

Principal MPF Scheme Series 800 (the "Scheme")

Notice to Participating Employers and Members

Attention: This notice is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice. Principal Trust Company (Asia) Limited accepts responsibility for the information contained in this document.

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

Dear participating employers and members,

Thank you for your continued support of the Scheme.

We are writing to inform you of certain changes to the Scheme, which will take effect on 22 October 2020 (the "**Effective Date**"). Kindly note that these changes are associated with and dependent on the scheme merger whereby the Principal MPF Scheme Series 600 is to be merged into the Scheme with effect from the Effective Date. Accordingly, where such merger for whatever reason does not go ahead, these changes will not take place.

Capitalised terms not defined in this notice have the same meanings as ascribed to them in the MPF Scheme Brochure.

Key changes

The following changes (collectively, the "**Changes**") will be made to the Scheme:

- (a) The following two new Constituent Funds (the "**New CFs**") will be set up:
- Principal Aggressive Strategy Fund; and
 - Principal Asian Bond Fund.

For details of the New CFs, please refer to **Appendix 1**.

- (b) The management fees of certain Constituent Funds will be reduced in the manner set out in **Appendix 2**.

Impacts

The establishment of the two New CFs will diversify the range of fund offerings such that the number of Constituent Funds under the Scheme will be increased from 17 to 19, thus offering better diversification to suit the varying needs and risk profiles of the scheme participants.

Also, the reduction of the management fees of certain Constituent Funds will no doubt be beneficial to the scheme participants.

As such, we can confirm that the Changes will not have an adverse impact on the Scheme or the interests of the scheme participants.

Actions required

No action is required of the participating employers and members.

Queries

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.

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The updated MPF Scheme Brochure will be available on our website at www.principal.com.hk or you may request a copy of it by contacting our customer service hotline at (852) 2827 1233.

Principal Trust Company (Asia) Limited

22 July 2020

Appendix 1

Principal Aggressive Strategy Fund

Type of fund	Mixed assets fund - Global - Maximum equity 100%																				
Investment objective	<p>The objective of the Principal Aggressive Strategy Fund is to seek long-term growth of capital. The Principal Aggressive Strategy Fund is denominated in HKD.</p> <p>In the long term, the return of the Principal Aggressive Strategy Fund is expected to exceed the inflation rates in Hong Kong.</p>																				
Balance of investments	<p>The Principal Aggressive Strategy Fund invests in the Principal Aggressive Strategy Fund under the Principal Unit Trust Umbrella Fund, a unit trust APIF managed by the Investment Manager. The APIF in turn invests in two or more APIFs and/or ITCISs. In selecting these APIFs and ITCISs, the Investment Manager will review the appropriateness of the underlying investments in meeting the objective of the Principal Aggressive Strategy Fund. Factors taken into consideration include, but are not limited to, the investment policies and objectives, portfolio strategies, historical performances, and liquidity of the underlying investments.</p> <p>Through these underlying investments, the Principal Aggressive Strategy Fund will invest primarily in equities and debt securities of different countries. The Principal Aggressive Strategy Fund will provide an international exposure for investors' monies, with relatively more emphasis on equity investments.</p> <p>The target ranges of asset allocation and geographic allocation of the Principal Aggressive Strategy Fund are as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Asset allocation</th> <th style="text-align: right;">Range</th> </tr> </thead> <tbody> <tr> <td>Equity securities</td> <td style="text-align: right;">60 – 100%</td> </tr> <tr> <td>Debt securities</td> <td style="text-align: right;">0 – 40%</td> </tr> <tr> <td>Cash and short-term investments (e.g. bills and deposits)</td> <td style="text-align: right;">0 – 30%</td> </tr> <tr> <th style="text-align: left;">Geographic allocation</th> <th style="text-align: right;">Range</th> </tr> <tr> <td>Asia Pacific</td> <td style="text-align: right;">0 – 75%</td> </tr> <tr> <td>Europe</td> <td style="text-align: right;">0 – 75%</td> </tr> <tr> <td>North America</td> <td style="text-align: right;">0 – 80%</td> </tr> <tr> <td>South America</td> <td style="text-align: right;">0 – 10%</td> </tr> <tr> <td>Africa/Middle East</td> <td style="text-align: right;">0 – 10%</td> </tr> </tbody> </table> <p>The Principal Aggressive Strategy Fund will maintain at least 30% in HKD currency investments, as measured by effective currency exposure.</p>	Asset allocation	Range	Equity securities	60 – 100%	Debt securities	0 – 40%	Cash and short-term investments (e.g. bills and deposits)	0 – 30%	Geographic allocation	Range	Asia Pacific	0 – 75%	Europe	0 – 75%	North America	0 – 80%	South America	0 – 10%	Africa/Middle East	0 – 10%
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Africa/Middle East	0 – 10%																				
Management fee	<p>Class D¹: 1.25% p.a.</p> <p>Class I¹: 1.45% p.a.</p>																				

¹ While both Class D and Class I units are available for the Principal Aggressive Strategy Fund, generally, Class D units will not be issued in respect of scheme participants who join the Scheme after 1 October 2004.

Principal Asian Bond Fund

Type of fund	Bond fund - Asia												
Investment objective	<p>The objective of the Principal Asian Bond Fund is to provide a return consisting of income and capital growth over medium to long term. The Principal Asian Bond Fund is denominated in HKD.</p> <p>In the long term, the return of the Principal Asian Bond Fund is expected, but not guaranteed, to be comparable to the inflation rates in Hong Kong.</p>												
Balance of investments	<p>The Principal Asian Bond Fund invests in a unit trust APIF, Principal Asian Bond Fund, a sub-fund of Principal Unit Trust Umbrella Fund. The APIF in turn invests in another APIF which invests a majority of its assets in Asian debt securities, including but not limited to sovereign, quasi-sovereign, agency, corporate bonds, of varying maturities issued by the government, multi-lateral agencies or by companies, and denominated primarily in U.S. dollars and major Asian currencies. The types of debt securities that the Principal Asian Bond Fund intends to primarily invest into are government bonds, corporate bonds/debentures, floating rate notes, bills, commercial papers and certificates of deposit. In addition, the Principal Asian Bond Fund invests not more than 30% of its assets in time deposits or may hold cash.</p> <p>Other than U.S. dollars and Hong Kong dollars, exposure to any single Asian currency, including but not limited to China Renminbi, South Korean Won and Singaporean dollars, will not exceed 30% of the Principal Asian Bond Fund's total assets. During special circumstances, such as periods of uncertainty or high volatility in Asian debt securities markets, the Principal Asian Bond Fund may invest up to 30% of its assets in non-Asian assets to protect the Principal Asian Bond Fund. During periods of high volatility, Asian debt securities may be less liquid or with higher bid-offer spreads etc. making them more difficult and expensive to transact in the market. In those cases, to help the Principal Asian Bond Fund maintain liquidity and buffer against market volatility, the Investment Manager may choose to invest in non-Asian assets, such as US Treasuries, non-Asian highly rated sovereign debt securities, which are more liquid and have lower bid-offer spread etc.</p> <p>The target ranges of asset allocation and geographic allocation of the Principal Asian Bond Fund are as follows:</p> <table border="0"> <thead> <tr> <th>Asset allocation</th> <th>Range</th> </tr> </thead> <tbody> <tr> <td>Debt securities</td> <td>70 – 100%</td> </tr> <tr> <td>Cash and time deposits</td> <td>0 – 30%</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th>Geographic allocation*</th> <th>Range</th> </tr> </thead> <tbody> <tr> <td>Asia</td> <td>70 – 100%</td> </tr> <tr> <td>Others</td> <td>0 – 30%</td> </tr> </tbody> </table> <p>The Principal Asian Bond Fund will maintain at least 30% in HKD currency investments, as measured by effective currency exposure.</p> <p>* The geographical allocation for debt securities of the Principal Asian Bond Fund is classified by country of risk. "Country of risk" is based on a number of criteria, including, in respect of a security, its issuer's country of domicile, the primary stock exchange on which it trades, the location from which the majority of its issuer's revenue comes, and its issuer's reporting currency.</p>	Asset allocation	Range	Debt securities	70 – 100%	Cash and time deposits	0 – 30%	Geographic allocation*	Range	Asia	70 – 100%	Others	0 – 30%
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Geographic allocation*	Range												
Asia	70 – 100%												
Others	0 – 30%												
Management fee	Class N ² : 0.94% p.a.												

² Only Class N units will be issued in respect of the Principal Asian Bond Fund under the Scheme.

Appendix 2

The management fees of the following Constituent Funds will be lowered, as set out in the table below (changes are highlighted for ease of reference):

Constituent Funds	Class of Units	Before Merger		After Merger
		S600	S800	S800
Principal Long Term Accumulation Fund	Class D	1.25%	1.25%	1.25%
	Class I	1.49%	1.49%	1.45%
	Class N	N/A	N/A	N/A
Principal HK Dollar Savings Fund	Class D	0.95%	0.99%	0.95%
	Class I	0.99%	0.99%	0.99%
	Class N	N/A	N/A	N/A
Principal Stable Yield Fund	Class D	1.25%	1.25%	1.25%
	Class I	1.49%	1.49%	1.45%
	Class N	N/A	N/A	N/A
Principal Global Growth Fund	Class D	1.25%	1.25%	1.25%
	Class I	1.49%	1.49%	1.45%
	Class N	N/A	N/A	N/A
Principal International Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A
Principal US Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A
Principal Asian Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A
Principal China Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A
Principal Hang Seng Index Tracking Fund	Class D	N/A	N/A	N/A
	Class I	N/A	N/A	N/A
	Class N	0.89%	0.89%	0.77%