

**FAQ for the Termination of Principal Long Term Guaranteed Fund (“LTGF”) and
Principal Capital Guaranteed Fund (“CGF”) under
Principal Trust Company (Asia) Limited Retirement Scheme (the “Scheme”)**

Q1. I received one letter sent from you regarding the termination of LTGF and CGF (the “Termination”), what is it about?

Ans: This letter is mainly to notify Scheme Participants of the Termination. The LTGF and the CGF currently invest respectively into the Principal Guaranteed ORSO Fund – Principal Long Term Guaranteed Fund and the Principal Guaranteed Umbrella Fund – Principal Capital Guaranteed Fund under the Policies issued by Principal Insurance Company (Hong Kong) Limited, the insurer of the Policies (the “Insurer”). We, Principal Trust Company (Asia) Limited (the “Trustee”), have been informed that the Insurer has decided to terminate the Policies as part of its internal restructuring to demise its guaranteed fund offerings. As a result of the termination of the Policies, we have researched and tried to search for alternative arrangements for LTGF and CGF including (a) potential replacement funds for LTGF and CGF; and (b) the Termination. After considering these alternatives from various angles and their potential impacts on the Scheme Participants, we concluded that the Termination is the only viable option.

Pursuant to clause 11.1.7 of the Master Trust Deed, we with the written consent of the Insurer, hereby give not less than three months' prior notice to the Scheme Participants in relation to the Termination, which will take effect on **20 June 2024** (the “Effective Date”).

Q2. Why are you terminating LTGF and CGF?

Ans: The LTGF and the CGF currently invest respectively into the Principal Guaranteed ORSO Fund – Principal Long Term Guaranteed Fund under the Principal Guaranteed ORSO Fund Policy and the Principal Guaranteed Umbrella Fund – Principal Capital Guaranteed Fund under the Principal Guaranteed Umbrella Fund Policy issued by Principal Insurance Company (Hong Kong) Limited, the insurer of these two policies (the “Insurer”). The Principal Guaranteed ORSO Fund Policy and the Principal Guaranteed Umbrella Fund Policy are collectively called the Policies. We have been informed that the Insurer has decided to terminate the Policies as part of its internal restructuring to demise its guaranteed fund offerings. As a result of the termination of the Policies, we have researched and tried to search for alternative arrangements for LTGF and CGF including (a) potential replacement funds for LTGF and CGF; and (b) the Termination. After considering these alternatives from various angles and their potential impacts on the Scheme Participants, we concluded that the Termination is the only viable option.

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Q3. Why could you terminate LTGF CGF without obtaining my prior consent? Based on which rules could you terminate these two funds?

Ans: Pursuant to clause 14.4 of each of the Policies, the Insurer may terminate The Principal Guaranteed ORSO Fund Policy and the Principal Guaranteed Umbrella Fund Policy by giving the policyholder (i.e., the Trustee) at least three months' prior notice in writing without obtaining the consent of the Trustee and the Scheme Participants. We as the Trustee of the Scheme is permitted under clause 11.1.7 of the Master Trust Deed to terminate LTGF and CGF by giving three months' prior written notice to Scheme Participants notifying them of the Termination which will take effect on the Effective Date.

Q4. When will you terminate LTGF and CGF?

Ans: They will be officially terminated on **20 June 2024**.

Q5. Have you sent a letter notifying me of the Termination? If yes, when did you send it?

Ans: As we are required under clause 11.1.7 of the Master Trustee Deed to notify all Scheme Participants **at least three months** before the Effective Date (i.e., **20 June 2024**), we have issued the notice on **20 March 2024**, and the notice has been posted to your registered correspondence address.

Q6. How will the Termination affect me?

Ans: We are of the view that the Termination will not have any adverse impact on the interests of Scheme Participants. After the Termination, there will not be any guarantee fund under the Scheme. However, the Scheme still provides funds with a full range of risks and investment objectives for Scheme Participants to choose from.

Q7. I want to know more about LTGF.

Ans: LTGF is a guaranteed fund that offers the guarantee of capital and return (the current guaranteed rate is 1% per annum) as detailed in section 8.1 and Appendix of the Principal Brochure of the Scheme. Under the current guaranteed mechanism of the LTGF, the guarantee of capital and return will only be offered to Scheme Participants if the accrued benefits attributable to contributions in the LTGF are withdrawn upon the occurrence of one of the Qualifying Events. The Qualifying Events are:

- (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) Termination of the member's employment (regardless of the reason of termination) and the qualifying period is at least 36 complete months, provided that the qualifying period may be re-set to zero if the member effects a redemption, switching out or withdrawal of the units in the Investment Portfolio other than upon the occurrence of a Qualifying Event.

If Scheme Participants effect redemption, switching out or withdrawal from LTGF other than the occurrence of a Qualifying Event, they will not be entitled to the guarantee of capital and return. In addition, it will also affect Scheme Participants' future entitlement to the guarantee of capital and return (e.g. if they have future contributions to LTGF) if they effect redemption, switching out or withdrawal from LTGF other than the occurrence of a Qualifying Event. Therefore, except for the occurrence of Qualifying Events, Scheme Participants are not encouraged to effect redemption, switching out or withdrawal from LTGF.

Q8. Are there any consequences if I redeem, switch out or withdraw a portion of my investment in LTGF before the Effective Date?

Ans: Based on the guaranteed mechanism of LTGF, if Scheme Participants effect redemption, switching out or withdrawal from LTGF other than the occurrence of Qualifying Events, they will not be entitled to the guarantee of capital and return and will only be given the nominal account balance. However, due to the Termination, we have put in place a one-off special arrangement ("**One-off Arrangement**").

Under the One-off Arrangement, if a Scheme Participant applies for switching or transfer out of ALL accrued benefits under the LTGF as at the time of such switching or transfer out to other Investment Portfolio(s) under the Scheme or to another registered scheme between 20 March 2024 and 7 June 2024 (both dates inclusive), or there are accrued benefits under the LTGF in the Scheme Participant's account on the Effective Date, the Scheme Participants will be entitled to the higher of the qualifying balance and the nominal account balance. If, however, a Scheme Participant applies for partial switching or transfer out of a portion of accrued benefits under the LTGF between 20 March 2024 and 7 June 2024 (both dates inclusive), the portion that is switched or transferred out will not be entitled to the higher of the qualifying balance and the nominal account balance. The remaining portion of accrued benefits after the switch out or transfer out will be entitled to the higher of the qualifying balance and the nominal account balance when the remaining portion of the accrued benefits (i) stays until the Effective Date; or (ii) is switched or transferred out in full before the Effective Date.

Q9. When will be the cut-off time for effecting fund switching and change of investment mandate of LTGF and CGF and for future assets, respectively?

Ans: The last dealing date of all instructions related to LTGF and CGF as well as future assets (regardless of whether it involves LTGF and CGF), including subscription, redemption, change of investment mandate and fund switching will be **7 June 2024** (the “**Cut-off Deadline**”).

Should the relevant valid and duly completed instructions of **Fund Switching** be received **on or before 7 June 2024 at or before 4:00 p.m. for paper and fax instructions, and for online service portal and Interactive Voice Response System instructions by the Cut-off Deadline**, such instructions will be processed before the Effective Date under our normal services benchmark.

Should the relevant valid and duly completed instructions of **Change Investment Mandate** in respect of new contributions and transfer-in benefits be received on or before the Cut-off Deadline at or before 4:00 p.m. (Hong Kong time), they will be processed before the Effective Date under our normal services benchmark.

Q10. Why the suspension period of the Termination takes seven business days? It disables me from effecting fund switching and change of my investment choice under the Scheme.

Ans: Immediately prior to the Effective Date, fund switching and change of investment mandate for future assets for all Scheme Participants will not be available and will be suspended from 11 June 2024 to 19 June 2024 (the “**suspension period**”). This suspension period is for the Trustee to process and settle all the fund switching and dealing instructions, as well as settle all liabilities and finalise the books of the LTGF and CGF for the Termination. The determination of the net asset value of the LTGF and CGF will continue and will not be affected by the suspension. We believe that the suspension period of seven business days is necessary and reasonable to ensure the transitional arrangements can be accurately and properly carried out in the Scheme Participants' interests.

It is intended that all instructions for fund switching and change of investment mandate for future assets for Scheme Participants, including those with no interest in the LTGF and CGF, will be temporarily halted during the suspension period. This measure is implemented to facilitate a smooth transition by allowing full capacity for the system of the Administrator (i.e. Principal Trust Company (Asia) Limited) of the Scheme to process all instructions and complete data patching relating to the LTGF and CGF.

Q11. What are the default funds that will replace LTGF and CGF upon the Termination?

Ans: Starting from the Effective Date of the Termination (i.e. **20 June 2024**), Principal Stable Yield Fund will replace LTGF, and Principal Asset Accumulation Fund will replace CGF.

Q12. Based on what considerations did you decide to choose Principal Stable Yield Fund and Principal Asset Accumulation Fund to replace LTGF and CGF, respectively?

Ans: We take into consideration (i) the investment objective and policies; (ii) the risk and return profiles; and (iii) the management fees, we believe that Principal Stable Yield Fund and Principal Asset Accumulation Fund offer comparable alternatives to Scheme Participants.

Q13. What are the risk level and the investment objective of Principal Stable Yield Fund, Principal Asset Accumulation Fund, LTGF and CGF?

Ans:

	Risk Level	Investment Objective
LTGF	Moderate	To provide a competitive long-term total rate of return, while also providing a minimum guaranteed average annual return over the career of the members (i.e. long term guarantee). In the long term, the return of the LTGF is expected to be no less than the inflation rates in Hong Kong. The LTGF is denominated in HKD.
Principal Stable Yield Fund	Moderate	To seek long-term growth of capital through investing in an investment fund.

	Risk Level	Investment Objective
CGF	Low	To guarantee the capital value of the contributions (i.e. capital guarantee), and to earn a competitive short-term rate of return. In the long term, the return of the CGF is expected to exceed the bank saving rates in Hong Kong. The CGF is denominated in HKD.
Principal Asset Accumulation Fund	Low	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.

You may also refer to Appendix II of the Notice for further details of the above.

Q14. If I do not take any action, what will happen to my unitholdings in LTGF and/or CGF after the Effective Date of the Termination?

Ans: If we do not receive instructions from the Scheme Participant in respect of the fund switching, then on the Effective Date, the Scheme Participant’s unitholdings in LTGF will be redeemed and the redemption proceeds will be used to purchase units in Principal Stable Yield Fund; and the Scheme Participant’s unitholdings in CGF will be redeemed and the redemption proceeds will be used to purchase units in Principal Asset Accumulation Fund.

If we do not receive instructions from the Scheme Participant to change his/her investment mandate in respect of any new contributions and transfer-in benefits relating to the LTGF and CGF, then from the Effective Date, the Scheme Participant’s existing accrued benefits and any future contribution payable that would have been invested in the LTGF and CGF will be invested in Principal Stable Yield Fund and Principal Asset Accumulation Fund, respectively.

In addition, for the investment percentage set by Scheme Participants regarding investment mandate for future assets in the LTGF and CGF, it will be terminated on the Effective Date. Thereafter, the same investment percentage set by Scheme Participants regarding investment mandate for future assets in the LTGF and CGF will be applied to Principal Stable Yield Fund and Principal Asset Accumulation Fund, respectively.

Q15. Can I change my investment choice in LTGF and CGF after the Effective Date?

Ans: Following the completion of the Termination on the Effective Date, the Administrator (i.e. Principal Trust Company (Asia) Limited) will perform checking procedures (e.g. reconciliation of affected Scheme Participants' unitholding) from the Effective Date, i.e. 20 June to 24 June 2024 9:00 a.m. (both dates inclusive) for the protection of Scheme Participants' interests.

As such, during such period, Scheme Participants may access the online account and Interactive Voice Response System immediately prior to the Effective Date but only to enquire the total balance at Scheme Participant account level. All fund switching or change of investment mandate requests so received will be processed as per usual practice and free of charge.

Q16. If the Termination causes any loss to my accrued benefits under the Scheme, will you compensate me?

Ans: We do not anticipate any loss of your accrued benefits due to the Termination. However, if the Termination really causes any loss to the accrued benefits of Scheme Participants, we will reasonably compensate any loss to the affected Scheme Participants.

Q17. Is there any cost incurred by the Termination to be borne by me, as a scheme participant?

Ans: The cost of the Termination will be borne by us, the Trustee. As such, no expenses relating to the Termination will be borne by the Scheme Participants or the Scheme.

Q18. What can I do if I have questions, enquiries, or complaints regarding the Termination?

Ans: Please feel free to call us at (852) 2827 1233 or email us at hkinfo@principal.com.