Effective Date.

For Member A

What would happen:

On the Termination Effective Date (i.e. 30 November 2020), the unit holdings of Member A in the GNT will be converted to unit holdings in RGU, where the value to be converted will be the greater of AB and GB of GNT (where the One-off Arrangement will apply).



Starting from the Transferee CF Effective Date (i.e. 4 December 2020), the Transferee CF Changes will take effect and the unit holdings in the New RGU of Member A will be valued by the unit price without any pro-rating of GRR and Member A’s guaranteed entitlement under the New RGU will be subject to the new GRR of 1.35% p.a. and the Qualifying Conditions.

(1a) Where GB of GNT is greater than AB of GNT

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at Dealing Date i.e. P x N	GB*
30/11/2020	GNT	\$18	1,000	\$18,000	\$18,750
<div style="display: flex; align-items: center; justify-content: center;"> <div style="font-size: 2em; margin-right: 10px;">↓</div> <ul style="list-style-type: none"> Termination takes effect and unit holdings in GNT are converted to unit holdings in RGU. Since GB is greater than AB, GB (i.e. \$18,750) is used for subscription to RGU. </div>					
30/11/2020	RGU	\$15	1,250	\$18,750	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
3/12/2020	RGU	\$15.0024	1,250	\$18,753	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
<div style="display: flex; align-items: center; justify-content: center;"> <div style="font-size: 2em; margin-right: 10px;">↓</div> <ul style="list-style-type: none"> Transferee CF Changes takes effect on 4/12/2020. No. of units of New RGU remains the same as the no. of units of RGU, and unit price of New RGU reflects the net asset value per unit (instead of the pro-rated guaranteed interest). </div>					
4/12/2020	New RGU	\$14.8	1,250	\$18,500	\$18,753.69

(1b) Where AB of GNT is greater than GB of GNT


Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
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30/11/2020	GNT	\$18	1,000	\$18,000	\$17,300
 <ul style="list-style-type: none"> Termination takes place and unit holdings in GNT are converted to unit holdings in RGU. Since AB is greater than GB, AB (i.e. \$18,000) is used for subscription to RGU. 					
30/11/2020	RGU	\$15	1,200	\$18,000	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
3/12/2020	RGU	\$15.0024	1,200	\$18,002.88	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
 <ul style="list-style-type: none"> Transferee CF Changes takes effect on 4/12/2020. No. of units of New RGU remains the same as the no. of units of RGU, and unit price of New RGU reflects the net asset value per unit (instead of the pro-rated guaranteed interest). 					
4/12/2020	New RGU	\$14.8	1,200	\$17,760	\$18,003.54

For Member B

What would happen:

Starting from the Transferee CF Effective Date (i.e. 4 December 2020), the Transferee CF Changes will take effect and the unit holdings in the New RGU of Member B will be valued by the unit price without any pro-rating of GRR and Member B's guaranteed entitlement under the New RGU will be subject to the new GRR of 1.35% p.a. and the Qualifying Conditions.

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at Dealing Date i.e. P x N	GB*
3/12/2020	RGU	\$15.0024	800	\$12,001.92	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
 <ul style="list-style-type: none"> Transferee CF Changes take effect on 4/12/2020. No. of units of New RGU remains the same as no. of units of RGU, and unit price of New RGU reflects the net asset value per unit (instead of the pro-rated guaranteed interest). 					
4/12/2020	New RGU	\$14.8	800	\$11,840	\$12,002.36

Scenario 2. Where members exit from GNT prior to the Termination Effective Date

Assumption:

Member A has 1,000 unit holdings in GNT.

What would happen:

If the exit from GNT falls within any of the Relevant Circumstances, Member A will be entitled to guarantee and the exit value will be the greater of GB and AB of Member A in GNT. If the exit from GNT does not fall within any of the Relevant Circumstances, Member A will not be entitled to guarantee (since the One-off Arrangement does not apply), GB will not be applicable, and the exit value will only be paid out based on the AB.

(2a) Exit on 4/9/2020 not by reason of termination of employment (i.e. none of the Relevant Circumstances are satisfied)

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
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4/9/2020	GNT	\$16	1,000	\$16,000	\$17,000
<ul style="list-style-type: none"> Since none of the Relevant Circumstances are satisfied, Member A will only be paid with AB (i.e. \$16,000). 					

(2b) Exit on 4/9/2020 by reason of termination of employment (i.e. one of the Relevant Circumstances is satisfied)

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
4/9/2020	GNT	\$16	1,000	\$16,000	\$17,000
<ul style="list-style-type: none"> Since one of the Relevant Circumstances is satisfied and GB is greater than AB, Member A will be paid with GB (i.e. \$17,000). 					

(2c) Exit on 10/9/2020 by reason of termination of employment (i.e. one of the Relevant Circumstances is satisfied)

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
10/9/2020	GNT	\$17.14	1,000	\$17,140	\$17,030
<ul style="list-style-type: none"> Since one of the Relevant Circumstances is satisfied and AB is greater than GB, Member A will be paid with AB (i.e. \$17,140). 					

Scenario 3. Where members exit from GNT after the Termination Effective Date

Assumption:

Member A has 1,000 unit holdings in GNT.

What would happen:

On the Termination Effective Date, Member A's unit holdings in GNT will be converted to unit holdings in RGU where the value to be converted will be the greater of AB and GB of GNT (where the One-off Arrangement will apply), and Member A will effectively be exiting from RGU (instead of GNT).

(3a) Exit on 3/12/2020 (i.e. before the Transferee CF Changes take effect)

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB
3/12/2020	RGU	\$15.0024	1,250	\$18,753	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
<ul style="list-style-type: none"> On the Termination Effective Date, the 1,000 unit holdings of Member A in GNT were converted to 1,250 unit holdings in RGU. Before the Transferee CF Changes, the guarantee rate of return of RGU is pro-rated to the daily unit price. Thus, Member A will be paid \$18,753, which included the guarantee interest of RGU. 					

(3b) Exit on 8/12/2020 on the grounds of retirement (i.e. after the Transferee CF Changes take effect where one of the Qualifying Conditions is satisfied)

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
3/12/2020	RGU	\$15.0024	1,250	\$18,753	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
4/12/2020	New RGU	\$14.8	1,250	\$18,500	\$18,753.69
7/12/2020	New RGU	\$15.2	1,250	\$19,000	\$18,755.77
8/12/2020	New RGU	\$15	1,250	\$18,750	N/A as guaranteed interest is accrued up to the day immediately prior to the day of exit (i.e. 7/12/2020).

- New GRR of 1.35% is applied under the New RGU starting from the Transferee CF Effective Date.
- After the Transferee CF Changes, since one of the Qualifying Conditions is satisfied (i.e. on the grounds of retirement), the greater of AB or GB will be paid. As GB (accrued up to 7/12/2020) is greater than AB, Member A will be paid GB (i.e. \$18,755.77).

(3c) Exit on 8/12/2020 (i.e. after the Transferee CF Changes take effect) where none of the Qualifying Conditions are satisfied

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
3/12/2020	RGU	\$15.0024	1,250	\$18,753	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
4/12/2020	New RGU	\$14.8	1,250	\$18,500	\$18,753.69
7/12/2020	New RGU	\$15.2	1,250	\$19,000	\$18,755.77
8/12/2020	New RGU	\$15	1,250	\$18,750	N/A as guaranteed interest is accrued up to the day immediately prior to the day of exit (i.e. 7/12/2020).

- New GRR of 1.35% is applied under the New RGU starting from the Transferee CF Effective Date.
- After the Transferee CF Changes, since none of the Qualifying Conditions are satisfied, GB is therefore not applicable and Member A will only be paid with AB (i.e. \$18,750).

Scenario 4. Where members exit from RGU prior to the Transferee CF Effective Date


Assumption:

Member A has 800 unit holdings in RGU.

What would happen:

As the guarantee rate of return is pro-rated to the daily unit price of RGU, Member A will be entitled to guarantee offered under RGU unconditionally.

(4a) Request rebalancing to switch out from RGU to China Life Growth Fund (“GRW”) on 4/9/2020.

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB
4/9/2020	RGU	\$14.8	800	\$11,840	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
 <ul style="list-style-type: none"> • Switch out from RGU to GRW. • GRR is pro-rated to the daily unit price of RGU, and the value to be switched out is P x N (\$11,840), which includes the guarantee interest. 					
4/9/2020	GRW	\$25	473.6	\$11,840	N/A

(4b) Exit on 4/9/2020 on the grounds of retirement

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing date i.e. P x N	GB
4/9/2020	RGU	\$14.8	800	\$11,840	N/A as guaranteed interest is pro-rated to the daily unit price of RGU

- Guarantee rate of return of RGU is pro-rated to the daily unit price. Thus, Member A will be paid with the value \$11,840, which includes the guarantee interest of RGU.

Scenario 5. Where members exit from RGU after the Transferee CF Effective Date

Assumption:

Member A has 1,250 unit holdings in RGU.

What would happen:

Starting from the Transferee CF Effective Date (i.e. 4 December 2020), the Transferee CF Changes will take effect and the unit holdings in the New RGU of Member A (which will be the same as the unit holdings in the RGU) will be valued by the unit price without any pro-rating of GRR. Member A's guaranteed entitlement under the New RGU will be subject to the new GRR of 1.35% p.a. and the Qualifying Conditions.

(5a) Exit on 8/12/2020 on the grounds of retirement (i.e. after the Transferee CF Changes take effect where one of the Qualifying Conditions is satisfied)

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
3/12/2020	RGU	\$15.0024	1,250	\$18,753	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
4/12/2020	New RGU	\$14.8	1,250	\$18,500	\$18,753.69
7/12/2020	New RGU	\$15.2	1,250	\$19,000	\$18,755.77
8/12/2020	New RGU	\$15	1,250	\$18,750	N/A as guaranteed interest is accrued up to the day immediately prior to the day of exit (i.e. 7/12/2020).
<ul style="list-style-type: none"> • New GRR of 1.35% is applied under the New RGU starting from the Transferee CF Effective Date. • After the Transferee CF Changes, since one of the Qualifying Conditions is satisfied (i.e. on the grounds of retirement), the greater of AB or GB will be paid. As GB (accrued up to 7/12/2020) is greater than AB, Member A will be paid GB (i.e. \$18,755.77). 					

(5b) Exit on 8/12/2020 (i.e. after the Transferee CF Changes take effect) where none of the Qualifying Conditions are satisfied

Dealing Date	Constituent Fund	Unit Price (P)	No. of Unit (N)	AB as at the Dealing Date i.e. P x N	GB*
3/12/2020	RGU	\$15.0024	1,250	\$18,753	N/A as guaranteed interest is pro-rated to the daily unit price of RGU
4/12/2020	New RGU	\$14.8	1,250	\$18,500	\$18,753.69
7/12/2020	New RGU	\$15.2	1,250	\$19,000	\$18,755.77
8/12/2020	New RGU	\$15	1,250	\$18,750	N/A as guaranteed interest is accrued up to the day immediately prior to the day of exit (i.e. 7/12/2020).
<ul style="list-style-type: none"> • New GRR of 1.35% is applied under the New RGU starting from the Transferee CF Effective Date. • After the Transferee CF Changes, since none of the qualifying conditions are satisfied, GB is therefore not applicable and Member A will only be paid with AB (i.e. \$18,750). 					

***Note: In respect of GB for GNT and New RGU, the guaranteed interest is calculated and accrued up to the day immediately prior to the day of exit.**