

This notice is important and requires your immediate attention. It should be read by all participating employers, employee members, self-employed persons, SVC members, TVC members and personal account members of Principal MPF Scheme Series 800 (collectively, "Scheme Participants"). If you are in any doubt about the contents of this document, you should seek independent professional advice.

Principal Trust Company (Asia) Limited ("PTC (Asia)", "we", "us" or "our") accepts responsibility for the information contained in this notice 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 herein misleading as at the date of issuance.

This notice only summarises the changes to the Principal MPF Scheme Series 800 (the "**Scheme**"). The latest MPF Scheme Brochure of the Scheme (the "**MPF Scheme Brochure**") will be available on our website at [www.principal.com.hk](http://www.principal.com.hk) or you may request copies of them by contacting our customer service hotline at (852) 2827 1233.

Dear Scheme Participants,

Thank you for your continued support of the Scheme.

We are writing to you of certain changes to the Scheme, which will take effect on 16 August 2021 (the "**Effective Date**"). Capitalised terms not defined in this notice have the same meanings as ascribed to them in the MPF Scheme Brochure.

**This table summarises the key changes ("Changes") to the Scheme, which are elaborated in the main body of this notice:**

*What are the Changes?*

**(a) Investment policy of the Principal HK Dollar Savings Fund**

The Principal HK Dollar Savings Fund invests solely in an APIF, namely the Principal Hong Kong Dollar Savings Fund under the Principal Life Style Fund. Corresponding to the latest changes to the underlying APIF, the investment policy of the Principal HK Dollar Savings Fund will be updated in the manner more particularly described in section 1 below.

**(b) Investment policy of the Principal Hong Kong Equity Fund and the Principal China Equity Fund (the "Affected Equity CFs")**

The investment policies of the Affected Equity CFs will be amended to reflect corresponding changes at the underlying APIF level, i.e. the respective underlying portfolio may invest less than 30% of its net asset value in shares of companies listed in Mainland China via the Stock Connect.

**(c) Other changes**

**(i) A new risk disclosure related to investment in certain debt securities will be added. Also, the risk factors associated with certain Constituent Funds will be updated.**

- (ii) The notice period for (i) any changes to the investment policy of any of the Constituent Funds; and (ii) any changes to the method of pricing and/or valuation of any Constituent Fund(s) will be updated to align with the Scheme's Master Trust Deed.

***How will the Changes impact Scheme Participants?***

- (d) We are of the view that the Changes should not have an adverse impact on the Scheme Participants.

***Any actions required of the Scheme Participants?***

- (e) No action is required of the Scheme Participant to effect the Changes.
- (f) Scheme Participants who do not wish to be involved in the Changes may transfer out of the Scheme (in the case of the participating employers, self-employed persons, SVC members, TVC members or personal account holders) or switch their existing investments in the affected Constituent Funds to other Constituent Fund(s) under the Scheme and / or change the investment mandate in respect of any new contributions and transfer-in benefits.

***Contact details***

- (g) 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. Investment policy of the Principal HK Dollar Savings Fund**

The Principal HK Dollar Savings Fund invests solely in an APIF, namely the Principal Hong Kong Dollar Savings Fund under the Principal Life Style Fund. Corresponding to the latest changes to the underlying APIF, the investment policy of the Principal HK Dollar Savings Fund will be updated to reflect the underlying APIF's latest investment policy. The changes to the investment policy of the Principal HK Dollar Savings Fund are shown in the following table:

<b>Principal HK Dollar Savings Fund</b>	
<b><i>Before the Effective Date</i></b>	<b><i>On and after the Effective Date</i></b>
<p>The Principal HK Dollar Savings Fund invests in a unit trust APIF. The APIF invests in a portfolio of high quality HKD short to medium duration debt securities. The APIF may also hold assets denominated in USD or other currencies.</p>	<p>The Principal HK Dollar Savings Fund invests in a unit trust APIF. The APIF will invest primarily in a portfolio of high quality short to medium duration debt securities (rated or unrated<sup>#</sup>), including (but not limited to) sovereign and/or non-sovereign, floating and/or fixed, of varying maturities issued by a government or by multi-lateral agencies or by companies, and denominated in HKD. The types of debt securities that the APIF primarily intends to invest into are government bonds, corporate bonds/debentures, floating rate notes, bills, commercial papers and certificates of deposit. The APIF may also hold assets denominated in other currencies.</p> <p><i><sup>#</sup> Investment in unrated debt securities is only limited to those issued by the "exempt authority" within the definition of section 7 of Schedule 1 to the General Regulation.</i></p>

## **2. Investment policies of the Affected Equity CFs**

- 2.1 In light of the recent designation of the Shanghai and Shenzhen stock exchanges as "approved stock exchanges" by the MPFA, the investment policies of each of the Affected Equity CFs will be amended to permit further investment in the Chinese listed shares. With a view to broadening the universe of investible assets, the removal of the current investment limitation on investment in Chinese listed shares will provide Principal Asset Management Company (Asia) Limited, the manager of the Affected Equity CFs, with greater flexibility in allocating fund assets towards investments in Chinese listed shares. The China A-shares that may be invested in may relate to Hong Kong by virtue of them being either traded via the HK-Shanghai or HK-Shenzhen stock connects or representative of Mainland China companies that have businesses in or relations to Hong Kong (e.g. part of the revenues being derived in Hong Kong and/or having certain services or operations in Hong Kong). The investment in China A-shares further aligns with and takes advantage of the increasing correlation between Hong Kong's and Mainland China's markets. Hong Kong and Mainland China's markets continue to grow evermore interconnected and integrated, thereby boosting the productiveness of the respective markets as a collective market than as individual markets. Accordingly, each of the Affected Equity CFs' may potentially invest indirectly, via the underlying portfolio, less than 30% of its respective net asset value in China A-Shares and B-Shares listed on the Shanghai or Shenzhen stock exchanges.
- 2.2 Correspondingly, the specific risk factor titled "Risks associated with investments utilizing Stock Connect" will be updated to enhance the disclosure and reflect ongoing regulatory developments in the China A-Shares market.

## **3. Other changes**

- 3.1 The MPF Scheme Brochure will be updated to include the risk of investing in debt securities rated below investment grade or unrated, which is applicable to certain Constituent Funds.
- 3.2 Rest assured that other than the Affected Equity CFs, the update of the risk factors will have no impact on the investment policies or objectives of these Constituent Funds, and the risk profile of these Constituent Funds will remain unchanged.
- 3.3 The Trustee's prior notice period to Scheme Participants in the MPF Scheme Brochure will be updated from three months to one month to align with the Scheme's Master Trust Deed for (i) any changes to the investment policy of any of the Constituent Funds; and (ii) any changes to the method of pricing and/or valuation of any Constituent Fund(s). These updates are intended to align the disclosure in the MPF Scheme Brochure with the Scheme's Master Trust Deed and ensure consistency with respect to applicable notice period requirements. In addition, for any restructuring of the Scheme, or merger, division or termination of any Constituent Fund(s), minor update will be made so that the notice period will be updated from "three months (or a shorter period as agreed by the SFC)" to "three months (or such shorter period as the applicable regulatory requirements may allow)" to facilitate the Trustee to better capture any regulatory update with respect to their notice period requirements. We believe that tidying up these differences will provide Scheme Participants with helpful clarity and reduce the possibility for confusion.

## **4. Impact on the Scheme and Scheme Participants**

- 4.1 The Scheme will continue to operate in the same manner as it currently operates and the management of the Scheme will not be affected. Also, the fee level and the structure of fees and charges of the Scheme will remain unaffected by the Changes.
- 4.2 We confirm that the Changes will not have any adverse impact on the Scheme or the interests of Scheme Participants. We also confirm that the Changes will be in the interests of Scheme Participants and the interests of Scheme Participants will be adequately protected and will not be prejudiced in this exercise.

## 5. Actions required of Scheme Participants

- 5.1 No action is required of Scheme Participants to effect the Changes.
- 5.2 However, a Scheme Participant who is an employee member will not be entitled to transfer out of the Scheme unless his / her participating employer elects to do so. Nevertheless, a Scheme Participant who is an employee member may transfer his accrued benefits derived from the employee's mandatory contributions under the employee choice arrangement once in every calendar year.
- 5.3 Alternatively, a Scheme Participant who is an employee member, self-employed person, SVC member, TVC member or personal account member who does not wish to be involved in the Changes may (i) switch their existing investment in the affected Constituent Fund(s) to other Constituent Fund(s) under the Scheme, and / or (ii) change his / her investment mandate in respect of any new contributions and transfer-in benefits by submitting to the Trustee a validly completed instruction.
- 5.4 There will be no fees or penalty, bid / offer spread or transfer fee imposed on any transfer out of the Scheme or switching / change of investment mandate instruction described in this section 5. The Scheme Participants should review all terms and conditions under the Scheme and Constituent Funds before making any decision.

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This notice only summarises the Changes to the Scheme. Details of the Changes are set out in the Second Addendum to the MPF Scheme Brochure of the Scheme. The updated MPF Scheme Brochure will be available on our website at [www.principal.com.hk](http://www.principal.com.hk) or you may request a copy of it by contacting our customer service hotline at (852) 2827 1233.

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.

**Principal Trust Company (Asia) Limited**  
**14 May 2021**