

**CHINA LIFE MPF MASTER TRUST SCHEME**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2021**

# **CHINA LIFE MPF MASTER TRUST SCHEME**

## **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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# **CHINA LIFE MPF MASTER TRUST SCHEME**

## **SCHEME REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

### **1 Overview**

China Life MPF Master Trust Scheme (the “Scheme”) is a master trust scheme established by a trust deed dated 26 January 2000, as amended (the “Trust Deed”). The sponsor and administrator is China Life Insurance (Overseas) Company Limited (incorporated in the People's Republic of China with limited liability). The trustee of the Scheme is China Life Trustees Limited (the “Trustee”). The Scheme was approved by the Mandatory Provident Fund Schemes Authority (the “MPFA”) on 31 January 2000.

Whilst the Scheme has been designed to ensure that participating employers can comply with the requirements of the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “MPF Ordinance”) in respect of those employees covered by the MPF Ordinance, it is also possible for self-employed persons and non-employed persons to join the Scheme. If an employee member changes employment, he can leave the whole or any part of his accrued benefits in the Scheme and become a deferred member. Employees, self-employed members and non-employed members are all collectively referred to as “Scheme members” hereinafter.

Mandatory contributions in accordance with the MPF Ordinance are fully vested and belong immediately to Scheme members from the date the contributions were received by the Trustee. Participating employers, employees and self-employed members can choose to make additional voluntary contributions at their own discretion. However, benefits accruing on employers' voluntary contributions need not belong immediately to the employees, but will be subject to a vesting scale determined by length of employment or other restrictions.

In accordance with the Trust Deed of the Scheme, the Trustee must procure that the trust assets of the Scheme members are invested in the constituent funds. During the year, eleven constituent funds <sup>Note 1</sup> (including the two new constituent funds were launched on 13 December 2021, namely China Life Greater China Equity Fund and China Life US Equity Fund), each having a separate and distinct investment objective and policy, were offered exclusively for Scheme members' selection. The Scheme members can allocate their accrued benefits to one or more constituent funds that best suit their investment objectives and constraints. The Scheme members may also select Default Investment Strategy as their investment choice.

### **2 Financial Developments**

The Scheme commenced operations on 31 January 2000. The total contributions received and receivable including transfers in and benefits paid and payable including transfers out during the year were HK\$845,307,585 (2020: HK\$664,508,784) and HK\$692,645,115 (2020: HK\$613,650,986) respectively. The net asset value as at 31 December 2021 was HK\$4,372,451,430 (2020: HK\$4,333,385,983). The Scheme had 40,590 (2020: 40,869) members as at 31 December 2021.

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **SCHEME REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **3 Changes to the governing rules of the Scheme**

The following is a brief summary of the key changes made to the governing rules / MPF Scheme Brochure of the Scheme during the year.

- two new constituent funds, namely China Life Greater China Equity Fund and China Life US Equity Fund, were added to the Scheme as additional fund choices effective from 13 December 2021.

For details, please refer to the relevant parts of the MPF Scheme Brochure.

#### **4 Contact**

Further information about the Scheme and its operations can be obtained from the following:

Interactive website	:	<a href="http://www.chinalife.com.hk">www.chinalife.com.hk</a>
Employer hotline	:	(852) 3999 5555
Member hotline	:	(852) 3999 5555
Fax number	:	(852) 2893 2103
Postal address	:	China Life Trustees Limited 17/F CLI Building 313 Hennessy Road Wan Chai, Hong Kong

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **SCHEME REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **5 Service providers**

##### **Trustee**

China Life Trustees Limited  
17/F, CLI Building  
313 Hennessy Road  
Wan Chai, Hong Kong

##### **Sponsor and Administrator**

China Life Insurance (Overseas) Company Limited <sup>Note 1</sup>  
(incorporated in the People's Republic of China with limited liability)  
22/F, CLI Building  
313 Hennessy Road  
Wan Chai, Hong Kong

##### **Custodian**

Bank of China (Hong Kong) Limited  
14/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

##### **Legal advisor**

China Life Trustees Limited does not retain a regular external legal advisor.

Note 1: The Trustee is a wholly-owned subsidiary of the service provider.

## CHINA LIFE MPF MASTER TRUST SCHEME

### SCHEME REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 5 Service providers (Continued)

##### **Investment Managers**

##### Taiping Assets Management (HK) Company Limited

Unit 1-2, 19th Floor,  
No. 18 King Wah Road,  
Hong Kong

Being the investment manager of China Life MPF Conservative Fund, the relevant approved pooled investment funds and the underlying unit trust approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Guaranteed Return Fund <sup>Note 1</sup>
2. China Life Joyful Retirement Guaranteed Fund  
(formerly known as China Life Retire-Easy Guarantee Fund)

##### Invesco Hong Kong Limited

41/F, Champion Tower  
Three Garden Road  
Central, Hong Kong

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Retire-Easy Global Equity Fund
2. China Life Core Accumulation Fund
3. China Life Age 65 Plus Fund

##### FIL Investment Management (Hong Kong) Limited

Level 21, Two Pacific Place  
88 Queensway  
Admiralty, Hong Kong

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Balanced Fund
2. China Life Growth Fund
3. China Life Hong Kong Equity Fund

##### JPMorgan Asset Management (Asia Pacific) Limited

21/F, Chater House  
8 Connaught Road Central  
Hong Kong

Being the investment manager of the relevant approved pooled investment fund that the following constituent fund of the Scheme has invested in.

1. China Life Greater China Equity Fund

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **SCHEME REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **5 Service providers (Continued)**

##### **Investment Managers (Continued)**

##### Franklin Templeton Investments (Asia) Limited

17/F, Chater House  
8 Connaught Road Central  
Hong Kong

Being the investment manager of the relevant approved pooled investment fund that the following constituent fund of the Scheme has invested in.

1. China Life US Equity Fund

##### **Insurer and Guarantor**

China Life Insurance (Overseas) Company Limited <sup>Note 2</sup>  
(incorporated in the People's Republic of China with limited liability)  
22/F, CLI Building  
313 Hennessy Road  
Wan Chai, Hong Kong

##### **Auditor**

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

Note 2: The Trustee is a wholly-owned subsidiary of the service provider.

#### **6 Board of Directors**

##### **Directors of the Trustee**

##### China Life Trustees Limited

Jiang Tao

Tam Tsz Kin, Thomas

Lee Fong Yee, Fanny

Si Chiu Tan, Henry

Lu Haitian

Business address of the Directors of the Trustee:

17/F, CLI Building  
313 Hennessy Road  
Wan Chai, Hong Kong

**CHINA LIFE MPF MASTER TRUST SCHEME**

**SCHEME REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**6 Board of Directors (Continued)**

**Controllers of Associate**

The controllers of China Life Insurance (Overseas) Company Limited, which is one of the above parties and an associate of the Trustee, during the financial year ended 31 December 2021 are as follows:

Yu Deben

Jiang Tao

Wu Shaohua (appointed on 8 June 2021)

Wang Kai (resigned on 8 June 2021)

Lang Kuan (appointed on 28 December 2021)

Kuang Tao (resigned on 28 December 2021)

Liu Qing (appointed on 28 December 2021)

Yu Sheng Quan (resigned on 28 December 2021)

Guo Yike (appointed on 27 May 2022)

Zhang Shengman (resigned on 27 May 2022)

Wang Junhui

Mao Yumin

Xu Shiqing

Address:

The business address of the above controllers is:  
16/F, China Life Center Tower A  
One HarbourGate  
No.18 Hung Luen Road, Kowloon



## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview

China Life MPF Master Trust Scheme (the “Scheme”) offers exclusively to Scheme members ten constituent funds to invest their accrued benefits as at 31 December 2021 (2020: Eight). Each of the constituent funds has a separate and distinct investment objective and policy. Scheme members can allocate their accrued benefits to one or more constituent funds that best suit their investment objectives and constraints. The constituent funds are as follow:

China Life Balanced Fund (BF)  
China Life MPF Conservative Fund (MCF)  
China Life Growth Fund (GF)  
China Life Guaranteed Return Fund (GRF) <sup>Note 1</sup>  
China Life Hong Kong Equity Fund (HKEF)  
China Life Joyful Retirement Guaranteed Fund (REGF) \*  
China Life Retire-Easy Global Equity Fund (REGEF)  
China Life Core Accumulation Fund (CAF)  
China Life Age 65 Plus Fund (APF)  
China Life Greater China Equity Fund (GCE)  
China Life US Equity Fund (USE)

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

#### Investment objectives and policies

##### China Life Balanced Fund

The investment objectives of BF are to provide capital appreciation as well as to seek income so as to achieve long-term balanced growth in capital.

The fund achieves its investment objectives by investing in an approved pooled investment fund (“APIF”) managed by FIL Investment Management (Hong Kong) Limited which invests in a diversified range of global equities and bonds.

##### China Life MPF Conservative Fund

The investment objective of MCF is to provide capital security with a level of income in Hong Kong dollars.

The fund achieves its investment objectives through investing primarily in Hong Kong bank deposits, commercial papers and short-term notes and the fund is managed by Taiping Assets Management (HK) Company Limited. The fund will maintain 10-30% bank deposits under normal circumstances.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment objectives and policies (Continued)

###### China Life Growth Fund

The investment objectives of GF are to provide capital growth by long-term investment in global equities so that the members are adequately rewarded for foregoing the capital security and higher income that could have been achieved by investing in the money markets.

The fund achieves its investment objectives to provide capital growth by investing in an APIF managed by FIL Investment Management (Hong Kong) Limited which invests in a diversified international portfolio of equity securities in the world's major equities market and will have the flexibility to invest in the global bonds to manage the volatility of returns in the short term. The fund is designed for members who seek a significant and growing capital return together with a modest element of income growth.

###### China Life Guaranteed Return Fund<sup>Note 1</sup>

The investment objective of GRF is to provide a return that is above the guaranteed rate of return to participants.

The investment policy is to invest solely in a relevant insurance policy approved pooled investment fund ("relevant APIF") issued by China Life Insurance (Overseas) Company Limited and will in turn solely invest in an underlying unit trust approved pooled investment fund ("UT APIF") which maintains a well-diversified portfolio comprising the following:

- (a) Global equities such as common stocks and preferred stocks;
- (b) Fixed income securities that satisfy the minimum credit rating set by the MPFA, based on the credit rating of the security as determined by a credit rating agency approved by the MPFA; debt securities issued or guaranteed by an exempt authority, or listed on an approved stock exchange, and being issued by or guaranteed by a company or corporation whose shares are so listed;
- (c) Bank deposits that are assets deposited with authorised financial institutions being an institution authorised under Part IV of the Hong Kong Banking Ordinance (Cap. 155).

###### China Life Hong Kong Equity Fund

The investment objective of HKEF is to produce returns that are related to those achieved on the major stock market indices of Hong Kong.

The investment policy is to invest in an APIF managed by FIL Investment Management (Hong Kong) Limited, which focuses on investment (i.e. at least 70% of its net asset value) into the equity markets 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). Companies which have a business connection with Hong Kong include but are not limited to companies that are domiciled or incorporated in Hong Kong, and the APIF will have the flexibility to invest in bonds in a limited manner (i.e. less than 30% of its net asset value) and to accept a high level of return volatility in the short term.

The fund maintains a minimum effective currency exposure of 30% of its net asset value in Hong Kong dollars.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment objectives and policies (Continued)

###### China Life Joyful Retirement Guaranteed Fund \*

The investment objectives of REGF are to provide capital preservation in the long term and to enhance return with limited exposure to global equities, while also providing a guaranteed return.

The investment policy is to invest solely in a relevant insurance policy approved pooled investment fund (“relevant APIF”) issued by China Life Insurance (Overseas) Company Limited and will in turn solely invest in an UT APIF which maintains a diversified portfolio comprising the following:

- (a) Global equities such as common stocks and preferred stocks;
- (b) Intermediate-term global fixed income securities with maturity of up to ten years that meet the minimum credit rating as stipulated by the MPFA;
- (c) Debt securities issued or guaranteed by an exempt authority or listed on approved stock exchanges.

###### China Life Retire-Easy Global Equity Fund

The investment objectives of REGEF are to maximize capital appreciation over the long term through investments in global equities.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which invests up to 100% of the net asset value in global equities. The fund maintains a minimum effective currency exposure of 30% of its net asset value in Hong Kong dollars.

###### China Life Core Accumulation Fund

The investment objectives of CAF are to provide capital growth by investing in a globally diversified manner.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which in turn invests in two underlying APIFs. The fund primarily invests in a combination of global equities and bonds in a globally diversified manner. It targets to invest 60% 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 55% and 65% due to differing price movements of various equity and bond markets.

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment objectives and policies (Continued)

###### China Life Age 65 Plus Fund

The investment objectives of APF are to provide stable growth by investing in a globally diversified manner.

The fund achieves its investment objectives through investing in an APIF managed by Invesco Hong Kong Limited, which in turn invests in two underlying APIFs. The fund primarily invests in a combination of global equities and bonds in a globally diversified manner. It 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.

###### China Life Greater China Equity Fund

The investment objective of the Fund is to provide long term capital growth in HK dollar terms.

The fund achieves its investment objectives through investing in an APIF managed by JPMorgan Asset Management (Asia Pacific) Limited, which invests in a portfolio consisting primarily of securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

###### China Life US Equity Fund

The investment objective of the Fund is to provide capital appreciation in the long term through investment in US equities.

The fund achieves its investment objectives through investing in an APIF managed by Franklin Templeton Investments (Asia) Limited, which invests principally in equity securities of US companies demonstrating accelerating growth, increasing profitability or above-average growth or growth potential as compared with the overall economy. Equity securities include common stocks, convertible securities and warrants on securities to the extent permissible under the relevant requirement as set out in the MPF Regulations.

Investments of the relevant APIF will be made principally in small, medium and large capitalization companies with strong growth potential across a wide range of sector. It will focus on sectors that have exceptional growth potential and fast growing, innovative companies within these sectors.

##### Investment analysis and commentary

Out of the ten constituent funds, nine of them (BF, GF, HKEF, REGF, REGEF, CAF, APF, GCE and USE) are currently feeder funds and each invests in a relevant approved pooled investment fund. The remaining constituent fund (MCF) invests in bank deposits and debt securities during the relevant year.

The investment policy of each constituent fund is described in the latest MPF Scheme Brochure of the Scheme. A brief summary of the investment policy and strategy is stated above.

The investment performance of each constituent fund during the year varied and is shown in the following pages of this report.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment managers' market perspective

##### Invesco Hong Kong Limited

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

- i) China Life Retire-Easy Global Equity Fund
- ii) China Life Core Accumulation Fund
- iii) China Life Age 65 Plus Fund

- China Life Retire-Easy Global Equity Fund

##### 2021 Market Overview

Global equity markets corrected over the reporting period but with mixed returns across regions. Gains were fuelled by significant outperformance of North America, and to a lesser extent, European and Asia ex Japan (ex HK China) equities. HK & China equities were by far the worst performing region, as the asset class was weighed by heavy concern over regulatory headwinds within new economy sectors such as internet and ecommerce, and ongoing US China tension. In terms of style, value/cyclical sectors have extended its market leadership from growth stocks since late 2020 amid escalating inflation and interest rate expectation.

**US equities:** US equity markets advanced higher, as economy continued to recover from COVID and economic activities gradually resuming. Growth and earnings remained robust but overshadowed by escalating inflation concern partly driven by higher energy prices

**European equities:** European equities rallied during the reporting period driven by earning recovery. Value and cyclical sectors that are more economically-sensitive benefited most.

**Japanese equities:** Japan ended the reporting period as the only developed economic region posting negative return.

**China/HK equities:** China / HK equities posted significant loss during the reporting period. Weakness extended since 3rd quarter 2021, as regulatory headwinds weighed on growth sectors resulted in de-rating

**Asia Pacific region (ex Japan, Hong Kong and China):** Asian equity markets (ex HK & China) generally fared well during the period. India market recovered as COVID cases moderated. Korea and Taiwan markets benefited from rising component prices due to supply chain disruption. ASEAN markets were broadly stronger amidst optimism towards travel restrictions gradually relaxing.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment managers' market perspective (Continued)

##### Invesco Hong Kong Limited (Continued)

##### 2022 Market Outlook and Strategy

With global economies now at advanced stage of recovery from COVID since early 2020, the key market focus has shifted to interest rate normalization and how prolonged high inflation may impact economic growth. China's latest COVID situation remains fluid as key cities faced lockdown pressure which could put further pressure on meeting its economic growth target. We have taken a balanced approach across regional equity allocation under this backdrop. HK & China equities valuation remained attractive but it's also the most lopsided contribution to risk within global equities. We maintain our mild overweight in equities. Our tactical cash exposure, funded by significant underweight in fixed income has added good value during the reporting period. We looked to maintain this position until we see signs of inflation data and yields stabilizing.

**US equities:** US equities valuation remained at premium in terms of absolute valuations and relative to other markets following outperformance in last 12 months. There is some mean reversion in leadership, as value has outpaced growth in recent months to narrow the valuation gap following years of outperformance.

**European equities:** European equity valuations trade at discount to North America, as earnings have yet to recover from pre-COVID levels. Room to expand margin remains challenging, with energy and raw material prices at elevated levels.

**Japanese equities:** Japanese equity has been more resilient and defensive year to date. Earnings of export companies may benefit from the yen weakening to multi-year low, but international investors also see diminishing returns from depreciating currency.

**China/HK equities:** Overall valuation has priced in economic slowdown and deliberate policy tightening. With the key objective of stabilizing the Chinese economy in 2022, macro-economic policies have shifted towards easing. We expect regulatory / policy action impact to diminish over time, as affected sectors have already been derated and investors' expectation significantly lowered. With a clearer regulatory roadmap (less unexpected negative surprises), companies could see a more normalized operating environment.

**Asia Pacific (ex Japan, HK and China) equities:** We believe Asia ex Japan (ex HK China) will continue to benefit from the re-opening theme as travel restrictions relaxes. Consumption sectors particularly should see tailwinds from recovery in consumption activities.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment managers' market perspective (Continued)

##### Invesco Hong Kong Limited (Continued)

- China Life Core Accumulation Fund
- China Life Age 65 Plus Fund

##### 2021 Market Overview

###### Equity

Global equity markets recorded over 20% gains in the MSCI World Index for 2021. In the US, the S&P 500 quickly reached record highs at the end of March, fueled by a speedy rollout of Covid-19 vaccines. Value investors were rewarded for their patience with strong performance in the beginning of the year. Then at mid-year, President Joe Biden's agreement on a \$1.2 trillion infrastructure plan sent stocks higher. European equity markets also rose during this time period, driven by a recovery in corporate earnings, improved investor sentiment, vaccine rollouts, and the easing of pandemic restrictions before falling on concerns about the spread of the Delta Covid-19 variant and price pressures. Japan struggled in the third quarter, whereas the US, European, and Australian markets climbed steadily. Subsequently, investors' confidence faded, causing indices to dip as economic reopening stalled, central banks failed to provide clarity in monetary policies, and the transitory nature of higher inflation seemed less plausible. Towards the end of the year, the US outperformed other developed markets by about 6.8%. Markets took a hit in late November with the emergence of Omicron. However, low hospitalization rates led investors to believe that further restrictions were improbable, which took some pressure off global equities. Inflation was high, but central banks indicated they would increase interest rates to keep it under control.

###### Fixed Income

Throughout 2021 the portfolio was positioned according to our factor approach to fixed income investing. The portfolio is tilted towards bond markets that exhibit attractive value, quality and carry characteristics to which we add an Emerging Market sovereign bond allocation and a smaller corporate bond allocation that exhibits attractive quality characteristics. We believe these tilts will drive outperformance over time. We fund these positions through an underweight relative to benchmark in the core benchmark bond markets – principally the US, Germany and the UK. Over the period the fund posted a negative return and underperformed its benchmark. While there were positive contributions from our underweight exposures to the major funding markets of the US, Germany and the UK these were more than offset from negative contributions from select overweight exposures capturing our key factor characteristics. Major contributors to underperformance included exposures to Norway, Poland and Canada. At year end the portfolio was positioned as follows. To capture carry characteristics the portfolio is positioned with exposure to government bonds from Australia, Switzerland and the USA. To capture value characteristics the portfolio is positioned with exposure to government bonds in Canada, Switzerland and Norway and to capture Quality characteristics positioning is long government bonds in Germany, Norway and Sweden. Emerging market exposures are currently taken in Mexico, Malaysia, Poland and Thailand. There is a very small exposure to a select EU corporate credit which will mature in the coming months. The overweight positions are funded through underweights relative to benchmark to the core markets mainly the US, Germany and the UK.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment managers' market perspective (Continued)

##### Invesco Hong Kong Limited (Continued)

##### 2022 Market Outlook and Strategy

###### Equity

Global markets were not shaken by the continuation of the pandemic in 2021, supply chain issues, or inflationary pressures due to supportive government intervention. However, 2022 will face new challenges from (1) geopolitical unrest in Ukraine that's drawing in international monetary and arms support from various nations, as well as corporate backing with international companies suspending operations or pulling out of Russia all together; (2) continued increasing price pressure; and (3) tightening monetary policies by central banks to raise interest rates.

At the beginning of 2022, our outlook for global equities remains positive. Valuation levels are attractive and price trends as well as a low level of risk aversion are supportive for equities. The economic environment indicator is in neutral territory.

###### Fixed Income

2021 was a year in which the market continually brought forward estimates of when central banks are expected to tighten monetary policy. This was in response to the persistently high inflation prints, with inflation concerns predominantly centred around ongoing supply chain disruption, combined with a dramatic rise in energy prices. However, in the US it should be noted that inflationary wage pressures have been building. These factors resulted in core government bond yields moving higher over the year. Finally, in December, a pivot by central banks (specifically the US Federal Reserve and Bank of England) to a more hawkish stance in response to the ongoing high inflation prints further added weight to the argument that monetary policy is set to tighten at a faster pace than many expected as we entered 2021.

With questions remaining unanswered around the future path of monetary policy, 2022 kicked off with a continuation of the selloff in interest rates as inflation numbers remained elevated. The subsequent onset of a military conflict between Russia and Ukraine combined with these inflation concerns, with the former further exacerbating the latter given the energy and supply chain impacts of the war. Despite the heightened geopolitical risks, central banks continued to ramp up hawkish rhetoric as they sought to dampen inflation expectations against a backdrop of soaring energy, food and certain commodity price rises. As a result, government bond yields rose aggressively whilst investment grade credit spreads widened across the board at the start of 2022. Looking ahead, the global economy is decelerating from its strong, post-pandemic growth rates. We do not expect a near-term recession in the US or Europe, but a tight labour market, tightening policy and the Ukraine conflict will likely constrain growth to a more moderate pace compared to its recent past. We also see near-term headwinds to growth in China related to COVID pandemic lockdowns and other structural factors. We expect Chinese policy makers to move to support growth, but we still anticipate that growth will undershoot targets and expectations in the near term.

Globally, both headline and core inflation have risen sharply in recent months. US and European inflation are well above levels acceptable to their central banks, and central banks are being forced to move aggressively to try to counter this inflationary pressure. While upside inflation pressure will likely remain with us for the near future, the year-over-year rate of change is likely to ease in the near future and US core CPI inflation likely peaked in March. Both tight labour markets and strong housing markets should keep upward pressure on inflation, but easing supply chain disruptions and high, but stable, commodity prices should mitigate some upward pressure on inflation.



## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

##### **Invesco Hong Kong Limited (Continued)**

##### **2022 Market Outlook and Strategy (Continued)**

##### **Fixed Income (Continued)**

Most global developed market central banks are tightening. Inflation and tight labour markets will likely keep the pressure on central banks to tighten to get ahead of inflationary pressures. The US Federal Reserve (Fed) is likely to lead, and is aiming to get monetary policy to a neutral stance as soon as practicably possible. With short-term interest rates still close to zero in the US, and below zero in some other developed markets, including the euro area, central banks will likely be raising rates steadily throughout the year. The Fed will likely also take the lead in reducing the size of its balance sheet. We expect quantitative tightening (QT) to begin in May of this year, and many other central banks to also begin the process of reducing the size of their balance sheets this year. The Chinese central bank (PBoC) will likely be moving in the opposite direction and is likely to continue to ease conditions over the balance of this year; growth headwinds in China demand easier policy, and the Chinese authorities have room to be able to ease policy from here.

With the continued conflict in Ukraine providing heightened geopolitical risk and the prospect of central banks tightening policy into a slowing growth and inflation backdrop conditions appear set for a continued period of market volatility. However, valuations are improving across a range of fixed income asset classes and we expect this period of volatility to provide opportunities for the active deployment of risk across the fixed income spectrum.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

##### **FIL Investment Management (Hong Kong) Limited**

Being the investment manager of the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

- i) China Life Balanced Fund
- ii) China Life Growth Fund
- iii) China Life Hong Kong Equity Fund

#### **2021 General Markets Review**

##### **United States**

- US equities rose in 2021. Markets continued to recover, fuelled by record levels of stimulus, economic recovery and progress in the rollout of COVID-19 vaccines. Investor sentiment was also supported by positive corporate results across a broad range of sectors, while the economy mostly returned to pre-pandemic spending patterns. Many states continued to re-opening and loosened social distancing regulations. However, the rise in the Omicron variant of COVID-19 somewhat diminished sentiment in the fourth quarter.
- Economic data was mostly positive, and the consistent monthly gains in employment supported equities over the review period. Markets also appreciated the US Federal Reserve's tilt towards lowering inflation as policy makers considered at least three interest rate increases in 2022. Nevertheless, the year ended with inflation at a 40-year high, product shortages, worries over the Omicron variant and the protracted impasse in the US Congress. All major sectors gained, with energy, real estate and financials advancing the most.

##### **Europe**

- European equities rose strongly over the year. During the first quarter, investors were concerned about more virulent strains of COVID-19, rising infection cases and the economic fallout from subsequent lockdowns. Encouragingly, increasing hopes for a global economic recovery led by vaccine rollouts buoyed equities. Additional fiscal stimulus measures in the US, strong corporate earnings and improving economic data also supported investor sentiment. In the second quarter, a decline in new COVID-19 cases and an acceleration in vaccine rollouts led to a gradual lifting of restrictions across the region.
- While European markets continued to receive support from strong quarterly earnings and increasing optimism over the economic recovery during the third quarter, rising concerns around inflation, higher bond yields and the prospect of tighter monetary policy kept market gains in check. More recently, the threat of a further wave of infections across the European Union and the prospect of tighter restrictions hurt investor sentiment.
- The European Central Bank (ECB) maintained its accommodative monetary policy stance and repeated its view that the current inflationary pressures seen across the eurozone are transitory. The central bank expects inflation to ease gradually as supply chain bottlenecks clear up and energy prices stabilise over the coming months.

##### **Japan**

- Japanese equities advanced in 2021. Share price gains were supported by strong earnings momentum and domestic political developments, while rising vaccination rates lifted investor sentiment. In September, Prime Minister Yoshihide Suga pulled out of the Liberal Democratic Party (LDP) leadership race, paving the way for a fresh government, with the ruling party electing former foreign minister Fumio Kishida as its new leader. However, the Japanese government's decision to extend the state of emergency amid rising concerns over the spread of COVID-19 weighed on sentiment earlier in the year.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

##### **FIL Investment Management (Hong Kong) Limited (Continued)**

##### **2021 General Markets Review (Continued)**

##### **Japan (Continued)**

- Worries over inflation and credit concerns related to China's Evergrande Group capped gains in the second half of the period. Sentiment was also hit by fears about the damage that the new Omicron variant of COVID-19 could inflict on the economy. Earnings results were favourable, generally coming in ahead of expectations, and the market reacted positively to companies that announced upward revisions and increased dividends. Meanwhile, the yen weakened against the US dollar, benefiting export-oriented companies. At a sector level, energy, information technology, financials and consumer discretionary were the leading gainers. Conversely, utilities, communication services and health care were the weakest performers.

##### **Asia Pacific**

- Asia Pacific equities were subdued over the year. Uncertainty around the COVID-19 situation and global central banks' policy normalisation in light of higher inflation capped gains. Investors were further unnerved by concerns over power outages, regulatory overhauls and a slowdown in economic growth in China, as well as the knock-on effect it would have on other emerging Asian economies. Nevertheless, a pickup in the pace of vaccination, expectations for an economic recovery and initial studies suggesting that Omicron was less severe than previous COVID-19 variants propped up markets.

##### **Hong Kong**

- Against this backdrop, Chinese equities slid sharply, followed by South Korea. Meanwhile, the spread of COVID-19 variants weighed on equities in Malaysia, Thailand and the Philippines. On a positive note, the Indian and Taiwanese markets were the outperformers. The former was driven by strong domestic demand and improving macroeconomic conditions. The latter advanced on robust growth in the semiconductor industry. The Indonesian market was a beneficiary of the global energy crunch as it gained from record coal prices and surging demand. At a sector level in the region, the utilities, energy, industrials and information technology (IT) sectors outperformed the broader market. Conversely, consumer discretionary declined the most, followed by health care and communication services sectors.

##### **Bond**

- Global bond markets saw increased monetary policy concerns amid persistent inflation dynamics over the period. After rising sharply towards the end of the first quarter of 2021, given the momentum in reflation trade, government bond yields declined in the June–July period due to concerns around COVID-19. However, yields rose from thereon as central banks looked to tighten their monetary policy due to inflationary concerns. Interest rate volatility increased in October and government bond yields rose, with the standout being the significant repricing at the short end of the curve. Government bond yields rose in December as global central banks adopted a more aggressive stance.
- The US Federal Reserve announced that it would double the pace of tapering, the Bank of England raised its Bank Rate by 0.15 percentage points and the European Central Bank decided to lower its pandemic emergency purchase programme. All major government bonds posted negative returns as yields ended the period higher. On the credit front, spreads tightened for most of the period amid an improvement in the growth outlook and strong corporate earnings. However, gains were offset towards the end of the period amid rising volatility in China's property sector, supply chain constraints, and the emergence of the Omicron variant of COVID-19.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

##### **FIL Investment Management (Hong Kong) Limited (Continued)**

##### **2022 Market Outlook**

While supply chains will eventually normalise (albeit over multiple quarters, given continuing COVID-19 related uncertainty), other prominent contributors to inflation, namely labour shortages/wage increase, rent inflation and rising energy prices, are a different issue. With the Fed now indicating that it will taper its monetary policies, bond-buying support is expected to end in March 2022. Interest rate hikes will also take centre stage over the months to come. It remains to be seen how embedded inflation becomes on an ongoing basis. On a positive note, the declining unemployment rate and increasing economic activity continue to support an economic recovery. Equities could continue to outperform even if bond yields or inflation trend higher. We would expect higher quality companies with some pricing power to fare better. Bottom-up stock selection, backed by detailed fundamental research on companies that can produce resilient long-term growth, should benefit long-term investors.

The manager is increasingly optimistic on European equities over the medium to long term as vaccine rollouts support the reopening of economies. However, confidence is relatively fragile given the impact of the Omicron variant and the ongoing inflationary backdrop. We continue to believe that such an environment can offer attractive investment opportunities for bottom-up stock pickers. Consequently, the manager has been reducing the exposure to cyclical/economically sensitive sectors such as industrials and consumer discretionary. Instead, the allocation to defensive sectors such as communication services and utilities, as well as to sectors that will continue to benefit as we come out of the pandemic, such as information technology, were increased. Currently, cyclical sectors are largely being driven by stimulus and the green agenda. Post the COVID-19 normalisation, a degree of construction/modernisation will be needed, which will benefit infrastructure and some chemicals companies.

While the emergence of new COVID-19 variants and external macroeconomic risks represent potential headwinds, the lifting of the state of emergency in Japan and the prospect of fresh fiscal stimulus are paving the way for a rebound in the domestic economy. The outlook for the Japanese stock market remains broadly positive as we move into 2022. Valuations remain supportive and compare favourably with those in other developed markets such as the US, while earnings momentum is strong.

Inflation concerns are increasing, with the US Federal Reserve indicating the likelihood of raising its Federal Funds rate sooner than expected. This has brought about much-needed attention on fundamentals, as investors realise that the liquidity surplus that has been driving regional equities may not last forever. However, governments in the region are still mindful of COVID-19 variants and it remains essential to pay attention to the economic realities of the region.

Meanwhile, COVID-19 vaccination rates are improving regionally, where limited availability was a bigger issue than vaccine hesitancy. While the growth prospects for the region are positive over the medium to long term, short-term volatility remains. The manager remains cautious on regulatory concerns stemming from China, and risks emanating from supply side disruptions need to be monitored closely. However, Asia remains home to a diverse range of economies – developed, emerging and frontier – and structural growth is available across a range of markets. Furthermore, the region is expected to continue to attract foreign direct investment (FDI) inflow with low labour costs, young demographics, abundant natural resources and supportive policy measures. The region offers long-term growth driven by low penetration, which supports its economic growth potential.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

##### **FIL Investment Management (Hong Kong) Limited (Continued)**

##### **2022 Market Outlook (Continued)**

2022 should be a generally supportive environment for corporate bonds. While global growth is likely to slow down in 2022 compared to the peaks observed in the first quarter of 2021, it will still be good enough to support earnings and keep defaults low as fundamentals are showing clear signs of improvement and leverage ratios are trending downwards. In addition, we are likely to see the current supply side issues get resolved over the course of next year as bottlenecks ease, and production capacity eventually ramps up in order to rebuild lost inventories. We also expect inflation to fall on a year-on-year basis in the latter part of 2022, as the impact from higher energy and goods prices fades. That said, valuations are still expensive and we believe spreads are likely to come under pressure even though we do not expect a meaningful widening in spreads as growth should still be significantly higher than pre-COVID-19 levels. The underlying theme for credit in 2022 is likely to be the decompression trade. Higher beta sectors could experience greater volatility, while concerns on the higher quality part, which has been under pressure on duration concerns, will subside. Against this backdrop, our focus is on generating alpha rather than beta. On the interest rate front, central banks are now looking to tighten their monetary policies and a communication error on this front remains a key risk. We expect central bank tightening to be extremely cautious, which should be supportive of government bond yields.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment managers' market perspective (Continued)

##### Taiping Assets Management (HK) Company Limited

Being the investment manager of China Life MPF Conservative Fund, the relevant approved pooled investment funds and the underlying unit trust approved pooled investment funds that the following constituent funds of the Scheme have invested in.

- i) China Life Guaranteed Return Fund <sup>Note 1</sup>
- ii) China Life Joyful Retirement Guaranteed Fund \*

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

#### 2021 Market Overview

##### Bond Market

Global credit market performed poorly in 2021. World economy has gradually recovered from the influence of the epidemic. The US treasury yields fluctuates and moved on an upward trend overall, and major bond indexes recorded negative return in general.

In Q1, fiscal stimulus policy strengthened, and economic recovery improved, inflation expectations increased, and US treasury yields rose sharply. At the end of Q2 and the beginning of Q3, the discovery of the Omicron variant virus caused market concerns and the bond market rebounded. At the end of Q3 and Q4, the US government fiscal stimulus plan was officially launched, and the low severe disease rate caused by Omicron mutation virus weakened the market's concern about the virus. The Fed gradually begin to exit easy monetary policy, the US treasury yields rose gradually, and the bond market fluctuated and declined.

##### Equity Market

At the beginning of 2021, Hang Seng Index made a good start, hitting a year high of 31,183 in February. Since then, with the sharp increase in the long-term yield of US treasuries and the introduction of tougher regulatory policies, the index has shown a unilateral decline throughout the year. As the economic goal in China changes from the pursuit of high growth to the pursuit of high-quality growth, policy was not as accommodative as investors once expected. The implementation of anti-monopoly and enforcement of unfair competition law has caused turbulence in Internet sector. Strong supervision of Internet industries such as Didi, online games, and food delivery platforms continued during the year. The severe policy of "Double Reduction" in education was unexpectedly introduced in July. With the authority acting on the principle that houses are for living in, not for speculation, investors witnessed unprecedented credit events of Evergrande and other real estate companies. Monetary and fiscal policy support was not strong enough to boost the struggling economy, and the policy of curtailment of electricity and production further impacted economic activities. Affected by supply chain bottlenecks, repeated epidemics, and tightened policies, China's economy continued to slow down. Neither consumption nor investment returned to pre-epidemic levels. Also, Federal Reserve started Taper in November, which capped the PE expansion of Hong Kong stocks. The HSI closed down 14.1% for the year, underperforming most major global markets.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Investment managers' market perspective (Continued)

##### Taiping Assets Management (HK) Company Limited (Continued)

##### 2022 Market Outlook and Strategy

###### Bond Market

In 2022, we expect the Fed to accelerate its exit from the easy monetary policy introduced during the pandemic period and begin the cycle of interest rate hiking and balance sheet shrinking. The US economic growth is expected to gradually slowdown from its rapid recovery after the epidemic period, but remains at a strong level. Inflation continued to rise in the first quarter and began to weaken in the late second quarter.

From the observation of market performance during the past hiking cycles, the market has gradually increased the expectations of fed tightening before the fed first hiked rates, leading to a gradual upward trend in US treasury yields. Around the time of the first Fed rate hiking, US treasury yields may rise sharply, reaching a temporary high due to panic or stop-loss trading, then fall for a few months before rising again in response to continuous Fed rate hiking.

For our bond investment strategy in 2022, we will remain defensive and more focus on credit selection, and keep duration short before the first fed rate hike. After the Fed hike rates, we will take the opportunity of interest rate fluctuations and extend the duration for the bond portfolio when interest rates rise rapidly.

2022 will remain to be a challenging year overall, and we must be careful and minimize the adverse impact of rising interest rates on fixed income portfolios.

###### Equity Market

Looking ahead to 2022, the global economy and capital markets still face many uncertainties. The main uncertainties include high geopolitical risk caused by the outbreak of the Russian-Ukrainian war, rising commodity prices, the outbreak of epidemic in major Chinese cities, and the test of the global economy due to the interest rate hike environment. Amid rising interest rates, declining corporate profits, and repeated epidemic, we will emphasis on fundamental research and look for high-quality companies with certainty in earning and reasonable valuation.

Despite these uncertainties, we remain optimistic about the long-term growth prospects of the Chinese economy. Driven by various national policies to stabilize growth, such as front-loading infrastructure investment and moderate relaxation of local real estate policies, China's long-term economy growth is still at the forefront of the world's major economies. As the epidemic is gradually brought under control, social life is expected to return to normal. Consumption and investment will pick up after the epidemic, bringing new investment opportunities. From the perspective of asset allocation, the equity risk premium is already at a high level. Real estate investment is no longer the main direction of residents' asset allocation, and equity assets will have good growth potential and attractive investment value. We will insist on value investment and continue to adjust and optimize fund positions. We will maintain our key positions in quality stocks, including undervalued large-caps and growth stocks with solid fundamentals.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

##### **JPMorgan Asset Management (Asia Pacific) Ltd**

Being the investment manager of the relevant approved pooled investment fund that the following constituent funds of the Scheme has invested in.

- i) China Life Greater China Equity Fund

##### **2021 General Markets Review**

2021 was a volatile year for Mainland Chinese names in particular, as they were impacted by a combination of slowing economic growth (partly due to COVID outbreaks), concerns around the impact of inflationary pressure, debt levels in the real estate sector, and regulatory pressure in areas such as education, internet, and healthcare stocks.

##### **2022 Market Outlook and Strategy**

While credit has become more accessible for both developers and households in the Mainland, it's probably too early to assume that the challenges afflicting the real estate market are behind us. Our view persists that this presents a growth headwind rather than a systemic risk to the Chinese economy. In the meantime, certain cities have re-entered strict COVID lockdowns so we anticipate more accommodative monetary policies over the coming year.

In Taiwan, the tech supply chain tightness, mainly in the semiconductor industry, continues to drive demand resilience and sustain pricing power. This supports the technology earnings outlook for 2022, in both absolute terms and relative to the wider stock market in Taiwan.



## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

###### **Franklin Templeton Investments (Asia) Ltd**

Being the investment manager of the relevant approved pooled investment fund that the following constituent funds of the Scheme has invested in.

- i) China Life US Equity Fund

##### **2021 General Markets Review**

After peaking at all-time highs, broad gauges of the US equity market sold off during the final weeks of 2021's third quarter as investors grappled with a number of current and potential headwinds facing American businesses. Factories and services-sector companies continued to report robust activity, though surveys showed many were struggling with labour shortages, high employee turnover, supply chain disruptions and elevated inflationary pressures. The US equity market advanced solidly yet unevenly during 2021 fourth quarter as inflation continued to climb, gross domestic product growth slowed and a new COVID-19 variant cast some uncertainty on the economic outlook. The emergence of the Omicron variant during November led to worries it could hinder the recovery just as the US Federal Reserve (Fed) pivoted to combat the country's highest inflation rates in decades. Meanwhile, corporate fundamentals were a primary market support as nearly all sectors were at or close to record highs in their forward revenues, earnings and profit margins, showing that companies were so far weathering the headwinds of inflation, supply-chain pressures and labour shortages. In December, US stocks rebounded from a post-Thanksgiving "risk-off" rough patch as investors grew less fearful of the potential economic impact from the Omicron variant after incoming data indicated its symptoms were milder than those of other strains.

Record highs in most sector groups towards the end of the year, led by double-digit gains in real estate, information technology and materials. Communication services stocks were essentially flat, followed by relatively modest gains in financials and energy. There was a wide disparity in returns according to company size as large-capitalisation stocks fared much better than mid-cap stocks, both of which finished the period well above the small-cap tier. By investment style, large-cap growth names were standout performers that handily beat their value-oriented counterparts, while value held a distinct advantage overgrowth across the small- to mid-cap spectrum. On a global basis, US equities outperformed nearly all developed markets and stood well above lacklustre and mostly negative returns across emerging and frontier markets.

The US job market climbed out of its pandemic-era hole as the unemployment rate fell to a 21-month low in November and weekly jobless claims fell in early December to the lowest level going back to September 1969. Robust gains in hourly earnings and employment costs were a troubling sign for economists worried about the potential for a wage-price spiral. Inflation at the consumer, producer and import levels moved higher and proved more persistent than many observers expected. The Fed responded by announcing it would double the pace at which it will taper its monthly purchases of Treasuries and mortgage-backed securities starting in January. The acceleration in tapering, which had just commenced in November, will put the Fed's asset purchase programme on a trajectory to end by March instead of June. Additionally, Fed projections released in December indicated the likelihood of three rate hikes in 2022. So far, financial markets appeared to take the central bank's tighter monetary policy shift in stride.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1 Overview (Continued)**

##### **Investment managers' market perspective (Continued)**

##### **Franklin Templeton Investments (Asia) Ltd**

##### **2022 Market Outlook and Strategy**

Recent global equity market volatility reflects concerns about persistent inflation, rising interest rates, moderating economic growth and geopolitical uncertainty. However, we believe the US economy remains healthy, supported by generally strong corporate earnings and balance sheets, steady US employment and wage growth, and overall household net worth at all-time highs. The war in Ukraine, while tragic, is not likely to have a significant impact on US markets, in our assessment, as US companies typically have low exposure to the country. While the situation remains fluid, we are closely monitoring events to understand how any shifts may impact asset values going forward.

Digital transformation remains a major investment theme that permeates different industries and sectors beyond technology. We see it as a multi-decade transition that can potentially lead to higher productivity, better insulation from costs, and higher profitability for companies and industries that embrace it. Advances that started in technology are moving into other areas such as health care and retail. Automation, for example, has spread to health care, with robotics playing a role in laboratory automation. The use of artificial intelligence to detect pathologies is another area of technological innovation in the medical field. In the retail space, merchants are expanding customer interfaces and partnering with direct-to-consumer businesses to achieve an omnichannel presence. Making this digital revolution possible are companies that provide infrastructure, such as data centres, which are seeing rapid growth as cloud service, social media, content streaming, 5G and artificial intelligence companies expand.

We continue to monitor rising uncertainties but resist any temptation to trade on short-term news flow or emotions. We believe active management is critical to moving quickly and successfully in today's dynamic markets and encourage investors to take a long-term view. Volatility can potentially create the opportunity to invest in leading-edge companies at the forefront of the digital transformation revolution at lower prices.

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary

A. Trustee's commentary on analysis of the investments held by the scheme and supporting information of its commentary				
	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Growth Fund <i>Launch date: 01/12/2000</i>	1.40%	9.45%	7.90%	5.85%
Benchmark / Performance target	2.58% <small>Note 1</small>	9.21% <small>Note 1</small>	7.44% <small>Note 1</small>	5.75% <small>Note 1</small>
Deviation from the benchmark / performance target	Below the performance target	Above the performance target	Above the performance target	Above the performance target
Trustee's commentary	<p>The fund's performance target: average performance of Lifestyle- (&gt;80-100% Equity) fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 5 years, 10 years and since launch while below the performance target in 1 year term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- The fund generated positive returns over the year.</li> <li>- The fund's equity exposure contributed to returns over the year. Global markets gained as the rollout of COVID-19 vaccines fuelled optimism towards an economic recovery. Encouraging corporate earnings in developed markets, the easing of mobility restrictions in major economies and a stimulatory fiscal policy backdrop in the US also supported risk assets.</li> <li>- However, a resurgence in infections and the re-imposition of targeted restrictions in many regions, the emergence of more infectious variants of COVID-19, and concerns over elevated inflation held back gains.</li> <li>- Against this backdrop, the allocation to US, European and Japanese equities added value. However, Hong Kong equities detracted from performance amid economic and policy risks in China and virus-related challenges.</li> </ul>			

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Balanced Fund <i>Launch date: 01/12/2000</i>	0.11%	8.00%	6.52%	5.32%
Benchmark / Performance target	0.87% <sup>Note 1</sup>	7.67% <sup>Note 1</sup>	6.04% <sup>Note 1</sup>	4.89% <sup>Note 1</sup>
Deviation from the benchmark / performance target	Below the performance target	Above the performance target	Above the performance target	Above the performance target
Trustee's commentary	<p>The fund's performance target: average performance of Lifestyle- (&gt;60-80% Equity) fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 5 years, 10 years and since launch while below the performance target in 1 year term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- The fund generated positive returns over the year.</li> <li>- The fund's equity exposure contributed to returns over the year. Global markets gained as the rollout of COVID-19 vaccines fuelled optimism towards an economic recovery. Encouraging corporate earnings in developed markets, the easing of mobility restrictions in major economies and a stimulatory fiscal policy backdrop in the US also supported risk assets.</li> <li>- However, a resurgence in infections and the re-imposition of targeted restrictions in many regions, the emergence of more infectious variants of COVID-19, and concerns over elevated inflation held back gains.</li> <li>- Against this backdrop, the allocation to US, European and Japanese equities added value. However, Hong Kong equities detracted from performance amid economic and policy risks in China and virus-related challenges. The allocation to bonds also weighed on returns, as government bond yields rose amid inflationary concerns.</li> </ul>			

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Joyful Retirement Guaranteed Fund <i>Launch date: 01/10/2007</i>	(2.50%)	1.48%	2.31%	2.81%
Benchmark / Performance target	1.35%	1.35%	1.35%	1.35%
Deviation from the benchmark / performance target	Below the performance target	Above the performance target	Above the performance target	Above the performance target
Trustee's commentary	<p>The fund's performance target: net guaranteed rate (i.e. 1.35% per annum)</p> <p>The fund's performance was above the performance target in 5 years, 10 years and since launch while below the performance target in 1 year term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- For the equity portion, performance was stable on the whole in spite of the pandemic in 2021. The investment manager will continue to adjust and optimize the holdings by adhering to value investment, and maintain major positions on quality stocks including both value and growth stocks.</li> <li>- For the fixed income portion, the strategy remained defensive and more focus on credit selection. Relatively, short term investment grade bonds is preferred.</li> </ul>			

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life MPF Conservative Fund <i>Launch date: 01/12/2000</i>	0.00%	0.45%	0.23%	0.45%
Benchmark / Performance target	0.00%	0.03%	0.02%	0.39%
Deviation from the benchmark / performance target	Same as the performance target	Above the performance target	Above the performance target	Above the performance target
Trustee's commentary	<p>The fund's performance target: Prescribed Savings Rate</p> <p>The comparison with other MPF Conservative Fund type may not be meaningful as fees and charges of MPF Conservative Funds can either be deducted from the assets of the funds or members' accounts by way of unit deduction.</p> <p>The fund's performance was above the performance target in 5 years, 10 years and since launch while same as the performance target in 1 year term.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- All of the portfolio's return came from HKD fixed deposits, mainly with medium-to-short tenors</li> <li>- The deposit rates in Hong Kong has been staying at a low level for most part of 2021.</li> </ul>			

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Core Accumulation Fund <i>Launch date: 01/04/2017</i>	9.91%	N/A	N/A	8.27%
Benchmark / Performance target	9.43% <sup>Note 2</sup>	N/A	N/A	8.66% <sup>Note 2</sup>
Deviation from the benchmark / performance target	Above the performance target	N/A	N/A	Below the performance target
Trustee's commentary	<p>The fund's performance target (recognized reference portfolio): FTSE MPF DIS Reference Portfolios - Core Accumulation Fund</p> <p>The fund's performance was above the performance target in 1 year term while below the performance target in since launch.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- For equity, companies are selected that are attractively valued, have good earnings and price momentum and evidence that management supports shareholder value. Over the period stock selection had a positive impact and with major contribution from Industrial, Consumer Discretionary and Technology.</li> <li>- For fixed income, throughout 2021 the portfolio was tilted towards bond markets exhibiting attractive value, quality and carry characteristics, select exposures to Emerging Market sovereign bonds and a smaller corporate bond allocation. Investment manager is active positioning contributed negatively to performance over the period. Positive contributions from underweight exposures to our funding markets of the US, Germany and the UK were more than offset by negative contributions to include exposures to Norway, Poland and Canada.</li> <li>- For Core Accumulation Fund, the natural overweight of equity vs fixed income because of DIS – glide path along with better performance from equity portion has contributed to outperformance of the fund relative to benchmark.</li> </ul>			

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Hong Kong Equity Fund <i>Launch date: 23/12/2011</i>	(15.68%)	7.55%	5.71%	5.67%
Benchmark / Performance target	(15.13%) <sup>Note 1</sup>	6.80% <sup>Note 1</sup>	5.84% <sup>Note 1</sup>	5.74% <sup>Note 1</sup>
Deviation from the benchmark / performance target	Below the performance target	Above the performance target	Below the performance target	Below the performance target
Trustee's commentary	<p>The fund's performance target: average performance of Hong Kong Equity fund type as obtained from Lipper</p> <p>The fund's performance was above the performance target in 5 years term while below the performance target in 1 year, 10 years and since launch.</p> <p>According to the investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- The fund generated negative returns over the period.</li> <li>- Equities came under pressure amid an evolving COVID-19 situation and global central banks' policy normalisation in light of higher inflation. Chinese equity markets declined over the year due to multiple factors, including a regulatory overhaul impacting companies in the technology and education sectors, among others.</li> <li>- In the second half of the year, industrial and manufacturing activities were interrupted by power shortages, supply shocks, rising fuel prices and pollution control measures implemented by the Chinese government.</li> <li>- The emergence of the Omicron variant of COVID-19 towards the end of the year led to a spike in market volatility. In an attempt to stabilise economic growth, the People's Bank of China (PBOC) reassured investors that it would maintain ample liquidity in the financial system.</li> </ul>			



# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Age 65 Plus Fund <i>Launch date: 01/04/2017</i>	0.66%	N/A	N/A	4.05%
Benchmark / Performance target	0.71% <sup>Note 2</sup>	N/A	N/A	4.27% <sup>Note 2</sup>
Deviation from the benchmark / performance target	Below the performance target	N/A	N/A	Below the performance target
Trustee's commentary	<p>The fund's performance target (recognized reference portfolio): FTSE MPF DIS Reference Portfolios - Age 65 Plus Fund</p> <p>The fund's performance was below the performance target in 1 year term and since launch.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- For equity, companies are selected that are attractively valued, have good earnings and price momentum and evidence that management supports shareholder value. Over the period stock selection had a positive impact and with major contribution from Industrial, Consumer Discretionary and Technology.</li> <li>- For fixed income, throughout 2021 the portfolio was tilted towards bond markets exhibiting attractive value, quality and carry characteristics, select exposures to Emerging Market sovereign bonds and a smaller corporate bond allocation. Investment manager is active positioning contributed negatively to performance over the period. Positive contributions from underweight exposures to our funding markets of the US, Germany and the UK were more than offset by negative contributions to include exposures to Norway, Poland and Canada.</li> <li>- For Age 65 Plus Fund, the natural underweight of equity vs fixed income because of DIS – glide path along with poor performance from fixed portion has contributed to underperformance of the fund relative to benchmark.</li> </ul>			

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Retire-Easy Global Equity Fund <i>Launch date: 01/10/2007</i>	0.47%	7.88%	7.30%	2.32%
Benchmark / Performance target	17.62% <sup>Note 1</sup>	11.70% <sup>Note 1</sup>	9.79% <sup>Note 1</sup>	6.65% <sup>Note 1</sup>
Deviation from the benchmark / performance target	Below the performance target	Below the performance target	Below the performance target	Below the performance target
Trustee's commentary	<p>The fund's performance target: average performance of Global Equity fund type as obtained from Lipper</p> <p>The fund's performance was below the performance target in 1 year, 5 years and 10 years term and since launch.</p> <p>According to investment manager, the following factors contributed to the performance of the fund during the year:</p> <ul style="list-style-type: none"> <li>- Contribution from regional equities were generally negative throughout the year except North America and Europe. Given that both markets were value driven as result stock selection effect have been able to offset impact from asset allocation and move in line with market momentum and generating a double digit return for the year.</li> <li>- Other regional equities including HK &amp; China, Japan and Asia as a whole were impacted by headwind from COVID policy and reopening. As result, both allocation and stock selection within the region have been negative and generally underperformed the developed markets by a significant margin. Exposures from communication services, internet, consumer, and healthcare sectors were the negative contributors which reversed the effect from 2020.</li> </ul>			

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Overview (Continued)

#### Trustee's commentary (Continued)

	Annualized return (in terms of %)			
Constituent Fund	1 Year	5 Years	10 Years	Since Launch
China Life Greater China Equity Fund <i>Launch date: 13/12/2021</i>	N/A	N/A	N/A	N/A
Benchmark / Performance target	(7.26%) <sup>Note 1</sup>	12.67% <sup>Note 1</sup>	8.93% <sup>Note 1</sup>	7.34% <sup>Note 1</sup>
Deviation from the benchmark / performance target	N/A	N/A	N/A	N/A
Trustee's commentary	The fund was launched on 13 December 2021, with an objective to provide long term capital growth in HK dollars terms. The performance are currently not available to be disclosed due to a limited track record.			
China Life US Equity Fund <i>Launch date: 13/12/2021</i>	N/A	N/A	N/A	N/A
Benchmark / Performance target	25.30% <sup>Note 1</sup>	16.15% <sup>Note 1</sup>	13.72% <sup>Note 1</sup>	9.48% <sup>Note 1</sup>
Deviation from the benchmark / performance target	N/A	N/A	N/A	N/A
Trustee's commentary	The fund was launched on 13 December 2021, with an objective to provide capital appreciation in the long term through investment in US equities. The performance are currently not available to be disclosed due to a limited track record.			
China Life Guaranteed Return Fund <i>Launch date: 01/12/2000</i>	N/A	N/A	N/A	N/A
Benchmark / Performance target	N/A	N/A	N/A	N/A
Deviation from the benchmark / performance target	N/A	N/A	N/A	N/A
Trustee's commentary	The fund had no investments and operations since 1 December 2020, and the Mandatory Provident Fund Schemes Authority had approved the termination of the fund to take effect on 8 March 2021.			

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Overview (Continued)

##### Trustee's commentary (Continued)

<b>B. Supporting information in relation to trustee's assessment framework for deriving its commentary and trustee's action, if any, to address its concerns raised in its commentary in section A</b>
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<ul style="list-style-type: none"><li>• Trustee reviews constituent fund performance regularly by reference to information from industrial data providers who are independent from the trustee. Should there be underperformance of a constituent fund, trustee will carry out review with involvement from relevant investment manager of the underlying funds.</li></ul>
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Further to regular monitoring, fund performance also will be overseen by Investment Committee of the Trustee, a committee set up by the Board of the Trustee for assessing and monitoring the overall performance of the funds of the Scheme.

- Trustee no longer considers it advisable to maintain two similar guaranteed funds, being the China Life Guaranteed Return Fund and China Life Joyful Retirement Guaranteed Fund (formerly known as China Life Retire-Easy Guarantee Fund), under the Scheme. To allow for a more cost-effective scheme structure, achieve better economies of scale (by consolidating the assets of these two guaranteed funds) and streamline its fund platform, China Life Guaranteed Return Fund was arranged to be terminated and had no investments and operations since 1 December 2020. The Mandatory Provident Fund Schemes Authority had approved the termination of this fund to take effect on 8 March 2021.

- To provide a more comprehensive range of equity funds to members, two new equity funds, namely China Life Greater China Equity Fund and China Life US Equity Fund were added to the scheme as additional fund choices, effective from 13 December 2021.

- In order to enhance the competitiveness and generate a more consistent return of China Life Retire-Easy Global Equity Fund ("Global Equity Fund"), with effect from 26 September 2022, the structure of the Global Equity Fund will be changed from a feeder fund (investing in a single approved pooled investment fund) to a portfolio management fund (investing in the index-tracking collective investment schemes approved by MPFA). China Asset Management (Hong Kong) Limited will be appointed as the investment manager of the Global Equity Fund. The aggregate fees and charges of the Global Equity Fund will be lowered from 1.48%.p.a.to no more than 1.40% p.a.

Note 1: The figure is obtained from Lipper.

Note 2: The figure is obtained from FTSE MPF DIS Reference Portfolios.

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 2 Investment valuations and movements

Contribution monies received during the year were invested into the following constituent funds based on the investment options chosen by the Scheme members. Movements in their net asset values during the year and their net asset value positions at year end are summarised as follows:

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund Note 1 HK\$	China Life Hong Kong Equity Fund HK\$	China Life Joyful Retirement Guaranteed Fund * HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$	China Life Greater China Equity Fund HK\$	China Life US Equity Fund HK\$
<b>Opening net asset value</b>	468,586,563	246,451,431	750,754,591	-	366,196,970	2,100,444,570	177,797,150	96,099,107	100,615,343	-	-
Proceeds on issue of units	76,649,608	386,502,175	158,989,590	-	386,103,074	371,501,981	76,614,291	105,986,987	72,062,543	2,079,750	8,648,823
Payments on redemption of units	(73,694,270)	(327,723,136)	(124,865,511)	-	(258,226,148)	(562,773,806)	(63,206,494)	(49,178,842)	(53,837,866)	(16,233)	(819,123)
Total comprehensive income for the year	445,942	2,836	9,333,013	-	(70,861,825)	(49,092,393)	559,039	11,707,292	758,207	9,469	2,745
<b>Change of net asset value during the year</b>	3,401,280	58,781,875	43,457,092	-	57,015,101	(240,364,218)	13,966,836	68,515,437	18,982,884	2,072,986	7,832,445
<b>Closing net asset value</b>	<u>471,987,843</u>	<u>305,233,306</u>	<u>794,211,683</u>	<u>-</u>	<u>423,212,071</u>	<u>1,860,080,352</u>	<u>191,763,986</u>	<u>164,614,544</u>	<u>119,598,227</u>	<u>2,072,986</u>	<u>7,832,445</u>

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 2 Investment valuations and movements (Continued)

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund <sup>Note 1</sup> HK\$	China Life Hong Kong Equity Fund HK\$	China Life Joyful Retirement Guaranteed Fund * HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$	China Life Greater China Equity Fund HK\$	China Life US Equity Fund HK\$
<b>As at 31 December 2021</b>											
Investments	473,252,427	-	796,077,605	-	420,629,920	1,866,511,250	192,302,205	163,853,495	119,054,823	1,887,144	5,491,536
(% of net asset value)	100.27%	-	100.23%	-	99.39%	100.35%	100.28%	99.54%	99.55%	91.04%	70.11%
Other assets/(liabilities)	(1,264,584)	305,233,306	(1,865,922)	-	2,582,151	(6,430,898)	(538,219)	761,049	543,404	185,842	2,340,909
(% of net asset value)	(0.27%)	100.00%	(0.23%)	-	0.61%	(0.35%)	(0.28%)	0.46%	0.45%	8.96%	29.89%
<b>Net asset value</b>	<b>471,987,843</b>	<b>305,233,306</b>	<b>794,211,683</b>	<b>-</b>	<b>423,212,071</b>	<b>1,860,080,352</b>	<b>191,763,986</b>	<b>164,614,544</b>	<b>119,598,227</b>	<b>2,072,986</b>	<b>7,832,445</b>
<b>Net asset value per unit</b>	<b>29.85</b>	<b>11.00</b>	<b>33.16</b>	<b>-</b>	<b>17.39</b>	<b>14.85</b>	<b>13.87</b>	<b>14.59</b>	<b>12.08</b>	<b>10.04</b>	<b>10.01</b>

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 2 Investment valuations and movements (Continued)

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund <sup>Note 1</sup> HK\$	China Life Hong Kong Equity Fund HK\$	China Life Joyful Retirement Guaranteed Fund * HK\$	China Life Retire-Easy Capital Stable Fund <sup>Note 2</sup> HK\$	China Life Retire-Easy Balanced Fund <sup>Note 2</sup> HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
<b>As at 31 December 2020</b>											
Investments	469,820,612	-	751,033,144	-	365,142,060	2,112,078,495	-	-	177,472,325	94,894,426	99,570,035
(% of net asset value)	100.26%	-	100.04%	-	99.71%	100.55%	-	-	99.82%	98.75%	98.96%
Other assets/(liabilities)	(1,234,049)	246,451,431	(278,553)	-	1,054,910	(11,633,925)	-	-	324,825	1,204,681	1,045,308
(% of net asset value)	(0.26%)	100.00%	(0.04%)	-	0.29%	(0.55%)	-	-	0.18%	1.25%	1.04%
<b>Net asset value</b>	<b>468,586,563</b>	<b>246,451,431</b>	<b>750,754,591</b>	<b>-</b>	<b>366,196,970</b>	<b>2,100,444,570</b>	<b>-</b>	<b>-</b>	<b>177,797,150</b>	<b>96,099,107</b>	<b>100,615,343</b>
<b>Net asset value per unit</b>	<b>29.82</b>	<b>11.00</b>	<b>32.70</b>	<b>-</b>	<b>20.63</b>	<b>15.23</b>	<b>-</b>	<b>-</b>	<b>13.81</b>	<b>13.28</b>	<b>12.00</b>
<b>As at 31 December 2019</b>											
Investments	392,128,513	-	630,702,615	1,568,868,117	260,562,649	651,587,007	-	-	151,527,275	53,947,424	72,605,059
(% of net asset value)	100.37%	-	100.16%	100.68%	99.95%	99.42%	-	-	100.17%	99.74%	100.04%
Other assets/(liabilities)	(1,428,773)	215,739,882	(1,015,436)	(10,534,009)	138,756	3,802,154	-	-	(253,980)	141,717	(26,904)
(% of net asset value)	(0.37%)	100.00%	(0.16%)	(0.68%)	0.05%	0.58%	-	-	(0.17%)	0.26%	(0.04%)
<b>Net asset value</b>	<b>390,699,740</b>	<b>215,739,882</b>	<b>629,687,179</b>	<b>1,558,334,108</b>	<b>260,701,405</b>	<b>655,389,161</b>	<b>-</b>	<b>-</b>	<b>151,273,295</b>	<b>54,089,141</b>	<b>72,578,155</b>
<b>Net asset value per unit</b>	<b>26.22</b>	<b>10.93</b>	<b>28.49</b>	<b>15.10</b>	<b>17.46</b>	<b>14.93</b>	<b>-</b>	<b>-</b>	<b>12.62</b>	<b>11.80</b>	<b>10.94</b>

Note: Please refer to Note 9 to the financial statements for details of the investment portfolio held by each constituent fund.

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

Note 2: China Life Retire-Easy Capital Stable Fund and China Life Retire-Easy Balanced Fund (collectively, the "Terminated Funds") had no investments and operations since 24 September 2019. MPFA had approved the termination of the Terminated Funds to take effect on 8 January 2020.

\* formerly known as China Life Retire-Easy Guarantee Fund

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3 Investment performance

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund <sup>Note 1</sup> HK\$	China Life Hong Kong Equity Fund HK\$	China Life Joyful Retirement Guaranteed Fund *	China Life Retire-Easy Capital Stable Fund <sup>Note 2</sup> HK\$	China Life Retire-Easy Balanced Fund <sup>Note 2</sup> HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$	China Life Greater China Equity Fund HK\$	China Life US Equity Fund HK\$
<b>2021</b>													
Guaranteed return	-	-	-	-	-	5,161,523	N/A	N/A	-	-	-	-	-
Net (losses)/income excluding capital appreciation and guaranteed return	(2,573,576)	2,836	(4,284,261)	-	92,941	(23,948,523)	N/A	N/A	(2,678,998)	(819,316)	(695,862)	(188)	(564)
Capital appreciation/ (depreciation)	3,019,518	-	13,617,274	-	(70,954,766)	(30,305,393)	N/A	N/A	3,238,037	12,526,608	1,454,069	9,657	3,309
Net income/(loss) for the year	445,942	2,836	9,333,013	-	(70,861,825)	(49,092,393)	N/A	N/A	559,039	11,707,292	758,207	9,469	2,745
Total net asset value	471,987,843	305,233,306	794,211,683	-	423,212,071	1,860,080,352	N/A	N/A	191,763,986	164,614,544	119,598,227	2,072,986	7,832,445
Net asset value per unit	29.85	11.00	33.16	-	17.39	14.85	N/A	N/A	13.87	14.59	12.08	10.04	10.01



## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3 Investment performance (Continued)

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund <sup>Note 1</sup> HK\$	China Life Hong Kong Equity Fund HK\$	China Life Joyful Retirement Guaranteed Fund <sup>*</sup> HK\$	China Life Retire-Easy Capital Stable Fund <sup>Note 2</sup> HK\$	China Life Retire-Easy Balanced Fund <sup>Note 2</sup> HK\$	China Life Retire-Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
<b>2020</b>											
Guaranteed return	-	-	-	15,987,477	-	10,183,980	-	-	-	-	-
Net (losses)/income excluding capital appreciation and guaranteed return	(2,267,569)	1,432,057	(3,564,251)	(20,618,767)	(34,286)	(11,279,353)	-	-	(2,087,455)	(450,574)	(511,891)
Capital appreciation	58,331,365	-	99,502,395	23,918,847	59,163,747	16,026,861	-	-	17,951,865	10,568,485	8,041,706
Net income for the year	56,063,796	1,432,057	95,938,144	19,287,557	59,129,461	14,931,488	-	-	15,864,410	10,117,911	7,529,815
Total net asset value	468,586,563	246,451,431	750,754,591	-	366,196,970	2,100,444,570	-	-	177,797,150	96,099,107	100,615,343
Net asset value per unit	29.82	11.00	32.70	-	20.63	15.23	-	-	13.81	13.28	12.00
<b>2019</b>											
Guaranteed return	-	-	-	5,871,359	-	-	-	-	-	-	-
Net (losses)/income excluding capital (depreciation) and guaranteed return	(1,905,415)	2,389,729	(3,403,735)	(21,676,507)	(48,289)	(12,170,951)	(604,521)	(630,996)	(1,978,776)	(261,946)	(194,989)
Capital appreciation	51,985,771	-	109,017,559	66,343,397	35,507,194	34,335,742	4,209,653	5,181,528	23,689,392	5,840,055	1,421,797
Net income for the year	50,080,356	2,389,729	105,613,824	50,538,249	35,458,905	22,164,791	3,605,132	4,550,532	21,710,616	5,578,109	1,226,808
Total net asset value	390,699,740	215,739,882	629,687,179	1,558,334,108	260,701,405	655,389,161	-	-	151,273,295	54,089,141	72,578,155
Net asset value per unit	26.22	10.93	28.49	15.10	17.46	14.93	-	-	12.62	11.80	10.94

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.  
Note 2: China Life Retire-Easy Capital Stable Fund and China Life Retire-Easy Balanced Fund (collectively, the “Terminated Funds”) had no investments and operations since 24 September 2019. MPFA had approved the termination of the Terminated Funds to take effect on 8 January 2020.  
\* formerly known as China Life Retire-Easy Guarantee Fund

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3 Investment performance (Continued)

##### Performance record (Note 1)

Name of constituent fund	Highest issue price									
	2021 HK\$	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$
China Life Balanced Fund	31.92	29.82	26.23	26.55	24.91	21.32	22.69	21.33	20.27	18.14
China Life MPF Conservative Fund	11.00	11.00	10.93	10.80	10.76	10.76	10.76	10.75	10.75	10.75
China Life Growth Fund	35.78	32.70	28.50	29.24	27.04	22.13	24.21	22.25	21.03	18.13
China Life Guaranteed Return Fund Note 4	N/A	15.37	15.14	15.19	15.28	15.20	15.12	14.37	13.79	13.31
China Life Hong Kong Equity Fund	24.86	20.63	17.77	19.01	17.18	13.26	15.16	12.93	12.25	11.21
China Life Joyful Retirement Guaranteed Fund *	15.54	15.23	14.93	14.49	14.21	13.80	13.39	13.00	12.62	12.16
China Life Retire-Easy Capital Stable Fund Note 3	N/A	N/A	12.79	13.15	12.76	11.99	12.06	11.80	11.35	11.02
China Life Retire-Easy Balanced Fund Note 3	N/A	N/A	12.76	13.62	12.84	10.80	11.63	11.02	10.40	9.41
China Life Retire-Easy Global Equity Fund	15.35	13.81	12.64	13.34	12.39	9.78	10.99	10.22	9.53	8.18
China Life Core Accumulation Fund	14.63	13.28	11.83	11.32	10.87	N/A	N/A	N/A	N/A	N/A
China Life Age 65 Plus Fund	12.25	12.00	10.97	10.31	10.24	N/A	N/A	N/A	N/A	N/A
China Life Greater China Equity Fund	10.04	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China Life US Equity Fund	10.04	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Name of constituent fund	Lowest redemption price									
	2021 HK\$	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$
China Life Balanced Fund	29.16	20.98	22.26	22.16	20.32	18.17	19.21	19.37	17.83	15.74
China Life MPF Conservative Fund	11.00	10.93	10.80	10.76	10.76	10.76	10.75	10.75	10.75	10.75
China Life Growth Fund	32.12	21.23	23.36	23.28	21.10	18.21	19.67	19.80	17.97	15.24
China Life Guaranteed Return Fund Note 4	N/A	14.45	14.52	14.48	14.47	14.25	13.95	13.40	12.80	12.58
China Life Hong Kong Equity Fund	16.88	13.76	14.57	14.38	12.08	9.84	11.04	11.00	10.11	9.14
China Life Joyful Retirement Guaranteed Fund *	14.76	14.94	14.49	14.21	13.80	13.39	13.00	12.63	12.26	11.81
China Life Retire-Easy Capital Stable Fund Note 3	N/A	N/A	11.93	11.84	11.35	10.87	11.12	11.20	10.66	10.08
China Life Retire-Easy Balanced Fund Note 3	N/A	N/A	11.38	11.29	10.40	9.27	9.78	10.02	9.24	8.09
China Life Retire-Easy Global Equity Fund	13.41	8.81	10.61	10.53	9.49	8.01	8.72	9.00	8.07	6.67
China Life Core Accumulation Fund	13.23	9.60	10.11	9.93	9.99	N/A	N/A	N/A	N/A	N/A
China Life Age 65 Plus Fund	11.72	10.42	10.04	9.94	9.92	N/A	N/A	N/A	N/A	N/A
China Life Greater China Equity Fund	9.95	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China Life US Equity Fund	10.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3 Investment performance (Continued)

##### Performance record (Continued)

Name of constituent fund	Net annualised investment return (Note 2)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	%	%	%	%	%	%	%	%	%	%
China Life Balanced Fund	0.10	13.73	16.53	(9.82)	22.79	0.89	(2.23)	1.33	12.51	13.86
China Life MPF Conservative Fund	0.00	0.64	1.20	0.37	0.00	0.00	0.09	0.00	0.00	0.00
China Life Growth Fund	1.41	14.78	20.06	(12.37)	28.34	0.62	(2.01)	1.42	16.90	16.53
China Life Guaranteed Return Fund Note 4	N/A	1.30	3.57	(1.35)	0.20	0.00	3.87	3.57	3.08	(1.63)
China Life Hong Kong Equity Fund	(15.71)	18.16	16.17	(12.51)	42.22	1.43	(4.26)	3.58	7.14	12.32
China Life Joyful Retirement Guaranteed Fund *	(2.50)	2.01	3.04	1.97	2.97	3.06	3.00	3.01	2.94	3.81
China Life Retire-Easy Capital Stable Fund Note 3	N/A	N/A	9.41	(6.42)	12.60	0.71	(2.42)	2.03	2.91	9.13
China Life Retire-Easy Balanced Fund Note 3	N/A	N/A	11.57	(10.58)	23.65	1.86	(3.77)	1.73	11.31	15.11
China Life Retire-Easy Global Equity Fund	0.43	9.43	17.07	(13.06)	30.66	2.26	(4.53)	1.46	17.55	18.80
China Life Core Accumulation Fund	9.86	12.54	15.80	(6.17)	6.48	N/A	N/A	N/A	N/A	N/A
China Life Age 65 Plus Fund	0.67	9.69	8.96	(1.76)	1.66	N/A	N/A	N/A	N/A	N/A
China Life Greater China Equity Fund	0.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China Life US Equity Fund	0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note 1: Past performance is not necessarily a guide to future performance. Investors are reminded that the price of units and the income from them are not guaranteed and may go down as well as up. China Life Core Accumulation Fund and China Life Age 65 Plus Fund were launched on 1 April 2017. China Life Greater China Equity Fund and China Life US Equity Fund were launched on 13 December 2021.

Note 2: Net annualised investment return is determined by the following formula:

$$\frac{\text{Unit price at the end of the relevant period} - \text{Unit price at the beginning of the relevant period}}{\text{Unit price at the beginning of the relevant period}} \times \frac{\text{Total number of days for the relevant year}}{\text{Total number of days for the relevant period}}$$

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3 Investment performance (Continued)

##### Performance record (Continued)

The following table summarises the fund expense ratio (“FER”) and transaction costs of the constituent funds:

	FER 2021 %	Transaction costs 2021 HK\$
China Life Balanced Fund	1.39%	-
China Life MPF Conservative Fund	0.33%	-
China Life Growth Fund	1.39%	-
China Life Guaranteed Return Fund <sup>Note 4</sup>	-	-
China Life Hong Kong Equity Fund	0.85%	-
China Life Joyful Retirement Guaranteed Fund *	2.03%	-
China Life Retire-Easy Global Equity Fund	1.58%	-
China Life Core Accumulation Fund	0.82%	-
China Life Age 65 Plus Fund	0.81%	-
China Life Greater China Equity Fund	1.09%	-
China Life US Equity Fund	1.12%	-

Note 3: China Life Retire-Easy Capital Stable Fund and China Life Retire-Easy Balanced Fund (collectively, the “Terminated Funds”) had no investments and operations since 24 September 2019. MPFA had approved the termination of the Terminated Funds to take effect on 8 January 2020.

Note 4: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

# CHINA LIFE MPF MASTER TRUST SCHEME

## INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

### 4 Investment portfolio as at 31 December 2021

		2021			
	Holding units	Cost HK\$	Fair value HK\$	% of net asset value	
1)	China Life Balanced Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Balanced Fund Class A	1,701,428.82	338,117,952	473,252,427	100.27%
2)	China Life Growth Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Growth Fund Class A	2,622,731.21	530,352,037	796,077,605	100.23%
3)	China Life Guaranteed Return Fund <sup>Note 1</sup> <u>Approved pooled investment fund</u> China Life Guaranteed Return (PIF) Fund	-	-	-	-
4)	China Life Hong Kong Equity Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Hong Kong Equity Fund	1,309,313.08	441,489,104	420,629,920	99.39%
5)	China Life Joyful Retirement Guaranteed Fund * <u>Approved pooled investment fund</u> China Life Retire-Easy Guarantee (PIF) Fund	103,528,273.91	1,871,347,435	1,866,511,250	100.35%
6)	China Life Retire-Easy Global Equity Fund <u>Approved pooled investment fund</u> Invesco Global Equities Fund	5,324,158.18	147,729,423	192,302,205	100.28%
7)	China Life Core Accumulation Fund <u>Approved pooled investment fund</u> Invesco Core Accumulation Fund	10,829,064.66	141,883,384	163,853,495	99.54%

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 4 Investment portfolio as at 31 December 2021 (Continued)

		2021			
		Holding units	Cost HK\$	Fair value HK\$	% of net asset value
8)	China Life Age 65 Plus Fund <u>Approved pooled investment fund</u> Invesco Age 65 Plus Fund	9,420,459.35	112,015,172	119,054,823	99.55%
9)	China Life Greater China Equity Fund <u>Approved pooled investment fund</u> JPMorgan SAR Greater China Fund	7,616.52	1,877,511	1,887,144	91.04%
10)	China Life US Equity Fund <u>Approved pooled investment fund</u> Franklin MPF US Opportunities Fund	110,072.88	5,489,895	5,491,536	70.11%

The underlying approved pooled investment funds listed above were established in Hong Kong and have been approved by the MPFA.

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 5 Investment portfolio movement report for the year ended 31 December 2021

		Holdings		
		At 1 January 2021	Additions	Disposals
				At 31 December 2021
1)	China Life Balanced Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Balanced Fund Class A	1,699,969.65	166,473.31	(165,014.14)
2)	China Life Growth Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Growth Fund Class A	2,522,785.16	317,212.79	(217,266.74)
3)	China Life Guaranteed Return Fund <sup>Note 1</sup> <u>Approved pooled investment fund</u> China Life Guaranteed Return (PIF) Fund	-	-	-
4)	China Life Hong Kong Equity Fund <u>Approved pooled investment fund</u> Fidelity Global Investment Fund - Hong Kong Equity Fund	961,203.70	740,437.32	(392,327.94)
5)	China Life Joyful Retirement Guaranteed Fund * <u>Approved pooled investment fund</u> China Life Retire-Easy Guarantee (PIF) Fund	115,618,827.60	20,264,410.42	(32,354,964.11)
6)	China Life Retire-Easy Global Equity Fund <u>Approved pooled investment fund</u> Invesco Global Equities Fund	5,014,291.55	1,523,062.43	(1,213,195.80)
7)	China Life Core Accumulation Fund <u>Approved pooled investment fund</u> Invesco Core Accumulation Fund	6,943,172.86	6,036,760.22	(2,150,868.42)

## CHINA LIFE MPF MASTER TRUST SCHEME

### INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 5 Investment portfolio movement report for the year ended 31 December 2021 (Continued)

	At 1 January 2021	Holdings		At 31 December 2021
		Additions	Disposals	
8) China Life Age 65 Plus Fund <u>Approved pooled investment fund</u> Invesco Age 65 Plus Fund	7,982,397.77	4,632,011.64	(3,193,950.06)	9,420,459.35
9) China Life Greater China Equity Fund <u>Approved pooled investment fund</u> JPMorgan SAR Greater China Fund	-	7,632.73	(16.21)	7,616.52
10) China Life US Equity Fund <u>Approved pooled investment fund</u> Franklin MPF US Opportunities Fund	-	116,516.88	(6,444.00)	110,072.88

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund



# **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME (THE "SCHEME")**

## **Report on the Audit of the Financial Statements**

### **Opinion**

#### *What we have audited*

The financial statements of the Scheme and each of its constituent funds set out on pages 50 to 96, which comprise:

- the statement of net assets available for benefits of the Scheme and the statement of net assets of each of its constituent funds as at 31 December 2021;
- the statement of comprehensive income of each of the constituent funds for the year then ended;
- the statement of changes in net assets available for benefits of the Scheme and the statement of changes in net assets attributable to members of each of its constituent funds for the year then ended;
- the statement of cash flows of the Scheme and each of its constituent funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme and each of its constituent funds as at 31 December 2021, and of their financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 860.1 (Revised), "The Audit of Retirement Schemes" issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Scheme and each of its constituent funds in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME (THE "SCHEME") (CONTINUED)**

### **Other Information**

The Trustee is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Trustee for the Financial Statements**

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's and each of its constituent funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme and its constituent funds or to cease operations, or has no realistic alternative but to do so.

In addition, the Trustee is required to ensure that the financial statements of the Scheme and each of its constituent funds have been properly prepared in accordance with sections 80, 81, 83 and 84 of the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation").

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 102 of the General Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Scheme and each of its constituent funds have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF  
CHINA LIFE MPF MASTER TRUST SCHEME (THE "SCHEME") (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's and its constituent funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's and its constituent funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme and its constituent funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Matters under the General Regulation**

- a. In our opinion, the financial statements of the Scheme and each of its constituent funds have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.
- b. We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 June 2022

# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS - THE SCHEME AS AT 31 DECEMBER 2021

	Note	2021 HK\$	2020 HK\$
<b>Assets</b>			
Investments	9	4,340,607,443	4,306,945,725
Contributions receivable			
From employers		16,633,880	16,049,451
From members		14,082,137	11,256,182
Amounts receivable on sale of investments		558,305	1,500,438
Cash and cash equivalents		31,571,497	26,482,265
<b>Total assets</b>		<u>4,403,453,262</u>	<u>4,362,234,061</u>
<b>Liabilities</b>			
Accruals and other payables		12,988,079	10,307,573
Benefits payable		11,604,194	18,501,402
Accounts payable on funds switching		6,370,456	-
Forfeitures payable		39,103	39,103
<b>Total liabilities</b>		<u>31,001,832</u>	<u>28,848,078</u>
<b>Net assets available for benefits attributable to members</b>		<u>4,372,451,430</u>	<u>4,333,385,983</u>

On behalf of China Life Trustees Limited

  
.....  
Director

  
.....  
Director

# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - THE SCHEME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$	2020 HK\$
<b>Income</b>			
Net change in unrealised (loss)/gain on investments		(102,297,198)	279,921,669
Net realised gain on investments		5,161,523	372,970
Bank interest income		472	378
Other income		-	954
		<u>(97,135,203)</u>	<u>280,295,971</u>
<b>Expenses</b>			
Bank charges		-	300
<b>Net (loss)/income for the year</b>		<u>(97,135,203)</u>	<u>280,295,671</u>
<b>Contributions received and receivable</b>	6		
From employers			
- Mandatory		125,127,073	129,367,585
- Additional voluntary		75,056,525	74,552,729
From members			
- Mandatory		132,195,880	140,341,433
- Additional voluntary		3,270,265	8,671,139
- Additional voluntary (Smart Easy Personal Contributions)		154,063,892	117,082,560
- Additional voluntary (Tax Deductible Voluntary Contributions)		74,641,823	14,744,249
		<u>564,355,458</u>	<u>484,759,695</u>
<b>Transfers in</b>			
Group transfers in from other schemes		19,998,632	7,623,085
Individual transfers in from other schemes		260,953,495	172,126,004
		<u>280,952,127</u>	<u>179,749,089</u>

The notes on pages 67 to 96 are an integral part of these financial statements.

# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - THE SCHEME (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$	2020 HK\$
<b>Benefits paid and payable</b>	7		
Retirement/early retirement		103,539,915	73,058,400
Death		3,201,495	2,324,901
Permanent departure		24,677,510	14,190,617
Total incapacity		855,485	585,275
Terminal Illness		13,353	767,280
Refund of additional voluntary contributions		177,306,051	282,302,774
Long service payment refund		17,013,970	21,933,656
		<u>326,607,779</u>	<u>395,162,903</u>
<b>Transfers out</b>			
Group transfers out to other schemes		93,397,634	15,241,755
Individual transfers out to other schemes		272,639,702	203,246,328
		<u>366,037,336</u>	<u>218,488,083</u>
<b>Forfeitures</b>		<u>16,461,820</u>	<u>7,380,842</u>
<b>Change in net assets available for benefits attributable to members for the year</b>		39,065,447	323,772,627
<b>Net assets available for benefits attributable to members at the beginning of the year</b>			
- members' accounts		<u>4,333,385,983</u>	<u>4,009,613,356</u>
<b>Net assets available for benefits attributable to members at the end of the year</b>			
- members' accounts		<u>4,372,451,430</u>	<u>4,333,385,983</u>

The notes on pages 67 to 96 are an integral part of these financial statements.

# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF CASH FLOWS - THE SCHEME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK\$	2020 HK\$
<b>Cash flows from operating activities</b>		
Net (loss)/income	(97,135,203)	280,295,671
Adjustment for bank interest income	(472)	(378)
	<hr/>	<hr/>
Net increase in investments	(97,135,675)	280,295,293
Net decrease in amounts receivable on sale of investments and other receivables	(33,661,718)	(318,453,659)
Net increase in accruals and other payables	942,133	636,479
Net increase/(decrease) in accounts payable on funds switching	2,680,506	4,549,274
	<hr/>	<hr/>
Bank interest received	(120,804,298)	(34,542,966)
	472	378
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<hr/> (120,803,826) <hr/>	<hr/> (34,542,588) <hr/>
<b>Cash flows from financing activities</b>		
Contributions and transfers in received	841,897,201	661,592,769
Benefits and transfers out paid	(699,542,323)	(619,405,015)
Forfeitures paid	(16,461,820)	(7,380,842)
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<hr/> 125,893,058 <hr/>	<hr/> 34,806,912 <hr/>
<b>Net increase in cash and cash equivalents</b>	5,089,232	264,324
Cash and cash equivalents at the beginning of the year	26,482,265	26,217,941
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<hr/> 31,571,497 <hr/>	<hr/> 26,482,265 <hr/>
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and cash equivalents	<hr/> 31,571,497 <hr/>	<hr/> 26,482,265 <hr/>

The notes on pages 67 to 96 are an integral part of these financial statements.

# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF NET ASSETS - CONSTITUENT FUNDS AS AT 31 DECEMBER 2021

		<u>China Life Balanced Fund</u>		<u>China Life MPF Conservative Fund</u>		<u>China Life Growth Fund</u>	
	Note	2021	2020	2021	2020	2021	2020
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Assets</b>							
Investments	9	473,252,427	469,820,612	-	-	796,077,605	751,033,144
Amounts receivable on funds switching		149,990	323,308	1,834,968	1,850,688	683,428	1,729,980
Interest receivable		-	-	113,058	358,830	-	-
Amounts receivable on sale of investments		12,344	-	-	-	-	158,085
Fund transfer in receivable		6,465	-	-	-	30,611	-
Other receivables		-	-	-	-	-	-
Bank deposits with original maturity over three months		-	-	265,417,140	214,447,548	-	-
Cash and cash equivalents		507	507	39,266,417	31,671,050	512	512
<b>Total assets</b>		<u>473,421,733</u>	<u>470,144,427</u>	<u>306,631,583</u>	<u>248,328,116</u>	<u>796,792,156</u>	<u>752,921,721</u>
<b>Liabilities</b>							
Accruals and other payables		1,239,759	1,127,655	237,457	435,411	2,079,477	1,780,824
Amounts payable on funds switching		181,787	430,209	1,160,820	1,441,274	500,996	228,221
Amounts payable on purchase of investments		12,344	-	-	-	-	158,085
<b>Total liabilities</b>		<u>1,433,890</u>	<u>1,557,864</u>	<u>1,398,277</u>	<u>1,876,685</u>	<u>2,580,473</u>	<u>2,167,130</u>
<b>Net assets attributable to members</b>		<u>471,987,843</u>	<u>468,586,563</u>	<u>305,233,306</u>	<u>246,451,431</u>	<u>794,211,683</u>	<u>750,754,591</u>
<b>Units in issue</b>		<u>15,809,482.94</u>	<u>15,712,705.80</u>	<u>27,746,901.98</u>	<u>22,403,628.19</u>	<u>23,948,925.78</u>	<u>22,955,925.42</u>
<b>Net asset value per unit</b>		<u>29.85</u>	<u>29.82</u>	<u>11.00</u>	<u>11.00</u>	<u>33.16</u>	<u>32.70</u>

On behalf of China Life Trustees Limited

姜涛

Director

Director

The notes on pages 67 to 96 are an integral part of these financial statements.



# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF NET ASSETS - CONSTITUENT FUNDS (CONTINUED) AS AT 31 DECEMBER 2021

	Note	China Life Guaranteed Return Fund <sup>Note 1</sup>		China Life Hong Kong Equity Fund		China Life Joyful Retirement Guaranteed Fund *	
		2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
<b>Assets</b>							
Investments	9	-	-	420,629,920	365,142,060	1,866,511,250	2,112,078,495
Amounts receivable on funds switching		-	-	3,930,180	2,833,075	682,788	2,075,986
Interest receivable		-	-	-	-	-	-
Amounts receivable on sale of investments		-	-	22,477	274,436	-	-
Fund transfer in receivable		-	-	451,325	-	-	-
Other receivables		-	-	-	-	-	-
Bank deposits with original maturity over three months		-	-	-	-	-	-
Cash and cash equivalents		-	-	203	203	266	266
<b>Total assets</b>		-	-	425,034,105	368,249,774	1,867,194,304	2,114,154,747
<b>Liabilities</b>							
Accruals and other payables		-	-	515,306	395,244	6,034,599	4,251,088
Amounts payable on funds switching		-	-	1,284,251	1,383,124	1,079,353	9,459,089
Amounts payable on purchase of investments		-	-	22,477	274,436	-	-
<b>Total liabilities</b>		-	-	1,822,034	2,052,804	7,113,952	13,710,177
<b>Net assets attributable to members</b>		-	-	423,212,071	366,196,970	1,860,080,352	2,100,444,570
<b>Units in issue</b>		-	-	24,334,621.26	17,754,929.90	125,265,574.09	137,910,758.21
<b>Net asset value per unit</b>		-	-	17.39	20.63	14.85	15.23

On behalf of China Life Trustees Limited

姜涛

Director

Shumafu

Director

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

The notes on pages 67 to 96 are an integral part of these financial statements.

# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF NET ASSETS - CONSTITUENT FUNDS (CONTINUED) AS AT 31 DECEMBER 2021

	Note	China Life Retire-Easy Global Equity Fund		China Life Core Accumulation Fund		China Life Age 65 Plus Fund	
		2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
<b>Assets</b>							
Investments	9	192,302,205	177,472,325	163,853,495	94,894,426	119,054,823	99,570,035
Amounts receivable on funds switching		214,786	1,450,345	1,299,954	1,348,128	747,195	1,214,897
Interest receivable		-	-	-	-	-	-
Amounts receivable on sale of investments		164,097	-	107,089	-	252,297	-
Fund transfer in receivable		73,712	396,651	723,782	3,195	208,178	-
Other receivables		-	-	496	1,496	496	1,496
Bank deposits with original maturity over three months		-	-	-	-	-	-
Cash and cash equivalents		93	93	-	-	-	-
<b>Total assets</b>		<b>192,754,893</b>	<b>179,319,414</b>	<b>165,984,816</b>	<b>96,247,245</b>	<b>120,262,989</b>	<b>100,786,428</b>
<b>Liabilities</b>							
Accruals and other payables		699,300	596,681	260,002	143,049	200,874	149,413
Amounts payable on funds switching		127,510	925,583	1,003,181	5,089	211,591	21,672
Amounts payable on purchase of investments		164,097	-	107,089	-	252,297	-
<b>Total liabilities</b>		<b>990,907</b>	<b>1,522,264</b>	<b>1,370,272</b>	<b>148,138</b>	<b>664,762</b>	<b>171,085</b>
<b>Net assets attributable to members</b>		<b>191,763,986</b>	<b>177,797,150</b>	<b>164,614,544</b>	<b>96,099,107</b>	<b>119,598,227</b>	<b>100,615,343</b>
<b>Units in issue</b>		<b>13,823,282.92</b>	<b>12,876,960.03</b>	<b>11,280,959.91</b>	<b>7,238,069.51</b>	<b>9,903,244.03</b>	<b>8,385,931.02</b>
<b>Net asset value per unit</b>		<b>13.87</b>	<b>13.81</b>	<b>14.59</b>	<b>13.28</b>	<b>12.08</b>	<b>12.00</b>

On behalf of China Life Trustees Limited

姜涛

Director

  
Director

The notes on pages 67 to 96 are an integral part of these financial statements.

# CHINA LIFE MPF MASTER TRUST SCHEME

## STATEMENT OF NET ASSETS - CONSTITUENT FUNDS (CONTINUED) AS AT 31 DECEMBER 2021

	Note	China Life Greater China Equity Fund 2021 HK\$	China Life US Equity Fund 2021 HK\$	Total 2021 HK\$	2020 HK\$
<b>Assets</b>					
Investments	9	1,887,144	5,491,536	4,039,060,405	4,070,011,097
Amounts receivable on funds switching		198,269	2,361,334	12,102,892	12,826,407
Interest receivable		-	-	113,058	358,830
Amounts receivable on sale of investments		-	-	558,304	432,521
Fund transfer in receivable		-	150,785	1,644,858	399,846
Other receivables		299	999	2,290	2,992
Bank deposits with original maturity over three months		-	-	265,417,140	214,447,548
Cash and cash equivalents		-	-	39,267,998	31,672,631
<b>Total assets</b>		<b>2,085,712</b>	<b>8,004,654</b>	<b>4,358,166,945</b>	<b>4,330,151,872</b>
<b>Liabilities</b>					
Accruals and other payables		487	1,564	11,268,825	8,879,365
Amounts payable on funds switching		12,239	170,645	5,732,373	13,894,261
Amounts payable on purchase of investments		-	-	558,304	432,521
<b>Total liabilities</b>		<b>12,726</b>	<b>172,209</b>	<b>17,559,502</b>	<b>23,206,147</b>
<b>Net assets attributable to members</b>		<b>2,072,986</b>	<b>7,832,445</b>	<b>4,340,607,443</b>	<b>4,306,945,725</b>
<b>Units in issue</b>		<b>206,403.77</b>	<b>782,551.40</b>		
<b>Net asset value per unit</b>		<b>10.04</b>	<b>10.01</b>		

On behalf of China Life Trustees Limited

姜涛

Director

  
Director

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF COMPREHENSIVE INCOME - CONSTITUENT FUNDS FOR THE YEAR ENDED 31 DECEMBER 2021

		<u>China Life MPF</u>		<u>China Life Growth Fund</u>		<u>China Life Guaranteed</u>		<u>China Life Hong Kong</u>	
		<u>Balanced Fund</u>		<u>Conservative Fund</u>		<u>Return Fund</u>		<u>Equity Fund</u>	
	Note	2021	2020	2021	2020	2021	2020	2021	2020
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Income</b>									
Bank interest income		-	-	944,863	3,335,367	-	-	-	-
Guaranteed return	8(a)	-	-	-	-	-	15,987,477	-	-
Net realised gains on sale of investments		14,984,978	6,772,967	-	-	24,960,851	18,141,397	22,005,863	10,935,624
Net change in unrealised (losses)/gains on investments		(11,965,460)	51,558,398	-	-	(11,343,577)	81,360,998	(92,960,629)	48,228,123
Other income		2,112,358	1,643,799	-	-	3,486,858	2,575,667	1,862,004	1,233,010
		5,131,876	59,975,164	944,863	3,335,367	17,104,132	102,078,062	(69,092,762)	60,396,757
<b>Expenses</b>									
Auditor's remuneration		83,924	67,147	46,574	38,143	142,406	106,410	76,902	52,198
Administration fee	4(a)	2,397,381	1,994,542	300,569	642,092	3,976,405	3,132,338	825,578	586,484
Custodian fee		479,476	398,908	100,190	214,031	795,281	626,468	412,789	293,242
MPF indemnity insurance		17,280	11,270	10,249	6,378	28,003	17,903	13,834	7,352
Trustee fee	4(a)	1,678,167	1,396,179	350,663	749,108	2,783,484	2,192,637	412,789	293,242
Investment management fee	4(b)	-	-	100,190	214,031	-	-	-	-
Other expenses		29,706	43,322	33,592	39,527	45,540	64,162	27,171	34,778
		4,685,934	3,911,368	942,027	1,903,310	7,771,119	6,139,918	1,769,063	1,267,296
<b>Total comprehensive income/(loss) for the year</b>		<b>445,942</b>	<b>56,063,796</b>	<b>2,836</b>	<b>1,432,057</b>	<b>9,333,013</b>	<b>95,938,144</b>	<b>(70,861,825)</b>	<b>59,129,461</b>

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF COMPREHENSIVE INCOME - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

		<u>China Life Joyful Retirement</u> <u>Guaranteed Fund *</u>		<u>China Life Retire-Easy</u> <u>Global Equity Fund</u>		<u>China Life Core Accumulation</u> <u>Fund</u>		<u>China Life Age 65 Plus Fund</u>	
	Note	2021	2020	2021	2020	2021	2020	2021	2020
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Income</b>									
Bank interest income		-	-	-	-	-	-	-	-
Guaranteed return	8(b)	5,161,523	10,183,980	-	-	-	-	-	-
Net realised(losses)/gains on sale of investments		(1,019,415)	12,957,313	13,541,437	6,563,384	4,402,235	833,834	2,682,994	930,288
Net change in unrealised (losses)/gains on investments		(29,285,978)	3,069,548	(10,303,400)	11,388,481	8,124,373	9,734,651	(1,228,925)	7,111,418
Other income		-	-	-	-	-	-	-	-
		<u>(25,143,870)</u>	<u>26,210,841</u>	<u>3,238,037</u>	<u>17,951,865</u>	<u>12,526,608</u>	<u>10,568,485</u>	<u>1,454,069</u>	<u>8,041,706</u>
<b>Expenses</b>									
Auditor's remuneration		253,004	97,395	34,197	25,172	25,902	14,547	20,559	13,669
Administration fee	4(a)	10,777,896	4,551,257	912,261	709,027	367,325	199,387	312,471	228,481
Custodian fee		1,959,618	1,077,111	285,082	221,571	131,188	71,210	111,597	81,601
MPF indemnity insurance		80,014	23,146	6,670	4,321	4,403	1,597	3,831	2,182
Trustee fee	4(a)	6,858,661	2,702,114	665,191	516,999	275,397	149,493	234,186	171,266
Investment management fee	4(b)	3,919,235	2,764,379	760,218	590,856	-	-	-	-
Other expenses		100,095	63,951	15,379	19,509	15,101	14,340	13,218	14,692
		<u>23,948,523</u>	<u>11,279,353</u>	<u>2,678,998</u>	<u>2,087,455</u>	<u>819,316</u>	<u>450,574</u>	<u>695,862</u>	<u>511,891</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><u>(49,092,393)</u></u>	<u><u>14,931,488</u></u>	<u><u>559,039</u></u>	<u><u>15,864,410</u></u>	<u><u>11,707,292</u></u>	<u><u>10,117,911</u></u>	<u><u>758,207</u></u>	<u><u>7,529,815</u></u>

\* formerly known as China Life Retire-Easy Guarantee Fund

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF COMPREHENSIVE INCOME - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	<u>China Life Greater China Equity Fund</u>	<u>China Life US Equity Fund</u>	<u>Total</u>	
		2021	2021	2021	2020
		HK\$	HK\$	HK\$	HK\$
<b>Income</b>					
Bank interest income		-	-	944,863	3,335,367
Guaranteed return		-	-	5,161,523	26,171,457
Net realised gains on sale of investments		24	1,668	81,560,635	187,736,322
Net change in unrealised gains/(losses) on investments		9,633	1,641	(148,952,322)	105,768,949
Other income		299	999	7,462,518	5,452,476
		<hr/>	<hr/>	<hr/>	<hr/>
		9,956	4,308	(53,822,783)	328,464,571
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenses</b>					
Auditor's remuneration		15	49	683,532	643,898
Administration fee	4(a)	306	982	19,871,174	25,024,931
Custodian fee		77	245	4,275,543	4,426,511
MPF indemnity insurance		12	42	164,338	116,660
Trustee fee	4(a)	77	245	13,258,860	13,940,515
Investment management fee	4(b)	-	-	4,779,643	3,569,266
Other expenses		-	-	279,802	448,151
		<hr/>	<hr/>	<hr/>	<hr/>
		487	1,563	43,312,892	48,169,932
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year</b>		<hr/> <hr/> 9,469	<hr/> <hr/> 2,745	<hr/> <hr/> (97,135,675)	<hr/> <hr/> 280,294,639

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS - CONSTITUENT FUNDS FOR THE YEAR ENDED 31 DECEMBER 2021

	China Life Balanced Fund		China Life MPF Conservative Fund		China Life Growth Fund		China Life Guaranteed Return Fund <sup>Note 1</sup>		China Life Hong Kong Equity Fund	
	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
<b>Balance at the beginning of the year</b>	468,586,563	390,699,740	246,451,431	215,739,882	750,754,591	629,687,179	-	1,558,334,108	366,196,970	260,701,405
Units issued	76,649,608	74,587,610	386,502,175	152,984,644	158,989,590	136,383,747	-	312,126,630	386,103,074	277,794,441
Units redeemed	(73,694,270)	(52,764,583)	(327,723,136)	(123,705,152)	(124,865,511)	(111,254,479)	-	(1,889,748,295)	(258,226,148)	(231,428,337)
	2,955,338	21,823,027	58,779,039	29,279,492	34,124,079	25,129,268	-	(1,577,621,665)	127,876,926	46,366,104
<b>Total comprehensive income/(loss) for the year</b>	445,942	56,063,796	2,836	1,432,057	9,333,013	95,938,144	-	19,287,557	(70,861,825)	59,129,461
<b>Balance at the end of the year</b>	471,987,843	468,586,563	305,233,306	246,451,431	794,211,683	750,754,591	-	-	423,212,071	366,196,970
<b>Units outstanding at the beginning of the year</b>	15,712,705.80	14,899,517.84	22,403,628.19	19,739,018.71	22,955,925.42	22,105,683.09	-	103,170,332.54	17,754,929.90	14,928,335.63
Units issued	2,499,130.26	2,846,667.58	35,134,759.48	13,927,574.75	4,663,312.99	4,927,061.68	-	20,721,094.66	19,106,436.25	16,255,588.00
Units redeemed	(2,402,353.12)	(2,033,479.62)	(29,791,485.69)	(11,262,965.27)	(3,670,312.63)	(4,076,819.35)	-	(123,891,427.20)	(12,526,744.89)	(13,428,993.73)
<b>Units outstanding at the end of the year</b>	15,809,482.94	15,712,705.80	27,746,901.98	22,403,628.19	23,948,925.78	22,955,925.42	-	-	24,334,621.26	17,754,929.90

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>China Life Joyful Retirement</u>		<u>China Life Retire-Easy</u>		<u>China Life Core Accumulation</u>		<u>China Life Age 65 Plus Fund</u>	
	<u>Guaranteed Fund *</u>		<u>Global Equity Fund</u>		<u>Fund</u>			
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Balance at the beginning of the year</b>	2,100,444,570	655,389,161	177,797,150	151,273,295	96,099,107	54,089,141	100,615,343	72,578,155
	-----	-----	-----	-----	-----	-----	-----	-----
Units issued	371,501,981	1,996,186,949	76,614,291	53,720,589	105,986,987	51,086,475	72,062,543	50,108,543
Units redeemed	(562,773,806)	(566,063,028)	(63,206,494)	(43,061,144)	(49,178,842)	(19,194,420)	(53,837,866)	(29,601,170)
	-----	-----	-----	-----	-----	-----	-----	-----
	(191,271,825)	1,430,123,921	13,407,797	10,659,445	56,808,145	31,892,055	18,224,677	20,507,373
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Total comprehensive (loss)/income for the year</b>	(49,092,393)	14,931,488	559,039	15,864,410	11,707,292	10,117,911	758,207	7,529,815
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Balance at the end of the year</b>	1,860,080,352	2,100,444,570	191,763,986	177,797,150	164,614,544	96,099,107	119,598,227	100,615,343
	=====	=====	=====	=====	=====	=====	=====	=====
<b>Units outstanding at the beginning of the year</b>	137,910,758.21	43,882,866.96	12,876,960.03	11,990,826.38	7,238,069.51	4,585,521.26	8,385,931.02	6,635,811.88
Units issued	24,645,295.66	131,461,555.13	5,316,725.86	4,547,524.93	7,539,862.13	4,274,287.49	5,992,102.22	4,360,012.48
Units redeemed	(37,290,479.78)	(37,433,663.88)	(4,370,402.97)	(3,661,391.28)	(3,496,971.73)	(1,621,739.24)	(4,474,789.21)	(2,609,893.34)
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Units outstanding at the end of the year</b>	125,265,574.09	137,910,758.21	13,823,282.92	12,876,960.03	11,280,959.91	7,238,069.51	9,903,244.03	8,385,931.02
	=====	=====	=====	=====	=====	=====	=====	=====

\* formerly known as China Life Retire-Easy Guarantee Fund

The notes on pages 67 to 96 are an integral part of these financial statements.



## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>China Life Greater China Equity Fund</u>	<u>China Life US Equity Fund</u>	<u>Total</u>	
	2021	2021	2021	2020
	HK\$	HK\$	HK\$	HK\$
<b>Balance at the beginning of the year</b>	-	-	4,306,945,725	3,988,492,066
	-----	-----	-----	-----
Units issued	2,079,750	8,648,823	1,645,138,822	3,104,979,628
Units redeemed	(16,233)	(819,123)	(1,514,341,429)	(3,066,820,608)
	-----	-----	-----	-----
	2,063,517	7,829,700	130,797,393	38,159,020
	-----	-----	-----	-----
<b>Total comprehensive income/(loss) for the year</b>	9,469	2,745	(97,135,675)	280,294,639
	-----	-----	-----	-----
<b>Balance at the end of the year</b>	2,072,986	7,832,445	4,340,607,443	4,306,945,725
	=====	=====	=====	=====
<b>Units outstanding at the beginning of the year</b>	-	-		
Units issued	208,029.62	864,432.69		
Units redeemed	(1,625.85)	(81,881.29)		
	-----	-----		
<b>Units outstanding at the end of the year</b>	206,403.77	782,551.40		
	=====	=====		

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF CASH FLOWS - CONSTITUENT FUNDS FOR THE YEAR ENDED 31 DECEMBER 2021

	China Life Balanced Fund		China Life MPF Conservative Fund		China Life Growth Fund		China Life Guaranteed Return Fund Note 1		China Life Hong Kong Equity Fund	
	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
<b>Cash flows from operating activities</b>										
Total comprehensive income/(loss) for the year	445,942	56,063,796	2,836	1,432,057	9,333,013	95,938,144	-	19,287,557	(70,861,825)	59,129,461
Adjustment for:										
Bank interest income	-	-	(944,863)	(3,335,367)	-	-	-	-	-	-
Net (increase)/decrease in investments	(3,431,815)	(77,692,099)	-	-	(45,044,461)	(120,330,529)	-	1,568,868,117	(55,487,860)	(104,579,411)
Net decrease in interest receivable	-	-	245,772	772,587	-	-	-	-	-	-
Net increase in bank deposits with original maturity over three months	-	-	(50,969,592)	(26,093,505)	-	-	-	-	-	-
Net (increase)/decrease in amounts receivable on sale of investments	(12,344)	222,294	-	-	158,085	557,750	-	-	251,959	(24,641)
Net decrease in other receivables	-	-	-	-	-	-	-	-	-	-
Net increase/(decrease) in accruals and other payables	112,104	146,788	(197,954)	(63,338)	298,653	216,833	-	(5,809,657)	120,062	96,945
Net increase/(decrease) in amounts payable on purchase of investments	12,344	(222,294)	-	-	(158,085)	(557,750)	-	-	(251,959)	24,641
Cash (used in)/generated from operations	(2,873,769)	(21,481,515)	(51,863,801)	(27,287,566)	(35,412,795)	(24,175,552)	-	1,582,346,017	(126,229,623)	(45,353,005)
Bank interest income received	-	-	944,863	3,335,367	-	-	-	-	-	-
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,873,769)</b>	<b>(21,481,515)</b>	<b>(50,918,938)</b>	<b>(23,952,199)</b>	<b>(35,412,795)</b>	<b>(24,175,552)</b>	<b>-</b>	<b>1,582,346,017</b>	<b>(126,229,623)</b>	<b>(45,353,005)</b>
<b>Cash flows from financing activities</b>										
Receipts on subscription*	76,816,461	74,400,112	386,517,895	151,975,091	160,005,531	135,429,576	-	314,147,221	384,554,644	277,230,926
Payments on redemption*	(73,942,692)	(52,918,597)	(328,003,590)	(122,338,370)	(124,592,736)	(111,254,024)	-	(1,896,493,755)	(258,325,021)	(231,877,921)
<b>Net cash generated from/(used in) financing activities</b>	<b>2,873,769</b>	<b>21,481,515</b>	<b>58,514,305</b>	<b>29,636,721</b>	<b>35,412,795</b>	<b>24,175,552</b>	<b>-</b>	<b>(1,582,346,534)</b>	<b>126,229,623</b>	<b>45,353,005</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>7,595,367</b>	<b>5,684,522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(517)</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year	507	507	31,671,050	25,986,528	512	512	-	517	203	203
<b>Cash and cash equivalents at the end of the year</b>	<b>507</b>	<b>507</b>	<b>39,266,417</b>	<b>31,671,050</b>	<b>512</b>	<b>512</b>	<b>-</b>	<b>-</b>	<b>203</b>	<b>203</b>
<b>Analysis of balances of cash and cash equivalents</b>										
Cash and cash equivalents	507	507	39,266,417	31,671,050	512	512	-	-	203	203

\*Include increase/decrease in amounts receivable/payable on funds switching and sale/purchase of investments.

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF CASH FLOWS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>China Life Joyful Retirement Guaranteed Fund *</u>		<u>China Life Retire-Easy Global Equity Fund</u>		<u>China Life Core Accumulation Fund</u>		<u>China Life Age 65 Plus Fund</u>	
	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
<b>Cash flows from operating activities</b>								
Total comprehensive (loss)/income for the year	(49,092,393)	14,931,488	559,039	15,864,410	11,707,292	10,117,911	758,207	7,529,815
Adjustment for:								
Bank interest income	-	-	-	-	-	-	-	-
Net decrease/(increase) in investments	245,567,245	(1,460,491,488)	(14,829,880)	(25,945,050)	(68,959,069)	(40,947,002)	(19,484,788)	(26,964,976)
Net decrease in interest receivable	-	-	-	-	-	-	-	-
Net increase in bank deposits with original maturity over three months	-	-	-	-	-	-	-	-
Net (increase)/decrease in amounts receivable on sale of investments	-	-	(164,097)	491,353	(107,089)	354,103	(252,297)	103,537
Net decrease in other receivables	-	-	-	-	1,000	1,003	1,000	1,003
Net increase in accruals and other payables	1,783,511	1,501,190	102,619	62,948	116,953	59,444	51,461	27,873
Net increase/(decrease) in amounts payable on purchase of investments	-	-	164,097	(491,353)	107,089	(354,103)	252,297	(103,537)
Cash generated from/(used in) operations	198,258,363	(1,444,058,810)	(14,168,222)	(10,017,692)	(57,133,824)	(30,768,644)	(18,674,120)	(19,406,285)
Bank interest income received	-	-	-	-	-	-	-	-
<b>Net cash generated from/(used in) operating activities</b>	198,258,363	(1,444,058,810)	(14,168,222)	(10,017,692)	(57,133,824)	(30,768,644)	(18,674,120)	(19,406,285)
<b>Cash flows from financing activities</b>								
Receipts on subscription*	372,895,179	2,002,586,302	78,172,789	52,804,395	105,314,574	50,244,775	72,322,067	49,032,800
Payments on redemption*	(571,153,542)	(558,527,492)	(64,004,567)	(42,786,703)	(48,180,750)	(19,476,131)	(53,647,947)	(29,626,515)
<b>Net cash (used in)/generated from financing activities</b>	(198,258,363)	1,444,058,810	14,168,222	10,017,692	57,133,824	30,768,644	18,674,120	19,406,285
<b>Net increase in cash and cash equivalents</b>	-	-	-	-	-	-	-	-
Cash and cash equivalents at the beginning of the year	266	266	93	93	-	-	-	-
<b>Cash and cash equivalents at the end of the year</b>	266	266	93	93	-	-	-	-
<b>Analysis of balances of cash and cash equivalents</b>								
Cash and cash equivalents	266	266	93	93	-	-	-	-

\*Include increase/decrease in amounts receivable/payable on funds switching and sale/purchase of investments.

\* formerly known as China Life Retire-Easy Guarantee Fund

The notes on pages 67 to 96 are an integral part of these financial statements.

## CHINA LIFE MPF MASTER TRUST SCHEME

### STATEMENT OF CASH FLOWS - CONSTITUENT FUNDS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>China Life Greater China Equity Fund</u>	<u>China Life US Equity Fund</u>	<u>Total</u>	
	2021	2021	2021	2020
	HK\$	HK\$	HK\$	HK\$
<b>Cash flows from operating activities</b>				
Total comprehensive income/(loss) for the year	9,469	2,745	(97,135,675)	280,294,639
Adjustment for:				
Bank interest income	-	-	(944,863)	(3,335,367)
Net (increase)/decrease in investments	(1,887,144)	(5,491,536)	30,950,692	(288,082,438)
Net decrease in interest receivable	-	-	245,772	772,587
Net increase in bank deposits with original maturity over three months	-	-	(50,969,592)	(26,093,505)
Net (increase)/decrease in amounts receivable on sale of investments	-	-	(125,783)	1,704,396
Net (increase)/decrease in other receivables	(299)	(999)	702	2,006
Net increase/(decrease) in accruals and other payables	487	1,564	2,389,460	(3,760,974)
Net increase/(decrease) in amounts payable on purchase of investments	-	-	125,783	(1,704,396)
Cash (used in) operations	(1,877,487)	(5,488,226)	(115,463,504)	(40,203,052)
Bank interest income received	-	-	944,863	3,335,367
<b>Net cash (used in) operating activities</b>	<u>(1,877,487)</u>	<u>(5,488,226)</u>	<u>(114,518,641)</u>	<u>(36,867,685)</u>
<b>Cash flows from financing activities</b>				
Receipts on subscription*	1,881,481	6,136,704	1,644,617,325	3,107,851,198
Payments on redemption*	(3,994)	(648,478)	(1,522,503,317)	(3,065,299,508)
<b>Net cash generated from financing activities</b>	<u>1,877,487</u>	<u>5,488,226</u>	<u>122,114,008</u>	<u>42,551,690</u>
<b>Net increase in cash and cash equivalents</b>	-	-	7,595,367	5,684,005
Cash and cash equivalents at the beginning of the year	-	-	31,672,631	25,988,626
<b>Cash and cash equivalents at the end of the year</b>	<u>-</u>	<u>-</u>	<u>39,267,998</u>	<u>31,672,631</u>
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>39,267,998</u>	<u>31,672,631</u>

\*Include increase/decrease in amounts receivable/payable on funds switching and sale/purchase of investments.

The notes on pages 67 to 96 are an integral part of these financial statements.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 The Scheme**

China Life MPF Master Trust Scheme (the “Scheme”) is established and governed by its Trust Deed dated 26 January 2000, as amended. The Scheme is registered under section 21 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “MPF Ordinance”) and is required to comply with the MPF Ordinance and the relevant regulations, guidelines and codes issued by the Mandatory Provident Fund Schemes Authority (the “MPFA”) and the Securities and Futures Commission of Hong Kong (the “SFC”).

The Scheme comprises ten constituent funds as at 31 December 2021 (2020: Eight). Each of the constituent funds is approved by the MPFA and authorised by the SFC, and has its own investment policy and predetermined fees and charges. Contributions and benefits are dealt with at the scheme level whereas investments in approved pooled investment funds are dealt with at the constituent funds level. The constituent funds are as follows:

China Life Balanced Fund  
China Life MPF Conservative Fund  
China Life Growth Fund  
China Life Hong Kong Equity Fund  
China Life Joyful Retirement Guaranteed Fund (formerly known as China Life Retire-Easy Guarantee Fund)  
China Life Retire-Easy Global Equity Fund  
China Life Core Accumulation Fund  
China Life Age 65 Plus Fund  
China Life Greater China Equity Fund  
China Life US Equity Fund

China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

China Life Retire-Easy Guarantee Fund changed its name to China Life Joyful Retirement Guaranteed Fund with effect from 4 December 2020.

China Life Greater China Equity Fund and China Life US Equity Fund were launched on 13 December 2021.

The financial information of the Scheme comprises (i) the statement of net assets available for benefits as at 31 December 2021, and the statement of changes in net assets available for benefits and statement of cash flows for the year ended 31 December 2021 of the Scheme on a standalone basis; and (ii) the statement of net assets as at 31 December 2021, and the statement of comprehensive income, statement of changes in net assets attributable to members and statement of cash flows for the year ended 31 December 2021 for each of the Scheme’s constituent funds.

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of financial statements of the Scheme and its constituent funds are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **(a) Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) held at fair value through profit or loss.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 Summary of significant accounting policies (Continued)

##### (a) Basis of preparation (Continued)

MPFA had approved the termination of the China Life Guaranteed Return Fund (the “Terminated Fund”) on 8 March 2021, where the Terminated Fund had no operations and investments since 1 December 2020. As a result, the financial statements of the Terminated Fund for the year ended have not been prepared on a going concern basis. The Trustee has assessed that the values of all assets and liabilities at the reporting date approximate their net realizable value, and therefore no changes of accounting policies or adjustments have been made in the financial statements in order to reflect the fact that the Terminated Fund will be able to realise its assets or to extinguish its liabilities in the normal course of business.

The preparation of financial statements in conformity with HKFRSs requires the Trustee to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

All references to net assets throughout the financial statements refer to net assets attributable to members unless otherwise stated. All the Scheme and its constituent funds’ assets and liabilities are held for the purpose of being traded or are expected to be realised within one year.

##### Standards and amendments to existing standards effective from 1 January 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Scheme and its constituent funds.

##### New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Scheme and its constituent funds.

##### (b) Investments

###### Classification

The Scheme and its constituent funds classify their investments based on both the Scheme’s and its constituent funds’ business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets are managed and performance are evaluated on a fair value basis. The Scheme and its constituent funds are primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Scheme and its constituent funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Scheme and its constituent funds’ business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### **2 Summary of significant accounting policies (Continued)**

##### **(b) Investments (Continued)**

###### Recognition, derecognition and measurement

Regular purchases and sales of investments are accounted for on the trade date basis - the date on which the Scheme and its constituent funds commit to purchase or sell the investments. Financial assets at fair value through profit or loss are initially recognised at fair value, excluding transaction costs. Transaction costs are expensed as incurred in the statement of changes in net assets available for benefits for the Scheme and statement of comprehensive income for the constituent funds.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Scheme and its constituent funds have transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the “investments” category are presented in the statement of changes in net assets available for benefits within “net change in unrealised gain on investments” and “net realised gain on investments” for the Scheme and in the statement of comprehensive income within “net change in unrealised gains/(losses) on investments” and “net realized gains on sale of investments” for the constituent funds in the year in which they arise.

###### Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market and participants at the measurement date.

Investments in unitised constituent funds are valued at their respective closing net asset value per unit. Investments in approved pooled investment funds are valued at their respective closing bid prices.

###### Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting year.

##### **(c) Income and expenses**

Guaranteed return is recognised when declared by China Life Insurance (Overseas) Company Limited (incorporated in the People's Republic of China with limited liability), the Guarantor. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accruals basis.

Expenses are accounted for on an accruals basis.

##### **(d) Translation of foreign currencies**

###### **(i) Functional and presentation currency**

Items included in the financial statements of the Scheme and its constituent funds are measured using the currency of the primary economic environment in which they operate (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of the Scheme and its constituent funds.

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **(d) Translation of foreign currencies (Continued)**

###### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of changes in net assets available for benefits for the Scheme and the statement of comprehensive income for the constituent funds.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of changes in net assets available for benefits within “net change in unrealised gain on investments” and “net realised gain on investments” for the Scheme and statement of comprehensive income within “net change in unrealised gains/(losses) on investments” and “net realised gains on sale of investments” for the constituent funds.

##### **(e) Proceeds and payments on issue and redemption of units**

The net asset value of the constituent funds is computed on each business day. Prices for issues and redemptions on each business day are based on the closing valuation of that business day.

Proceeds and payments for units subscribed and redeemed are included in the statement of changes in net assets attributable to members of the respective constituent funds.

##### **(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and deposits held at banks with a maturity of three months or less from the date of placement, net of bank overdrafts, if any.

##### **(g) Amounts receivable on sale of investments/payable on purchase of investments**

Amounts receivable on sale of investments/payable on purchase of investments represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled by the end of the year respectively.

##### **(h) Accounts receivables**

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme and its constituent funds shall measure the loss allowance on amounts receivable on sale of investments at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme and its constituent funds shall measure the loss allowance at an amount equal to 12-month expected credit losses.

Significant financial difficulties of the counterparties, probability that the counterparties will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.



## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### **2 Summary of significant accounting policies (Continued)**

##### **(i) Accounts payable and accruals**

Accounts payable and accruals are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

##### **(j) Contributions**

Contributions are accounted for on an accruals basis.

##### **(k) Benefits**

Benefits are accounted for on an accruals basis.

##### **(l) Transfers in/out**

Transfer-in amounts are recognised when the right to receive payment is established. Transfer-out amounts are accounted for when the obligation to make payment is established.

##### **(m) Forfeitures**

If a member ceases to be a member, the part of the employer's voluntary balance not otherwise disposed of in accordance with the rules of the Scheme may be applied in reducing the contributions of the employer or in such other manner as the Trustee may determine, having consulted the employers (including payment to the employers). Forfeitures arising from such cases which have not been designated for the benefit of existing members and which have not been returned to the employers would be treated as liabilities of the Scheme.

##### **(n) Structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- (a) restricted activities,
- (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors,
- (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support, and
- (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Scheme and its constituent funds consider all of their investments in constituent funds and APIFs respectively (the "Investee Funds") to be investments in unconsolidated structured entities. Refer to Note 3(a) for investment strategies of the Investee Funds. The Investee Funds finance their operations by issuing units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. The Scheme and its constituent funds hold units in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the statement of changes in net assets available for benefits for the Scheme and statement of comprehensive income for the constituent funds.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management

The Scheme and its constituent funds are exposed to various risks which are discussed below.

##### (a) Strategy in using financial instruments

###### China Life Balanced Fund

The investment strategy is an attempt to limit risk through prudent diversification in various asset classes as stated below:

- a) Cash (5%)
- b) Bonds (25%)
- c) Equities (70%)

###### China Life MPF Conservative Fund

The investment strategy is an attempt to limit risk through prudent diversification in various short-term notes or commercial papers as stated below:

- a) Bank deposits and commercial papers (0% to 100%)
- b) Short-term notes (maximum 2 years) (0% to 12%)

###### China Life Growth Fund

The investment strategy is an attempt to achieve high return through prudent diversification in various asset classes as stated below:

- a) Cash (3%)
- b) Bonds (7%)
- c) Equities (90%)

###### China Life Guaranteed Return Fund <sup>Note 1</sup>

The investment strategy is an attempt to limit risk through prudent diversification in various asset classes as stated below:

- a) Bank deposit (0% to 50%)
- b) Fixed income securities (50% to 80%)
- c) Global equities (0% to 30%)

The targeted geographic distribution of the assets is:

- a) Hong Kong/China (30% to 80%)
- b) Europe (0% to 40%)
- c) America (0% to 40%)
- d) Asia Pacific (0% to 40%)
- e) Middle East (debt securities only) (0% to 40%)

###### China Life Hong Kong Equity Fund

The investment strategy is an attempt to limit risk through diversification in various asset classes as stated below:

- a) Cash (0%)
- b) Bonds (0%)
- c) Equities (100%)\*

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

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (a) Strategy in using financial instruments (Continued)

###### China Life Joyful Retirement Guaranteed Fund \*

The constituent fund through the approved pooled investment fund maintains at least 30% effective currency exposure to Hong Kong dollars. It generally follows the assets allocation as below:

- a) Global equities (0% to 30%)
- b) Fixed income securities (50% to 80%)
- c) Cash/bank deposit (0% to 50%)

The targeted geographic distribution of the assets is:

- a) Hong Kong/China (30% to 80%)
- b) Europe (0% to 40%)
- c) America (0% to 40%)
- d) Asia Pacific (0% to 40%)
- e) Middle East (debt securities only) (0% to 40%)

###### China Life Retire-Easy Global Equity Fund

The constituent fund invests in Invesco Global Equities Fund. Investments will be made with an emphasis on the Hong Kong market but in general may cover a global range of markets in Asia, Australia, Japan, Europe and North America.

###### China Life Core Accumulation Fund

The constituent fund invests in Invesco Core Accumulation Fund which invests in a combination of global equities and bonds in a globally diversified manner through investment into two underlying Invesco approved pooled investment funds. It will target to invest 60% 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 55% and 65% due to differing price movements of various equity and bond markets.

###### China Life Age 65 Plus Fund

The constituent fund invests in Invesco Age 65 Plus Fund which invests in a combination of global equities and bonds in a globally diversified manner through investment into two underlying Invesco approved pooled investment funds. It will target 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.

###### China Life Greater China Equity Fund

The constituent fund invests in JPMorgan SAR Greater China Fund which invests in a portfolio consisting primarily of securities of companies based or operating principally in the People's Republic of China, Hong Kong, Macau or Taiwan ("Greater China Region") and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (a) Strategy in using financial instruments (Continued)

###### China Life US Equity Fund

The constituent fund invests in Franklin MPF US Opportunities Fund which invests principally in equity securities of US companies demonstrating accelerating growth, increasing profitability or above-average growth or growth potential as compared with the overall economy. Equity securities include common stocks, convertible securities and warrants on securities to the extent permissible under the relevant requirement as set out in the MPF Regulations.

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

##### (b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market. The investments are subject to market price risk arising from uncertainties about the future prices of the investments.

Except for China Life MPF Conservative Fund, the constituent funds’ market price risk is managed through diversification of the underlying investment portfolio of the approved pooled investment funds held. The market price risk of China Life MPF Conservative Fund is covered under interest rate risk. Refer to Note 3(c).

At the year end date, should market prices of the approved pooled investment funds have risen/lowered by 5% with all other variables held constant, the net assets attributable to members would increase/decrease by approximately:

	2021 HK\$	2020 HK\$
China Life Balanced Fund	23,662,621	23,491,031
China Life Growth Fund	39,803,880	37,551,657
China Life Guaranteed Return Fund <sup>Note 1</sup>	-	-
China Life Hong Kong Equity Fund	21,031,496	18,257,103
China Life Joyful Retirement Guaranteed Fund *	93,325,563	105,603,925
China Life Retire-Easy Global Equity Fund	9,615,110	8,873,616
China Life Core Accumulation Fund	8,192,675	4,744,721
China Life Age 65 Plus Fund	5,952,741	4,978,502
China Life Greater China Equity Fund	94,357	N/A
China Life US Equity Fund	274,577	N/A

Management has used its view of what would be a “reasonable possible shift” in the market prices, having regard to the historical volatility of the market prices, to estimate the change for use in the sensitivity analysis above.

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021. The Terminated Fund was not exposed to market price risk as there was no investment held by the Terminated Fund since 1 December 2020.

\* formerly known as China Life Retire-Easy Guarantee Fund

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(c) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Except for China Life MPF Conservative Fund, the majority of the financial assets and liabilities of the Scheme and its constituent funds are non-interest bearing. As a result, the Scheme and its constituent funds are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. However, some constituent funds are indirectly exposed to interest rate risk in respect of certain approved pooled investment funds for their fixed income investment portfolios, and these are covered under market price risk.

The Scheme and its constituent funds had interest bearing cash and cash equivalents of HK\$31,462,513 (2020: HK\$26,373,281) and HK\$31,249,215 (2020: HK\$28,799,739) and bank deposits with original maturity of more than three months of HK\$Nil (2020: HK\$Nil) and HK\$265,417,140 (2020: HK\$214,447,548) respectively at 31 December 2021 and are therefore exposed to interest rate risk on these bank deposits.

At 31 December 2021, should the relevant market interest rates have risen/lowered by 25 basis points (2020: 25 basis points) with all other variables held constant, the net assets of the Scheme and its constituent funds would increase/decrease by approximately HK\$78,656 (2020: HK\$65,933) and HK\$741,666 (2020: HK\$608,118) respectively, arising mainly from the increase/decrease in bank interest income.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (c) Interest rate risk (Continued)

The table below summarizes China Life MPF Conservative Fund's exposure to interest rate risk at the year end date:

	Up to 1 year HK\$	1-5 years HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
<b>At 31 December 2021</b>					
<u>Assets</u>					
Amounts receivable on funds switching	-	-	-	1,834,968	1,834,968
Interest receivable	-	-	-	113,058	113,058
Bank deposits with original maturity over three months	265,417,140	-	-	-	265,417,140
Cash and cash equivalents	31,247,634	-	-	8,018,783	39,266,417
	<u>296,664,774</u>	<u>-</u>	<u>-</u>	<u>9,966,809</u>	<u>306,631,583</u>
<u>Liabilities</u>					
Accruals and other payables	-	-	-	237,457	237,457
Amounts payable on funds switching	-	-	-	1,160,820	1,160,820
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,398,277</u>	<u>1,398,277</u>
Interest sensitivity gap	<u>296,664,774</u>	<u>-</u>	<u>-</u>		
<b>At 31 December 2020</b>					
<u>Assets</u>					
Amounts receivable on funds switching	-	-	-	1,850,688	1,850,688
Interest receivable	-	-	-	358,830	358,830
Bank deposits with original maturity over three months	214,447,548	-	-	-	214,447,548
Cash and cash equivalents	28,798,158	-	-	2,872,892	31,671,050
	<u>243,245,706</u>	<u>-</u>	<u>-</u>	<u>5,082,410</u>	<u>248,328,116</u>
<u>Liabilities</u>					
Accruals and other payables	-	-	-	435,411	435,411
Amounts payable on funds switching	-	-	-	1,441,274	1,441,274
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,876,685</u>	<u>1,876,685</u>
Interest sensitivity gap	<u>243,245,706</u>	<u>-</u>	<u>-</u>		

At 31 December 2021 and 2020, China Life MPF Conservative Fund did not hold any debt securities.

Taiping Assets Management (HK) Company Limited, the investment manager of China Life MPF Conservative Fund, has used its view of what would be a "reasonable possible shift" in the market interest rates, having regard to the historical volatility of the market interest rates, to estimate the change for use in the sensitivity analysis above.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Certain transactions entered into by the constituent funds may expose them to risks associated with counterparties not able to fulfil their obligations. To mitigate this risk, the constituent funds only buy and sell through brokers which have been approved as an acceptable counterparty according to the investment managers' internal counterparty credit review procedures.

The Scheme's financial assets which are potentially subject to concentrations of credit risk consist principally of bank balances. Details are as follows:

	HK\$	Credit rating	Source
<b>At 31 December 2021</b>			
Bank of China (Hong Kong) Limited	31,462,513	Aa3	Moody's
Citibank, N.A.	108,984	A+	S&P
<b>At 31 December 2020</b>			
Bank of China (Hong Kong) Limited	26,373,281	Aa3	Moody's
Citibank, N.A.	108,984	A+	S&P

The constituent funds' financial assets which are potentially subject to concentrations of credit risk consist principally of bank balances held with the banks and investments held with the custodians (including the custodian of the underlying approved pooled investment funds). The table below summarises the assets placed with banks and custodians at the year end date:

		2021		2020		Source
		Bank balances	Credit rating	Bank balances	Credit rating	
	Bank	HK\$		HK\$		
China Life Balanced Fund	Bank of China (Hong Kong) Limited	507	Aa3	507	Aa3	Moody's
China Life MPF Conservative Fund	Bank of China (Hong Kong) Limited	8,018,783	Aa3	2,872,892	Aa3	Moody's
	Bank of Communications	2,000,000	A-	4,550,334	A-	S&P
	Bank of East Asia	25,401,117	A-	19,475,467	A-	S&P
	China CITIC Bank International Limited	24,340,264	A3	20,233,376	A3	Moody's
	China Construction Bank (Asia) Corporation Limited	25,028,088	A	11,026,172	A	S&P
	China Merchants Bank	12,638,043	BBB+	20,942,989	BBB+	S&P
	Chiyu Banking Corporation	19,668,883	Baa1	20,441,862	Baa1	Moody's
	Chong Hing Bank	26,749,609	Baa1	20,887,169	Baa1	Moody's
	CMB Wing Lung Bank Ltd.	24,846,248	A3	20,963,448	A3	Moody's

# CHINA LIFE MPF MASTER TRUST SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### (d) Credit and custody risk (Continued)

	Bank	2021	Credit rating	2020	Credit rating	Source
		Bank balances HK\$		Bank balances HK\$		
China Life MPF Conservative Fund (Continued)	Dah Sing Bank Limited	27,176,677	A2	20,597,728	A2	Moody's
	DBS Bank	4,002,014	Aa3	-	Aa3	Moody's
	Fubon Bank	25,682,920	BBB+	20,756,816	BBB+	S&P
	Hang Seng Bank	7,451,788	AA-	19,539,033	AA-	S&P
	Industrial and Commercial Bank of China (Asia) Limited	20,172,190	A1	20,948,078	A1	Moody's
	Industrial Bank Co., Ltd.	26,000,326	Baa2	20,883,234	Baa2	Moody's
	Shanghai Pudong Development Bank Co., Ltd.	25,506,607	Baa2	N/A	N/A	Moody's
	Standard Chartered Bank (Hong Kong) Limited	-	A+	2,000,000	A+	S&P
China Life Growth Fund	Bank of China (Hong Kong) Limited	512	Aa3	512	Aa3	Moody's
China Life Guaranteed Return Fund <sup>3</sup>	Bank of China (Hong Kong) Limited	-	Aa3	-	Aa3	Moody's
China Life Hong Kong Equity Fund	Bank of China (Hong Kong) Limited	203	Aa3	203	Aa3	Moody's
China Life Joyful Retirement Guaranteed Fund *	Bank of China (Hong Kong) Limited	266	Aa3	266	Aa3	Moody's
China Life Retire-Easy Global Equity Fund	Bank of China (Hong Kong) Limited	93	Aa3	93	Aa3	Moody's
China Life Core Accumulation Fund	Bank of China (Hong Kong) Limited	-	Aa3	-	Aa3	Moody's
China Life Age 65 Plus Fund	Bank of China (Hong Kong) Limited	-	Aa3	-	Aa3	Moody's
China Life Greater China Equity Fund	Bank of China (Hong Kong) Limited	-	Aa3	N/A	N/A	Moody's
China Life US Equity Fund	Bank of China (Hong Kong) Limited	-	Aa3	N/A	N/A	Moody's



# CHINA LIFE MPF MASTER TRUST SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### (d) Credit and custody risk (Continued)

	Custodian	2021		2020		Source
		Investments HK\$	Credit rating	Investments HK\$	Credit rating	
China Life Balanced Fund	HSBC <sup>1</sup>	473,252,427	A-1+	469,820,612	A-1+	S&P
China Life Growth Fund	HSBC <sup>1</sup>	796,077,605	A-1+	751,033,144	A-1+	S&P
China Life Guaranteed Return Fund <sup>5</sup>	Bank of China (Hong Kong) Limited	-	Aa3	-	Aa3	Moody's
China Life Hong Kong Equity Fund	HSBC <sup>1</sup>	420,629,920	A-1+	365,142,060	A-1+	S&P
China Life Joyful Retirement Guaranteed Fund *	Bank of China (Hong Kong) Limited	1,866,511,250	Aa3	2,112,078,495	Aa3	Moody's
China Life Retire-Easy Global Equity Fund	BCT <sup>2</sup>	192,302,205	Unrated	177,472,325	Unrated	N/A
China Life Core Accumulation Fund	BCT <sup>2</sup>	163,853,495	Unrated	94,894,426	Unrated	N/A
China Life Age 65 Plus Fund	BCT <sup>2</sup>	119,054,823	Unrated	99,570,035	Unrated	N/A
China Life Greater China Equity Fund	JPMorgan <sup>3</sup>	1,887,144	A-1	N/A	N/A	S&P
China Life US Equity Fund	Citibank <sup>4</sup>	5,491,536	A+	N/A	N/A	S&P

<sup>1</sup> HSBC stands for "HSBC Institutional Trust Services (Asia) Limited".

<sup>2</sup> BCT stands for "Bank Consortium Trust Company Limited".

<sup>3</sup> JPMorgan stands for "JPMorgan Chase Bank, N.A., Hong Kong Branch".

<sup>4</sup> Citibank stands for "Citibank, N.A.".

<sup>5</sup> China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

# represents custodian of underlying approved pooled investment funds

\* formerly known as China Life Retire-Easy Guarantee Fund

The Scheme and its constituent funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2021 and 2020, all contribution receivable, amounts receivable on sale of investments, amounts receivable on funds switching, interest receivable, fund transfer in receivable, bank deposits with original maturity over three months and cash and cash equivalents are due to be settled within 1 month. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme and constituent funds.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The constituent funds are exposed to daily cash redemptions of units in the constituent funds. The constituent funds invest in approved pooled investment funds or quoted debt securities that are considered to be readily realisable.

At 31 December 2021, the constituent funds held fixed deposits of HK\$296,664,774 (2020: HK\$243,245,706) and approved pooled investment funds of HK\$4,039,060,405 (2020: HK\$4,070,011,097) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the financial liabilities of the constituent funds into relevant maturity groupings based on the remaining period at the year ended date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 1 month</u>			<u>1-3 months</u>	<u>More than 3 months</u>	
	Amounts payable on funds switching HK\$	Amounts payable on purchase of investments HK\$	Sub-total HK\$	Accruals and other payables HK\$	Accruals and other payables HK\$	Total HK\$
<b>At 31 December 2021</b>						
China Life Balanced Fund	181,787	12,344	194,131	1,137,085	102,674	1,433,890
China Life MPF Conservative Fund	1,160,820	-	1,160,820	176,199	61,258	1,398,277
China Life Growth Fund	500,996	-	500,996	1,909,041	170,436	2,580,473
China Life Guaranteed Return Fund <sup>Note 1</sup>	-	-	-	-	-	-
China Life Hong Kong Equity Fund	1,284,251	22,477	1,306,728	426,680	88,626	1,822,034
China Life Joyful Retirement Guaranteed Fund *	1,079,353	-	1,079,353	5,615,817	418,782	7,113,952
China Life Retire-Easy Global Equity Fund	127,510	164,097	291,607	658,564	40,736	990,907
China Life Core Accumulation Fund	1,003,181	107,089	1,110,270	231,419	28,583	1,370,272
China Life Age 65 Plus Fund	211,591	252,297	463,888	176,815	24,059	664,762
China Life Greater China Equity Fund	12,239	-	12,239	459	28	12,726
China Life US Equity Fund	170,645	-	170,645	1,473	91	172,209

# CHINA LIFE MPF MASTER TRUST SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### (e) Liquidity risk (Continued)

	<u>Less than 1 month</u>			<u>1-3 months</u>	<u>More than 3 months</u>	
	Amounts payable on funds switching HK\$	Amounts payable on purchase of investments HK\$	Sub-total HK\$	Accruals and other payables HK\$	Accruals and other payables HK\$	Total HK\$
<b>At 31 December 2020</b>						
China Life Balanced Fund	430,209	-	430,209	1,046,898	80,757	1,557,864
China Life MPF Conservative Fund	1,441,274	-	1,441,274	389,057	46,354	1,876,685
China Life Growth Fund	228,221	158,085	386,306	1,653,989	126,835	2,167,130
China Life Guaranteed Return Fund <sup>Note 1</sup>	-	-	-	-	-	-
China Life Hong Kong Equity Fund	1,383,124	274,436	1,657,560	335,873	59,371	2,052,804
China Life Joyful Retirement Guaranteed Fund *	9,459,089	-	9,459,089	3,803,276	447,812	13,710,177
China Life Retire-Easy Global Equity Fund	925,583	-	925,583	566,773	29,908	1,522,264
China Life Core Accumulation Fund	5,089	-	5,089	128,617	14,432	148,138
China Life Age 65 Plus Fund	21,672	-	21,672	132,901	16,512	171,085

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (f) Currency risk

Currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in foreign exchange rates. As at 31 December 2021 and 2020, all of the constituent funds' assets and liabilities are denominated in Hong Kong dollars. Thus, the constituent funds were not directly exposed to currency risk.

China Life Guaranteed Return Fund and China Life Joyful Retirement Guaranteed Fund (formerly known as China Life Retire-Easy Guarantee Fund) have indirect currency risk exposure through its investment in the APIFs (China Life Guaranteed Return (PIF) Fund and China Life Retire-Easy Guarantee (PIF) Fund), which invest in UT APIFs (China Life Stable Return Unit Trust (PIF) Fund and China Life Retire-Easy Stable Return Unit Trust (PIF) Fund) with major investment in securities, and from such investment in securities generate investment income, which is denominated in currencies other than Hong Kong dollars.

As at 31 December 2021, China Life Stable Return Unit Trust (PIF) Fund and China Life Retire-Easy Stable Return Unit Trust (PIF) Fund had net monetary exposure of HK\$Nil (2020: HK\$Nil) and HK\$1,235,907,682 (2020: HK\$1,307,224,420) respectively which are denominated in United States dollar and Renminbi and therefore, the constituent funds were indirectly exposed to currency risk. Since the Hong Kong dollar is currently pegged to the United States dollar within a narrow range, the currency risk is considered minimal. However, the constituent funds are exposed to currency risk on Renminbi, as the value of assets and liabilities denominated in Renminbi will fluctuate due to changes in foreign exchange rates.

The table below summarises the impact on net assets attributable to unitholders of the UT APIFs as a result of increases/decreases of key exchange rates on the exposures above.

##### China Life Guaranteed Return Fund <sup>Note 1</sup>

	2021		2020	
	Change in foreign exchange rates +/-	Impact HK\$ +/-	Change in foreign exchange rates +/-	Impact HK\$ +/-
Renminbi	-	-	-	-

##### China Life Joyful Retirement Guaranteed Fund \*

	2021		2020	
	Change in foreign exchange rates +/-	Impact HK\$ +/-	Change in foreign exchange rates +/-	Impact HK\$ +/-
Renminbi	5.00%	2,748,341	5.00%	21

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021. There was no longer any investment in China Life Guaranteed Return (PIF) Fund, which invest in China Life Stable Return Unit Trust (PIF) Fund. MPFA has approved the termination of China Life Guaranteed Return (PIF) Fund and China Life Stable Return Unit Trust (PIF) Fund to take effect on 16 April 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **(g) Capital risk management**

The capital of the constituent funds is represented by the units of the constituent funds, and shown as net assets attributable to members in the statement of net assets. The amount of net assets attributable to members for each constituent fund can change significantly on a daily basis as the constituent funds are subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in net assets attributable to members. The constituent funds' objective when managing capital is to safeguard the constituent funds' ability to continue as a going concern in order to provide retirement benefits to members. In order to achieve the investment objectives, the constituent funds endeavor to invest their capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

##### **(h) Fair value estimation**

As at 31 December 2021 and 2020, the carrying values of financial assets and liabilities other than investments are a reasonable approximation of their fair values.

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Scheme and its constituent funds is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Scheme and its constituent funds classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes observable requires significant judgment by the constituent funds. The constituent funds consider observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (h) Fair value estimation (Continued)

The following table analyses within the fair value hierarchy the constituent funds' financial assets measured at fair value at the year end date.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>At 31 December 2021</b>				
<b>China Life Balanced Fund</b>				
Approved pooled investment fund	473,252,427	-	-	473,252,427
<b>China Life Growth Fund</b>				
Approved pooled investment fund	796,077,605	-	-	796,077,605
<b>China Life Guaranteed Return Fund</b>				
Note 1				
Approved pooled investment fund	-	-	-	-
<b>China Life Hong Kong Equity Fund</b>				
Approved pooled investment fund	420,629,920	-	-	420,629,920
<b>China Life Joyful Retirement Guaranteed Fund *</b>				
Approved pooled investment fund	-	1,866,511,250	-	1,866,511,250
<b>China Life Retire-Easy Global Equity Fund</b>				
Approved pooled investment fund	192,302,205	-	-	192,302,205
<b>China Life Core Accumulation Fund</b>				
Approved pooled investment fund	163,853,495	-	-	163,853,495
<b>China Life Age 65 Plus Fund</b>				
Approved pooled investment fund	119,054,823	-	-	119,054,823
<b>China Life Greater China Equity Fund</b>				
Approved pooled investment fund	1,887,144	-	-	1,887,144
<b>China Life US Equity Fund</b>				
Approved pooled investment fund	5,491,536	-	-	5,491,536

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### (h) Fair value estimation (Continued)

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>At 31 December 2020</b>				
<b>China Life Balanced Fund</b>				
Approved pooled investment fund	469,820,612	-	-	469,820,612
<b>China Life Growth Fund</b>				
Approved pooled investment fund	751,033,144	-	-	751,033,144
<b>China Life Guaranteed Return Fund</b>				
Note 1				
Approved pooled investment fund	-	-	-	-
<b>China Life Hong Kong Equity Fund</b>				
Approved pooled investment fund	365,142,060	-	-	365,142,060
<b>China Life Joyful Retirement Guaranteed Fund *</b>				
Approved pooled investment fund	-	2,112,078,495	-	2,112,078,495
<b>China Life Retire-Easy Global Equity Fund</b>				
Approved pooled investment fund	177,472,325	-	-	177,472,325
<b>China Life Core Accumulation Fund</b>				
Approved pooled investment fund	94,894,426	-	-	94,894,426
<b>China Life Age 65 Plus Fund</b>				
Approved pooled investment fund	99,570,035	-	-	99,570,035

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

Investments whose values are based on quoted market prices in active markets are classified within level 1. The constituent funds do not adjust the quoted price for these instruments.

Financial instruments traded in markets that are not considered to be active and are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 31 December 2021 and 2020, the constituent funds did not hold any investments classified in level 3.

For the year ended 31 December 2021 and 2020, there were no transfers between levels of investments held by the constituent funds.

As at 31 December 2021 and 2020, the financial assets and liabilities included in the statement of net assets, other than investments are measured at amortised cost; their carrying values are a reasonable approximation of fair value.

# CHINA LIFE MPF MASTER TRUST SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Transactions with associates/related parties

Except as disclosed below and in Note 9, the Scheme and its constituent funds did not have any transactions and balances with related parties, including the Trustee, Taiping Assets Management (HK) Company Limited, Invesco Hong Kong Limited, FIL Investment Management (Hong Kong) Limited, JPMorgan Asset Management (Asia Pacific) Limited, Franklin Templeton Investments (Asia) Limited and their associates or delegates during the year. Associates or delegates of the Investment Manager or Trustee are those as defined in the Ordinance established by the MPFA.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

#### (a) Trustee and administration fees

China Life Trustees Limited, the Trustee, and China Life Insurance (Overseas) Company Limited, the Administrator, are entitled to receive a fee calculated based on the net asset value of the respective constituent funds at the following annual rates for the year ended 31 December 2021 and 2020:

	China Life Balanced Fund	China Life MPF Conservative Fund	China Life Growth Fund	China Life Guaranteed Return Fund <sup>1</sup>	China Life Hong Kong Equity Fund	China Life Joyful Retirement Guaranteed Fund *	China Life Retire- Easy Global Equity Fund	China Life Core Accumulation Fund	China Life Age 65 Plus Fund	China Life Greater China Equity Fund	China Life US Equity Fund
Trustee fee	0.35%	0.35%	0.35%	0.40%	0.10%	0.35%	0.35%	0.21%	0.21%	0.10%	0.10%
Administration fee (Before 4 December 2020)	0.50%	0.30%	0.50%	0.90%	0.20%	0.60%	0.48%	0.28%	0.28%	N/A	N/A
Administration fee (On or after 4 December 2020 and before 13 December 2021)	0.50%	0.30%	0.50%	N/A	0.20%	0.55%	0.48%	0.28%	0.28%	N/A	N/A
Administration fee (On or after 13 December 2021)	0.50%	0.30%	0.50%	N/A	0.20%	0.55%	0.48%	0.28%	0.28%	0.40%	0.40%

The trustee and administration fees are calculated and accrued on each valuation day and payable quarterly in arrears.

The trustee and administration fees for the year are disclosed in the statement of comprehensive income. The trustee and administration fees payable at the year end date were as follows:

	China Life Balanced Fund HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund HK\$	China Life Guaranteed Return Fund <sup>1</sup> HK\$	China Life Hong Kong Equity Fund HK\$	China Life Joyful Retirement Guaranteed Fund * HK\$	China Life Retire- Easy Global Equity Fund HK\$	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$	China Life Greater China Equity Fund HK\$	China Life US Equity Fund HK\$
At 31 December 2021											
Trustee fee	418,926	72,552	703,331	-	106,670	1,637,947	167,027	82,361	62,903	77	245
Administration fee	598,465	62,188	1,004,758	-	213,340	2,573,916	229,066	109,833	83,935	306	982
At 31 December 2020											
Trustee fee	385,699	160,200	609,364	-	83,968	1,000,744	143,747	45,771	47,293	N/A	N/A
Administration fee	550,999	137,314	870,520	-	167,937	1,634,623	197,139	61,044	63,079	N/A	N/A

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.  
\* formerly known as China Life Retire-Easy Guarantee Fund



## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Transactions with associates/related parties (Continued)

##### (b) Investment management fees

The following investment managers are entitled to receive a fee calculated based on the net asset value of the respective constituent funds at the following annual rates:

##### Taiping Assets Management (HK) Company Limited

Being the investment manager for China Life MPF Conservative Fund and the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Guaranteed Return Fund <sup>Note 2</sup>
2. China Life Joyful Retirement Guaranteed Fund \*

##### Invesco Hong Kong Limited

Being the investment manager for the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Retire-Easy Global Equity Fund
2. China Life Core Accumulation Fund
3. China Life Age 65 Plus Fund

##### FIL Investment Management (Hong Kong) Limited

Being the investment manager for the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Balanced Fund
2. China Life Growth Fund
3. China Life Hong Kong Equity Fund

##### JPMorgan Asset Management (Asia Pacific) Limited

Being the investment manager for the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life Greater China Equity Fund

##### Franklin Templeton Investments (Asia) Limited

Being the investment manager for the relevant approved pooled investment funds that the following constituent funds of the Scheme have invested in.

1. China Life US Equity Fund

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Transactions with associates/related parties (Continued)

##### (b) Investment management fees (Continued)

The investment management fees for the year are disclosed in the statement of comprehensive income. The investment management fees payable at the year end date were as follows:

	China Life Balanced Fund <sup>1</sup>	China Life MPF Conservative Fund	China Life Growth Fund <sup>1</sup>	China Life Guaranteed Return Fund <sup>1&amp;2</sup>	China Life Hong Kong Equity Fund <sup>1</sup>	China Life Joyful Retirement Guaranteed Fund *	China Life Retire- Easy Global Equity Fund	China Life Core Accumul- ation Fund <sup>1</sup>	China Life Age 65 Plus Fund <sup>1</sup>	China Life Greater China Equity Fund <sup>1</sup>	China Life US Equity Fund <sup>1</sup>
Investment management fee (Before 4 December 2020)	0.45%	0.10%	0.45%	0.10%	0.45%	0.40%	0.40%	0.08%	0.08%	N/A	N/A
Investment management fee (On or after 4 December 2020 and before 13 December 2021)	0.45%	0.10%	0.45%	N/A	0.45%	0.20%	0.40%	0.08%	0.08%	N/A	N/A
Investment management fee (On or after 13 December 2021)	0.45%	0.10%	0.45%	N/A	0.45%	0.20%	0.40%	0.08%	0.08%	0.58%	Upto 0.59%

The investment management fees are calculated and accrued on each valuation day and payable quarterly in arrears.

	China Life Balanced Fund <sup>1</sup> HK\$	China Life MPF Conservative Fund HK\$	China Life Growth Fund <sup>1</sup> HK\$	China Life Guaranteed Return Fund <sup>1&amp;2</sup> HK\$	China Life Hong Kong Equity Fund <sup>1</sup> HK\$	China Life Joyful Retirement Guaranteed Fund * HK\$	China Life Retire- Easy Global Equity Fund HK\$	China Life Core Accumul- ation Fund <sup>1</sup> HK\$	China Life Age 65 Plus Fund <sup>1</sup> HK\$	China Life Greater China Equity Fund <sup>1</sup> HK\$	China Life US Equity Fund <sup>1</sup> HK\$
At 31 December 2021											
Investment management fee	N/A	20,729	N/A	N/A	N/A	935,969	190,888	N/A	N/A	N/A	N/A
At 31 December 2020											
Investment management fee	N/A	45,771	N/A	N/A	N/A	819,956	164,282	N/A	N/A	N/A	N/A

Note 1: The investment management fees are deducted at the approved pooled investment fund level.

Note 2: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

#### 5 Payments charged to Default Investments Strategy (“DIS”) constituent funds or scheme or members who invest in the constituent funds

In accordance with the Mandatory Provident Fund legislation, the aggregate of the payments for services of China Life Core Accumulation Fund and China Life Age 65 Plus Fund must not, in a single day, exceed the daily rate of 0.75% per annum of the net asset value of each of the China Life Core Accumulation Fund and China Life Age 65 Plus Fund divided by the number of days in the year.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### **5 Payments charged to Default Investments Strategy (“DIS”) constituent funds or scheme or members who invest in the constituent funds (Continued)**

The above aggregate payments for services include, but is not limited to, the fees paid or payable for the services provided by the Trustee, the Administrator, the investment manager(s), the custodian and the sponsor and/or the promoter (if any) of the Scheme and the underlying investment fund(s) of each of the China Life Core Accumulation Fund and China Life Age 65 Plus Fund, and any of the delegates from these parties, and such fees are calculated as a percentage of the net asset value of each of the DIS constituent funds and their underlying investment fund(s), but do not include any out-of-pocket expenses incurred by each of the China Life Core Accumulation Fund and China Life Age 65 Plus Fund and their underlying investment fund(s).

In addition, in accordance with the Mandatory Provident Fund legislation, the total amount of all payments that are charged to or imposed on a DIS constituent fund or members who invest in a DIS constituent fund, for out-of-pocket expenses incurred by the Trustee on a recurrent basis in the discharge of the Trustee’s duties to provide services in relation to a DIS constituent fund, shall not in a single year exceed 0.2% of the net asset value of the China Life Core Accumulation Fund and China Life Age 65 Plus Fund.

For this purpose, out-of-pocket expenses include, for example, annual audit expenses, printing or postage expenses relating to recurrent activities (such as issuing annual benefit statements), recurrent legal and professional expenses, safe custody charges which are customarily not calculated as a percentage of net asset value and transaction costs incurred by a DIS constituent fund in connection with recurrent acquisition of investments for the DIS constituent fund (including, for example, costs incurred in acquiring underlying funds) and annual statutory expenses (such as compensation fund levy where relevant) of the DIS constituent fund.

Out-of-pocket expenses that are not incurred on a recurrent basis may still be charged or imposed on DIS constituent fund and such out-of-pocket expenses are not subject to the above statutory limit.

Payment for services, out-of-pocket expenses and other payment charged to the China Life Core Accumulation Fund and China Life Age 65 Plus Fund are disclosed below. Payments for services and out-of-pocket expenses are those defined in the MPF Ordinance.

# CHINA LIFE MPF MASTER TRUST SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Payments charged to Default Investments Strategy (“DIS”) constituent funds or scheme or members who invest in the constituent funds (Continued)

For the year ended 31 December 2021

	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
<b>Payments for services</b>		
- Administration fee	367,325	312,471
- Custodian fee	131,188	111,597
- Trustee fee	275,397	234,186
- Investment management fee	-	-
<b>Total payments services</b>	<u>773,910</u>	<u>658,254</u>
<b>Out-of-pocket expenses</b>		
- Auditor’s remuneration	25,902	20,559
- MPF indemnity insurance	4,403	3,831
- Other expenses	14,101	12,218
<b>Total out-of-pocket expenses</b>	<u>44,406</u>	<u>36,608</u>
<b>Other payments</b>		
- Organisational costs	1,000	1,000
<b>Total other payments</b>	<u>1,000</u>	<u>1,000</u>
<b>Total payments</b>	<u>819,316</u>	<u>695,862</u>
Out-of-pocket expenses expressed as a percentage of average net asset value as at the last dealing day of each month of the constituent funds	<u>0.03%</u>	<u>0.03%</u>

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 5 Payments charged to Default Investments Strategy (“DIS”) constituent funds or scheme or members who invest in the constituent funds (Continued)

For the year ended 31 December 2020

	China Life Core Accumulation Fund HK\$	China Life Age 65 Plus Fund HK\$
<b>Payments for services</b>		
- Administration fee	199,387	228,481
- Custodian fee	71,210	81,601
- Trustee fee	149,493	171,266
- Investment management fee	-	-
<b>Total payments services</b>	<u>420,090</u>	<u>481,348</u>
<b>Out-of-pocket expenses</b>		
- Auditor’s remuneration	14,547	13,669
- MPF indemnity insurance	1,597	2,182
- Other expenses	13,337	13,689
<b>Total out-of-pocket expenses</b>	<u>29,481</u>	<u>29,540</u>
<b>Other payments</b>		
- Organisational costs	1,003	1,003
<b>Total other payments</b>	<u>1,003</u>	<u>1,003</u>
<b>Total payments</b>	<u>450,574</u>	<u>511,891</u>
Out-of-pocket expenses expressed as a percentage of average net asset value as at the last dealing day of each month of the constituent funds	<u>0.04%</u>	<u>0.04%</u>

#### 6 Contributions

Mandatory contributions for both the employers and members are equal to 5% of the members’ relevant income up to HK\$30,000 per month and in respect of members earning less than HK\$7,100 per month, the members’ mandatory contribution is nil.

Self-employed persons must contribute 5% of their relevant income subject to a maximum mandatory contribution of HK\$1,500 per month unless their relevant income is less than HK\$7,100 per month.

Any contributions made to the Scheme by the employers or members in excess of their mandatory contributions are additional voluntary contributions.

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 7 Benefits

Members will become entitled to benefits in respect of mandatory contributions to the Scheme in the circumstances set out in the MPF Ordinance. Currently, these circumstances include where the members (i) reach the age of 65; (ii) permanently cease employment, after reaching the age of 60; (iii) become totally incapacitated; (iv) permanently depart from Hong Kong; (v) die; (vi) have the right to claim a small balance or (vii) become terminally ill pursuant to the MPF Ordinance.

With effect from 1 February 2016, the scheme member can choose one of the following ways to manage MPF benefits: (a) withdraw MPF benefits by instalments, (b) withdraw all MPF benefits in a lump sum and (c) retain all the MPF benefits in the account for continuous investment.

Members will become entitled to benefits in respect of voluntary contributions to the Scheme in circumstances set out in the Trust Deed and the relevant participation agreement.

#### 8 Guaranteed return

##### (a) China Life Guaranteed Return Fund <sup>Note 1</sup>

The amount represented the shortfall between the actual rate of return at the year end date <sup>Note 1 & 2</sup> and the guaranteed compound rate of return of not less than 4% (2020: 4%) per annum before the deduction of administration expenses (1.5%). The amount is guaranteed by China Life Insurance (Overseas) Company Limited.

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

Note 2: For the year 2020, the respective date was 30 November 2020.

##### (b) China Life Joyful Retirement Guaranteed Fund \*

Before 4 December 2020, the amount represented the shortfall between the actual rate of return at the year end date and the guaranteed compound rate of return of not less than 3.5% per annum before the deduction of administration expenses (1.5%). The amount is guaranteed by China Life Insurance (Overseas) Company Limited.

On or after 4 December 2020, the new guarantee rate of return of 1.35% per annum after the deduction of administration expenses (1.2%). The amount is guaranteed by China Life Insurance (Overseas) Company Limited. The guarantee entitlement is provided to a Member upon satisfaction of any of the following qualifying conditions

- (A) withdrawals on any grounds specified in section 15 of the Mandatory Provident Fund Schemes Ordinance; or
- (B) withdrawals in circumstances other than the ones set out in (A) above where the period starting from the first Dealing Day on which contributions are credited and ending on the relevant Dealing Day on which the contributions 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.

\* formerly known as China Life Retire-Easy Guarantee Fund

## CHINA LIFE MPF MASTER TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Investments

	2021 HK\$	2020 HK\$
<b><u>The Scheme</u></b>		
Investments in constituent funds		
China Life Balanced Fund	471,987,843	468,586,563
China Life MPF Conservative Fund	305,233,306	246,451,431
China Life Growth Fund	794,211,683	750,754,591
China Life Guaranteed Return Fund <sup>Note 1</sup>	-	-
China Life Hong Kong Equity Fund	423,212,071	366,196,970
China Life Joyful Retirement Guaranteed Fund *	1,860,080,352	2,100,444,570
China Life Retire-Easy Global Equity Fund	191,763,986	177,797,150
China Life Core Accumulation Fund	164,614,544	96,099,107
China Life Age 65 Plus Fund	119,598,227	100,615,343
China Life Greater China Equity Fund	2,072,986	N/A
China Life US Equity Fund	7,832,445	N/A
	<hr/>	<hr/>
Investments at fair value	4,340,607,443	4,306,945,725
	<hr/>	<hr/>
Investments at cost	3,234,194,853	3,098,235,937
	<hr/>	<hr/>

Note 1: China Life Guaranteed Return Fund (the “Terminated Fund”) had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund

# CHINA LIFE MPF MASTER TRUST SCHEME

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Investments (Continued)

	2021 HK\$	2020 HK\$
<b><u>Constituent funds</u></b>		
<b>China Life Balanced Fund</b>		
<u>Approved pooled investment fund</u>		
Fidelity Global Investment Fund - Balanced Fund Class A	473,252,427	469,820,612
<b>China Life Growth Fund</b>		
<u>Approved pooled investment fund</u>		
Fidelity Global Investment Fund - Growth Fund Class A	796,077,605	751,033,144
<b>China Life Guaranteed Return Fund</b> <sup>Note 1</sup>		
<u>Approved pooled investment fund</u>		
China Life Guaranteed Return (PIF) Fund	-	-
<b>China Life Hong Kong Equity Fund</b>		
<u>Approved pooled investment fund</u>		
Fidelity Global Investment Fund - Hong Kong Equity Fund	420,629,920	365,142,060
<b>China Life Joyful Retirement Guaranteed Fund *</b>		
<u>Approved pooled investment fund</u>		
China Life Retire-Easy Guarantee (PIF) Fund	1,866,511,250	2,112,078,495
<b>China Life Retire-Easy Global Equity Fund</b>		
<u>Approved pooled investment fund</u>		
Invesco Global Equities Fund	192,302,205	177,472,325
<b>China Life Core Accumulation Fund</b>		
<u>Approved pooled investment fund</u>		
Invesco Core Accumulation Fund	163,853,495	94,894,426
<b>China Life Age 65 Plus Fund</b>		
<u>Approved pooled investment fund</u>		
Invesco Age 65 Plus Fund	119,054,823	99,570,035
<b>China Life Greater China Equity Fund</b>		
<u>Approved pooled investment fund</u>		
JPMorgan SAR Greater China Fund	1,887,144	N/A
<b>China Life US Equity Fund</b>		
<u>Approved pooled investment fund</u>		
Franklin MPF US Opportunities Fund	5,491,536	N/A
Investments at fair value	<u>4,039,060,405</u>	<u>4,070,011,097</u>
Investments at cost	<u>3,590,301,913</u>	<u>3,472,300,282</u>

Note 1: China Life Guaranteed Return Fund (the "Terminated Fund") had no investments and operations since 1 December 2020. MPFA had approved the termination of the Terminated Fund to take effect on 8 March 2021.

\* formerly known as China Life Retire-Easy Guarantee Fund



## **CHINA LIFE MPF MASTER TRUST SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **10 Bank loans, overdrafts and other borrowings**

The Scheme and its constituent funds had no bank loans, overdrafts and other borrowings as at 31 December 2021 and 2020.

#### **11 Accrued benefits of the Scheme**

The total accrued benefits vested in the members' accounts amounted to HK\$4,297,774,863 as at 31 December 2021 (2020: HK\$4,257,064,134).

#### **12 Taxation**

The Scheme is not subject to Hong Kong profits tax as it is considered as a recognized retirement scheme and not carrying on a business in Hong Kong according to the Inland Revenue Department Practice Note No.23.

#### **13 Soft commission arrangements**

During the year ended 31 December 2021 and 2020, the investment managers and their associates did not enter into any soft commission arrangements with brokers in relation to dealings in the assets of the Scheme and its constituent funds.

#### **14 Security lending arrangements**

During the year ended 31 December 2021 and 2020, the Scheme and its constituent funds did not enter into any security lending arrangements.

#### **15 Negotiability of assets**

There were no statutory or contractual requirements restricting the negotiability of the assets of the Scheme and its constituent funds as at 31 December 2021 and 2020.

#### **16 Commitments**

The Scheme and its constituent funds had no commitments as at 31 December 2021 and 2020.

#### **17 Contingent liabilities**

The Scheme and its constituent funds had no contingent liabilities as at 31 December 2021 and 2020.

#### **18 Marketing expenses**

There have been no advertising expenses, promotional expenses or commissions or brokerage fees paid or payable to the MPF intermediaries deducted from the Scheme or its constituent funds during the year ended 31 December 2021 and 2020.

#### **19 Subsequent event**

With effect from 26 September 2022, China Life Retire-Easy Global Equity Fund (the "Global Equity Fund"), a constituent fund of the Scheme, will be restructured from a feeder fund investing in a single approved pooled investment fund to a portfolio management fund investing in index-tracking collective investment schemes. Invesco Hong Kong Limited will cease to be the investment manager of the underlying fund of the Global Equity Fund and China Asset Management (Hong Kong) Limited will be appointed as the investment manager of the Global Equity Fund. The aggregate fees and charges of the Global Equity Fund will be lowered from 1.48% per annum to no more than 1.40% per annum.

**CHINA LIFE MPF MASTER TRUST SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS**

**20 Approval of financial statements**

The financial statements were approved by the Trustee on 27 June 2022.

**CHINA LIFE MPF MASTER TRUST SCHEME**  
**INDEPENDENT AUDITOR'S ASSURANCE REPORT**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2021**

## **INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME**

We have audited the financial statements of the China Life MPF Master Trust Scheme and each of its constituent funds (hereafter referred to as the "Scheme") for the year ended 31 December 2021 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised) "The Audit of Retirement Schemes" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have issued an unqualified auditor's report thereon dated 27 June 2022.

Pursuant to section 102 of the Hong Kong Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation"), we are required to report whether the Scheme complied with certain requirements of the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance") and the General Regulation.

### **Trustee's Responsibility**

The General Regulation requires the Trustee to ensure that:

- (a) proper accounting and other records are kept in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme;
- (b) the requirements specified in the guidelines made by the Mandatory Provident Fund Schemes Authority (the "MPFA") under section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation are complied with;
- (c) the requirements under sections 34DB(1)(a), (b), (c) and (d), 34DC(1), 34DD(1) and (4) of the Ordinance are complied with; and
- (d) the Scheme assets are not subject to any encumbrance, otherwise than as permitted by the General Regulation.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Auditor's Responsibility**

Our responsibility is to report solely to the Trustee, in accordance with section 102 of the General Regulation, on the Scheme's compliance with the above requirements based on the results of the procedures performed by us, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# **INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME (CONTINUED)**

## **Auditor's Responsibility (Continued)**

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 860.1, (Revised) "The Audit of Retirement Schemes" issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance on whether the Scheme has complied with the above requirements.

We have planned and performed such procedures as we considered necessary with reference to the procedures recommended in Practice Note 860.1 (Revised), which included reviewing, on a test basis, evidence obtained from the Trustee regarding the Scheme's compliance with the above requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

Based on the foregoing:

- (a) in our opinion:
  - (i) proper accounting and other records have been kept during the year ended 31 December 2021 in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme; and
  - (ii) the requirements specified in the guidelines made by the MPFA under section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation have been complied with, in all material respects, as at 31 December 2021, 30 July 2021 and 31 March 2021; and
  - (iii) the requirements specified in the Ordinance under sections 34DB(1)(a), (b), (c) and (d), 34DC(1) and 34DD(1) and (4)(a) with respect to the investment of accrued benefits and control of payment for services relating to China Life Core Accumulation Fund and China Life Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2021, 30 July 2021 and 31 March 2021; and
  - (iv) the requirements specified in section 34DD(4)(b) of the Ordinance with respect to the controls of out-of-pocket expenses of the China Life Core Accumulation Fund and China Life Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2021.
- (b) as at 31 December 2021, the Scheme assets were not subject to any encumbrance, otherwise than as permitted by the General Regulation.

**INDEPENDENT AUDITOR'S ASSURANCE REPORT  
TO THE TRUSTEE OF CHINA LIFE MPF MASTER TRUST SCHEME  
(CONTINUED)**

**Other Matter**

The requirements specified in the Ordinance under sections 34DI(1) and (2) and 34DK(2) with respect to the transfer of accrued benefits to an account and specified notice, and 34DJ(2), (3), (4) and (5) with respect to locating scheme members relating to China Life Core Accumulation Fund and China Life Age 65 Plus Fund are not applicable to the Trustee during the year ended 31 December 2021 as the Trustee has completed the relevant transitional provisions and the default investment arrangement of the Scheme prior to 1 April 2017 was not guaranteed funds. Accordingly, there is no reporting on these sections.

**Intended Users and Purpose**

This report is intended solely for submission by the Trustee to the MPFA pursuant to section 102 of the General Regulation, and is not intended to be, and should not be, used by anyone for any other purpose.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 June 2022