Principal®
The World’s Retirement Services Specialist
MPF Scheme
Important Notes:

1. The Principal Capital Guaranteed Fund under Principal MPF Scheme Series 800 and the Principal Long Term Guaranteed Fund under Principal MPF Scheme Series 600 & 800 (collectively the "Schemes") invest solely in an approved pooled investment fund in the form of an insurance policy issued by Principal Insurance Company (Hong Kong) Limited ("Principal"). The guarantee is also provided by Principal. Your investments in these funds, if any, are therefore subject to the credit risk of Principal. Please refer to the sections "Principal Capital Guaranteed Fund" of the Principal Brochure of Principal MPF Scheme Series 800 and "Principal Long Term Guaranteed Fund" of the Principal Brochures of the relevant Schemes for details of the credit risk, guarantee features and guarantee conditions.

2. Principal, the Guarantor of the Principal Long Term Guaranteed Fund under the Schemes, will only provide a guarantee of capital and a prescribed guarantee rate of return in certain specified circumstances. Please note that you may lose the guarantee entitlement if you have elected to transfer your accrued benefits in the Schemes (i) from an account within the Schemes to another account within the respective Schemes; (ii) from the Principal Long Term Guaranteed Fund to another constituent fund in the respective Schemes; or (iii) to another MPF scheme as described in the subsection (B) "Transferring benefits from or within the Scheme" under the section "Employee's Choice – Transferring accrued benefits to and from the Scheme" of the Principal Brochures of the relevant Schemes. For Principal MPF Scheme Series 600 & 800, please refer to page 10 and 12 of the Principal Brochures respectively under the section "Provision of Guarantee" for details of the guarantee conditions. Please also note that a partial withdrawal of accrued benefits may affect your guarantee entitlement under the Principal Long Term Guaranteed Fund. For details, please refer to the section "Provision of Guarantee" and the section "Guarantee entitlement in respect of partial withdrawal of accrued benefits upon retirement or early retirement" of the respective Principal Brochures.

3. If you are currently investing in Principal Long Term Guaranteed Fund, a withdrawal of the accrued benefits on ground of terminal illness may affect your entitlement to the guarantee and you may lose your guarantee. For details please check the respective Schemes offering document or consult your trustee before making any such withdrawal.

4. Principal, the Guarantor of the Principal Capital Guaranteed Fund under Principal MPF Scheme Series 800, will provide a guarantee to ensure the unit value of the fund will never decrease. Prior to 30 December 2011, under the indirect charge option (i.e. Class I Units after 30 December 2011), part of the management fee is asset based which is deducted from the net asset value of the fund, while the remaining part is payable by deducting units from member's account. As such, capital may not be guaranteed in absolute term for scheme members under the indirect charge option before 30 December 2011. For details, please refer to the sections "How the guarantee works" and "Fees and Charges" of the Principal Brochure of Principal MPF Scheme Series 800.

5. Investment in the Principal HK Dollar Savings Fund is different from placing deposits with a bank or deposit-taking company and is not protected by the Deposit Protection Scheme. Investment in this Fund will be subject to investment risks.

6. The Principal MPF Conservative Fund under the Schemes are not guaranteed funds and do not guarantee the repayment of capital. Fees and charges of a MPF conservative fund can be deducted from either (i) the assets of the fund or (ii) members' account by way of unit deduction. These funds use method (i) and, therefore, unit prices/net asset value/fund performance quoted have incorporated the impact of fees and charges.

7. You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of funds, you are in doubt as to whether a certain fund is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice and choose the fund(s) most suitable for you taking into account your own circumstances.

8. You should consider your own risk tolerance level and financial circumstances before investing in the Default Investment Strategy ("DIS"). You should note that the Principal Core Accumulation Fund and the Principal Age 65 Plus Fund may not be suitable for you, and there may be a risk mismatch between the Principal Core Accumulation Fund and the Principal Age 65 Plus Fund and your risk profile (the resulting portfolio risk may be greater than your risk preference). You should seek financial and/or professional advice if you are in doubt as to whether the DIS is suitable for you, and make the investment decision most suitable for you taking into account your circumstances.

9. You should note that the implementation of the DIS may have an impact on your MPF investments and benefits. You should consult with the Trustee if you have doubts on how you are being affected.

10. In the event that you do not make any investment choices, please be reminded that any contributions made and/or benefits transferred into the relevant Schemes will be invested into the DIS.

11. Investment involves risks. The value of the funds may go up or down. The past performance is not indicative of future performance. Your investment may suffer significant loss. There is no assurance on investment returns and you may not get back the amount originally invested. You should not invest in reliance on this marketing material alone. You should read the Principal Brochures of the relevant Schemes for further details (including investment policy, risk factors, fee and charges of the constituent funds).
Principal®, the world's retirement services specialist

Principal Hong Kong is one of the major service providers of total retirement solutions in Hong Kong. Our member companies provide one-stop shop services on pension scheme management, including trustee, administration and investment management, as well as award-winning mutual funds^ and investment products for both individuals and institutional investors.

^ Source of fund awards and the methodologies: Asia Asset Management, AsianInvestor, Benchmark, e-brand awards and Lipper. For the details on the fund awards, please refer to the website of Principal (www.principal.com.hk).

Parent Company

Founded in 1879, the Principal Financial Group® (The Principal®) is one of the global investment management leaders in offering businesses, individuals and institutional clients a wide range of financial products and services with special focus on retirement and investment services through its diverse family of companies and joint ventures around the world. As one of the 401(k) leaders and a member of the FORTUNE 500®, The Principal has US$591.6 billion in assets under management (as of December 31, 2016) and serves some 22.1 million customers worldwide from offices in 18 countries throughout Asia, Australia, Europe, Latin America and the United States. The Principal Financial Group, Inc. is traded on the New York Stock Exchange under the ticker symbol of PFG.

Why Principal MPF Services?

Diversified Investment Options - With solid experience in investment management, we offer diversified investment options, providing different characteristics and risk levels to meet different investment objectives and retirement needs of members.

Retirement Services Specialists - Our experienced retirement services specialists possess high level of technical know-how in managing/administering pension schemes, and are committed to helping members select the right approach to achieve your financial goals.

Reliable Administration and Quality Customer Service - Our sophisticated administrative and advanced I.T. systems are designed to accommodate your unique personal and business requirements, while providing flexibility for change. Besides, we also provide quality customer services to members and they can take advantage of them to manage their MPF accounts efficiently.

Convenient Information Access - Members can obtain their individual account information conveniently through the round-the-clock Principal TeleTouch© interactive voice response system or internet-based Principal Retirement Services Centre (www.principal.com.hk). With these, members can access their account balances, daily fund prices, investment performance and even switch funds anytime and anywhere. The cut-off time of processing the change of investment choice is 4pm on any Hong Kong business working day. In addition, members may also obtain their account balances, daily fund prices and investment performance via the Principal Mobile App. Both members and non-members can take advantage of the budget planning tool, "Dream Tour", where this Mobile App also offers "Fund Price Alert" function. Lastly, by registering the Principal e–Channel Service, members will enjoy a wide array of free services including regular updates on pension account balance, updated information on Principal products and services promotional program as well as exclusive member benefits via e-mail and SMS.

Investment Philosophy

Our investment managers adopt a bottom-up investment approach achieved through systematic evaluation of company fundamentals and in-depth original research. We believe our stock selection combined with disciplined risk management are two important elements in investment management. Through the systematic investment analysis panel and experienced investment specialists, we strive to provide capital gain opportunities and help achieve members' retirement investment goals.
Principal MPF Scheme Series

Principal MPF Schemes offer a wide selection of fund options to cater for members’ different investment needs and risk tolerance.

MPF Scheme Series 800

MPF Scheme Series 800 consists of 17 constituent funds, including risk/return profile of low, moderate, moderate to high and high, providing the widest fund choices.

MPF Scheme Series 600

MPF Scheme Series 600 consists of 11 constituent funds, including risk/return profile of low, moderate, moderate to high and high, offering diversification and flexibility in investment options to employees.

# Risk/Return Profile

The following classifications of Risk/Return Profile for each constituent fund are determined by the Investment Manager, Principal Asset Management Company (Asia) Limited, based on past volatility (i.e. annualized standard deviation of returns) and relative risk levels among the constituent funds in the Schemes. The classifications of the Risk/Return Profile will be reviewed by the Investment Manager on an annual basis and are provided for reference only.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Objective</th>
<th>Asset Allocation</th>
<th>Risk/Return Profile*</th>
<th>MPF Scheme Series 800</th>
<th>MPF Scheme Series 600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Age 65 Plus Fund</td>
<td>To provide stable growth for the retirement savings to members by investing in a globally diversified manner. The fund is denominated in Hong Kong Dollars.</td>
<td>Global Equities Securities Global Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>15-25%</td>
<td>(DIS Fund)</td>
<td></td>
</tr>
<tr>
<td>Principal Core Accumulation Fund</td>
<td>To provide capital growth to members by investing in a globally diversified manner.</td>
<td>Global Equities Securities Global Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>55-65%</td>
<td>(DIS Fund)</td>
<td></td>
</tr>
<tr>
<td>Principal Capital Guaranteed Fund*</td>
<td>To guarantee the capital value of the contributions, and to earn a competitive short-term rate of return.</td>
<td>Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>0-100%</td>
<td>(Guaranteed Fund)</td>
<td></td>
</tr>
<tr>
<td>Principal Long Term Guaranteed Fund**</td>
<td>To provide a competitive long-term total rate of return, while also providing a minimum guaranteed annual return over the career of the members.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>10-55%</td>
<td>(Guaranteed Fund)</td>
<td></td>
</tr>
<tr>
<td>Principal MPF Conservative Fund***</td>
<td>To at least earn a net return equal to the “prescribed savings rate” (which is broadly the average rate of interest on a Hong Kong dollar savings account) determined by the MPFA.</td>
<td>Certificates of Deposit Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>0-0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal HK Dollar Savings Fund</td>
<td>To earn a competitive short-to-medium term rate of return.</td>
<td>Short-term Duration Debt Securities (e.g. certificates of deposits) Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>5-100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Asian Bond Fund</td>
<td>To provide a return consisting of income and capital growth over medium to long term.</td>
<td>Debt Securities Cash &amp; Time Deposits</td>
<td>100-0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Hong Kong Bond Fund</td>
<td>To provide a return consisting of income and capital growth over medium to long term.</td>
<td>Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>100-0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal International Bond Fund</td>
<td>To protect and maximise real asset value in terms of international purchasing power.</td>
<td>Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>100-0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Stable Yield Fund</td>
<td>To seek long-term growth of capital through investing in a balanced portfolio.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>0-50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Long Term Accumulation Fund</td>
<td>To earn a competitive long-term total rate of return through investing in a balanced portfolio.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>15-80%</td>
<td></td>
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</tr>
<tr>
<td>Principal Global Growth Fund</td>
<td>To seek long-term growth of capital through investing in a balanced portfolio.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>15-80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal US Equity Fund</td>
<td>To achieve capital growth over the long-term by investing in US equity markets.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>100-0%</td>
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</tr>
<tr>
<td>Principal Aggressive Strategy Fund</td>
<td>To seek long-term growth of capital through investing entirely in an Approved Pooled Investment Fund (&quot;APF&quot;)</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>60-100%</td>
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<tr>
<td>Principal Asian Equity Fund</td>
<td>To achieve capital growth over the long-term by investing in Asian equity markets.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>70-100%</td>
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<td></td>
</tr>
<tr>
<td>Principal China Equity Fund</td>
<td>To achieve capital growth over the long-term by investing mainly in China-related equities.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>70-100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Hang Seng Index Tracking Fund</td>
<td>To provide investment results that closely correspond to the performance of the Hang Seng Index through investing all or substantially all of the fund’s assets in units of The Tracker Fund of Hong Kong.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>90-100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Hong Kong Equity Fund</td>
<td>To achieve capital growth over the long-term by investing mainly in Hong Kong equity markets.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>70-100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal International Equity Fund</td>
<td>To seek capital growth over the long-term through investing mainly in equity markets around the world.</td>
<td>Equity Securities Debt Securities Cash &amp; Short-term Investments (e.g. bills and deposits)</td>
<td>70-100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Principal Capital Guaranteed Fund
Principal, the Guarantor of the Principal Capital Guaranteed Fund under Principal MPF Scheme Series 800, will provide a guarantee to ensure the unit value of the fund will never decrease. Prior to 30 December 2011, under the indirect charge option (i.e. Class I Units after 30 December 2011), part of the management fee is asset based which is deducted from the net asset value of the fund, while the remaining part is payable by deducting units from member’s account. As such, capital may not be guaranteed in absolute term for scheme members under the indirect charge option before 30 December 2011. For details, please refer to the sections “How the guarantee works” and “Fees and Charges” of the Principal Brochure of Principal MPF Scheme Series 800.

Subject to the sole discretion of the Trustee, (i) the Class D Units will not be available to employers, employees and self-employed persons who join the Scheme on or after 1 October 2004; and (ii) personal account members and Special Voluntary Contributions members will be subject to the Class I Units only.

** Principal Long Term Guaranteed Fund
Principal, the Guarantor of the Principal Long Term Guaranteed Fund under the Schemes, will only provide a guarantee of capital and a prescribed guarantee rate of return in certain specified circumstances. Your investments are subject to the credit risk of Principal.

The guarantee of capital and return will only be offered if the contributions in the fund are withdrawn upon the occurrence of a "qualifying event", which is the receipt by the Trustee of a valid claim of all the accrued benefits of the member upon satisfying any of the following conditions:
(a) Attainment of the normal retirement age or retirement at or after the early retirement age but before the normal retirement age
(b) Total incapacity
(c) Terminal illness
(d) Death
(e) Permanent departure from Hong Kong
(f) Claim of "small balance"
The above conditions (a) to (f) apply to employee members, self-employed persons, Special Voluntary Contributions members (only applicable to Principal MPF Scheme Series 800) and personal account members.

(g) Termination of the member’s employment (regardless of the reason of termination) and the continuous period for which the member has been investing in the fund up to and including the last date of his employment ("qualifying period") is at least 36 complete months. The qualifying period in respect of a member may also be reset to zero if the member (or his personal representative) effects a redemption, switching out or withdrawal of the units of the fund other than upon the occurrence of a qualifying event. For the avoidance of doubt, condition (g) does not apply to self-employed persons, Special Voluntary Contributions members (only applicable to Principal MPF Scheme Series 800) or personal account members.

If a redemption, switching out or withdrawal of units of the fund is effected by a member other than upon the occurrence of a qualifying event as stated above, the guarantee will be affected and the member’s investments in this fund will be subject to market fluctuation and investment risks. For Principal MPF Scheme Series 600 & 800, please refer to page 10 and 12 of the Principal Brochures respectively under the section "Provision of Guarantee" for details of the guarantee conditions.

*** Principal MPF Conservative Fund
The Principal MPF Conservative Fund under the Schemes are not guaranteed funds and do not guarantee the repayment of capital. Fees and charges of a MPF conservative fund can be deducted from either (i) the assets of the fund or (ii) members’ account by way of unit deduction. These funds use method (i) and, therefore, unit prices/net asset value/fund performance quoted have incorporated the impact of fees and charges.

NOTE:
Investors should note that the above ranges of asset allocations is for indication only and long term allocations may vary with changing market conditions.

Fees and Charges
The management fees at the constituent fund level of the constituent funds under the Schemes range from 0.75% to 2.00% per annum of their net asset value (NAV). The management fees include fees paid to the trustee, custodian, administrator, investment manager (including fees based on fund performance, if any) and sponsor of a scheme for providing their services to the relevant fund. Such fees are usually charged as a percentage of the NAV of a fund. A guarantee charge of up to 1.00% per annum of NAV is applicable for the Principal Long Term Guaranteed Fund under the Schemes. For details, please refer to the Principal Brochures of the relevant Schemes under the section "Fees and Charges".

One-stop shop MPF Services
Principal Hong Kong offers one-stop shop services to your MPF scheme, including corporate trustee, pension administration, as well as investment management. With our solid experience and expertise in consultative, administrative and investment management services, you can enjoy a hassle-free total MPF solution. For more details, please talk to your MPF Consultant or call our Hotline at (852) 2827 1233.

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