太平公積金計劃

The Tai Ping Master Provident Fund

銷售刊物

Principal Brochure

中國人壽保險(海外) 股份有限公司
(於中華人民共和國註冊成立之股份有限公司)
China Life Insurance (Overseas) Company Limited
(incorporated in the People's Republic of China with limited liability)

Important Notice

* *The Tai Ping Master Provident Fund ("Scheme") is a pooled retirement scheme established under the Occupational Retirement Schemes Ordinance and registered as an MPF-exempted ORSO registered scheme under the Mandatory Provident Fund Schemes (Exemption) Regulation.*

* *The Scheme invests solely in the Guaranteed Fund in the form of Deposit Administration (Guaranteed Fund) Policy ("Guarantee Fund"), an insurance policy issued by China Life Insurance (Overseas) Company Limited (incorporated in the People's Republic of China with limited liability)("China Life"). Your investments are therefore subject to the credit risks of China Life. You should consider your own risk tolerance level and financial circumstances before making any investment decision. If you are in doubt as to whether the Guarantee Fund is consistent with your investment objectives, you should seek appropriate financial and/or professional advice when necessary.*

* *The Guaranteed Fund provides rate of guarantee return. China Life is the guarantor of the Guarantee Fund. Your investments are therefore subject to the credit risks of China Life. Please refer to the section headed "Features of Insurance Policy" in the Principal Brochure for details of guarantee features.*

* *Past performance is not indicative of future performance. You should read this Principal Brochure of the Scheme for details including the product features and risks involved.*

Investment involves risks and the insurance policy available under the Scheme may not be suitable for everyone.

CONTENT

Important- if you are in any doubt about the contents of this Principal Brochure, you should seek independent professional financial advice.

BACKGROUND

With the aim of further business development, the whole of the long term business of the promoter of the Scheme, The Tai Ping Life Insurance Company Limited Hong Kong Branch ("Tai Ping Life") carried in Hong Kong had been transferred to China Life Insurance Company Limited Hong Kong Branch pursuant to the Order of the Court of First Instance dated 17 June 2002.

China Life Insurance Company Limited Hong Kong Branch was renamed as China Life Insurance (Overseas) Company Limited Hong Kong Branch in 2003. It was registered in Hong Kong on 15th November 1984. China Life is the largest state-owned life insurance company in Hong Kong and Macau.

INTRODUCTION

Structure - An Approved Retirement Scheme

In today's working society, with the increasing demand for employees of high caliber, employers may be thinking of ways to improve employees' benefit. To meet all these needs, employers should consider setting up a retirement scheme for their staff.

The Scheme is established as a pooled retirement fund under the laws of Hong Kong by a master Trust Deed dated 9 October 1995 as amended and supplemented by various deeds of variation from time to time (collectively "Trust Deed"). The Scheme is governed by a single trust which applies to all participating schemes ("Participating Schemes") to meet the needs of small and large employers alike. There are dual purposes of the Scheme - one is to provide a cost effective and efficient way for a participating employer to register and the other is to enable assets of each Participating Scheme to be "pooled" so that scope of investment can be enlarged and thereby competitive potential returns may be obtained.

The Scheme provides the following benefits:

- Employees are attracted and retained by taking advantage of the retirement benefits provided.
- Employer contributions can be used to offset the statutory requirement for long service payments and severance payments.
- Employer contributions up to 15% of employee's income are eligible for profit tax relief.
- Employees' lump sum benefits received are tax free to the extent allowed under relevant ordinances.

With the enactment of the Mandatory Provident Fund Schemes (Exemption) Regulation ("Regulation"), certain registered occupational retirement schemes can be exempted from

Mandatory Provident Fund Schemes Ordinance (“MPFSO”). The Trust Deed of the Scheme provides employers with the flexibility to apply for exemption under the Regulation with the Mandatory Provident Fund Schemes Authority (“Authority”).

PARTIES TO THE SCHEME, AUTHORIZATION & OTHERS

The Scheme is set up by Tai Ping Life whereby its long-term business was transferred to China Life in June 2002. The Scheme is not a unitized fund.

The trusteeship and administration are undertaken by separate companies within China Life group and the investment of the assets of the Scheme is managed by a professional investment manager.

Trustee

In order to provide a comprehensive service, China Life Trustees Limited (“Trustee”), which is also a registered trust company and a wholly owned subsidiary of China Life, has been appointed as new Trustee of the “Scheme” in place of The Tai Ping Trustees (H.K.) Limited to undertake the management of the “Scheme” since 1 October 2001. Its registered office situates at Room 801, 8/F, Tower A, China Life Center, One HarbourGate, 18 Hung Luen Road, Hung Hom, Kowloon. The Trustee, which is also the product provider of the Scheme, undertakes to manage the Scheme and authorization matters in relation to the Scheme. All assets under the "Scheme" are vested in the Trustee to ensure the investment are properly managed.

Administrator & Guarantor

China Life has been appointed by the Trustee to replace Tai Ping Life as the fund administrator since 17 June 2002 and its principal place of business is 12/F, China Life Center, Tower A, One Harbourgate, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong. Its team of experienced personnel aided by an automated administrative system is able to render the following services to each participating employer: -

- To keep proper accounts and records of the Participating Scheme and cause to be prepared annual financial statements of the Participating Scheme for audit and filing purposes;
- To assist in Participating Scheme design and advise on subsequent improvement and changes;
- To obtain registration from relevant authorities;
- To assist in organizing enrollment meetings;
- To calculate and pay benefits; and
- To prepare annual statements for both employers and employees.

The Guaranteed Fund into which the assets of the Scheme are invested is issued by China Life. China Life is also the guarantor of the Guaranteed Fund. Your investments are subject to the credit risks of China Life.

Investment Manager

All assets under the "Scheme" have been under the investment and management of Taiping Assets Management (HK) Company Limited ("Taiping Assets") since 1 October 2001. Its registered office is Unit 1-2, 19th Floor, No. 18 King Wah Road, Hong Kong. Taiping Assets has a team of experienced investment personnel including accountants, economists and investment experts who are able to react quickly to changes in the marketplace.

Auditor

PricewaterhouseCoopers has been appointed as the auditor of the Scheme. Its registered address is situated at 22/F, Prince's Building, Central, Hong Kong.

Securities and Futures Commission Authorization

The documentation of the "Scheme" has been authorized by the Securities and Futures Commission ("SFC"), pursuant to section 105 of the Securities and Futures Ordinance. SFC's authorization is not a recommendation or endorsement of the Scheme nor does it guarantee the commercial merits of the Scheme or its performance. It does not mean the Scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Tax Consequences

1. For the Employee

- The employee is not assessed to Salaries Tax on lump sum withdrawn under the Participating Scheme.
- Contributions of employees are tax deductible, subject a maximum deduction per year as specified in the Inland Revenue Ordinance.

2. For the Employer

- The employer's normal contributions to the Participating Scheme may be deducted for Profits Tax purposes to the extent that they do not exceed 15% of the employee's income.

Employers and employees should seek professional advice regarding their own particular tax circumstances.

3. Implications of The Foreign Account Tax Compliance Act ("FATCA")

(a) FATCA was enacted by the United States government in 2010 with the aim of combating tax evasion by United States taxpayers using offshore financial accounts.

(b) Pursuant to FATCA, subject to the application of any applicable intergovernmental agreement, unless a non-United States financial institution (a "foreign financial institution") timely agrees to register and enter into an agreement (an "FFI Agreement") with the United States Internal Revenue Service ("IRS") to collect and report to the United States government certain information with respect to its account holders, and to satisfy certain other obligations, payments made to the foreign financial institution on or after 1 July 2014 of interest, dividends, and certain categories of income from sources within the United States or, beginning no earlier than 2017, gross proceeds from the sale of property that can produce interest or dividends from sources within the United States, will generally (subject to certain grandfathering rules) be subject to a 30% United States federal withholding tax.

(c) If a foreign financial institution timely agrees to collect and report the information required to be collected and reported pursuant to FATCA, then the foreign financial institution may not be subject to the withholding tax described in subparagraph (b); however, 30% withholding tax may then apply to certain payments qualifying as "withholdable payments" (as defined for purposes of FATCA) or, beginning no earlier than 2017, "foreign passthru payments" (as defined for purposes of FATCA) by the foreign financial institution to such of its account holders that either fail to comply with reasonable requests for such information or that are themselves foreign financial institutions that fail to agree to provide similar information to the United States government or their own jurisdictions pursuant to an intergovernmental agreement between such jurisdiction and the United States, with respect to their own (and possibly certain of their affiliates) account holders.

(d) Hong Kong and the United States entered into an intergovernmental agreement (the "IGA") regarding the implementation of FATCA between Hong Kong and the United States on 13 November 2014 and Hong Kong opted for a "Model II" IGA.

The IGA facilitates FATCA compliance by Hong Kong resident foreign financial institutions. The United States Treasury Department has determined to treat the IGA as if it were in effect for certain purposes, such as permitting Hong Kong resident foreign financial institutions to register with the IRS under the IGA.

(e) The IGA contains the following features:

(i) financial institutions resident in Hong Kong and complying with their respective FFI Agreements will not be subject to the 30% gross withholding tax referenced above;

(ii) the IRS will waive the requirement under FATCA for Hong Kong foreign financial institutions to withhold tax on payments to recalcitrant accounts or to close those recalcitrant accounts;

(iii) for group institutions with global operations, their Hong Kong operations will continue to be regarded as FATCA-compliant despite any non-compliance of a related entity operating in a jurisdiction that prevents its compliance with FATCA;

(iv) foreign financial institutions in Hong Kong may rely on a set of streamlined due diligence procedures as stated in Annex I to the IGA to screen and identify United States indicia in order to locate United States accounts and clients for reporting purposes; and

(v) a wide spectrum of entities, financial institutions and products including mandatory provident fund schemes, other retirement products that fall within the requirements, and institutions with a predominantly local clientele, will be exempted under Annex II to the IGA.

(f) Foreign financial institutions in Hong Kong will be required to identify US accounts and clients pursuant to the due diligence requirements set forth in Annex I of the IGA. They will also have to obtain the consent of United States individual clients and potentially certain non-United States entities for reporting certain information, including some or all of their relevant account balances, gross amounts of relevant interest incomes, dividend incomes, distributions from their accounts and identification details (such as name, address, the United

States federal taxpayer identifying numbers and certain other information) to the IRS annually. In addition, the foreign financial institutions in Hong Kong will have to report the aggregate information of account balances, payment amounts and number of non-consenting United States accounts to the IRS. The IRS may in turn lodge to the Inland Revenue Department of Hong Kong, where necessary, a request for exchange of information. For details of the IGA and the Annexes, please visit the website of the Financial Services and the Treasury Bureau of the Hong Kong Government.

(g) The Trustee, as a foreign financial institution under FATCA, has registered with the IRS as a "sponsoring entity" and as a "reporting financial institution" under the IGA. In such capacity, the Trustee will serve as a "sponsoring entity" with respect to funds of which it is the trustee, including the Scheme and the Participating Schemes. The Trustee determines that the Scheme and the Participating Schemes are a "Reporting HKSAR Financial Institution" as defined in the IGA and are not exempt from the registration requirements set forth in the IGA. The Trustee will cause the Scheme and the Participating Schemes to register with the IRS within the time periods prescribed by FATCA in order to satisfy their respective reporting obligations under the IGA. In such case, the Trustee, as sponsoring entity, will perform, on behalf of the Scheme and the Participating Schemes, all due diligence, withholding, reporting, and other requirements that would have been required from a Reporting HKSAR Financial Institution. Accordingly, the Trustee will follow the procedures in Annex I of the IGA to identify and establish the status of the account holders of the Scheme and the Participating Schemes. Members may be required to provide relevant information including but not limit to name, address, the United States federal taxpayer identifying numbers and other documents to establish their FATCA status. The Trustee will assist the Scheme and the Participating Schemes to obtain required consents from Members who are United States taxpayers and submit reports containing the information required under FATCA to the IRS annually. Personal data of Hong Kong residents who are Members and not United States tax payers is generally not subject to reporting under FATCA unless these Members are considered as non-consenting U.S. accounts for FATCA purposes. The Trustee cannot provide the specific information of an account to any unauthorized third party without obtaining the account holders' prescribed consent or complying with the Personal Data (Privacy) Ordinance or the relevant laws, regulations, codes and guidelines (where applicable).

(h) If the Scheme or any Participating Scheme fails to comply with its obligations under FATCA and therefore becomes subject to withholding tax with respect to its United States-sourced income and gains, the value of the Members' benefits in the Scheme may be materially adversely impacted and the relevant Members may suffer material loss.

(i) Potential investors and Members should consult their own tax advisors regarding the possible implications of FATCA on an investment in the Scheme.

Legislation

The Scheme is governed by the Occupational Retirement Schemes Ordinance ("ORSO"), MPFSO, the Regulation (where applicable) and the SFC's Code on Pooled Retirement Funds ("PRF Code"). The Trustee has powers to amend the Trust Deed if necessary to comply with any relevant legislation and will seek all necessary recognition for each Participating Scheme. Each Participating Scheme is designed to meet the requirements of current and future legislation.

Governing Law

The Scheme is domiciled in the Hong Kong Special Administrative Region ("Hong Kong") and governed by the laws of Hong Kong. The parties involved under the Scheme shall have the right to bring legal action in a Hong Kong court as well as in any court elsewhere which has a relevant connection with the Scheme.

THE SCHEME

The "Scheme" is a 'defined contribution' scheme which offers flexibility and simplicity of design and operation. It is a tailor made scheme which is designed for small to large sized retirement schemes operating in Hong Kong. Under this Scheme, the employer's contributions are known and can be easily budgeted for.

A. *For all members (For New Members of MPF exempted ORSO registered schemes, the followings are only applicable to the extent as amended by B below).*

Contributions

The employer will make contributions based on a specified percentage of employee's monthly salary to the Participating Scheme. If the Participating Scheme requires, employees will also contribute towards the Participating Scheme through payroll deduction a specified percentage of his monthly salary.

The contribution rates are usually between 5% to 15% by employer and up to 5% by employee.

Normal Retirement Age

The employer may choose any age between 50 and 65 as the normal retirement age. Usually the normal retirement age is 65. However, should an employee continue working beyond the Normal Retirement Age, contributions to the Participating Scheme will be continued until actual retirement.

Benefits Entitlement (The followings are given as examples only. Employers may design their own scheme benefits)

1. ***Retirement at Normal Retirement Age***

   A lump sum equal to the employer's total contributions plus the employee's own contributions, if applicable, accumulated with compound interest is payable to the employee upon his retirement at normal retirement age.

2. *Benefit on Death in Employment*

A lump sum equal to the employer's total contributions plus the employee's own contributions, if applicable, accumulated with compound interest is payable to the employee's beneficiary or the legal representative if no such named beneficiary upon his death before retirement.

3. *Benefit on Permanent Incapacity*

A lump sum equal to the employer's total contributions plus the employee's own contributions, if applicable, accumulated with compound interest is payable to the employee on the date his employment ceases as a result of ill-health or incapacity which, in the opinion of a qualified doctor, renders the employee permanently unfit to continue the customary occupation.

4. *Benefit on Resignation*

If an employee resigns other than for the reasons mentioned above, he will receive a lump sum payment equal to his own contributions, if applicable, accumulated with compound interest plus a vested proportion of the employer's contributions with compound interest in accordance with a vesting scale, such as:

Completed Years of Service	Vested Percentage
Less than 3 years	0%
3 but less than 4	30%
4 but less than 5	40%
5 but less than 6	50%
6 but less than 7	60%
7 but less than 8	70%
8 but less than 9	80%
9 but less than 10	90%
10 years or more	100%

5. *Benefit on Dismissal*

Subject to the provisions of the Regulation governing minimum MPF benefits (where applicable), if an employee is dismissed for fraud or dishonesty or on any other grounds entitling the employer to terminate his contract of employment, he is only entitled to receive a lump sum equal to his own contributions, if applicable, accumulated with compound interest. The employer's contributions accumulated with compound interest will be forfeited.

B. For New Members of MPF exempted ORSO registered Scheme ("relevant scheme")

Eligibility conditions for New Members

Subject to the conditions referred to in "Other Information", all full time or part time staff of an employer whose age is between18 to 64 should join a relevant scheme within 60 days of employment. In the case of a casual employee, he/she is eligible to join a relevant scheme immediately.

Minimum MPF Benefits

The Trustee shall not in respect of New Members:

(a) pay or otherwise dispose of any part of the minimum MPF benefits to any New Members;

(b) reduce any New Member's minimum MPF benefits except in accordance with MPFSO;

(c) forfeit New Member's minimum MPF benefits and shall not be liable for or stand charged with the settlement of any losses suffered by employer or any debts owing to the employer or any other person by the New Member.

Withdrawal of Minimum MPF Benefits

A New Member is only entitled to withdraw minimum MPF benefits upon the events specified namely:

1. attainment of retirement age of 65;
2. attainment of age 60 and early retires;
3. permanent departure from Hong Kong;
4. total incapacity;
5. death;
6. has terminal illness (an additional ground of withdrawal effective from 1 August 2015);

or

7. has small balance in the account;

and in accordance with the provisions of the Regulation.

<u>Portability or transferability of Minimum MPF Benefits</u>

Where a New Member is entitled to receive benefits under a relevant scheme, the Trustee should transfer the minimum MPF benefits to either his new employer's sponsored scheme or industry scheme or to a master trust scheme which accepts minimum MPF benefits.

The Trustee will also send a notice to a New Member requesting nomination of an employer's sponsored scheme, industry scheme or a master trust scheme to accept the New Member's minimum MPF benefits in case the relevant scheme in which the New Member participates is to be wound up. If any New Member fails to return the notice within 30 days after the date of issue of notice to the Trustee, the New Member is deemed to have nominated the MPF registered scheme (a provident fund scheme registered under section 21 or 21A of MPFSO) specified in the notice to accept the transfer of the minimum MPF benefits of the New Member in case the relevant scheme is to be wound up.

Past Service Credits

In addition to normal contributions, an employer may opt to make additional contributions on behalf of an employee in respect of his previous service in the company. However, such contributions require the approval of the relevant authorities in order to qualify for tax-free status.

Reserve Account

Whenever a member is paid less than his accrued retirement benefit, the balance is credited to a special account established for the employer, called the Reserve Account. Monies held in the Reserve Account can be used to:

- pay administration charges;
- pay employer contributions; or
- increase the benefits of members

Transfer from Existing Retirement Schemes

If an employer already has an approved retirement scheme in operation, employees' benefits can be transferred to the "Scheme" subject to approval being granted under ORSO. Appropriate amounts regarding the employee accumulations and employer accumulations in this regard will be calculated and credited to each employee transferring.

INVESTMENT OBJECTIVE AND POLICY

Investment Objectives

The “Scheme” adopts an investment strategy to promote long-term capital growth.

Currently, the Scheme is invested solely in one investment portfolio – Guaranteed Policy issued by China Life. A summary of which is listed in the “Features of Insurance Policy” section. Your investments are subject to the credit risks of China Life.

The above investment portfolio contains a structure in which a guaranteed amount will be paid to scheme participants at a specific date in the future and that complies with the requirements under Chapter 9 of the PRF Code.

The assets of the investment portfolio will be invested in:

(a) Stocks and shares and other equity-related instruments;

(b) units or shares in one or more collective investment schemes which are authorized by SFC or recognized jurisdiction schemes pursuant to 1.2 of the UT Code;

(c) Debt securities including commercial papers, certificate of deposits, bonds, notes, bills etc. issued by substantial international or Hong Kong companies or licensed banks;

(d) Bank deposits denominated in multiple currencies;

(e) Unquoted investments.

Investments are subject to market fluctuations and the value of the investments and the yield may go down as well as up, except where the investment return is guaranteed.

The Scheme is denominated in Hong Kong dollars.

Investment Restrictions and Prohibitions

The following investment restrictions and prohibitions apply to the assets of the Scheme and the investment portfolio of the Scheme ("investment portfolio" and "investment portfolio's" shall be construed interchangeably below).

(a) No money will be invested in the securities of, or lent to China Life or investment manager, the Trustee or any of their connected person as applicable except where any of those parties is a substantial financial institution. Interests in collective investment schemes authorized by SFC or authorized jurisdiction schemes pursuant to 1.2 of the SFC's UT Code are not included as securities.

(b) No money will be invested in financial derivative instruments except for hedging purpose in accordance with Chapter 7 of the UT Code.

(c) No money will be invested where

  (i) the aggregate value of the investment portfolio's investments in or exposure to any single entity through its investment in securities issued by that entity may exceed 10% of the total net asset value of the investment portfolio ; or

  (ii) the aggregate value of the investment portfolio's investments in or exposure to entities within the same group through investments in securities issued by those entities may exceed 20% of the total net asset value of the investment portfolio ; or

  (iii) more than 10% of any ordinary shares issued by any single entity; or

  (iv) units or shares in one or more collective investment schemes authorized by SFC or recognized jurisdiction schemes pursuant to 1.2 of the UT Code exceeds 30 % of the total net asset value of the investment portfolio. The investment portfolio may not invest in (iv) above whose objectives are prohibited by the UT Code.

(d) No money will be invested in physical commodities unless otherwise approved by SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary.

(e) The investment portfolio may not include any security where a call is to be made for any sum unpaid on that security unless that call could be met in full out of cash or near cash by the investment portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of (b) above.

(f) No money will be invested in collective investment schemes which are managed by the same investment manager or by any of its connected person, which will result in an increase in the overall total of initial charges, management company's annual fee, redemption charges or any other costs and charges payable to the investment manager or any of its connected persons borne by the members or by the Scheme.

Notwithstanding (c)(i), (ii), and (iii)above, up to 30 per cent of the investment portfolio's total net asset value may be invested in Government and other public securities of the same issue. Subject to the above, the investment portfolio may invest all of its assets in Government and other public securities in at least six different issues.

(g) Borrowings

The maximum borrowing of the investment portfolio may not exceed 10% of the total net asset value of the investment portfolio as a hedge against currency movements or to enable the investment manager to acquire new investments for the investment portfolio or rather than converting existing holdings to meet realization payments and expenses of the investment portfolio.

The investment portfolio may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. The investment portfolio may not acquire any assets or engage in any transaction which involves the assumption of any liability which is unlimited.

The investment portfolio may not invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts) or in any securities of any class in any company or body if any director or officer of the investment manager individually owning more than 1/2 percent of the total nominal amount of all the issued securities of that class, or collectively the directors and officers owning more than 5 per cent of these securities.

The investment portfolio may not engage in short selling which will have the consequence that the investment portfolio's liability to deliver securities exceeding 10 per cent of its total net asset value and the security which is to be sold short must be actively traded on a market where short selling activity is permitted.

The liability of the employers and members must be limited to their investments in the Scheme.

Additional Investment Restriction under the Regulation

In relation to MPF exempted ORSO registered schemes, the Trustee and the Investment Manager shall ensure, notwithstanding the above paragraph, that

(a) derivatives are not used in such a way as to result in the assets of the Scheme becoming leveraged thereby;

(b) money is not borrowed for any of the purposes of the Scheme except for those purposes permitted by law.

The investment limitations and restrictions above shall apply mutatis mutandis to the Guaranteed Fund being invested in by the Scheme provided that the maximum amount stated above to be invested in a particular type of investment shall apply to the total of the amount invested directly in that type of investment and the amount invested indirectly in that type of investment through authorized unit trusts or collective investment schemes.

Annual Reporting

The Trustee shall within 6 months after the end of each financial year of each Participating

Scheme file an annual return to the Authority.

FEATURES OF INSURANCE POLICY

The sole investment vehicle available under the Scheme is a guaranteed fund in the form of Deposit Administration (Guaranteed Fund) Policy - Guaranteed Fund. The Guaranteed Fund is an insurance policy issued by China Life under Class G of Part 2 of the First Schedule of the Insurance Companies Ordinance dated 1 January 1998. The Guaranteed Fund is a non-unitized fund. Your investments are therefore subject to the credit risks of China Life.

1. Guaranteed Fund

For the Guaranteed Fund, the emphasis will be to provide a minimum guaranteed investment return by investing in fixed income instruments and a small percentage in equities that are within an acceptable risk profile.

(a) Investment Returns

China Life will guarantee an investment return at a net rate of interest of not less than **3.5%** p.a. of net asset value of member's account. The rate of interest will be applied after deduction of all fees and charges payable under the Guaranteed Fund.

(b) Asset Allocation and Geographical Distribution

The current range of asset allocation and geographical distribution of the intended direct and indirect investment of the Guaranteed Fund are as follows:

Assets Allocation	**Targeted Weighting (range%)**
Fixed Income	60 (40-80%)
Equities	20 (5-30%)
Cash	10 (5-20%)
Other Authorized Investment	10 (5-20%)

Geographical Distribution	
Asia Pacific	70% (50%-90%)
Rest of the World	30% (10%-50%)

(c) Valuation

The rules in valuing the investments of the Guaranteed Fund are as follows:

(i) If the investment is quoted, listed or dealt in on a stock exchange, the market value will be the closing price of the relevant instrument as at the close of trade.

(ii) If the investment is not listed or quoted on a recognized market, it should be determined on a regular basis by a professional person approved by the Trustee (or custodian) as qualified to value such investments. Such professional person may, with the approval of the Trustee (or custodian), be the Investment Manager.

(iii) If the investment is debt security (such as money market instrument), the market value will be

(a) the purchase price of the relevant instrument plus the yield accrued up to the end of the Scheme Year or as adjusted by amortizing any premium or discount over the remaining life of such instrument provided that any valuation conducted shall be subject to the provisions of the relevant instrument that is held to maturity; or

(b) the closing price of the relevant instrument as at the close of trading.

(iv) If any market value is expressed otherwise than in Hong Kong dollars, it shall be converted to Hong Kong dollars at an exchange rate approved by the Investment Manager and the Trustee.

China Life, at its sole discretion, has the right to retain investment income of the Guaranteed Fund in excess of that required to be set aside to meet the guaranteed benefits under the Guaranteed Fund as a reserve. The reserve is the property of China Life and not that of the Guaranteed Fund. The reserve so set up by China Life in respect of the Guaranteed Fund will be applied for contingency and for smoothing the declared interest rates if necessary. Should the declared rate be higher than the actual return, the deficit will be made up by transfer from the same reserve. If the reserve is exhausted, assets will be transferred from China Life to make up any deficit. .

The guarantor of the above is China Life and there is no guarantor's fee. Your investments are subject to the credit risks of China Life.

As a consequence of the general nature of varied investments and possible exchange or interest rate fluctuations, the value of investments and the yield may go down as well as up.

2. *Investment Limitations and Restrictions*

(a) The investment limitations and restrictions as set out in the Trust Deed of the Scheme shall apply mutatis mutandis to the Guaranteed Fund.

(b) The Guaranteed Fund is governed by and construed in accordance with the laws of Hong Kong. In the event of any amendment, deletion or addition made to policy provisions of the Guaranteed Fund, China Life will give 6 months' notice in writing to the Trustee and all participants.

3. *Early Termination of Participation in the Guaranteed Fund*

Employers of the Scheme may through the Trustee terminate its participation to the Scheme by giving 3 months' notice to China Life. China Life shall then pay a Termination Value in accordance with the Guaranteed Policy. However, if the termination happens within the first 5 years of adoption, a termination charge as specified under the "Fees and Charges" applies.

4. *Withdrawal*

The guaranteed rate of interest of 3.5% will be payable on a pro rata basis upon Members leaving the Guaranteed Fund during the policy year. The Guaranteed Fund provides Members with capital guarantee. The "capital" to be guaranteed shall comprise of the aggregate amount of member's accumulation and the vested portion of employer's accumulation at any given time.

5. *Withdrawal arrangement*

(a) The maximum interval between:-

(i) (a) the receipt of a properly documented request for Member's benefit withdrawal/termination of Employer's participation or (b) the effective date of termination of Member's employment/Employer's participation, whichever is later (provided that all outstanding contributions from Members and/or Employers have been received); and

(ii) the payment of Member's benefit/Termination Value

is not expected to exceed one calendar month, unless the market(s) in which a substantial portion of the investments of the investment portfolio is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of benefits within the aforesaid time period not practicable. In such case, the extended time frame for the payment of benefits shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

(b) Where withdrawal requests on any one Business Day exceed 10% of the total guaranteed amount of the Scheme, withdrawal requests in excess of 10% may be deferred to the next Business Day.

RISKS ASSOCIATED WITH THE INVESTMENT IN THE GUARANTEED FUND

<u>Guarantor's Risk</u>

The assets of the Scheme are solely invested in the Guaranteed Fund. The investments in the Guaranteed Fund are held as assets of China Life and are subject to the credit risks of China Life.

In case China Life fails to fulfil its obligation (including its own financial difficulties or closure) and is liquidated or is not able to meet the guarantee obligations under the Guaranteed Fund, the Scheme may not be able to recover in full or any of the investments in the Guaranteed Fund, or its value may be reduced.

Counterparty Risk

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to the Guaranteed Fund. The Guaranteed Fund may be exposed to the default and/or settlement risk of a counterparty through its direct or indirect investments such as bonds or other fixed income securities and the value of the securities may be reduced.

Liquidity Risk

Under normal circumstances, the securities/investments held by the Guaranteed Fund can be easily bought and sold in markets. However, certain securities/investments may be difficult or impossible to be sold at the time that the Guaranteed Fund would like or at the price the Investment Manager believes that the security is currently worth. There may be difficulties in realizing these securities/investments at fair price due to adverse market conditions leading to limited liquidity. Realization of a security/an investment in these circumstances may be subject to a discount of its market value.

For the liquidity risk management of the Scheme, the Trustee or the Investment Manager would regularly assess the liquidity profile of the portfolio under the current and likely future market conditions, against the expected liquidity demands having regard to factors such as past withdrawal patterns. In addition, please refer to section “Withdrawal Arrangement”.

Others

The investments in the Guaranteed Fund are also subject to market fluctuations, and usual market risk and interest rate risk associated with its underlying investments.

Market Risk

Factors such as changes in economic environment, consumption pattern and investors’ expectation etc. may have significant impact on the value of investments. The underlying investments may invest in equity securities whose value are affected by many factors, including but not limited to the business, performance and activities of individual companies as well as general market and economic conditions. The value of holdings may go down as well as up.

Interest Rate Risk

Change in interest rate may affect the value of securities as well as the financial markets in general. Bonds and other fixed income securities are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

TERMINATION OF ADOPTION

If there shall come into operation any law, regulations or rules prescribing for any provident fund or retirement scheme, mandatory or otherwise, or if all participating employers agree to terminate the Scheme or if the Trustee is required to terminate the Scheme by law, then the Trustee shall terminate the Scheme .

In case there are any unclaimed benefits arising from the termination of the Scheme above, the unclaimed benefits shall be held by the Trustee in a separate account for (i) a period of 3 months; or (ii) such other period of time as may be determined by the Trustee after the completion of the termination of the Scheme, whichever is the later.

The Trustee shall, upon expiry of the period referred to in the above paragraph, pay all unclaimed benefits into the court of Hong Kong subject to the right of the Trustee to deduct therefrom any expenses (including legal expenses) the Trustee may incur in making such payment.

Unclaimed benefits means (i) a proportion of Reserve Accumulation to be allocated in respect of a Member of an Employer determined by the Trustee upon distribution of Reserve

Accumulation under the Trust Deed as to distribution or (ii) a benefit that is immediately payable in respect of the Member in accordance with any one of the conditions of payment in the Trust Deed as determined by the Trustee; AND neither the Member nor the beneficiary nominated by the Member has applied to the Trustee to have the foregoing proportion of Reserve Accumulation to be allocated as determined by the Trustee or the amount of benefits paid to him; and that the Trustee is unable to pay these benefits to the member or the nominated beneficiary because the Trustee, after making reasonable efforts to find the member or the nominated beneficiary, is unable to do so.

The employer and/or the Trustee may give to the other party and the relevant members 3 months' notice in writing or such other period as may be agreed between the parties or required by law to terminate the Scheme.

FEES AND CHARGES

At Employer/Employee Level

1. ***Annual Scheme Fee***
   An Annual Scheme Fee of HK$500 will be charged to each Participating Scheme.

2. ***Annual Membership Fee***
   HK$12 for each member p.a.

3. ***Annual Contribution Charge***
   The following scales of charges apply to all contribution made under a new Participating Scheme and are payable by Employer
   - 3.5% of the first annual contributions of HK$200,000;
   - 2.5% of the next annual contributions of HK$400,000;
   - 1.5% of the next annual contributions of HK$400,000;
   - 0.5% on annual contributions exceeding HK$1,000,000

4. ***Past Service Contribution Fee (if any)***
   1% on the past service contribution.

5. *Other Fees*

The following initial fees are payable by the Employer in respect of ORSO application for registration of a Participating Scheme:

(i) an application fee of $1,800 payable to the Authority for registration;

(ii) fees payable to auditor for the auditor's statement on scheme's membership;

(iii) fees payable to auditor for the auditor's statement on scheme audit (if the Participating Scheme is an existing scheme only);

(iv) legal fee payable to solicitor for the Solicitor's Statement.

The following annual fees are payable by the Employer:-

(v) a periodic fee of $1,800 payable to the Authority;

(vi) fees payable to auditor to carry out audit on contribution details.

Items (i) and (v) are charged by the Authority and are subject to change by the Authority.

At Insurance Policy Level

6. *Investment Charges*

(a) For the Guaranteed Fund, 1% p.a. of the net asset value of member account shall be payable to China Life (inclusive of Investment Manager's fee) at the end of the Policy Year.

(b) As the investment manager may invest a substantial amount of the assets of the Scheme into authorized unit trusts and mutual funds, there are additional fees and charges charged by the fund managers of these unit trusts and mutual funds. The range of initial charges will be 0-5% and the range of annual management fee will be 0-1%.

As a result, the total annual management fee on that part of assets invested in these unit trusts and mutual funds will be in the range of 0-2%.

7. Termination Charges

Should the employer cancel participation in the Scheme and request that benefits be paid to employees or transferred to another approved retirement scheme, then a termination charge will apply. This charge is determined as a percentage of the value of asset of the Participating Scheme according to the following scale:

Completed years as at the date of termination	Termination Charge as a % of the value of asset of the Participating Scheme
Less than 1	5%
1 but less than 2	4%
2 but less than 3	3%
3 but less than 4	2%
4 but less than 5	1%
5 or more	0%

At Insurance Policy/Scheme Level

There may be other out-of-pocket fees and charges incurred at Scheme/insurance policy level. Such fees and expenses include but not limited to SFC's licence fees, bank charges, insurance premiums and audit fees.

A SUMMARY OF CURRENT FEES AND CHARGES

At Employer / Employee Level **Chargeable by the Trustee**		
1) Annual Scheme Fee	$500.00 each Participating scheme	per annum
2) Annual Membership Fee	$12.00 each member	per annum
3) Annual Contribution Charge	applies to contribution under a new Participating Scheme	per annum
First annual contributions of HK$200,000.00	3.5%	
Next annual contributions of HK$400,000.00	2.5%	

Next annual contributions of HK$400,000.00 Annual contributions exceeding HK$1,000,000.00	1.5% 0.5%	
4) Past Service Contribution Fee	1% on past service contribution	

At Employer Level **Chargeable by the Authority**		
1) Initial Registration Fee^	$1,800	
2) Periodic Fee^	$1,800	per annum
Other Fees		
1) One-off fees to auditor(s) and solicitor	Per advice by auditor and solicitor	
2) Annual Fee to employer's auditor	Per advice by auditor	per annum

At Insurance Policy Level		
1) Investment Charge (inclusive of Investment Manager's fee)	1% of the net asset value of member account	per annum
2) Total management fees on that part of assets invested in authorized unit trusts and mutual funds (where applicable)	0% - 2%	
3) Termination charge	0 - 5% of the value of asset of the Participating Scheme	Based on completed year of participation

The following fees, costs and expenses must not be paid from the Participating Scheme's property:

- commissions payable to sales agents for effecting any registered schemes to join the Scheme;
- expenses arising out of any advertising or promotional activities in connection with the Scheme;
- expenses which are not ordinarily paid from the property of Participating Schemes authorized in Hong Kong;
- expenses which have not been disclosed in the constitutive documents as required by Appendix B of the PRF Code.

Apart from the above section “Fees and Charges”, there will be no other fees or charges.

All charges appear herein mentioned and stipulated in the Guaranteed Fund may only be varied after China Life has given six months’ notice in advance to the Employers and Members.

^ subject to change from time to time.

8. Rebates

Neither China Life/Taiping Assets, investment delegate nor any of their connected persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions in the investments of the Scheme to the broker or dealer save that goods and services (soft dollars) may be retained if:

(a) the goods or services are of demonstrable benefit to the investors;

(b) transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates;

(c) adequate prior disclosure is made in this Principal Brochure; and

(d) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

Note: Goods and services falling with (a) above may include: research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services and investment-related publications. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

OTHER INFORMATION

1. **Anti-Money Laundering**

   As part of the Trustee's responsibility for the prevention of money laundering, the Trustee may require a detailed verification of the Scheme applicant's identity and the source of contribution payment.

   The Trustee reserves the right to request such information as is necessary to verify the identity of a Scheme applicant and the source of contribution payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee may refuse to accept any application and the contribution monies relating thereto to the extent permitted under the applicable law of Hong Kong.

2. **Automatic Exchange of Financial Account Information ("AEOI")**

   Under the Inland Revenue Ordinance, the implementation of AEOI requires financial institutions ("FI") in Hong Kong to identify account holders who are reportable person, i.e. tax residents of the AEOI partner jurisdictions ("reportable jurisdictions"), and report the required information ("reportable information") to the Inland Revenue Department of Hong Kong ("IRD") on an annual basis. IRD will further exchange the reportable information in respect of the reportable persons with the tax authorities of the relevant reportable jurisdiction(s).

   The Scheme is considered as a reporting FI for AEOI purpose and is required to comply with AEOI rules in Hong Kong with effect from 1 January 2020. This means that the Scheme shall conduct due diligence procedures to identify the tax residency of the Scheme's participants (i.e. employers and members, including an individual or entity and controlling person of an entity) for AEOI purpose, and report to the IRD the reportable information (including but not limited to personal data such as name, address, jurisdiction of residence, TIN (i.e. taxpayer identification number) and date of birth) of the reportable person on an annual basis. The IRD will transmit the reportable information collected to the tax authorities of the relevant reportable jurisdictions. In this respect, self-certification is required for new applications on or after 1 January 2020, and in case no valid self-certification can be obtained by the Scheme, the application process will be adversely affected and/or could not be completed. As for pre-existing Scheme participants as at 31 December 2019, self-certification may also be requested by the Scheme so to establish the tax residencies of the Scheme participants,

If Scheme participants are not overseas tax residents in any jurisdiction outside Hong Kong, their relevant information will not be reported to the IRD for transmission to any tax authority outside Hong Kong.

Where there are any changes in circumstances that affect the tax residency status or cause the information contained in a self-certification to become incorrect, Scheme participants should inform the Trustee by providing a suitably updated self-certification within 30 days of such change in circumstances.

INSPECTION OF DOCUMENTS

A copy of each of the followings:

- the Trust Deed;
- Deeds of Variation; and
- the Guaranteed Fund

are available for inspection by Employers and Members at the office of China Life Trustees Limited, Room 801, 8/F, Tower A, China Life Center, One HarbourGate, 18 Hung Luen Road, Hung Hom, Kowloon during normal office hours free of charge.

Every Employer and Member may request a copy of the Trust Deed upon payment of a reasonable charge.

The latest Principal Brochure (including all addenda), notices and announcements relating to the Scheme can be downloaded from our website www.chinalife.com free of charge.

COMPLAINTS AND ENQUIRIES HANDLING

Employers or Members may contact China Life Trustees Limited for any queries or complaints by the following means:

- Call the Customer Service Hotline on (852) 3999 5555; or
- Call the Complaint Hotline on (852) 2891 3613; or
- Email to mpf@chinalife.com.hk; or
- Mail to the office address of China Life Trustees Limited, Room 801, 8/F, Tower A, China Life Center, One HarbourGate, 18 Hung Luen Road, Hung Hom, Kowloon

China Life Trustees Limited will, under normal circumstances, send an acknowledgment of receipt of the complaint to the concerned Employer or Member within one week of receipt, and will investigate the situation and take the necessary actions as soon as practicable.

HOW TO PARTICIPATE

To participate in the "Scheme", an employer simply has to:

- complete an Application of Adoption (agreeing to follow the provisions of the Trust Deed);
- complete other appropriate forms required by China Life Trustees Limited;
- complete the document required for recognition under the Government's ordinances; and
- complete a member enrollment form.

Unless otherwise specified, the terms and definitions referred herein shall have the same meaning as that used under the Trust Deed and policies.

China Life Trustees Limited accepts responsibility for the accuracy of the information contained herein as at the date of this Principal Brochure and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Date: 1 March 2023