

China Life Franklin Diversified Income Fund (the “Trust”)

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional financial advice.

China Life Franklin Asset Management Co., Limited (the “Manager”) accepts full responsibility for the accuracy of the information contained in this document 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.

Capitalised terms used herein shall bear the same meanings as capitalized terms used in the Explanatory Memorandum for the Trust dated 27 December 2019, as may be amended and supplemented from time to time (the “Explanatory Memorandum”).

27 December 2019

Dear Investor,

Amended and restated Trust Deed and update to offering documents to comply with revised Code on Unit Trusts and Mutual Funds

We, China Life Franklin Asset Management Co., Limited, as the manager of the Trust, wish to inform investors that the Trust Deed of the Trust dated 29 July 2014, as amended from time to time (the “Trust Deed”) has been amended by way of an amended and restated trust deed effective 27 December 2019 (the “Effective Date”). The Explanatory Memorandum and the product key facts statement of the Trust (the “KFS”) are also amended on the Effective Date.

A. Changes to Trust Deed

The purpose of amending and restating the Trust Deed and updating the Explanatory Memorandum and the KFS is to incorporate changes in compliance with the requirements of the revised Code on Unit Trusts and Mutual Funds (the “Code”). The revised Code came into effect on 1 January 2019 with a 12-month transition period for existing schemes (i.e. funds previously authorised by the SFC).

The changes to the Trust Deed relate to the following:

1. the investment restrictions applicable to the Trust are revised to reflect the updated investment restrictions under Chapter 7 of the revised Code. Investors can refer to the section titled “Investment Restrictions and Prohibitions” in the Explanatory Memorandum for the revised investment restrictions;
2. the maximum borrowing of the Trust will be reduced from 25% to 10% of its net asset value in accordance with the revised Code;
3. adopting the flexibility accorded under the revised Code, a redemption gate may be imposed by the Manager by reference to the total net asset value of the Trust such that the Manager may limit the total number of units of the Trust that may be redeemed in any dealing period to 10% of the total net asset value of the Trust. Note that currently the Manager may limit the number of Units of the Trust that may be redeemed in any dealing period to 10% of the total number of units of the Trust in issue on the Valuation Day for that dealing period;
4. unitholders’ meetings in which an extraordinary resolution is proposed may now be convened by unitholders on not less than 21 days’ notice, while all other unitholders’ meetings may be convened on not less than 14 days’ notice;
5. if Unitholders representing at least 50% in value of the units outstanding deliver to China Life Trustees Limited (the “Trustee”) a written request to dismiss the Manager, the units held or deemed to be held by the Manager will no longer be excluded for this purpose;

6. removal of the period of the Trust (currently set at 80 years), as there is no rule against perpetuity of trust under Hong Kong law for an instrument taking effect on or after the commencement of the Trust Law (Amendment) Ordinance 2013;
 7. enhanced obligations of the Trustee and the Manager respectively under the revised Code; and
 8. other changes to comply with the revised Code and Guide on Practices and Procedures for Application for Authorisation of Unit Trusts and Mutual Funds.
- B. Change in relation to publication of suspension notice and publication of net asset value per unit

Currently, a notice of any suspension of the calculation of the net asset value per unit of the Trust will be published by the Manager in the Standard and Sing Tao Daily.

With effect from the Effective Date, such notice of suspension and the net asset value per unit of the Trust will only be published on the Manager's website at <http://www.clamc.com.hk> (this website has not been reviewed by the SFC).

C. General

The Explanatory Memorandum and the KFS have been updated to reflect the above changes. Other changes have also been made to the Explanatory Memorandum and the KFS, including:

1. disclosure relating to the net derivative exposure of the Trust has been added;
2. disclosure relating to Taxation has been updated; and
3. other minor changes, including drafting changes.

The investment objective and investment policy of the Trust remain unchanged. There is no material change to the risk profile of the Trust.

The changes to the Trust Deed do not require Unitholders' approval pursuant to the Trust Deed and applicable laws and regulations. The Trustee agrees to the changes to the Trust Deed.

The Explanatory Memorandum and KFS will be published on the Manager's website at <http://www.clamc.com.hk> (this website has not been reviewed by the SFC) from the Effective Date. Copies of the Trust Deed (including the amended and restated trust deed), the Explanatory Memorandum and KFS and the latest annual and interim financial reports (if any) will be available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager (set out below).

If you have any questions or require further information, please contact the Manager at Unit 301 Cheung Kong Centre, 2 Queen's Road Central, Hong Kong or by telephone at 3944 5588.

Yours faithfully,
China Life Franklin Asset Management Co., Limited