

This notice is important and requires your immediate attention. It should be read by all the principal employers, participating employers (together, “Employers”) and employee members (“Employees”) (collectively, “Scheme Participants”) of Principal Trust Company (Asia) Limited Retirement Scheme (“Scheme”). If you are in any doubt about the contents of this document, you should seek independent professional financial advice.

Principal Trust Company (Asia) Limited (“PTC (Asia)”, “we”, “us”, “our” or “Trustee” or “Administrator”) accepts responsibility for the information contained in this notice having made all reasonable enquiries to the best of its knowledge and belief that there are no other facts the omission of which would make any statement herein misleading as at the date of issuance.

This notice only summarises the changes to the Scheme. Scheme Participants may obtain a copy of the latest Principal Trust Company (Asia) Limited Retirement Scheme Principal Brochure (“Principal Brochure”) from our website at www.principal.com.hk or request for a copy through our customer service hotline at 2827 1233.

Dear Scheme Participants,

Thank you for your continued support of the Scheme.

We are writing to you of a change to the Scheme, which will take effect on 20 June 2024 (the “Effective Date”). Unless otherwise defined herein, capitalised terms in this notice have the same meanings as ascribed to them in the Principal Brochure.

The table summarises the change to the Scheme, which is elaborated in the main body of this notice:

What is the Termination (as defined below)?

(a) Termination of the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund

The Principal Long Term Guaranteed Fund (“LTGF”) and the Principal Capital Guaranteed Fund (“CGF”) (collectively, the “Terminating Investment Portfolios”), currently respectively invest into:

- the Principal Guaranteed ORSO Fund Policy – Principal Long Term Guaranteed Fund under the Principal Guaranteed ORSO Fund Policy dated 30 September 2004, as amended by three endorsements dated 30 September 2004, 2 January 2007 and 14 November 2008; and
- the Principal Guaranteed Umbrella Fund Policy – Principal Capital Guaranteed Fund under the Principal Guaranteed Umbrella Fund Policy dated 1 December 2000, as amended by two endorsements dated 23 May 2003 and 2 January 2007.

The aforesaid policies were issued by Principal Insurance Company (Hong Kong) Limited (“Insurer”) and will be referred to herein collectively as the “Policies”, and each a “Policy”.

The Trustee has been informed by the Insurer that it has decided to terminate the Policies as part of its internal restructuring to demise its guaranteed fund offerings. After being notified of the Insurer's decision to terminate the Policies, the Trustee has researched and tried to find other alternatives. Unfortunately, there are no similar insurance policies with guaranteed elements provided by other insurance companies in the market. The Trustee therefore has concluded that terminating the Terminating Investment Portfolios (the "Termination") is the only viable option.

The Termination is permitted under clause 11.1.7 of the restated master trust deed ("Master Trust Deed"). Pursuant to clause 11.1.7 of the Master Trust Deed, we are hereby giving three months' prior written notice in relation to the Termination, which will take effect on the Effective Date. If you do not switch out of the Terminating Investment Portfolio(s) at or before 4:00 p.m. (Hong Kong time) on or before 7 June 2024 ("Cut-off Deadline"), on the Effective Date the redemption proceeds of the Terminating Investment Portfolio(s) will be used to purchase units in the following Default Investment Portfolios (as defined below):

Terminating Investment Portfolio	Default Investment Portfolio
LTGF	Principal Stable Yield Fund
CGF	Principal Asset Accumulation Fund

For details of the Termination, please refer to paragraph 1.

Scheme Participants' Options

- (b) Before the Cut-off Deadline, you may (i) switch your existing investment in the Terminating Investment Portfolio(s) to other Investment Portfolios under the Scheme and/or (ii) change your investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) by submitting to us valid and duly completed instructions in paper form, by fax, by online service portal and by Interactive Voice Response System. Instructions by paper form or fax must be received by us at or before 4:00 p.m. (Hong Kong time) on the Cut-off Deadline.

For details of the Scheme Participants' Options in respect of their investments following the Termination, please refer to paragraph 2.

*One-off Arrangement - only applies to the LTGF**

- (c) In relation to any Scheme Participant, 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 subject to the conditions set out in paragraph 3.2 below. This is a one-off arrangement specially offered by the Insurer in response to the Termination ("One-off Arrangement"). If, however, a Scheme Participant applies for partial switching of a portion of accrued benefits under the LTGF between 20 March 2024 and 7 June 2024 (both dates inclusive), the portion that is partially switched out will not be entitled to the higher of the qualifying balance and the nominal account balance, but such portion will be entitled to the nominal account balance only. The remaining portion of accrued benefits after the partial switch out (or if there are multiple partial switch out, after the last partial switch 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 out in full by the Cut-off Deadline, subject to the conditions set out in paragraph 3.2 below.

** Note: The guarantee of capital provided under the CGF applies in all circumstances. Accordingly, Scheme Participants will be entitled to the capital guarantee offered under the CGF even if they do fund switching or withdraw their accrued benefits prior to the Cut-off Deadline.*

For details, please refer to paragraph 3.

Default Investment Portfolio Arrangements

- (d) If we do not receive instructions from you to switch your existing investment in the Terminating Investment Portfolio(s) to other Investment Portfolio(s) under the Scheme before 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, then on the Effective Date, your unitholdings in the Terminating Investment Portfolios will be redeemed and the redemption proceeds will be used to purchase units in the Default Investment Portfolios.
- (e) If we do not receive instructions from you to change your investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) before 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, then from the Effective Date, your existing accrued benefits and any future contributions payable that would have been invested in the Terminating Investment Portfolios will be invested in the Default Investment Portfolios.

The Default Investment Portfolios, which are not guaranteed funds, have similar investment objectives as the Terminating Investment Portfolios. For details of the Default Investment Portfolios, please refer to paragraph 4.

Liquidation of the LTGF

- (f) As directed by the Management Company, the liquidation process of the LTGF will begin on 20 May 2024.
- (g) Scheme Participants' options and all arrangements described in this notice (including without limitation the One-off Arrangement and the default investment portfolio arrangement) will not be affected by the commencement of the liquidation of the LTGF. Scheme Participants with interests in the LTGF are entitled to exercise their options to make fund switching and/or to change investment mandate instructions by the relevant cut-off time on the Cut-off Deadline.

For details, please refer to paragraph 5.

How will the Termination impact Scheme Participants?

- (h) Irrespective of whether the Scheme Participant has any interest in the Terminating Investment Portfolio(s) or not, all Scheme Participants will be subject to the transitional arrangement, suspension and checking as further elaborated in the body of this notice.
- (i) We are of the view that the Termination will not have an adverse impact on the Scheme Participants, and that the interests of the Scheme Participants will be adequately protected by investing in the Default Investment Portfolios or other Investment Portfolios under the Scheme.
- (j) The cost of the Termination will be borne by us. As such, no expenses relating to the Termination will be borne by the Scheme Participants or the Scheme. Upon the Termination, no guaranteed fund will be offered under the Scheme.

For details of the consequence of the Termination and impact on the Scheme Participants, please refer to paragraph 7.

Actions to be taken

- (k) No action is required of the Scheme Participants to effect the Termination. However:
 - i. a Scheme Participant who does not wish to invest in the Default Investment Portfolios may (a) switch his/her existing investment in the Terminating Investment Portfolios to other Investment Portfolios under the Scheme, and/or (b) change his/her investment mandate in respect of new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) to another Investment Portfolio(s) designated by him/her;

- ii. a Scheme Participant other than Employees who does not wish to be involved in the Termination may transfer out of the Scheme in full. A Scheme Participant who is an Employee will not be entitled to transfer out of the Scheme unless his/her participating employer elects to do so; and
- iii. notwithstanding paragraph (k)ii. above, a Scheme Participant who is entitled to receive minimum MPF benefits¹ under the Scheme may also transfer out of the Scheme in full or withdraw his/her minimum MPF benefits in its entirety under the Scheme in accordance with the provisions of the Master Trust Deed.

(l) No fees, penalty, bid and offer spreads or other transaction fees will be imposed on any fund switching or change of investment mandate instructions or any transfer out of the Scheme or withdrawal of minimum MPF benefits (in the case of Scheme Participants who are entitled to receive minimum MPF benefits only) described under paragraph (k) above.

Contact details

(m) If you have any questions or concerns about the changes set out in this notice, please contact our customer service hotline at (852) 2827 1233.

1. The Termination

- 1.1 The LTGF and the CGF currently invest respectively into the Principal Guaranteed ORSO Fund Policy – Principal Long Term Guaranteed Fund and the Principal Guaranteed Umbrella Fund Policy – Principal Capital Guaranteed Fund under the Policies issued by the Insurer. Pursuant to clause 14.4 of each of the Policies, the Insurer may terminate the Policy by giving the policyholder (i.e., the Trustee) at least three months' prior notice in writing.
- 1.2 The Trustee has received a notice from the Insurer terminating the Policies. The Trustee has 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, the Trustee has researched and tried to search for alternative arrangements for the Terminating Investment Portfolios, including (a) potential replacement funds for the Terminating Investment Portfolios; and (b) the Termination. After considering these alternatives from various angles and their potential impacts on the Scheme Participants, the Trustee has concluded that the Termination is the only viable option. Pursuant to clause 11.1.7 of the Master Trust Deed, the Trustee with the written consent of the Insurer, hereby gives not less than three months' prior notice to the Scheme Participants in relation to the Termination, which will take effect on the Effective Date.

2. Scheme Participants' Options

Fund Switching

- 2.1 According to clause 11.2.3 (i) of the Master Trust Deed, an Employee or his Employer (as the case may be) may change the investments in the Investment Portfolios by submitting to the Trustee instruction to redeem all or part of the units of an Investment Portfolio standing to the credit of the accounts of the relevant Employee and to apply such redemption proceeds to acquire units in one or more Investment Portfolios as specified in the instruction.

¹ Note 1 – This means the minimum MPF benefits as defined in the Mandatory Provident Fund Schemes (Exemption) Regulation (Cap. 485B of the Laws of Hong Kong), i.e. in relation to a member of a relevant scheme, the lesser of – (a) the member's benefits accrued and held under the scheme during the period when the exemption certificate applied to the scheme; (1 of 2015 s. 53); or (b) $1.2 \times \text{final average monthly relevant income} \times \text{years of post-MPF service}$.

2.2 Scheme Participants who wish to switch their existing investments in the Terminating Investment Portfolio(s) to other Investment Portfolios under the Scheme must submit to us valid and duly completed instructions (i) in paper form or by fax by 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, or (ii) by the online service portal or the Interactive Voice Response System by the Cut-off Deadline².

Change of Investment Mandate

2.3 According to clause 11.2.1(i) of the Master Trust Deed, an Employee or his Employer (as the case may be) is entitled to specify the manner in which any subscription money (i.e. contributions made by or in respect of an Employee under the Scheme and any accrued benefits to be transferred from another retirement benefits scheme into the Scheme or any moneys received by the Trustee in relation to any other payments to be transferred into the Scheme) in respect of the Employee shall be invested by submitting a new election to the Trustee in a manner as prescribed by the Trustee.

2.4 Scheme Participants may change their investment mandate in respect of new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) to other Investment Portfolio(s) under the Scheme as designated by the Scheme Participants by submitting to us valid and duly completed instructions (i) in paper form or by fax by 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, or (ii) by the online service portal or the Interactive Voice Response System by the Cut-off Deadline.

3. One-off Arrangement – only applies to the LTGF

LTGF

3.1 The LTGF offers the guarantee of capital and return (“GCR”), as detailed in section 8.1 and Appendix of the Principal Brochure. Under the current guarantee mechanism of the LTGF, the GCR 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:

- Attainment of the normal retirement age or retirement at or after the early retirement age but before the normal retirement age;
- Total incapacity;
- Terminal illness;
- Death;
- 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 Scheme Participant effects a redemption, switching out or withdrawal of the units in the Investment Portfolio other than upon the occurrence of a qualifying event.

3.2 The Insurer has put in place a One-off Arrangement where Scheme Participants will remain entitled to the GCR offered (i.e. essentially this means the higher of the nominal account balance and the qualifying balance (for the illustration of the guarantee mechanism, please refer to Appendix to the Principal Brochure and Appendix I to this notice)), under the LTGF. Under the One-off Arrangement, Scheme Participants will be entitled to the GCR in the following situations:

- (a) If Scheme Participants’ accrued benefits investing in LTGF remain in full until the Effective Date, they will be entitled to GCR; or
- (b) If Scheme Participants apply for full fund switching of their accrued benefits investing in LTGF to other Investment Portfolios under the Scheme between 20 March 2024 and 7 June 2024 (both dates inclusive), they will be entitled to GCR; or

² Note 2 – Notwithstanding that clause 11.1.9 of the Master Trust Deed provides that Employee or Employer has 1 month after notice of termination to notify the Trustee of new investment election before the default investment portfolio arrangement applies, Scheme Participants may notify us by the Cut-off Deadline.

- (c) If Scheme Participants effect partial fund switching to switch a portion of their accrued benefits investing in LTGF to other Investment Portfolios under the Scheme between 20 March 2024 and 7 June 2024 (both dates inclusive), then the portion that is partially switched out will not be entitled to GCR, but will be entitled to the nominal account balance only. Scheme Participants will be entitled to GCR in respect of the remaining portion of the accrued benefits (or if there are multiple partial switch out, the remaining portion of the accrued benefits after the last partial switch out) that has not been switched out when such remaining portion (i) stays until the Effective Date; or (ii) is switched out in full by the Cut-off Deadline; or
- (d) For Scheme Participants who have the right to transfer out of the Scheme (see details in paragraph 8 below), if they effect transfer out of the Scheme in full and as a result, their accrued benefits investing in LTGF are transferred out in full to other registered MPF schemes between 20 March 2024 and 7 June 2024 (both dates inclusive), they will be entitled to GCR.

CGF

- 3.3 The guarantee of capital provided under the CGF applies in all circumstances (i.e. the guarantee of capital is not subject to any guarantee conditions; hence, the One-off Arrangement is not applicable to the CGF). Accordingly, Scheme Participants will be entitled to the capital guarantee offered under the CGF even if they do fund switching or withdraw their accrued benefits prior to the Cut-off Deadline.

4. Default Investment Portfolio Arrangements

- 4.1 Taking into consideration (i) the investment objective and policies, (ii) the risk and return profiles and (iii) the management fees, the Trustee considers that the Default Investment Portfolios under the Scheme would offer comparable alternatives to the Scheme Participants. Please refer to **Appendix II** to this notice which sets out a more detailed comparison between the respective Terminating Investment Portfolio and the corresponding Default Investment Portfolio.
- 4.2 If we do not receive instructions from the Scheme Participant in respect of the fund switching pursuant to paragraph 2.2 above, then on the Effective Date, the Scheme Participant's unitholdings in the Terminating Investment Portfolios will be redeemed and the redemption proceeds will be used to purchase units in the Default Investment Portfolios.
- 4.3 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 Terminating Investment Portfolio(s) pursuant to paragraph 2.4 above, then from the Effective Date, the Scheme Participant's existing accrued benefits and any future contribution payable that would have been invested in the Terminating Investment Portfolios will be invested in the Default Investment Portfolios.
- 4.4 Given the similarities of investment objectives between the Terminating Investment Portfolios and the Default Investment Portfolios, the Trustee is of the view that the Default Investment Portfolios are more suitable alternatives compared to the other Investment Portfolios under the Scheme in the context of the Termination.

5. Liquidation of the LTGF

- 5.1 As directed by the Management Company, the liquidation process of the LTGF will begin on 20 May 2024. The Trustee considers that commencing the liquidation of the LTGF 1 month prior to the Effective Date will facilitate an orderly wind-up of the LTGF, reduce impact of any adverse market conditions on the value and return of the LTGF and ensure a smooth transition in relation to the Termination. After the commencement of the liquidation of the LTGF, the objectives, investment policy and investment strategy of the LTGF may deviate from those as stated under the Investment Portfolio Fact Sheet in respect of the LTGF in the Principal Brochure.

5.2 Scheme Participants' options and all arrangements described here this notice (including without limitation the One-off Arrangement and the default investment portfolio arrangement) will not be affected by the commencement of the liquidation of the LTGF. Scheme Participants with interests in the LTGF are entitled to exercise their options to make fund switching and/or to change investment mandate instructions by the relevant cut-off time on the Cut-off Deadline.

6. Transitional Arrangement, Suspension and Checking

Transitional Arrangement

6.1 The last dealing date of instructions related to the Terminating Investment Portfolios, including subscription, redemption, change of investment mandate and fund switching will be the Cut-off Deadline (i.e. 7 June 2024). The details of the transitional arrangement of instructions involving the Terminating Investment Portfolio(s) will be as follows:

Type of instructions that involve the Terminating Investment Portfolio(s)	Instructions received at or before the relevant cut-off time on the Cut-off Deadline	Instructions received after the relevant cut-off time on the Cut-off Deadline
Fund switching and change of investment mandate instructions that involve the Terminating Investment Portfolio(s)	<p><u>Fund switching</u> Should the relevant valid and duly completed fund switching instructions be received (i) on or before the Cut-off Deadline at or before 4:00 p.m. (Hong Kong time) for paper and fax instructions, and (ii) for online service portal and Interactive Voice Response System instructions, by the Cut-off Deadline, such instructions will be processed under the Trustee's normal service benchmark before the Effective Date.</p> <p><u>Change of investment mandate</u> Should the relevant valid and duly completed instructions for change of investment mandate in respect of new contributions and transfer-in benefits be received (i) on or before the Cut-off Deadline at or before 4:00 p.m. (Hong Kong time) for paper and fax instructions, and (ii) 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 the Trustee's normal service benchmark.</p>	<p>Fund switching instructions involving the Terminating Investment Portfolio(s) will be rejected, except with respect to fund switching instruction not involving Terminating Investment Portfolio(s) which will be processed under the Trustee's normal service benchmark after the Effective Date.</p> <p>Change of investment mandate instructions involving the Terminating Investment Portfolio(s) will be rejected, except with respect to change of investment mandate instructions not involving the Terminating Investment Portfolios, which will be processed under the Trustee's normal service benchmark after the Effective Date.</p> <p>The Trustee will endeavour to call affected Scheme Participants or issue rejection letters/emails to the affected Scheme Participants, save for those untraceable Scheme Participants whom the Trustee is unable to contact.</p>

- 6.2 Paper submission of instructions should be posted to the Trustee at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong; instructions through fax can be submitted to (852) 2827 1707, where applicable.
- 6.3 For the avoidance of doubt, immediately after 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, the Terminating Investment Portfolios will cease to be available for investment by the Scheme Participants via online service portal and Interactive Voice Response System.

Suspension Period

- 6.4 Immediately prior to the Effective Date, fund switching and change of investment mandate for future assets for **ALL** Scheme Participants, irrespective of whether they have interest in the Terminating Investment Portfolio(s) or not, will not be available and will be suspended from 11 June 2024 to 19 June 2024 (both dates inclusive) (the “**Suspension Period**”). This Suspension Period is for the Trustee to process and settle all the fund switching and dealing instructions to the Terminating Investment Portfolios, as well as settle all liabilities and finalise the books of the Terminating Investment Portfolio(s) for the Termination. The determination of the net asset value of the Terminating Investment Portfolio(s) will continue and will not be affected by the suspension. The Trustee believes 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.

Checking Period

- 6.5 Following the completion of the Termination on the Effective Date, the Administrator will perform checking procedures (e.g. reconciliation of affected Scheme Participants' unitholdings) from the Effective Date to 24 June 2024 at 9:00 a.m. (Hong Kong time) (both dates inclusive) (the “**Checking Period**”) for the protection of Scheme Participants' interests.
- 6.6 During the Checking Period:
- (i) **ALL** Scheme Participants, irrespective of whether or not they have any interest in the Terminating Investment Portfolios, may access the online account and Interactive Voice Response System but only to enquire the total balance at Scheme Participant account level immediately prior to the Effective Date. The latest account balances during the Checking Period will not be reflected on the online account and the Interactive Voice Response System;
 - (ii) investment mandate forms to make fund switching or change of investment mandate requests may not be submitted online or via the Interactive Voice Response System by **ALL** Scheme Participants, irrespective of whether or not they have any interest in the Terminating Investment Portfolio(s);
 - (iii) Scheme Participants may submit investment mandate forms via mail/ e-mail/ handling in/ facsimile to make fund switching or change of investment mandate requests in respect of Investment Portfolio(s) other than the Terminating Investment Portfolio(s). Such requests received will be processed as per usual practice and free of charge.

7. Consequence of the Termination and Impact on the Scheme Participants

- 7.1 The Scheme Participants investing in the Terminating Investment Portfolio(s) immediately before the Effective Date (i.e., those who do not exercise their rights to switch out of the Terminating Investment Portfolio(s)) will become investing in the respective Default Investment Portfolio(s) on the Effective Date. The total value of holdings immediately before and after the switching will be unchanged.
- 7.2 In addition, if the Scheme Participants do not exercise their rights to change their investment mandate by the relevant cut-off time on the Cut-off Deadline under paragraph 6.1 above, any existing accrued benefits, future contributions payable and transfer-in benefits received in respect of such Scheme Participants that would have been invested in the Terminating Investment Portfolio(s) (had they not been transferred to the corresponding Default Investment Portfolio(s)) will be invested in the corresponding Default Investment Portfolio(s) from the Effective Date.
- 7.3 If the Scheme Participants exercise their rights to change their investment mandate instructions or submit fund switching instructions to other Investment Portfolios under the Scheme (the **“Transferee Investment Portfolios”**) at or before the relevant cut-off time on the Cut-off Deadline, such instructions will be processed under the Trustee's normal service benchmark, before the Effective Date.
- 7.4 We will liaise with all service providers such as the investment manager and custodian of the Scheme and the related Investment Portfolios to ensure proper arrangements (including but not limited to administrative and operational arrangements) are put in place for the transition and a smooth transfer of accrued benefits of the Scheme Participants from the Terminating Investment Portfolios to the Default Investment Portfolios or the Transferee Investment Portfolios (as the case may be) as the Scheme Participants may instruct. There will be no bid and offer spreads or other transaction costs in relation to the redemptions of the units of the Terminating Investment Portfolios and the subsequent subscriptions in the units of the Default Investment Portfolio or the Transferee Investment Portfolios (as the case may be).
- 7.5 The Principal Brochure will be amended to reflect the Termination with effect from the Effective Date. The revised Principal Brochure is expected to be available on or around the Effective Date.

8. Opt out of the Scheme

- 8.1 No action is required of the Scheme Participants to effect the Termination.
- 8.2 A Scheme Participant who does not wish to be involved in the Termination may (i) switch his/her existing investment in the Terminating Investment Portfolio(s) to other Investment Portfolios under the Scheme, and/or (ii) change his/her investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) by submitting to us a validly completed instruction in accordance with paragraphs 2.2 and 2.4 above respectively.
- 8.3 Scheme Participants other than Employees who do not wish to be involved in the Termination may transfer out of the Scheme in full. A Scheme Participant who is an Employee will not be entitled to transfer out of the Scheme unless his/her participating employer elects to do so.
- 8.4 Notwithstanding paragraph 8.3 above, Scheme Participants who are entitled to receive minimum MPF benefits³ under the Scheme may also transfer out of the Scheme in full or withdraw his/her minimum MPF benefits⁴ in its entirety under the Scheme in accordance with the provisions of the Master Trust Deed. For the avoidance of doubt, any transfer out of the Scheme will be a full transfer out and there will be not be partial transfer out of the Scheme in any circumstances.

³ Note 3 – As defined under Note 1.

⁴ Note 4 – As defined under Note 1.

8.5 No fees, penalty, bid and offer spreads or other transaction fees will be imposed on any fund switching or change of investment mandate instructions or transfer out of the Scheme or withdrawal of minimum MPF benefits⁵ (in the case of Scheme Participants who are entitled to receive minimum MPF benefits⁶ only) described in this notice. Scheme Participants should review all relevant terms and conditions of the Scheme and the relevant Investment Portfolios before making any decision.

* * *

If you have any questions or concerns about the Termination set out in this notice, please contact our customer service hotline at (852) 2827 1233.

Principal Trust Company (Asia) Limited

20 March 2024

⁵ Note 5 – As defined under Note 1.

⁶ Note 6 – As defined under Note 1.

Appendix I

Illustrative examples for One-off Arrangement

(i) Full fund switching / transfer out

Assumptions:

1. Scheme Participant makes full fund switching or transfer out of his/her investment in the LTGF between 20 March 2024 and 7 June 2024 (both dates inclusive), assumed the full switching or transfer out is made on 20 March 2024.

Fund position before making any fund switching or transfer out:

Date	Nominal Account Balance (“NB”) (reflects actual investments)	Qualifying Account Balance (“QB”)
20 March 2024	HKD5,000	HKD6,000

Example below illustrates how guarantee will apply under the One-off Arrangement when the Scheme Participant switches out or transfers out the full amount between 20 March 2024 and 7 June 2024 (both dates inclusive).

Since the One-off Arrangement applies to full fund switching or transfer out between 20 March 2024 and 7 June 2024 (both dates inclusive), the greater of the total QB or the NB will be paid.

QB = HKD6,000

NB = HKD5,000

Therefore, HKD6,000 will be paid.

(ii) Partial fund switching

Assumptions:

1. Scheme Participant makes partial fund switching of his/her investment in the LTGF between 20 March 2024 and 7 June 2024 (both dates inclusive), assumed the partial switching is made on 20 March 2024.

Fund position before making any fund switching:

Date	NB (reflects actual investments)	QB
20 March 2024	HKD5,000	HKD6,000

The example below illustrates how the guarantee will be applied when the Scheme Participant switches out the partial amount under the One-off Arrangement and how the remaining accrued benefit will be treated on the Effective Date.

Scheme Participant switches out 40% of his/her accrued benefit on 20 March 2024. Since partial switching is not a qualifying event, it will not be entitled to QB.

NB = HKD5,000 x 40% = HKD2,000

QB = HKD6,000 x 40% = HKD2,400 (not entitled)

Therefore, HKD2,000 will be paid.

Under the One-off Arrangement, the switch out amount will be deducted from the NB and QB as follows:

$$\begin{aligned} \text{NB after withdrawal} &= \text{HKD}5,000 - (\text{HKD}5,000 \times 40\%) \\ &= \text{HKD}3,000 \end{aligned}$$

$$\begin{aligned} \text{QB after withdrawal} &= \text{HKD}6,000 - (\text{HKD}6,000 \times 40\%) \\ &= \text{HKD}3,600 \end{aligned}$$

Fund position after making the fund switching:

Date	NB (reflects actual investments)	QB
20 March 2024	HKD3,000	HKD3,600

(A) The remaining balance remains in LTGF until the Effective Date

Fund position as of 20 June 2024 (assume no further contribution or withdrawal after the partial fund switching)

Date	NB (reflects actual investments)	QB
20 June 2024	HKD3,000	HKD3,609

The accrued balance will be switched to the Default Investment Portfolio on the Effective Date. The amount to be switched will be as follow:

$$\text{NB} = \text{HKD}3,000 \text{ (NB is subject to the market movement, assumed zero gain/loss in the above example)}$$

$$\begin{aligned} \text{QB} &= \text{Qualifying balance accrued at the guaranteed rate (assume that it is 1\% in this example) for 93 days} \\ &\quad \text{(i.e. from 20 March 2024 to 20 June 2024)} \\ &= \text{HKD}3,600 \times 101\% \wedge (93/366) \\ &= \text{HKD}3,609 \end{aligned}$$

Since $\text{QB} > \text{NB}$, the balance to be switched to the Default Investment Portfolio will be HKD3,609.

If the Scheme Participant decides to switch out all the remaining balance by the Cut-off Deadline, the greater of the total QB (i.e. HKD3,609) or the NB (i.e. HKD3,000) at the time of switching will be paid since the One-off Arrangement applies to full fund switching between 20 March 2024 and 7 June 2024 (both dates inclusive).

(B) Scheme Participant further switches out 20% of his/her remaining accrued benefit on 20 May 2024. The remaining balance remains until the Effective Date.

Fund position as of 20 May 2024 before making 20% partial switching

Date	NB (reflects actual investments)	QB
20 May 2024	HKD3,000	HKD3,606

$$\text{NB} = \text{HKD}3,000 \text{ (NB is subject to the market movement, assumed zero gain/loss in the above example)}$$

$$\begin{aligned} \text{QB} &= \text{Qualifying Balance accrued at the guaranteed rate (assume that it is 1\% in this example) for 61 days} \\ &\quad \text{(i.e. from 20 March 2024 to 20 May 2024)} \\ &= \text{HKD}3,600 \times 101\% \wedge (61/366) \\ &= \text{HKD}3,606 \end{aligned}$$

Since partial switching out is not a qualifying event, it will not be entitled to QB.

$$\begin{aligned} \text{NB} &= \text{HKD}3,000 \times 20\% = \text{HKD}600 \\ \text{QB} &= \text{HKD}3,606 \times 20\% = \text{HKD}721 \text{ (not entitled)} \end{aligned}$$

Therefore, HKD600 will be paid.

Under the One-off Arrangement, the switch out amount will be deducted from the NB and QB as follows:

$$\begin{aligned} \text{NB after withdrawal} &= \text{HKD}3,000 - (\text{HKD}3,000 \times 20\%) \\ &= \text{HKD}2,400 \end{aligned}$$

$$\begin{aligned} \text{QB after withdrawal} &= \text{HKD}3,606 - (\text{HKD}3,606 \times 20\%) \\ &= \text{HKD}2,885 \end{aligned}$$

Fund position as of 20 June 2024 (assume no further contribution or withdrawal after the partial fund switching)

Date	NB (reflects actual investments)	QB
20 June 2024	HKD2,400	HKD2,887

The remaining balance remains in LTGF until the Effective Date. The accrued balance will be switched to the Default Investment Portfolio on the Effective Date. The amount to be switched will be as follow:

$$\text{NB} = \text{HKD}2,400 \text{ (NB is subject to the market movement, assumed zero gain/loss in the above example)}$$

$$\begin{aligned} \text{QB} &= \text{Qualifying balance accrued at the guaranteed rate (assume that it is 1\% in this example) for 31 days} \\ &\quad \text{(i.e. from 20 May 2024 to 20 June 2024)} \\ &= \text{HKD}2,885 \times 101\% \wedge (31/366) \\ &= \text{HKD}2,887 \end{aligned}$$

Since $\text{QB} > \text{NB}$, the balance to be switched to the Default Investment Portfolio will be HKD2,887.

If the Scheme Participant decides to switch out all the remaining balance by the Cut-off Deadline, the greater of the total QB (i.e. HKD2,887) or the NB (i.e. HKD2,400) at the time of switching out will be paid since the One-off Arrangement applies to full fund switching between 20 March 2024 and 7 June 2024 (both dates inclusive).

Appendix II

LTGF

	LTGF	Principal Stable Yield Fund
Fund type	Guaranteed fund	Mixed Asset Fund
Fund structure	Feeder fund	Feeder fund
Investment objective	The objective of the LTGF is 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. This type of guarantee is called a long term guarantee, which adopts a longer-term investment philosophy.	The objective of the Principal Stable Yield Fund is to seek long-term growth of capital through investing in an investment fund.
Investment policy	<p>The LTGF is constituted under an insurance policy issued by the Insurer. The Trustee is the holder of the policy. The policy will provide a guaranteed return to the Trustee. The Trustee will then make use of the guaranteed return available under the insurance policy to provide the guarantee to the members. The Insurer is the Guarantor of the insurance policy and is an authorized insurer regulated by the Insurance Authority in Hong Kong. In providing the guarantee to the Trustee under the insurance policy, the Insurer will ensure that adequate reserves and solvency margins will be maintained in accordance with the applicable insurance regulations and any other requirements imposed by the Insurance Authority.</p> <p>The LTGF invests solely in a guaranteed fund, namely the Principal Guaranteed ORSO Fund - Principal Long Term Guaranteed Fund.</p>	The Principal Stable Yield Fund will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Stable Yield Fund. The Principal Unit Trust Umbrella Fund - Principal Stable Yield Fund and the Principal Stable Yield Fund share the same investment objective. The Principal Unit Trust Umbrella Fund - Principal Stable Yield Fund will invest in two or more APIFs and/or ITCIS, and through these underlying investments will invest primarily in equities and debt securities of different countries. The Principal Stable Yield Fund will provide an international exposure for investors' monies, with relatively more emphasis on debt investments.
Asset allocation	<p>10 - 55% in equity securities</p> <p>25 - 90% in debt securities</p> <p>0 - 20% in cash and short-term investments</p>	<p>0 - 60% in equity securities</p> <p>20 - 90% in debt securities</p> <p>0 - 30% in cash and short-term investments</p>
Risk profile	Moderate	Moderate
Management fees	1.5% p.a.	Not exceeding 1.0% p.a
Asset under management (as of 31 January 2024)	HK\$499,266,701.95	HK\$49,196,084.41

CGF

	CGF	Principal Asset Accumulation Fund
Fund type	Guaranteed fund	Money Market Fund
Fund structure	Feeder fund	Feeder fund
Investment objective	The objective of the CGF is to guarantee the capital value of the contributions, and to earn a competitive short-term rate of return.	The objective of the Principal Asset Accumulation Fund is 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.
Investment policy	The CGF invests solely in a guaranteed fund, which bears the same name as that of CGF, under the Principal Guaranteed Umbrella Fund Policy. The Principal Guaranteed Umbrella Fund - Principal Capital Guaranteed Fund will in turn invest in a portfolio of short duration securities. CGF’s exposure to capital gains and losses associated with interest rate fluctuations is mitigated because the Principal Guaranteed Umbrella Fund - Principal Capital Guaranteed Fund will invest mainly in a variety of relatively short duration securities and bank deposits.	The Principal Asset Accumulation Fund will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund. The Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund and the Principal Asset Accumulation Fund share the same investment objective. The Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund will invest in a portfolio of bank deposits, short duration securities and high quality money market instruments denominated in Hong Kong dollars. The Principal Asset Accumulation Fund’s exposure to capital gains and losses associated with interest rate fluctuations is mitigated because the Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund will invest, directly or indirectly, mainly in a variety of relatively short duration securities and bank deposits.
Asset allocation	0 - 100% in debt securities 0 - 100% in cash and short-term investments	0 - 95% in Certificates of Deposit 0 - 95% in Debt Securities 0 - 100% in cash & short-term Investments (e.g. bills and deposits)
Risk profile	Low	Low
Management fees	Not exceeding 1.0% p.a.	Not exceeding 0.75% p.a.
Asset under management (as of 31 January 2024)	HK\$79,354,516.98	HK\$5,864,372.08