

MPF Scheme Brochure for Principal MPF – Simple Plan

Sponsor: Principal Insurance Company
(Hong Kong) Limited

Trustee: Principal Trust Company (Asia) Limited

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Exclusive Distributor

Principal MPF – Simple Plan exclusively distributed by AXA

Trustee



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* *As of 31 December 2023*

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Important: If you are in doubt about the meaning or effect of the contents of this MPF Scheme Brochure, you should seek independent professional advice.

Important to note:

1. You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of constituent funds, you are in doubt as to whether certain constituent 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 constituent fund(s) most suitable for you taking into account your circumstances.
2. The Principal – MPF Conservative Fund does not guarantee the repayment of capital. Fees and charges of a MPF conservative fund can be deducted from either: (i) the assets of the constituent fund; or (ii) members' accounts by way of unit deduction. The Principal – MPF Conservative Fund uses method (i) and, therefore, unit prices/NAV/fund performance quoted have incorporated the impact of fees and charges.
3. Please be reminded that in the event that you do not make any investment choices or if you submit an investment mandate which is invalid in the circumstances set out in the relevant scheme enrolment form, your contributions made and/or accrued benefits transferred into the Principal MPF – Simple Plan will be invested into the DIS as stated in section 3.3 (*MPF default investment strategy (the “DIS”)*).
4. You should consider your own risk tolerance level and financial circumstances before investing in the DIS. You should note that the DIS CFs may not be suitable for you, and there may be a risk mismatch between the DIS CFs 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.
5. You should note that the implementation of the DIS may have an impact on your MPF investments and accrued benefits. You should consult with the Trustee if you have doubts on how you are being affected.

The Sponsor accepts responsibility for the information contained in this MPF Scheme Brochure as being accurate at the date of publication. However, neither the delivery of this MPF Scheme Brochure nor the offer or agreement to participate in the Plan shall under any circumstances constitute a representation that the information contained in this MPF Scheme Brochure is correct as of any time subsequent to such date. This MPF Scheme Brochure may from time to time be updated.

First Addendum to the MPF Scheme Brochure for Principal MPF - Simple Plan (the “Plan”)

This First Addendum should be read in conjunction with and forms part of the MPF Scheme Brochure for Principal MPF - Simple Plan dated 7 August 2025 (the “MPF Scheme Brochure”).

By this First Addendum, the MPF Scheme Brochure will be amended as follows with effect from 31 December 2025, unless otherwise specified:

1. With effect from 1 January 2022, the following new note^{###} shall be added against the reference to "Nil" under the column "Current aggregate management fee^(d)" for the rows in respect of "Principal Core Accumulation Fund" and "Principal Age 65 Plus Fund" appearing in the second fee table under Note e "Breakdown of Management Fees" under the "EXPLANATORY NOTES" under the subsection headed "5.1 Fee table" in the section headed "5. FEES AND CHARGES" on page 41 of the MPF Scheme Brochure, and the new note shall read as follows:

"^{###} The current aggregate management fee has taken into account any rebate payable to the underlying portfolio(s)."

2. With effect from 23 September 2024, each reference to “dealing day” in the following sections shall be replaced with “valuation date”:

- (a) subsection headed “3.3 MPF default investment strategy (the “DIS”)” under the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” on page 12 of the MPF Scheme Brochure;
- (b) subsection headed “6.4 Mandates to invest” under the section headed “6. ADMINISTRATIVE PROCEDURES” on page 48 of the MPF Scheme Brochure; and
- (c) subsection headed “6.6 Switching instructions” under the section headed “6. ADMINISTRATIVE PROCEDURES” on page 49 of the MPF Scheme Brochure.

3. With effect from 23 September 2024, each reference to “business day” under “Diagram 1: asset allocation between constituent funds in the DIS” in the subsection headed “3.3.2 De-risking of the DIS” under the subsection headed "3.3 MPF default investment strategy (the "DIS")" in the section headed “3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES” on pages 12 and 13 of the MPF Scheme Brochure shall be replaced with “valuation date”.

4. With effect from 23 September 2024, the following sentence shall be added immediately under the last paragraph in the subsection headed “7.1 Determination of NAV” under the section headed "7. OTHER INFORMATION" on page 56 of the MPF Scheme Brochure:

“With respect to the valuation of a constituent fund which invests in underlying fund(s) and the unit price(s) of the underlying fund(s) is not available on a severe weather trading day, the latest available fund price of such underlying fund(s) will be used to calculate the unit price of the relevant constituent fund.”

5. With effect from 23 September 2024, the following new definition shall be added to the section headed "8. GLOSSARY" on page 63 of the MPF Scheme Brochure in the appropriate alphabetical order:

“severe weather trading day”	means any day from Monday to Friday except a public holiday in Hong Kong on which a typhoon signal No. 8 or above, or a black rainstorm warning is issued by the Hong Kong Observatory, or a situation of “extreme conditions” is announced by the HKSAR Government.
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6. With effect from 23 September 2024, the following definitions in the section headed "**8. GLOSSARY**" on pages 62 and 64 of the MPF Scheme Brochure shall be deleted in their entirety and replaced by the following:

"Dealing Deadline" means (i) for switching instruction and change of investment mandate instruction submitted via the eMPF Platform's website or mobile apps, 4:00 p.m. on each valuation date including a severe weather trading day, or (ii) for switching instruction and change of investment mandate instruction submitted via means other than the eMPF Platform's website or mobile apps, 4:00 p.m. on each valuation date other than a severe weather trading day, or (iii) such other time as agreed between the Trustee and the eMPF Platform.

"valuation date" for each constituent fund, means (i) each business day; or (ii) a severe weather trading day.

7. With effect from 2 October 2024, "(Note g)" shall be added after the reference to "Principal Dynamic Hong Kong Equity Fund", "Principal Dynamic Global Equity Fund" and "Principal Dynamic Asia Pacific Equity Fund" appearing in the fee table headed "**(C) Annual fund operating charges & expenses of constituent funds & underlying funds. All management fees shown in this Part are inclusive of all management fees imposed by the constituent funds and their underlying APIFs & ITCIS (Effective from 7 August 2025)**" under the subsection headed "**5.1 Fee table**" in the section headed "**5. FEES AND CHARGES**" on page 37 of the MPF Scheme Brochure.

8. With effect from 2 October 2024, the reference to existing "(Note g)" for the row in respect of "Other expenses" appearing in the fee table headed "**(C) Annual fund operating charges & expenses of constituent funds & underlying funds. All management fees shown in this Part are inclusive of all management fees imposed by the constituent funds and their underlying APIFs & ITCIS (Effective from 7 August 2025)**" under the subsection headed "**5.1 Fee table**" in the section headed "**5. FEES AND CHARGES**" on page 37 of the MPF Scheme Brochure shall be replaced with "(Note h)".

9. With effect from 2 October 2024, the following new Note g shall be added immediately after Note f in the "**EXPLANATORY NOTES**" under the subsection headed "**5.1 Fee table**" in the section headed "**5. FEES AND CHARGES**" on page 41 of the MPF Scheme Brochure, and the existing Note g shall be redesignated as Note h:

"g. The underlying APIF(s)/ITCIS(s) in which the relevant constituent fund invests and/or the investment manager of such underlying APIF(s)/ITCIS(s) may provide a rebate of up to 0.40% p.a. on the portion of management fees charged at such underlying APIF(s)/ITCIS(s) level. Such rebate will be payable to the relevant constituent fund. The management fees shown in table (C) have not taken into account such rebate."

10. With effect from 4 March 2025, Note g in the "**EXPLANATORY NOTES**" under the subsection headed "**5.1 Fee table**" in the section headed "**5. FEES AND CHARGES**" (as revised pursuant to paragraph 9 above) on page 41 of the MPF Scheme Brochure shall be deleted in its entirety and replaced by the following:

"g. The underlying APIF(s)/ITCIS(s) in which the relevant constituent fund invests and/or the investment manager of such underlying APIF(s)/ITCIS(s) may provide a rebate of up to 0.49% p.a. on the portion of management fees charged at such underlying APIF(s)/ITCIS(s) level. Such rebate will be payable to the relevant constituent fund. The management fees shown in table (C) have not taken into account such rebate."

11. With effect from 7 August 2025, the subsection headed “5.1 Fee table” under the section headed “5. FEES AND CHARGES” shall be amended by:

- (a) replacing the row about the management fees of “Principal Dynamic Global Bond Fund” in the table headed “(C) Annual fund operating charges & expenses of constituent funds & underlying funds. All management fees shown in this Part are inclusive of all management fees imposed by the constituent funds and their underlying APIFs & ITCIS (Effective from 7 August 2025)” on page 37 of the MPF Scheme Brochure with the following:

(C) Annual fund operating charges & expenses of constituent funds & underlying funds. All management fees shown in this Part are inclusive of all management fees imposed by the constituent funds and their underlying APIFs & ITCIS (Effective from 7 August 2025)			
Type of charges & expenses	Constituent fund	Current level (% p.a. of NAV)	Deducted from
Management fees ⁷ of constituent funds in the form of portfolio management funds (Note e)	Principal Dynamic Global Bond Fund	1.13	Relevant assets of the constituent fund and/or underlying fund(s)

- (b) in relation to the first fee table under Note e “Breakdown of Management Fees” under the “EXPLANATORY NOTES” on page 40 of the MPF Scheme Brochure, replacing the row in respect of “Principal Dynamic Global Bond Fund” about the breakdown of the current and maximum levels of management fees payable out of each constituent fund with the following:

Constituent fund level (% p.a. of NAV)						
Constituent fund	Sponsor fee		Trustee fee⁺	Fee payable to eMPF Company[#]	Investment management fee	Maximum aggregate management fee
	Current	Maximum	Current	Current	Current	
Principal Dynamic Global Bond Fund ^{***}	0.25	1.50	0.14	0.37	0 – 0.37 ^{**}	2.00

- (c) in relation to the second fee table under Note e “Breakdown of Management Fees” under the “EXPLANATORY NOTES” on page 41 of the MPF Scheme Brochure, replacing the row in respect of “Principal Dynamic Global Bond Fund” about the breakdown of the current and maximum levels of management fees payable out of each of the APIF(s)/ITCIS(s) with the following:

Underlying fund level (% p.a. of NAV)					
Constituent fund	Trustee fee^(a)	Administration fee^(b)	Investment management fee^(c)	Current aggregate management fee^(d)	Maximum aggregate management fee[#]
Principal Dynamic Global Bond Fund ^{***}	up to 0.10	up to 0.05	up to 0.37	up to 0.37	0.52

12. The paragraph in relation to the company profile of the exclusive distributor of the Plan, AXA, under the section headed "**Principal MPF – Simple Plan exclusively distributed by AXA**" on page 2 of the MPF Scheme Brochure shall be deleted in its entirety and replaced by the following:
- "AXA Hong Kong and Macau is a member of the AXA Group, a leading global insurer with presence in 50 markets and serving 95 million customers worldwide. Our purpose is to act for human progress by protecting what matters.
- As one of the most diversified insurers in Hong Kong, we offer integrated solutions across Life, Health and General Insurance. We are the largest General Insurance provider and a major Health and Employee Benefits provider. Our commitment to continuous product and service innovation, along with enhancing customer experience, is driven by actively listening to our customers' needs and leveraging investments in technology and digital transformation.
- We also embrace our responsibility to be a driving force against climate change and a force for good to create shared value for our community, striving to contribute to a sustainable future through 3 distinct roles - as an investor, an insurer and an exemplary company."
13. Each reference to "Sponsor" and "sponsor" in the following sections shall be replaced with "MPF Scheme Provider" and "MPF scheme provider", respectively:
- (a) cover page;
 - (b) "**Important**" page on page 3 of the MPF Scheme Brochure;
 - (c) "**TABLE OF CONTENTS**" on page 4 of the MPF Scheme Brochure;
 - (d) section headed "**2. DIRECTORY OF APPROVED TRUSTEE AND OTHER KEY OPERATORS**" on pages 6 and 7 of the MPF Scheme Brochure;
 - (e) the following subsections under the section headed "**3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES**":
 - (i) subsection headed "**3.2 Table for constituent funds**" on page 9 of the MPF Scheme Brochure;
 - (ii) subsection headed "**3.8 Establishment and termination of constituent funds**" on page 27 of the MPF Scheme Brochure;
 - (f) section headed "**4. RISKS**" on page 27 of the MPF Scheme Brochure;
 - (g) the following subsections under the section headed "**5. FEES AND CHARGES**":
 - (i) "**DEFINITIONS**" under the subsection headed "**5.1 Fee table**" on page 38 of the MPF Scheme Brochure;
 - (ii) Notes (a) to (c) in the "**EXPLANATORY NOTES**" under the subsection headed "**5.1 Fee table**" on page 39 of the MPF Scheme Brochure;
 - (iii) subsection headed "**At the constituent fund level**" under the subsection headed "**5.1 Fee table**" on page 42 of the MPF Scheme Brochure;
 - (h) the following subsections under the section headed "**6. ADMINISTRATIVE PROCEDURES**":
 - (i) subsection headed "**6.3.2 Instructions**" under the subsection headed "**6.3 Investment in constituent funds**" on page 47 of the MPF Scheme Brochure;
 - (ii) subsection headed "**6.3.3 Issue of units**" under the subsection headed "**6.3 Investment in constituent funds**" on page 47 of the MPF Scheme Brochure;
 - (iii) subsection headed "**6.6 Switching instructions**" on page 49 of the MPF Scheme Brochure;

- (i) the following subsections under the section headed "**7. OTHER INFORMATION**":
 - (i) subsection headed "**7.1 Determination of NAV**" on page 56 of the MPF Scheme Brochure;
 - (ii) subsection headed "**7.2 Suspension of determination of NAV and issuance and realisation of units**" on page 57 of the MPF Scheme Brochure;
 - (iii) subsection headed "**7.3 Calculation of offer and bid prices of constituent funds**" on page 57 of the MPF Scheme Brochure;
 - (iv) subsection headed "**7.6 Taxation**" on page 58 of the MPF Scheme Brochure;
 - (v) subsection headed "**7.7 Forfeiture account**" on page 59 of the MPF Scheme Brochure;
 - (vi) subsection headed "**7.10 Trust Deed**" on page 60 of the MPF Scheme Brochure;
 - (vii) subsection headed "**7.11 Modification of Trust Deed and participation agreement**" on page 60 of the MPF Scheme Brochure;
 - (viii) subsection headed "**7.13 Accounts, reports and statements**" on page 61 of the MPF Scheme Brochure;
 - (ix) subsection headed "**7.14 Documents available for inspection**" on page 61 of the MPF Scheme Brochure; and
 - (j) definitions of "eMPF Platform" and "Sponsor" under the section headed "**8. GLOSSARY**" on pages 62 and 64 of the MPF Scheme Brochure.
14. The second paragraph in the subsection headed "**2.2 Sponsor**" under the section headed "**2. DIRECTORY OF APPROVED TRUSTEE AND OTHER KEY OPERATORS**" on page 7 of the MPF Scheme Brochure shall be deleted in its entirety and replaced by the following:
- "The MPF Scheme Provider provides the following services for the benefits of members: member education, member communication, member support and liaison, handling member enquiries on fund performance and investment options, issuance of offering documents, preparation, printing and distribution of fund fact sheets, maintaining a corporate website with the latest fund prices, fund performance, and up-to-date information of the Plan, provision of resources to support member understanding of MPF investment, and product governance (comprising ongoing review on products and market trends, fund performance reporting and monitoring as well as fee structure monitoring and benchmarking)."
15. The reference to "Sponsor fee" in the first fee table under Note e "Breakdown of Management Fees" under the "**EXPLANATORY NOTES**" under the subsection headed "**5.1 Fee table**" in the section headed "**5. FEES AND CHARGES**" on page 40 of the MPF Scheme Brochure shall be replaced with "Member servicing fee".
16. The first sentence of the second paragraph under the subsection headed "**5.3 Fees and out-of-pocket expenses of the DIS**" under the section headed "**5. FEES AND CHARGES**" on page 43 of the MPF Scheme Brochure shall be deleted in its entirety and replaced by the following:
- "The above aggregate payments for services (i.e. management fees as defined under section 5.1 (*Fee table*)) include, but are not limited to, the fees paid or payable for the services provided by the Trustee, the eMPF Company, PAM and the MPF Scheme Provider (being the "sponsor" as referred to in section 34DD of the MPF Ordinance) of the DIS CFs, the trustee, the administrator, the investment manager and the sponsor of the underlying fund(s) of each of the DIS CFs as well as any of the delegates from these parties."
17. The subsection headed "**5.1 Fee table**" under the section headed "**5. FEES AND CHARGES**" shall be amended as follows:

(a) deleting the reference to “(Effective from 7 August 2025)” in the heading of the table headed “**(C) Annual fund operating charges & expenses of constituent funds & underlying funds. All management fees shown in this Part are inclusive of all management fees imposed by the constituent funds and their underlying APIFs & ITCIS (Effective from 7 August 2025)**” on page 37 of the MPF Scheme Brochure; and

(b) replacing the sentence immediately above the first fee table under Note e “Breakdown of Management Fees” under the “**EXPLANATORY NOTES**” on page 40 of the MPF Scheme Brochure with the following:

“The breakdown of the current and maximum levels of management fees payable out of each constituent fund is as follows:##”

18. The following subsection shall be added immediately after the subsection headed “**6.13.3 Special voluntary contributions**” under the subsection headed “**6.13 Payment of accrued benefits**” in the section headed “**6. ADMINISTRATIVE PROCEDURES**” on page 55 of the MPF Scheme Brochure, and the existing subsection 6.13.4 shall be renumbered as 6.13.5:

“6.13.4 Long service and severance payment

To the extent permitted by law, the accrued benefits from employer contributions may be offset by a participating employer against long service payments or severance payments. Generally, benefits attributable to the participating employer’s voluntary contributions (if applicable) will first be applied to effect the offset, followed by benefits attributable to the participating employer’s mandatory contributions (with respect to the long service payment or severance payment attributable to the employee member’s period of service before 1 May 2025). However, should a participating employer with different types of benefits attributable to its own contributions wish to apply a different sequence of offsetting, the participating employer may make such application through the eMPF Platform.”

19. The first sentence in the subsection headed “**7.2 Suspension of determination of NAV and issuance and realisation of units**” under the section headed “**7. OTHER INFORMATION**” on page 56 of the MPF Scheme Brochure shall be deleted in its entirety and replaced by the following:

“Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Trustee may with the agreement of the MPF Scheme Provider declare a suspension of the determination of the NAV of any constituent fund:”

20. Item (ii) in the definition of “Specific Investment Instruction” under the section headed “**8. GLOSSARY**” on page 63 of the MPF Scheme Brochure shall be deleted in its entirety and replaced by the following:

“(ii) any confirmation made by a member through the channels provided by the eMPF Platform with regard to any investment arrangements of the existing accrued benefits and/or future contributions and accrued benefits transferred from another scheme.”

21. The paragraph immediately above the Note in the subsection headed “**Investment Return and Savings Rate**” in “**APPENDIX 1 – ILLUSTRATIVE EXAMPLE ON THE PRINCIPAL – MPF CONSERVATIVE FUND**” on page 65 of the MPF Scheme Brochure shall be deleted in its entirety and replaced by the following:

“Based on these assumptions, the **total amounts of annual fees** you need to pay under the Plan (including those payable to the APIF) in one financial period would be: HKD47.27.”

Except as supplemented by this First Addendum, the MPF Scheme Brochure remains in full force and effect.

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Principal Trust Company (Asia) Limited

31 December 2025

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1. INTRODUCTION

Principal MPF – Simple Plan (the “**Plan**”), a master trust scheme for which Principal Trust Company (Asia) Limited acts as the Trustee, is designed to facilitate ease of compliance by employers, employees and self-employed persons with the MPF Ordinance, the General Regulation, relevant codes and guidelines.

The Plan was established by the Trust Deed and is governed by the laws of Hong Kong. Any employer or self-employed person can easily join the Plan. They can then concentrate on what they do best with ease of mind managing their own businesses.

The Plan has been authorised by the SFC and approved by the MPFA. SFC authorisation is not a recommendation or endorsement of an MPF scheme or pooled investment fund nor does it guarantee the commercial merits of an MPF scheme or pooled investment fund or its performance. It does not mean the MPF scheme or pooled investment fund is suitable for all scheme participants or fund holders nor is it an endorsement of its suitability for any particular scheme participant or fund holder.

2. DIRECTORY OF APPROVED TRUSTEE AND OTHER KEY OPERATORS

Trustee	Principal Trust Company (Asia) Limited	30/F, Millennium City 6 392 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Custodian	Principal Trust Company (Asia) Limited	30/F, Millennium City 6 392 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Sponsor	Principal Insurance Company (Hong Kong) Limited	30/F, Millennium City 6 392 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Investment manager for all constituent funds	Principal Asset Management Company (Asia) Limited	29/F, Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong
Legal Adviser	Baker & McKenzie	14/F, One Taikoo Place 979 King’s Road Quarry Bay Hong Kong
Auditor	Ernst & Young	27/F, One Taikoo Place 979 King’s Road Quarry Bay Hong Kong

Founded in 1879, the Principal Financial Group® helps people and companies around the world build, protect and advance their financial well-being through retirement, insurance and asset management solutions that fit their lives. Our employees are passionate about helping clients of all income and portfolio sizes achieve their goals – offering innovative ideas, investment expertise and real-life solutions to make financial progress possible.

In Hong Kong, we are a provider of investment and retirement solutions. Our member companies, including Principal Trust Company (Asia) Limited, Principal Investment & Retirement Services Limited and PAM, combine our capabilities in global investment management, retirement leadership and asset allocation expertise to provide retirement and asset management services as well as award-winning mutual funds and investment products to businesses, individuals and institutional investors. All the above companies are member companies of the Principal Financial Group® based in the United States.

2.1 Trustee and custodian

Principal Trust Company (Asia) Limited, the Trustee, was incorporated in Hong Kong in 1997 and has been managing retirement assets in Hong Kong since 2000. The Trustee provides one-stop shop services on retirement scheme management, including corporate trustee, fund and scheme administration services.

The Trustee maintains a payment system for contribution and establishes and maintains connectivity between the Trustee and the eMPF Company.

The Trustee has been registered as a trust company in Hong Kong and has been approved by the MPFA as an approved trustee for registered schemes.

Under the Trust Deed, subject to the approval of the SFC and the MPFA, the Trustee (with the agreement of the Sponsor) may appoint investment managers to manage all or part of the assets of the Plan.

2.2 Sponsor

The Sponsor was incorporated in Hong Kong. It is an insurer authorised by the Insurance Authority to carry on retirement scheme management business in and from Hong Kong.

The Sponsor is responsible for promoting and sponsoring of the Plan and the engagement in ancillary activities such as business development and product design of the Plan.

2.3 Investment managers at the underlying fund level

Under the trust deeds of the relevant APIFs managed by PAM and subject to the requirements under the MPF Ordinance and the General Regulation, PAM may delegate all or any of its duties, powers and discretions to another corporation. Please refer to section 3.2 (*Table for constituent funds*) for the delegation arrangement.

2A. THE eMPF PLATFORM

The eMPF Platform is a common and integrated electronic platform to standardize, streamline and automate the administration processes of registered schemes, with a view to enhancing operational efficiency, reducing administration costs and improving user experience in managing MPF account(s). The eMPF Platform serves as a one-stop electronic platform for participating employers and members to encourage proactive management of their MPF account(s) which have got onboard the eMPF Platform anytime and anywhere through the eMPF Web Portal or eMPF Mobile App. It is mandatory for approved trustees of registered schemes to perform the scheme administration functions by using the eMPF Platform under the MPF Ordinance.

The eMPF Company, a wholly-owned subsidiary of the MPFA, operates the eMPF Platform as a public utility.

Participating employers and members can manage their MPF accounts more effectively with a wide range of functions provided by the eMPF Platform. The following are matters and activities that are conducted by the eMPF Platform:

- (a) processing registration of eMPF Platform for participating employers and scheme members;
- (b) processing enrolment in registered schemes for participating employers and scheme members;
- (c) processing MPF contributions and default contributions;
- (d) processing scheme members' investment instructions (including investment instructions on new contributions and switching instructions);
- (e) processing transfers of benefits within the registered scheme or between registered schemes or from occupational retirement schemes to registered schemes;
- (f) processing claims and withdrawal of MPF benefits;

- (g) processing the offset and refund of severance payments and long service payments to participating employers and/or scheme members/claimants;
- (h) processing of changes of participating employer and scheme member particulars;
- (i) giving of notices and documents to participating employers and scheme members;
- (j) handling of enquiry and complaint; and
- (k) following up with participating employers and scheme members on any unclear scheme administration instructions.

The eMPF Company charges fees on the Trustee for the scheme administration services it provides and the Trustee will charge such fees to the Plan's assets in respect of which the said services are provided.

The scheme administration of the Plan is performed by the eMPF Platform. Participating employers and members shall submit their MPF instructions to the eMPF Platform directly instead of the Trustee. To make the best use of the eMPF Platform, participating employers and members are strongly encouraged to submit instructions electronically via the eMPF Web Portal or the eMPF Mobile App.

And for such a purpose, participating employers and members should register at the eMPF Web Portal (empf.org.hk/reg/type/en) or the eMPF Mobile App (www.empf.org.hk/app) and obtain the user credential for submitting instructions electronically.

Alternatively, paper-based instructions may be submitted to the eMPF Platform by post, fax, email or in person:

- Postal address: PO Box 98929 Tsim Sha Tsui Post Office
- Fax number (not applicable to application that the Trustee requires certified true copy of supporting document): 3197 2988
- Email address (not applicable to application that the Trustee requires certified true copy of supporting document): forms@support.empf.org.hk
- In person to the following eMPF Service Centres:

Hong Kong Island: Unit 601B, 6/F, Dah Sing Financial Centre, No.248 Queen's Road East, Wanchai, Hong Kong

Kowloon: Suites 1205-6, 12/F, Chinachem Golden Plaza, No. 77 Mody Road, Tsim Sha Tsui East, Kowloon

New Territories: Suite 1802A, 18/F, Tower 2, Nina Tower, No. 8 Yeung Uk Road, Tsuen Wan, New Territories

Office hours: Monday to Friday 9:00 a.m. to 6:00 p.m.
Saturday 9:00 a.m. to 1:00 p.m.
Closed on Sunday and Public Holidays

Participating employers and members can also visit the above eMPF Service Centres during the office hours for MPF related services (e.g. making enquiries / complaints relating to MPF scheme administration, seeking assistance in using the eMPF Web Portal or eMPF Mobile App, etc.).

All MPF administrative forms are available from the eMPF Platform website (www.empf.org.hk) and eMPF Service Centres. Apart from the eMPF Service Centres, participating employers and members may also, in relation to scheme administration services, call the eMPF Customer Service Hotline for enquiries / complaints and further information. Information is set out below:

Hotline: 183 2622

Office hours: Monday to Friday 9:00 a.m. to 7:00 p.m.
Saturday 9:00 a.m. to 1:00 p.m.
Closed on Sunday and Public Holidays

As regards enquiries and information other than in relation to scheme administration services, participating employers and members can contact the Trustee's customer service hotline at 2802 2812 during the service hours set out below:

Monday to Friday 9:00 a.m. to 6:00 p.m.
 Saturday 9:00 a.m. to 1:00 p.m.
 Closed on Sunday and Public Holidays

3. FUND OPTIONS, INVESTMENT OBJECTIVES AND POLICIES

3.1 Plan structure

Constituent Funds		First level aPIFs/ITCISs
Principal Growth Fund	→	Principal MPF Fund – Principal MPF Growth Fund
Principal Balanced Fund	→	Principal MPF Fund – Principal MPF Balanced Fund
Principal Stable Fund	→	Principal MPF Fund – Principal MPF Stable Fund
Principal – MPF Conservative Fund	→	Principal MPF Fund – Principal MPF Conservative Fund
Principal Dynamic Global Equity Fund	→	two or more unit trust APIFs and/or ITCISs
Principal Dynamic Asia Pacific Equity Fund	→	two or more unit trust APIFs and/or ITCISs
Principal Dynamic Global Bond Fund	→	two or more unit trust APIFs and/or ITCISs
Principal Dynamic Hong Kong Equity Fund	→	two or more unit trust APIFs and/or ITCISs
Principal Core Accumulation Fund	→	Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund
Principal Age 65 Plus Fund	→	Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund

3.2 Table for constituent funds

The Plan provides flexibility in the choice of investment options. The Trustee may from time to time (with the agreement of the Sponsor) create additional constituent funds subject to obtaining any prior necessary consent from the SFC and the MPFA.

No.	Name of Constituent Funds	Investment managers		Fund Structure	Fund Descriptor	Investment Focus
		CF level	APIF/ITCIS level			
1.	Principal Growth Fund	PAM	Principal Global Investors, LLC ¹	Feeder Fund ^a	Mixed Assets Fund – Global – maximum equity 100%	Around 75% to 100% in global equities and up to 25% in global bonds
2.	Principal Balanced Fund	PAM	Principal Global Investors, LLC	Feeder Fund	Mixed Assets Fund – Global – maximum equity around 85%	Around 55% to 85% in global equities and around 10% to 40% in global bonds
3.	Principal Stable Fund	PAM	Principal Global Investors, LLC	Feeder Fund	Mixed Assets Fund – Global – maximum equity around 45%	Around 15% to 45% in global equities and around 45% to 75% in global bonds

No.	Name of Constituent Funds	Investment managers			Fund Structure	Fund Descriptor	Investment Focus
		CF level	APIF/ITCIS level	Sub-investment manager/delegate of the investment managers			
4.	Principal – MPF Conservative Fund	PAM		Principal Global Investors, LLC	Feeder Fund	Money Market Fund – Hong Kong	HKD denominated deposits and debt securities
5.	Principal Dynamic Global Equity Fund	PAM	Multi-managers*	Nil	Portfolio Management Fund^^	Equity Fund – Global	Around 98% in equities and around 2% in cash or cash equivalent
6.	Principal Dynamic Asia Pacific Equity Fund	PAM	Multi-managers*	Nil	Portfolio Management Fund	Equity Fund – Asia Pacific	Around 95% in equities and around 5% in cash or cash equivalent
7.	Principal Dynamic Global Bond Fund	PAM	Multi-managers*	Nil	Portfolio Management Fund	Bond Fund – Global	At least 70% in fixed income securities issued by governments, governmental agencies and corporates, and 0% to 30% in others#
8.	Principal Dynamic Hong Kong Equity Fund	PAM	Multi-managers*	Nil	Portfolio Management Fund	Equity Fund – Hong Kong	Normally 70% to 95% in Hong Kong equities, less than 30% in eligible China A-Shares and B-Shares, with the remainder held in cash or short-term deposits
9.	Principal Core Accumulation Fund	PAM		Principal Global Investors, LLC	Feeder Fund	Mixed Assets Fund – Global – Equity around 60%	Around 60% in higher risk assets and around 40% in lower risk assets
10.	Principal Age 65 Plus Fund	PAM		Principal Global Investors, LLC	Feeder Fund	Mixed Assets Fund – Global – Equity around 20%	Around 20% in higher risk assets and around 80% in lower risk assets

¹ The address of Principal Global Investors, LLC is at 801 Grand Avenue, Des Moines IA, 50392 USA.

[^] “Feeder Fund” means a fund investing solely in units of a single APIF/ITCIS.

^{^^} “Portfolio Management Fund” means a fund investing in units of two or more APIFs/ITCISs.

^{*} The identities of multi-managers may change as a result of any changes to the underlying APIFs and/or ITCISs as PAM may from time to time determine.

[#] For details of “others” investment of the Principal Dynamic Global Bond Fund, please refer to section 3.4.7(b) (Balance of investments).

All constituent funds are currently denominated in HKD.

For a constituent fund that is a portfolio management fund, it may invest in APIFs and/or ITCISs managed by the investment manager of the constituent fund or any affiliate(s) of the investment manager. The investment manager of the constituent fund, in deciding which APIFs and/or ITCISs the constituent fund may invest, will exercise its professional and independent judgment, taking into account members’ interests.

3.3 MPF default investment strategy (the “DIS”)

The DIS is a ready-made investment arrangement mainly designed for those members who are not interested or do not wish to make an investment choice, and is also available as an investment choice itself for members who find it suitable for their own circumstances. For those members who do not make an investment choice, their contributions and accrued benefits transferred from another registered scheme will be invested in accordance with the DIS. The DIS is required by law to be offered in every registered scheme and is designed to be substantially similar in all registered schemes.

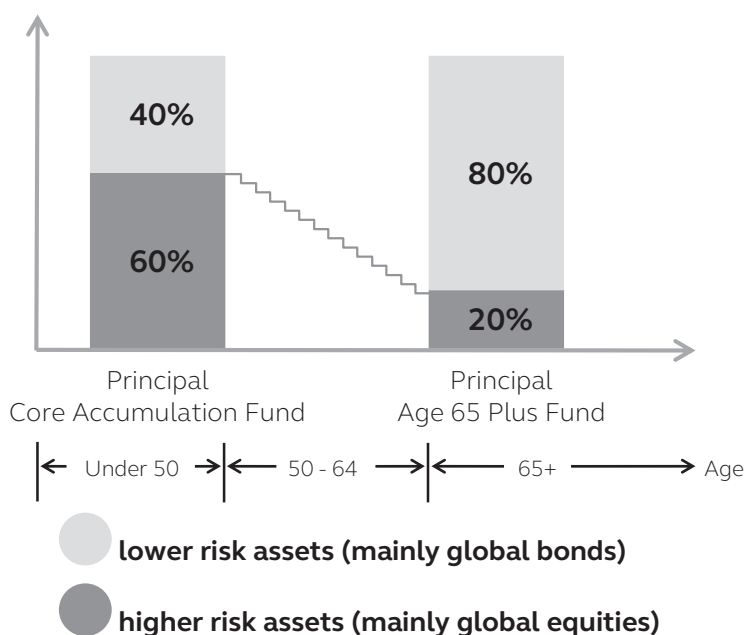
3.3.1 Asset allocation of the DIS

The DIS aims to balance the long term effects of risk and return through investing in the DIS CFs, namely the Principal Core Accumulation Fund and the Principal Age 65 Plus Fund, according to the pre-set allocation percentages at different ages. The Principal Core Accumulation Fund will invest around 60% in higher risk assets and 40% in lower risk assets of its NAV whereas the Principal Age 65 Plus Fund will invest around 20% in higher risk assets and 80% in lower risk assets. Both DIS CFs adopt globally diversified investment principles and use different classes of assets, including global equities, fixed income, money market and cash, and other types of assets allowed under the MPF legislation.

3.3.2 De-risking of the DIS

Accrued benefits invested through the DIS will be invested in a way that adjusts risk depending on a member’s age. The DIS will manage investment risk exposure by automatically reducing the exposure to higher risk assets and correspondingly increasing the exposure to lower risk assets as the member gets older. Such de-risking is to be achieved by way of reducing the holding in the Principal Core Accumulation Fund and increasing the holding in the Principal Age 65 Plus Fund throughout the prescribed time span as detailed below. Diagram 1 below shows the target proportion of investment in riskier assets over time. The asset allocation stays the same up until 50 years of age, then reduces steadily until age 64, after which it stays steady again.

Diagram 1: asset allocation between constituent funds in the DIS



Note: The exact proportion of the portfolio in higher risk assets/lower risk assets at any point in time may deviate from the target glide path due to market fluctuations.

The above de-risking is to be achieved by annual adjustments of asset allocation gradually from the Principal Core Accumulation Fund to the Principal Age 65 Plus Fund under

the DIS. Save for the circumstances set out in this section 3.3.2 (*De-risking of the DIS*), switching of the existing accrued benefits between the DIS CFs will be automatically carried out each year on a member's birthday and according to the allocation percentages in the DIS de-risking table as shown in Diagram 2 below. If:

- (a) the member's birthday is not on a business day, then the investments will be moved on the next available business day, or
- (b) the member's birthday falls on 29 February and in the year which is not a leap year, then the investments will be moved on 1 March or the next available business day.

If there is any exceptional circumstance, e.g. market closure or suspension of dealing, on the member's birthday which makes it impossible for the investments to be moved on that day, the investments will be moved on the next available business day when there is no such exceptional circumstance.

If the relevant member notifies the eMPF Platform of his updated birthday, then the eMPF Platform will as soon as practicable adjust the allocation between the DIS CFs according to his updated birthday, and effect the de-risking in the future years according to the DIS de-risking table in Diagram 2 below and his updated birthday.

If the eMPF Platform receives one or more of the specified instructions, including but not limited to subscription (e.g. contribution or fund transfer-in), redemption (e.g. fund transfer-out or withdrawals) or switching instructions before the Dealing Deadline on a dealing day on which the annual de-risking is to take place and such specified instruction(s) are being processed on the date on which the annual de-risking is to take place, the annual de-risking will only take place after completion of these instructions. Any valid switching instruction or change of investment mandate instruction received by the eMPF Platform on a dealing day on which the annual de-risking is to take place but not meeting the Dealing Deadline may only be completed after the annual de-risking.

The number of units of the Principal Age 65 Plus Fund and/or the Principal Core Accumulation Fund that can be issued in the annual de-risking under the DIS shall be rounded down to four decimal places.

Members should be aware that the above de-risking will not apply where the member chooses the DIS CFs as individual fund choices (rather than as part of the DIS).

In summary, under the DIS:

- (a) when a member is below the age of 50, all existing accrued benefits and all contributions and accrued benefits transferred from another registered scheme will be invested in the Principal Core Accumulation Fund;
- (b) when a member is between the ages of 50 and 64, all existing accrued benefits and all contributions and accrued benefits transferred from another registered scheme will be invested according to the allocation percentages between the DIS CFs as shown in the DIS de-risking table below. The de-risking on the existing accrued benefits will be automatically carried out as described above;
- (c) when a member reaches the age of 64, all existing accrued benefits and all contributions and accrued benefits transferred from another registered scheme will be invested in the Principal Age 65 Plus Fund;
- (d) if the member has reached 60 years of age before 1 April 2017, unless the member has given a Specific Investment Instruction, the member's accrued benefits (including future contributions and accrued benefits transferred from another registered scheme) will be invested in the same manner as at 31 March 2017;

- (e) the de-risking of a member will discontinue when the eMPF Platform has received sufficient proof of the death of the member. If de-risking has already been taken place between the death of the member and the time at which the eMPF Platform received sufficient proof of the death of the member, such de-risking will not be undone, although no further de-risking will take place in respect of the deceased member.

If the eMPF Platform does not have the full date of birth of the relevant member:

- (a) if only the year and month of birth is available, the annual de-risking will use the last calendar day of the birth month, or if it is not a business day, the next available business day.
- (b) if only the year of birth is available, the annual de-risking will use the last calendar day of the year, or if it is not a business day, the next available business day.
- (c) if no information at all on the date of birth, the member's accrued benefits will be fully invested in the Principal Age 65 Plus Fund with no de-risking applied.

Diagram 2: DIS de-risking table

Age	Principal Core Accumulation Fund	Principal Age 65 Plus Fund
Below 50	100.0%	0.0%
50	93.3%	6.7%
51	86.7%	13.3%
52	80.0%	20.0%
53	73.3%	26.7%
54	66.7%	33.3%
55	60.0%	40.0%
56	53.3%	46.7%
57	46.7%	53.3%
58	40.0%	60.0%
59	33.3%	66.7%
60	26.7%	73.3%
61	20.0%	80.0%
62	13.3%	86.7%
63	6.7%	93.3%
64 and above	0.0%	100.0%

Note: The above allocation between the DIS CFs is made at the point of annual de-risking and the proportion of the DIS CFs in the DIS portfolio may vary during the year due to market fluctuations.

The eMPF Platform will, to the extent practicable, issue a notice to the relevant member at least 60 days prior to his 50th birthday informing him of the commencement of the de-risking process. Also, a confirmation statement will be sent to the relevant member no later than five business days after the de-risking process has been completed.

3.3.3 Information on performance of DIS CFs

The fund performance (including the definition and actual figures of the fund expense ratio) of the DIS CFs will be published in the fund fact sheets (and one of which will be attached to annual benefit statement) while their respective Reference Portfolios can be found on www.principal.com.hk. Members can visit www.principal.com.hk or call the customer service hotline of the Trustee for information. Members may also obtain the fund performance information at the website of the MPFA (www.mpfa.org.hk).

The Reference Portfolios are adopted to provide common reference points for performance and asset allocation of the DIS CFs. The fund performance will be reported against the Reference Portfolios published by the Hong Kong Investment Funds Association. Please visit www.hkifa.org.hk for further information regarding the performance of the Reference Portfolios.

The fund performance is calculated in HKD on NAV-to-NAV basis. Past performance is not indicative of future performance. There is no assurance that investment returns and members' accrued benefits may not suffer significant loss. Members should regularly review the performance of the constituent funds and consider whether the investments still suit their personal needs and circumstances.

3.4 Statements of investment policies

Each constituent fund has a separate and distinct investment objective and policy. Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Trustee may change the investment objective and policy of a constituent fund by giving three months' notice (or such longer or shorter notice period as agreed with the SFC and the MPFA) to members and employers of the Plan.

3.4.1 Principal Growth Fund

(a) Objective

The Principal Growth Fund aims to achieve significant long-term capital growth with the appropriate mix of global equities, global bonds and cash.

(b) Balance of investments

The Principal Growth Fund pursues its investment objective by investing in a unit trust APIF, the Principal MPF Fund – Principal MPF Growth Fund. The Principal Growth Fund, via the APIF, gains exposure to a diversified portfolio of equities, bonds and deposits, with heavier weighting in equities. Normally around 75% to 100% of the assets will be invested in global equities and up to 25% in global bonds. The remaining assets will be invested in deposits as appropriate.

(c) Security lending and repurchase agreements

The Principal Growth Fund will not enter into any security lending or repurchase agreements.

(d) Futures and options

The Principal Growth Fund will not enter into any financial futures contracts or options contracts.

(e) Risks

The Principal Growth Fund, due to its very high exposure to equities, has a high risk profile in terms of fluctuations in the value of the assets of the Principal Growth Fund. Therefore, the return on the Principal Growth Fund may fluctuate significantly, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Growth Fund's investment objective.

Investments in the Principal Growth Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Investment grade bond risk
- Liquidity risk
- Risks associated with small-capitalisation/midcapitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single APIF or ITCIS
- Risks of investing in collective investment schemes
- Risks associated with investments in PRC securities
- Risk of investing in CIBM and/or Bond Connect

3.4.2 Principal Balanced Fund

(a) Objective

The Principal Balanced Fund aims to achieve long-term capital growth with the appropriate mix of global equities, global bonds and cash.

(b) Balance of investments

The Principal Balanced Fund pursues its investment objective by investing in a unit trust APIF, the Principal MPF Fund – Principal MPF Balanced Fund. The Principal Balanced Fund, via the APIF, gains exposure to a diversified portfolio of equities, bonds and deposits. Normally around 55% to 85% of the assets will be invested in global equities and around 10% to 40% in global bonds. The remaining assets will be invested in deposits as appropriate.

(c) Security lending and repurchase agreements

The Principal Balanced Fund will not enter into any security lending or repurchase agreements.

(d) Futures and options

The Principal Balanced Fund will not enter into any financial futures contracts or options contracts.

(e) Risks

The Principal Balanced Fund, due to its high exposure to equities, has a medium to high risk profile in terms of fluctuation in the value of the assets of the Principal Balanced Fund. Therefore, the return on the Principal Balanced Fund may fluctuate significantly, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Balanced Fund's investment objective.

Investments in the Principal Balanced Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Investment grade bond risk
- Liquidity risk
- Risks associated with small-capitalisation/mid-capitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single APIF or ITCIS
- Risks of investing in collective investment schemes
- Risks associated with investments in PRC securities
- Risk of investing in CIBM and/or Bond Connect

3.4.3 Principal Stable Fund

(a) Objective

The Principal Stable Fund aims to achieve stable long-term capital growth with the appropriate mix of global equities, global bonds and cash.

(b) Balance of investments

The Principal Stable Fund pursues its investment objective by investing in a unit trust APIF, the Principal MPF Fund – Principal MPF Stable Fund. The Principal Stable Fund, via the APIF, gains exposure to a diversified portfolio of equities, bonds and deposits. Normally around 15% to 45% of the assets will be invested in global equities and around 45% to 75% in global bonds. The remaining assets will be invested in deposits as appropriate.

(c) Security lending and repurchase agreements

The Principal Stable Fund will not enter into any security lending or repurchase agreements.

(d) Futures and options

The Principal Stable Fund will not enter into any financial futures contracts or options contracts.

(e) Risks

The Principal Stable Fund has a medium risk profile in terms of fluctuations in the value of the assets of the Principal Stable Fund. However, the return on the Principal Stable Fund may still fluctuate significantly, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Stable Fund's investment objective.

Investments in the Principal Stable Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Investment grade bond risk
- Liquidity risk
- Risks associated with small-capitalisation/mid-capitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single APIF or ITCIS
- Risks of investing in collective investment schemes
- Risks associated with investments in PRC securities
- Risk of investing in CIBM and/or Bond Connect

3.4.4 Principal – MPF Conservative Fund

(a) Objective

The Principal – MPF Conservative Fund aims to achieve a return in line with the prescribed savings rate (i.e. broadly the average rate of interest on a HKD savings account) published by the MPFA.

(b) Balance of investments

The Principal – MPF Conservative Fund pursues its investment objective by investing in a unit trust APIF, the Principal MPF Fund – Principal MPF Conservative Fund. The Principal – MPF Conservative Fund, via the APIF may invest in HKD denominated deposits and debt securities issued by financial institutions, sovereign issuers and corporate issuers, subject to restrictions applicable to MPF conservative funds imposed by the MPF Ordinance, General Regulation, relevant codes and guidelines.

(c) Security lending and repurchase agreements

The Principal – MPF Conservative Fund will not enter into any security lending or repurchase agreements.

(d) Futures and options

The Principal – MPF Conservative Fund will not enter into any financial futures contracts or options contracts.

(e) Risks

The Principal – MPF Conservative Fund is not a guaranteed fund and does not provide any capital or income guarantee. The Principal – MPF Conservative Fund is a conservative and low-risk investment product and is expected to achieve its investment objective in most months. However, future fluctuations in interest rates and hence the value of the assets of the Principal – MPF Conservative Fund together with the possibility of defaults by institutions and issuers mean that in some months the return will inevitably fall below the prescribed savings rate.

Investments in the Principal – MPF Conservative Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Security risk
- Credit risk
- Counterparty risk
- Investment grade bond risk
- Liquidity risk
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Custodial risk
- Risks relating to investing solely in a single APIF or ITCIS
- Risks of investing in collective investment schemes
- Risk relating solely to investment in the Principal - MPF Conservative Fund

3.4.5 Principal Dynamic Global Equity Fund

(a) Objective

The Principal Dynamic Global Equity Fund aims to focus investment into the global equity markets to produce returns that are related to those achieved on the major world stock market indices. The Principal Dynamic Global Equity Fund aims to have the flexibility to have limited investment into bonds and to manage the volatility of returns in the short term.

(b) Balance of investments

The Principal Dynamic Global Equity Fund will invest in two or more APIFs and/or ITCISs managed by different managers, which in turn, invest in a diversified portfolio of global equities and have the flexibility to invest in fixed income securities and money market in a limited manner. Normally, around 98% of the assets will be invested in equities and around 2% in cash or cash equivalent. The actual portfolio will at times vary considerably from the above as market, political, structural, economic and other conditions change.

(c) Security lending and repurchase agreements

The Principal Dynamic Global Equity Fund will not enter into any security lending or repurchase agreements. The APIFs and ITCISs may enter into security lending and repurchase agreements to the extent permitted by the General Regulation.

(d) Futures and options

The Principal Dynamic Global Equity Fund will not enter into any financial futures contracts or options contracts. The APIFs and ITCISs may enter into financial futures contracts and options contracts for hedging purposes.

(e) Risks

The Principal Dynamic Global Equity Fund, due to its very high exposure to equities, has a high risk profile in terms of fluctuations in the value of the assets of the Principal Dynamic Global Equity Fund. Therefore, the return on the Principal Dynamic Global Equity Fund may fluctuate significantly, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Dynamic Global Equity Fund's investment objective.

Investments in the Principal Dynamic Global Equity Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Liquidity risk
- Risks associated with small-capitalisation/mid-capitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Valuation risks
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks of investing in collective investment schemes
- Fund of funds risk
- Risks relating to investments in PRC securities

3.4.6 Principal Dynamic Asia Pacific Equity Fund

(a) Objective

The Principal Dynamic Asia Pacific Equity Fund aims to focus investment into the Asia Pacific equity markets to produce returns that are related to those achieved on the major stock market indices of Asia Pacific. The Principal Dynamic Asia Pacific Equity Fund aims to have the flexibility to invest in bonds in a limited manner and to manage the volatility of returns in the short term.

(b) Balance of investments

The Principal Dynamic Asia Pacific Equity Fund will invest in two or more APIFs and/or ITCISs managed by different managers, which in turn, invest directly into the Asia Pacific equity markets and have the flexibility to invest in the money market in a limited manner. Normally, around 95% of the assets will be invested in equities and around 5% in cash or cash equivalent. The actual portfolio will at times vary considerably from the above as market, political, structural, economic and other conditions change.

(c) Security lending and repurchase agreements

The Principal Dynamic Asia Pacific Equity Fund will not enter into any security lending or repurchase agreements. The APIFs and ITCISs may enter into security lending and repurchase agreements to the extent permitted by the General Regulation.

(d) Futures and options

The Principal Dynamic Asia Pacific Equity Fund will not enter into any financial futures contracts or options contracts. The APIFs and ITCISs may enter into financial futures contracts and options contracts for hedging purposes.

(e) Risks

The Principal Dynamic Asia Pacific Equity Fund, due to its high exposure to equities, has a high risk profile in terms of fluctuations in the value of the assets of the Principal Dynamic Asia Pacific Equity Fund. Therefore, the return on the Principal Dynamic Asia Pacific Equity Fund may fluctuate significantly, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Dynamic Asia Pacific Equity Fund's investment objective.

Investments in the Principal Dynamic Asia Pacific Equity Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Liquidity risk
- Risks associated with small-capitalisation/mid-capitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Valuation risks
- Custodial risk
- Hedging risk
- Fund of funds risk
- Risks of investing in collective investment schemes
- Risks relating to investments in PRC securities

3.4.7 Principal Dynamic Global Bond Fund

(a) Objective

The Principal Dynamic Global Bond Fund aims to seek total investment return over the medium to longer term by investing in global bonds.

(b) Balance of investments

The Principal Dynamic Global Bond Fund will invest in two or more APIFs and/or ITCISs managed by different managers so that at least 70% of the assets of the Principal Dynamic Global Bond Fund are invested in fixed income securities issued by governments, governmental agencies and corporates globally. Investment assets include debt obligations (bonds), preferred stocks, corporate debt obligations and convertible securities.

(c) Security lending and repurchase agreements

The Principal Dynamic Global Bond Fund will not enter into any security lending or repurchase agreements. The APIFs and ITCISs may enter into security lending and repurchase agreements to the extent permitted by the General Regulation.

(d) Futures and options

The Principal Dynamic Global Bond Fund will not enter into any financial futures contracts or options contracts. The APIFs and ITCISs may enter into financial futures contracts and options contracts for hedging purposes.

(e) Risks

The Principal Dynamic Global Bond Fund, due to its exposure to bonds, has a low to medium risk profile in terms of fluctuations in the value of the assets of the Principal Dynamic Global Bond Fund. However, the return on the Principal Dynamic Global Bond Fund may fluctuate significantly, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Dynamic Global Bond Fund's investment objective.

Investments in the Principal Dynamic Global Bond Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Investment grade bond risk
- Liquidity risk
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Fund of funds risk
- Risks of investing in collective investment schemes
- Risk of investing in CIBM and/or Bond Connect

3.4.8 Principal Dynamic Hong Kong Equity Fund

(a) Objective

The Principal Dynamic Hong Kong Equity Fund aims to achieve long term capital growth by investing primarily in Hong Kong equities, including PRC securities listed in Hong Kong.

(b) Balance of investments

The Principal Dynamic Hong Kong Equity Fund pursues its investment objective by investing in two or more APIFs and/or ITCISs, which in turn, invest in a diversified portfolio of Hong Kong equities. Such APIFs and ITCISs may or may not be managed by PAM and/or its affiliates. Normally 70% to 95% of the assets of the Principal Dynamic Hong Kong Equity Fund will be invested in Hong Kong equities, less than 30% of its assets in eligible China A-Shares and B-Shares, while the remaining will be held in cash or short-term deposits. Any holding of cash or short-term deposits is to provide liquidity and/or for any other purpose as PAM considers appropriate.

(c) Security lending and repurchase agreements

The Principal Dynamic Hong Kong Equity Fund will not enter into any security lending or repurchase agreements. The APIFs and ITCISs may enter into security lending and repurchase agreements to the extent permitted by the General Regulation.

(d) Futures and options

The Principal Dynamic Hong Kong Equity Fund will not enter into any financial futures contracts or options contracts. The APIFs and ITCISs may enter into financial futures contracts and options contracts for hedging purposes.

(e) Risks

The Principal Dynamic Hong Kong Equity Fund, due to its very high exposure to equities, has a high risk profile in terms of fluctuations in the value of the assets of the Principal Dynamic Hong Kong Equity Fund. Therefore, the return on the Principal Dynamic Hong Kong Equity Fund may fluctuate significantly, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Dynamic Hong Kong Equity Fund's investment objective.

Investments in the Principal Dynamic Hong Kong Equity Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Liquidity risk
- Risks associated with small-capitalisation/ mid-capitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Valuation risks
- Custodial risk
- Risks relating to investing in an APIF or an ITCIS that invests in a single market
- Fund of funds risk
- Risks of investing in collective investment schemes
- Risks relating to investments in PRC securities

3.4.9 Principal Core Accumulation Fund

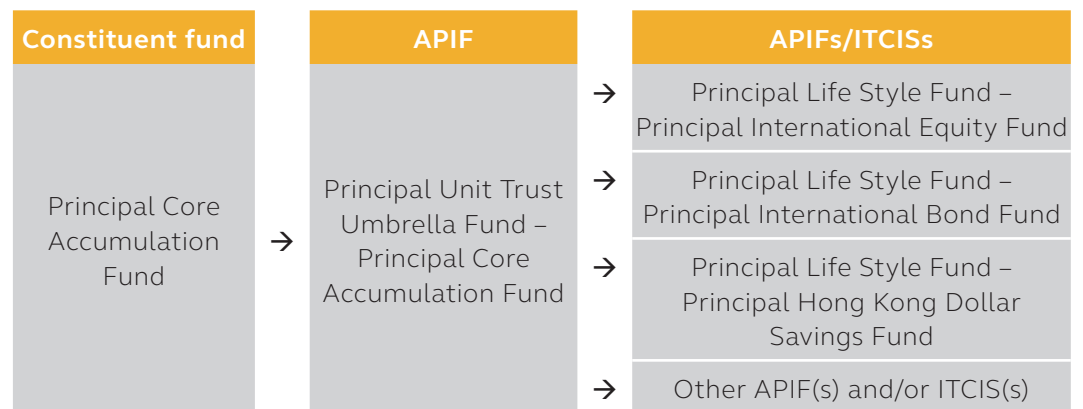
(a) Objective

The investment objective of the Principal Core Accumulation Fund is to provide capital growth to members by investing in a globally diversified manner.

(b) Balance of investments

In order to achieve the investment objective, the Principal Core Accumulation Fund will invest in a unit trust APIF, the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund, which in turn invests in two or more passively or actively managed APIFs and/or ITCISs as allowed under the General Regulation. PAM, the

investment manager of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund has the discretion, subject to the limits set out in the following paragraph, to determine the allocation percentages of the investments of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund into passively or actively managed APIFs and/or ITCISs. Please refer to the following product structure chart illustrating the fund structure of the Principal Core Accumulation Fund:



The Principal Core Accumulation Fund targets to hold 60% of its underlying assets in higher risk assets, with the remainder investing in lower risk assets. The asset allocation of higher risk assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. There is no prescribed allocation for investments in any specific countries or currencies. While the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund may invest into actively and/or passively managed APIFs and/or ITCISs, the Principal Core Accumulation Fund and the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund will be managed to a target of 60% higher risk assets and 40% lower risk assets, with strict adherence to the ranges above. With this strategy, PAM, the investment manager of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund may allocate the assets among the APIFs and/or ITCISs in such proportions at its discretion in the interest of the unitholders of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund.

Effective currency exposure to HKD

The Principal Core Accumulation Fund will maintain an effective currency exposure to HKD of not less than 30% through currency hedging operations at the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund level.

(c) Security lending and repurchase agreements

Neither the Principal Core Accumulation Fund nor the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund will enter into any security lending or repurchase agreements.

(d) Futures and options

Neither the Principal Core Accumulation Fund nor the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund will enter into any financial futures contracts or options contracts.

(e) Risks

The Principal Core Accumulation Fund, due to its relatively high exposure to equities, has a medium to high risk profile. PAM, the investment manager of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund, determines the risk profile of the Principal Core Accumulation Fund, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility of return) and will be reviewed annually. Therefore, the return on the Principal Core Accumulation Fund may fluctuate, particularly in the short term. In the long term, however, the return is expected to be in line with the Principal Core Accumulation Fund's investment objective, and the Principal Core Accumulation Fund is expected to perform in line with the Reference Portfolio.

Investments in the Principal Core Accumulation Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Investment grade bond risk
- Liquidity risk
- Risks associated with small-capitalisation/mid-capitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single APIF or ITCIS
- Risks of investing in collective investment schemes
- Risks associated with investments in PRC securities
- Risk of investing in CIBM and/or Bond Connect
- Principal risks of investing in the DIS

3.4.10 Principal Age 65 Plus Fund

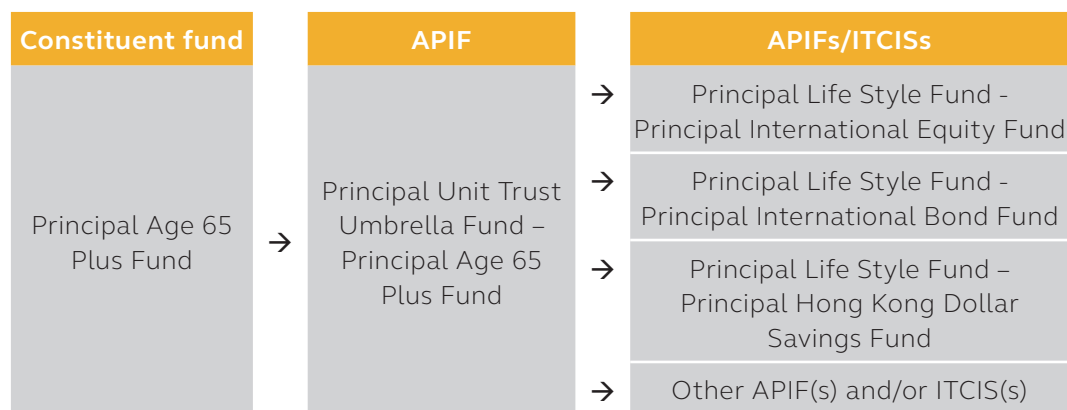
(a) Objective

The investment objective of the Principal Age 65 Plus Fund is to provide stable growth for the retirement savings to members by investing in a globally diversified manner.

(b) Balance of investments

In order to achieve the investment objective, the Principal Age 65 Plus Fund will invest in a unit trust APIF, the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund, which in turn invests in two or more passively or actively managed APIFs and/or ITCISs as allowed under the General Regulation. PAM, the investment manager of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund has the discretion, subject to the limits set out in the following paragraph, to determine the allocation percentages of the investments of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund into passively or actively managed APIFs and/

or ITCISs. Please refer to the following product structure chart illustrating the fund structure of the Principal Age 65 Plus Fund:



The Principal Age 65 Plus Fund targets to hold 20% of its underlying assets in higher risk assets, with the remainder investing in lower risk assets. The asset allocation to higher risk assets may vary between 15% and 25% due to differing price movements of various equity and bond markets. There is no prescribed allocation for investments in any specific countries or currencies. While the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund may invest into actively and/or passively managed APIFs and/or ITCISs, the Principal Age 65 Plus Fund and the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund will be managed to a target of 20% higher risk assets and 80% lower risk assets, with strict adherence to the ranges above. With this strategy, PAM, the investment manager of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund may allocate the assets among the APIFs and/or ITCISs in such proportions at its discretion in the interest of the unitholders of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund.

Effective currency exposure to HKD:

The Principal Age 65 Plus Fund will maintain an effective currency exposure to HKD of not less than 30% through currency hedging operations at the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund level.

(c) Security lending and repurchase agreements

Neither the Principal Age 65 Plus Fund nor the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund will enter into any security lending or repurchase agreements.

(d) Futures and options

Neither the Principal Age 65 Plus Fund nor the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund will enter into any financial futures contracts or options contracts.

(e) Risks

The Principal Age 65 Plus Fund, due to its investments being mainly in lower risk assets, has a low to medium risk profile. PAM, the investment manager of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund determines the risk profile of the Principal Age 65 Plus Fund, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility of return) and will be reviewed annually. The return of the Principal Age 65 Plus Fund is expected to be in line with the Principal Age 65 Plus Fund’s investment objective, and the Principal Age 65 Plus Fund is expected to perform in line with the Reference Portfolio.

Investments in the Principal Age 65 Plus Fund are subject to market fluctuations and investment risks. Members should, in particular, be aware of the following risks, details of which are in section 4 (*Risks*):

- Political, economic and social risk
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Investment grade bond risk
- Liquidity risk
- Risks associated with small-capitalisation/mid-capitalisation companies
- Risks associated with high volatility of the equity market in certain countries and regions
- Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single APIF or ITCIS
- Risks of investing in collective investment schemes
- Risks relating to investments in PRC securities
- Risk of investing in CIBM and/or Bond Connect
- Principal risks of investing in the DIS

3.5 Asset allocations

There is no fixed asset allocation by geographical locations for the constituent funds. The above expected asset allocations of the constituent funds are for indication only and may be changed as appropriate. In order to achieve the investment objectives, the actual asset allocations may at any time vary significantly from the expected asset allocations described above. The Trustee shall not incur any liability for not exercising or utilising its wide powers of investment other than in the manner indicated above. In particular, the Trustee shall not incur any liability if higher returns could have been achieved for any constituent fund if different investments within the stated investment policy had been made.

3.6 Borrowing restrictions

The Trustee may borrow for the account of a constituent fund for liquidity purposes to meet benefit payments and for other purposes and to the extent permitted under the MPF Ordinance, General Regulation, relevant codes and guidelines. The assets of the relevant constituent fund may be charged or pledged as security for any such borrowings as permitted under the MPF Ordinance, General Regulation, relevant codes and guidelines.

3.7 Investment restrictions

The constituent funds will be subject to the applicable investment restrictions under the MPF Ordinance, General Regulation, relevant codes and guidelines.

The Trustee is not immediately required to sell investments if any of the investment restrictions are exceeded as a result of changes in the value of a constituent fund's investments, or the constituent fund receiving, taking up or participating in any rights, bonuses or benefits, or reconstructions, conversions, exchanges or amalgamations or payments out of the assets of the constituent fund or realisations of units but for so long as such limits are exceeded, the Trustee will not acquire any further investments subject to the relevant restrictions and will take all reasonable steps to restore the position so that the limits are no longer exceeded.

3.8 Establishment and termination of constituent funds

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Trustee may with the agreement of the Sponsor (and shall at the request of the Sponsor) establish new constituent funds.

Subject to the MPF Ordinance, General Regulation, relevant codes and guideline, the Trustee may with the agreement of the Sponsor (and shall at the request of the Sponsor) terminate a constituent fund on giving not less than three months' notice (or such shorter notice period as agreed with the SFC and the MPFA) to employers and members of the Plan. On receipt of such notice, the relevant members shall be entitled to switch amounts invested in the constituent fund to be terminated (the "**terminated constituent fund**") and to invest future contributions and other amounts paid by or on behalf of the relevant members into other constituent fund(s) chosen by the relevant members. If the relevant members fail to make a choice when entitled to do so, the members' units in the terminated constituent fund will be switched into the default fund designated by the Trustee with the agreement of the Sponsor from time to time (currently the Principal – MPF Conservative Fund) and future contributions and other amounts paid to the Plan by or on behalf of the relevant members which would otherwise be invested in the terminated constituent fund will be invested in the default fund.

A constituent fund which is a feeder fund shall, subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, terminate on the termination of the APIF/ITCIS in which the constituent fund invests, in which event three months' notice (or such shorter notice period as agreed with the SFC and the MPFA) will be given to employers and members of the Plan.

3.9 The underlying APIFs and ITCISs

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the terms of each APIF and ITCIS may be amended by their trustees or the sponsors (as the case may be) by giving the requisite notice to the Trustee in which event the Trustee will give one month's notice (or such shorter or longer notice period as agreed with the SFC and the MPFA) to employers and members of the Plan. Amendments may be made for any purpose decided by their trustees or sponsors, including for the purpose of varying or imposing new charges or fees in respect of the relevant APIF or ITCIS.

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, an APIF or an ITCIS may also be terminated by giving the requisite notice to the Trustee in which event the Trustee will give one month's notice (or such shorter or longer notice period as agreed with the SFC and the MPFA) to employers and members of the Plan and all units will be realised in accordance with the terms of the APIF or the ITCIS.

The Trustee may, subject to the MPF Ordinance, General Regulation, relevant code and guidelines, add or replace any APIFs/ITCISs of a constituent fund in which event the Trustee will give one month's notice (or such shorter or longer notice period as agreed with the SFC and the MPFA) to employers and members of the Plan.

4. RISKS

Investors should note that the risk and return profile for each constituent fund represents the Sponsor's expectations based on past experience. The risk profiles will be reviewed and updated on a regular basis, taking into account the prevailing market circumstances. However, there is no guarantee that such return will be achieved. In addition, the return of a constituent fund over the short term may be greater than or less than its return over the long term due to market fluctuations and other factors. The risk profile for each constituent fund is for reference only. Investors should not rely on the risk profiles in making investment decisions.

Each constituent fund is subject to market fluctuations and to risks inherent in all investments. The prices of units of any constituent fund and the income from them may go down as well as up.

Information about the latest risk class of each constituent fund is available in the latest fund fact sheet of the Plan and the following website: www.principal.com.hk.

The performance of the investments in each constituent fund will be affected by a number of risk factors, including the following:

4.1 Political, economic and social risks

Changes in political, economic and social conditions in any country in which the investments are made could adversely affect the value of investments.

4.2 Interest rate risk

As investments may be made in securities whose value is driven significantly by changes in interest rates, the investments are subject to interest rate risk. When interest rates rise, the value of previously issued debt securities will normally fall because new debt securities issued will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously issued debt securities will normally rise.

4.3 Market risk

Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have a significant impact on the value of the investments. Where investments are made in emerging markets, such investments may be subject to risks which are more common or significant than in more developed markets. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. There may also be an increased risk in government intervention in emerging markets which may affect market conditions. The legal infrastructure and accounting, auditing and reporting standards in emerging markets may also not provide the same degree of protection and/or information to investors as would generally apply in more developed markets.

4.4 Accounting standards and disclosure

Investments may be made in emerging markets. The accounting, auditing and financial reporting standards in some of these markets are normally less stringent than international requirements. Investment decisions may be required to be made on less complete information than is customarily available.

4.5 Foreign exchange risk

Investments (including, where applicable, any APIF/ITCIS of a constituent fund) may be made in currencies other than HKD which may be subject to exchange rate fluctuations with a consequential reduction in the HKD value of investments. Repatriation of capital invested may be hampered by changes in regulations applicable to foreign investors which may have an adverse impact on the performance of the investments.

4.6 Security risk

Each company has its unique factors affecting the value of its securities. These factors include the company's management capability, capital structure, liquidity position, product composition and others.

4.7 Credit risk

If the issuer of any of the fixed interest securities in which the underlying assets are invested defaults, the performance of the investments will be adversely affected.

4.8 Counterparty risk

Investments in deposits, bonds and other financial instruments which involve a counterparty are subject to the credit risk or default risk of the counterparty. The investments of a constituent fund will also be exposed to counterparty risk on parties with whom they trade and when placing cash on deposits.

4.9 Investment grade bond risk

Investments may be made in investment grade bonds. Investment grade bonds are assigned ratings within the top rating categories by rating agencies on the basis of the creditworthiness or risk of default of a bond issue. Rating agencies review, from time to time, such ratings and bonds may therefore be downgraded in rating if economic circumstances impact the relevant bond issues. Downgrading of the bonds may adversely affect the valuation of the relevant bonds and the relevant investments.

4.10 Liquidity risk

As investments may be made in instruments where the volume of transactions fluctuate significantly depending on market sentiment, there is a risk that investments may become less liquid in response to market developments or adverse investor perceptions. Consequently, the investments may have to be sold at a lower price or they may not be able to be sold at all. An inability to sell the investments can adversely affect the value of the APIF/ITCIS, which in turn affects the value of the constituent fund.

4.11 Risks associated with small-capitalisation/mid-capitalisation companies

The stock of small-capitalisation/mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general. The value of the investments in such companies may therefore be adversely affected and investors may suffer loss.

4.12 Risks associated with high volatility of the equity market in certain countries and regions

High market volatility and potential settlement difficulties in these markets may result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the APIFs/ITCISs trading in these markets, which in turn affects the value of the relevant constituent fund.

4.13 Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions

Securities exchanges in certain countries and regions may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the investments in such regions.

4.14 Sovereign debt risks

Investments in debt securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the APIF/ITCIS investing in such debt securities to participate in the restructuring of such debts. The APIF/ITCIS may suffer significant losses when there is a default of sovereign debt issuers thereby affecting the value of the constituent fund.

4.15 Valuation risks

Valuation of investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the value of the investments and investors may as a result suffer loss.

4.16 Credit rating risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

4.17 Eurozone risks

In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as a credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the investments and investors may as a result suffer loss.

4.18 Custodial risk

Custodians or sub-custodians may be appointed in local markets for the purpose of safekeeping assets in those markets. Where an APIF/ITCIS invests in markets where custodial and/or settlement systems are not fully developed, the assets of such APIF/ITCIS may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the relevant APIF/ITCIS may take a longer time to recover its assets. In the worst case scenario such as the retroactive application of legislation and fraud or improper registration of title, the constituent fund or its APIF/ITCIS may even be unable to recover all of its assets. The costs borne by an APIF/ITCIS in investing and holding investments in such markets will be generally higher than in an organized securities market, which may adversely affect the NAV of the APIF/ITCIS and so the relevant constituent fund, and investors may as a result suffer loss.

4.19 Hedging risk

Investment manager(s) are permitted, but not obliged, to use hedging instruments or hedging techniques to attempt to offset risks. There is no guarantee that hedging instruments will be available or hedging techniques will achieve their desired result. This may have adverse impact on the relevant investment and its investors.

4.20 Risks relating to investing solely in a single APIF or ITCIS

Investors should note that there is risk related to investing solely in a single APIF/ITCIS. In the event that the underlying APIF/ITCIS of a constituent fund is, for whatever reason, adversely affected or terminated, the feeding constituent fund will likewise be affected and may, in certain circumstances, be terminated.

4.21 Risks relating to investing in an APIF or ITCIS that invests in a single market

Where investments are made in the assets or securities of a single market, such investments will be subject solely to the political, economical and social condition of that market and therefore achieving a very limited level of diversification of risk. In the event of any adverse market change, the relevant investment manager(s) may not be able to invest in other markets.

4.22 Fund of funds risk

The assets of each of the constituent funds in the form of portfolio management fund will be invested in two or more APIFs and/or ITCISs which are managed by different investment managers. While PAM will select APIFs and ITCISs for these constituent funds' investments with a view to allowing these constituent funds to achieve their investment objectives, there can be no assurance that the investment objectives can be achieved nor the selection of APIFs and/or ITCISs will result in an effective diversification of investment risks.

4.23 Risks of investing in collective investment schemes

Investments in collective investment schemes are subject to the risks associated with the underlying funds. Investors in the collective investment schemes do not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved, which may adversely affect the value of the investments and investors may as a result suffer loss. Further, the collective investment schemes invested may not be regulated by the SFC. There may be additional costs involved when investing in these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet redemption requests as and when made.

4.24 Risks associated with investments in PRC securities

4.24.1 RMB currency and conversion risks

RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of the investments. Although offshore RMB ("CNH") and onshore RMB ("CNY") are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or distribution payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

4.24.2 PRC investment risk

The value of the investments concentrated in the PRC may be more volatile than investments having a more diverse portfolio. Additionally, the value of such investments may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the PRC.

4.24.3 PRC tax risk with respect to capital gains

Investments in the PRC may be subject to the potential tax liability for capital gains arising from disposal of PRC securities issued by PRC tax resident enterprises. Having consulted a professional and independent tax adviser, the investment manager(s) of the underlying APIF(s) in which the constituent fund(s) invest currently do not make any capital gains tax provision on the gross unrealised and realised capital gains derived from trading of PRC securities. However, the underlying investment manager(s) reserve the right to make a provision for the potential capital gains tax in respect of investments in the PRC in the future.

There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. There is no assurance that current tax concessions and exemptions will not be abolished in the future. As such, there is a risk that PRC investments may have tax liabilities which were not provided for, which may potentially cause substantial loss to the relevant investments. The underlying investment manager(s) will closely monitor any further guidance by the relevant PRC tax authorities and adjust the tax provision policy of the relevant AIFs accordingly.

The actual applicable tax rate imposed or the actual amount of tax liability assessed by PRC tax authorities may differ from the capital gains tax provision made by the underlying investment manager(s) and may change from time to time.

Investors should note that if the actual applicable tax rate or liability levied by the PRC tax authorities is more than the capital gains tax provision (if any), the NAV of the relevant constituent fund may decrease more than anticipated as the AIF(s) in which the relevant constituent fund invests will, directly or indirectly, have to bear the additional tax liabilities. In this case, the additional tax liabilities will only impact units in issue at the relevant time, and the then existing investors and subsequent investors will be disadvantaged as such investors will bear, through the relevant AIF(s), a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in such AIF(s).

On the other hand, if the actual applicable tax rate or liability levied by the PRC tax authorities is less than the capital gains tax provision (if any) so that there is an excess in the tax provision amount, investors who have redeemed the units in the relevant constituent fund before the PRC tax authorities' ruling or guidance in this respect will be disadvantaged as they would have borne the loss from the overprovision and will not be entitled to or have any right to claim any part of such overprovision. In this case, the then existing and new investors may benefit if the difference between the capital gains tax provision and the actual applicable tax rate or liability can be returned to the account of the relevant underlying AIF as assets thereof, thus indirectly benefiting the relevant constituent fund. Investors will be advantaged or disadvantaged depending on the final tax liabilities, the level of capital gains tax provision and timing of their subscription or redemption.

4.24.4 Legal and regulatory risk

The AIF(s) of a constituent fund may invest in China A-Shares through Stock Connect programs which aim to achieve mutual stock market access between Mainland China and Hong Kong such as Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Stock Connect programmes are novel in nature. The relevant laws and regulations in Mainland China can be uncertain and subject to change, which will have potential retrospective effect. In addition, there is potential for the Mainland China Government and/or the regulators to implement policies that may affect the financial markets may have adverse impact on the relevant AIF(s).

Mainland China regulations also impose certain restrictions on selling and buying. As such, the relevant AIF(s) may not be able to dispose of the holdings of China A-Shares in a timely manner.

4.24.5 Trading risks

Trading in China A-Shares through the Stock Connect programmes is subject to quota limitations, operational risks, risks arising from differences in trading days and restrictions on selling imposed by front-end monitoring and recalling of eligible stocks. Further, investment in such programs are not covered by Hong Kong's Investor Compensation Fund.

The Stock Connect programmes are subject to a daily quota limit, which does not belong to any underlying APIF and can only be utilized on a first-come-first-serve basis. Quota limitations may restrict the relevant APIF's ability to invest in China A-Shares through the Stock Connect program on a timely basis and as a result, the ability of the relevant constituent fund to access the China A-Shares market (and therefore to pursue its investment strategy) will be adversely affected.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. Where a suspension in the trading through a program is effected, the relevant APIF's ability to invest in China A-shares or access the PRC market through such programs will be adversely affected. In such events, a Constituent Fund's ability to achieve its investment objective could be negatively affected, which may adversely affect the net asset value of the Constituent Funds and investors may as a result suffer loss.

A stock may be recalled from the scope of eligible stocks for trading via the Stock Connect. This may adversely affect the investment portfolio or strategies of the APIF(s), for example, when the investment manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Due to the differences in trading days, the APIF(s) may be subject to a risk of price fluctuations in China A-Shares on a day that the PRC market is open for trading but the Hong Kong market is closed. High market volatility and potential settlement difficulties in the PRC markets may also result in significant fluctuations in the prices of the securities traded on such markets. All these may have a negative impact on the net asset value of the relevant APIF(s).

4.25 Risk of investing in CIBM and/or Bond Connect

Investing in China debt securities through the CIBM initiative/Bond Connect (the “**Program**”) is subject to various risks such as regulatory changes, market volatility, insufficient liquidity, agency default and other risks applied to investment in debt securities. Investors and their investment could be negatively affected and suffer a loss.

The regulations or policies relating to the Program may change from time to time. There is no guarantee that the Program will not be restricted or ceased which adversely affect the relevant constituent fund's ability to achieve its investment objective.

Low trading volume in the CIBM may cause market volatility and insufficient liquidity. Prices of debt securities traded on this market may fluctuate significantly which may widen the bid and offer spreads. This may incur material trading and realisation costs for the relevant constituent fund.

Foreign investors may invest in the Program through opening an account with onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). Investors are therefore subject to the risk of default or errors on these agents.

4.26 Risk relating solely to investment in the Principal – MPF Conservative Fund

Investment in the Principal – MPF Conservative Fund is not equivalent to placing funds on deposit with a bank or deposit-taking company. A member's rights on redemption of any units held for the account of the member in the Principal – MPF Conservative Fund are limited to the bid price of such units at the relevant time, which could be more or less than the offer price at which such units were purchased. The Principal – MPF Conservative Fund is not subject to the supervision of the Hong Kong Monetary Authority.

4.27 Principal risks of investing in the DIS

Members should note that there are a number of attributes of the design of the DIS strategy as set out below, which affect the types of risks associated with the DIS.

4.27.1 Limitations on the strategy

- (a) Age as the sole factor in determining the asset allocation under the DIS

As set out in more detail in section 3.3 (*MPF default investment strategy (the “DIS”)*), members should note that the DIS adopts pre-determined asset allocation and automatically adjusts asset allocation based only upon a member’s age. The DIS does not take into account factors other than age, such as market and economic conditions nor member’s personal circumstances including investment objectives, financial needs, risk tolerance or likely retirement date. Members who want their MPF portfolio to reflect their own personal circumstances can make their own selection of funds from the range available in the Plan.

- (b) Pre-set asset allocation

Members should note that the DIS CFs have to follow the prescribed allocation between higher risk assets and lower risk assets at all times subject to a tolerance level of + or – 5%. The prescribed exposure between higher risk assets and lower risk assets of the DIS CFs will limit the ability of the investment manager of the underlying funds of each of the DIS CFs to adjust asset allocations in response to sudden market fluctuations; for example through adoption of either a more defensive asset allocation approach (being an approach which seeks to reduce higher risk assets exposure), or alternatively a more aggressive asset allocation approach (being an approach which seeks to increase higher risk assets exposure) even if, for some reason, the investment manager of the underlying funds of each of the DIS CFs thought it appropriate to do so.

- (c) Annual de-risking between the DIS CFs

Members should note that de-risking for each relevant member will generally be carried out on a member’s birthday regardless of the prevailing market conditions. While the de-risking process aims at managing risks of the investments through reducing exposure to higher risk assets, it may preclude the DIS from fully capturing the upside in rising equity markets during the de-risking process and therefore would underperform as compared with funds not adopting the de-risking process under the same market conditions.

It is possible that the de-risking process is done at a time which may result in members reducing exposure to an asset class which outperforms and increasing exposure to an asset class which underperforms. The asset allocation changes gradually over a 15-year time period. Members should be aware that the de-risking operates automatically regardless of the wish of a member to adopt a strategy which might catch market upside or avoid market downside. Also, the de-risking process cannot insulate members from “systemic risk”, such as broad-based recessions and other economic crisis, which will affect the prices of most asset classes at the same time.

(d) Potential rebalancing within each of the DIS CFs

In order to maintain the prescribed allocation between the higher risk assets and lower risk assets within each of the DIS CFs, the investments of each of the DIS CFs may have to be continuously rebalanced. For example, when the higher risk assets perform poorly, the Principal Core Accumulation Fund's or the Principal Age 65 Plus Fund's asset allocation may fall outside the respective prescribed limit. In this case, each of the DIS CFs will have to liquidate some of the better performing lower risk assets in order to invest more in the higher risk assets, even if the investment manager of the underlying funds of each of the DIS CFs is of the view that the higher risk assets might continue to perform poorly.

(e) Additional transaction costs

Due to (i) the potential rebalancing of higher risk assets and lower risk assets in the process of maintaining the prescribed allocation within each of the DIS CFs and (ii) the annual reallocation of accrued benefits for members under the de-risking process, the DIS may incur greater transaction costs than a fund/strategy with more static allocation.

4.27.2 General investment risk related to DIS

Although the DIS is a statutory arrangement, it does not guarantee capital repayment nor positive investment returns (in particular for those members with only a short investment horizon before retirement). The two designated constituent funds for DIS are mixed asset funds investing in a mix of equities and bonds. Members should note that the DIS which invests in these constituent funds is subject to the general investment risks that apply to mixed asset funds. For general key risks relating to investment funds, please refer to the other risk factors in this section 4 (Risks).

4.27.3 Risk on early withdrawal and switching

Since the DIS has been developed having regard to the long-term balance between risks and likely returns, and assumes retirement at the age of 65, any cessation of the DIS (for example through early withdrawal of accrued benefits or switching into other funds) will affect that balance.

4.27.4 Impact on members keeping accrued benefits in the DIS beyond the age of 64

Members should note that the de-risking process will discontinue upon reaching the age of 64. Members should be aware that all accrued benefits (including accrued benefits transferred from another registered scheme)/on-going contributions, if any, will be invested in the Principal Age 65 Plus Fund which holds around 20% of its assets in higher risk assets which may not be suitable for all members beyond the age of 64.

5. FEES AND CHARGES

Fees, charges and expenses will be payable out of the Plan to the extent permitted by the MPF Ordinance, General Regulation, relevant codes and guidelines.

5.1 Fee table

The following table describes the fees, charges and expenses that employers and members may pay upon and after joining the Plan. Important explanatory notes and definitions are set out at the bottom of the table.

(A) Joining fee & annual fee			
Type of fees	Current amount (HKD)	Payable by	
Joining fee ¹ (Note a)	Currently waived	Employer/ self-employed person	
Annual fee ²	N/A		
(B) Fees and charges payable arising from transactions in individual member's account			
Type of fees & charges	Constituent fund	Current level	Payable by
Contribution charge ³ (Note b)	Principal – MPF Conservative Fund		N/A
	All other constituent funds	Currently waived (Previously 1% of contribution amount)	Deduct from contributions
Offer spread ⁴ (Note c)	Principal – MPF Conservative Fund	N/A	
	All other constituent funds	Nil	Deduct from contributions
Bid spread ⁵ (Note d)	Principal – MPF Conservative Fund		N/A
	All other constituent funds	Nil	Deduct from redemption
Withdrawal charge ⁶	Principal – MPF Conservative Fund	N/A	
	All other constituent funds	N/A	

(C) Annual fund operating charges & expenses of constituent funds & underlying funds. All management fees shown in this Part are inclusive of all management fees imposed by the constituent funds and their underlying APIFs & ITCIS (Effective from 7 August 2025)

Type of charges & expenses	Constituent fund	Current level (% p.a. of NAV)	Deducted from
Management fees ⁷ (Note e)	Principal – MPF Conservative Fund (Note f)	0.89	Relevant assets of the constituent fund and/or underlying fund(s)
	Principal Growth Fund	1.11	
	Principal Balanced Fund	1.11	
	Principal Stable Fund	1.11	
	Principal Core Accumulation Fund	0.75	
	Principal Age 65 Plus Fund	0.75	
Management fees ⁷ of constituent funds in the form of portfolio management funds (Note e)	Principal Dynamic Hong Kong Equity Fund	1.24	Relevant assets of the constituent fund and/or underlying fund(s)
	Principal Dynamic Global Equity Fund	1.26	
	Principal Dynamic Asia Pacific Equity Fund	1.26	
	Principal Dynamic Global Bond Fund	1.23	

Other expenses (Note g)

Charges and expenses include (but are not limited to) the charges and expenses of investing and realising the investments of the constituent funds/APIFs/ITCISs, fees and expenses of the custodians/sub-custodians of the assets of the Plan/APIFs/ITCISs, fees and expenses of the auditors, establishment costs of the Plan and constituent funds/APIFs/ITCISs, valuation costs, legal fees, other professional fees, charges and expenses incurred in connection with any regulatory approval, any disbursements of out-of-pocket expenses properly incurred, costs and expenses incurred to effect any indemnity insurance, compensation fund levy (if any), and charges and expenses incurred in the preparation and printing of any offering document, accounts and reports of the Plan/APIFs/ITCISs.

The establishment cost of the Plan and all constituent funds have been fully waived or otherwise amortised.

Certain out-of-pocket recurrent expenses relating to the DIS CFs are subject to a statutory annual limit of 0.20% of the NAV of each of the DIS CFs until 31 December 2025 and from 1 January 2026, the statutory annual limit will become 0.10% of the NAV of each of the DIS CFs and will not be charged to or imposed on the DIS CF in excess of that amount. Please refer to section 5.3 (*Fees and out-of-pocket expenses of the DIS*) for details.

(D) other fees & charges for providing additional services

Type of charges & expenses

There are currently no fees charged upon switching of units between constituent funds by a member or switching of units between APIFs managed by the same investment manager.

DEFINITIONS

The following are the definitions of the different types of fees and charges.

1. **“Joining fee”** means the one-off fee charged by the Sponsor and payable by the employers and/or self-employed person upon joining the Plan. Joining fee is the establishment fee as stated in the Trust Deed.
2. **“annual fee”** means the fee charged by the Trustee/Sponsor on an annual basis and payable by the employers and/or members of the Plan.
3. **“Contribution charge”** means the fee charged by the Sponsor against any contributions paid to the Plan. This fee is usually charged as a percentage of contributions and will be deducted from contributions. This charge does not apply to the Principal – MPF Conservative Fund. Contribution charge is the initial charge as stated in the Trust Deed.
4. **“offer spread”** is charged by the Trustee/Sponsor on the constituent fund level and by the investment manager (if applicable) on the APIF/ITCIS level, in which each is charged upon subscription of units of a constituent fund by a member or units of an APIF/ITCIS. Offer spread does not apply to the Principal – MPF Conservative Fund. Offer spread at the constituent fund level is the preliminary charge (if any) as stated in the Trust Deed. Offer spread for a transfer of accrued benefits at the constituent fund level can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or buying investments in order to give effect to the transfer and are payable to a party other than the Trustee. Offer spread at the APIF/ITCIS level (if any) is the aggregate of any preliminary/initial/initial sales charge stated in the prospectus or explanatory memorandum of the APIF/ITCIS, plus where relevant, an allowance for transaction costs charged by the relevant investment manager(s) (which is the allowance/surcharge as stated in the trust deed of the relevant APIF/ITCIS).
5. **“Bid spread”** is charged by the Trustee/Sponsor on the constituent fund level and by the investment manager (if applicable) on the APIF/ITCIS level, in which each is charged upon redemption of units of a constituent fund by a member or units of an APIF/ITCIS. Bid spread does not apply to the Principal – MPF Conservative Fund. Bid spread at the constituent fund level is the aggregate of the redemption/realisation charge (if any) as stated in the Trust Deed. Bid spread at the constituent fund level for a transfer of accrued benefits, withdrawal of accrued benefits in a lump sum, or by instalments can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or buying investments in order to give effect to the transfer or withdrawal and are payable to a party other than the Trustee. Bid spread at the APIF/ITCIS level (if any) is the aggregate of any redemption/realisation charge stated in the prospectus or explanatory memorandum of the APIF/ITCIS, plus where relevant, an allowance for transaction costs charged by the relevant investment manager(s) (which is the allowance/deduction as stated in the trust deed of the relevant APIF/ITCIS).
6. **“Withdrawal charge”** means the fee charged by the Trustee/Sponsor upon withdrawal of accrued benefits from the Plan. This fee is usually charged as a percentage of the withdrawal amount and will be deducted from the withdrawal amount. This charge does not apply to the Principal – MPF Conservative Fund. A withdrawal charge for a withdrawal of accrued benefits, in a lump sum, or by instalments can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or buying investments in order to give effect to the withdrawal and are payable to a party other than the Trustee. In respect of special voluntary contributions, withdrawals are limited to six times per calendar year and no withdrawal charge is currently levied.
7. **“Management fees”** includes fees paid to the trustee, custodian, investment managers (and its delegates), the eMPF Company and sponsor (where applicable) of the Plan, the constituent funds and the APIF/ITCIS for providing their services to the relevant fund. They are usually charged as a percentage of the NAV of a fund. In the case of the DIS CFs, management fees payable to the parties named above, or their delegates, can only (subject to certain exceptions in the MPF Ordinance) be charged as a percentage of the NAV of the fund. The management fees of each DIS CF are subject to a statutory daily limit equivalent to 0.75% p.a. of the NAV of the DIS CF which applies across both the constituent fund and underlying funds.

EXPLANATORY NOTES

In respect of any increase in fees and charges from the current level as stated, at least three months' prior notice (or such shorter notice period as agreed with the SFC and the MPFA) must be given to all members and employers.

Notes:

- a. Joining fee of currently up to HKD5,000 per employer/self-employed person and HKD100 per member may be levied by the Sponsor. No joining fee will be charged in respect of a personal account member, a special voluntary contribution member or an employer/self-employed person joining the Plan in connection with a transfer from another registered scheme. Currently, no joining fee is levied.
- b. Contribution charge of up to 1% of contribution amount may be levied by the Sponsor. Pursuant to the MPF Ordinance, General Regulation, relevant codes and guidelines, no contribution charge will apply to amounts invested in the Principal – MPF Conservative Fund or transferred from another registered scheme. Currently, no contribution charge is levied.
- c. Offer spread: Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, a preliminary/initial/initial sales charge of currently up to 2% of the offer price may be levied by the Sponsor at the constituent fund level, and up to 5% of the offer price may be levied by the relevant investment managers at the APIFs/ITCISs level. Where the relevant investment manager(s) have made an allowance for transaction costs, such costs may be levied at the APIFs/ITCISs level in addition to the preliminary/initial/initial sales charge. Currently, no offer spread is levied.
- d. Bid spread: Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, a redemption/realisation charge of currently up to 5% of the bid price may be levied at the APIFs/ITCISs level. Where the relevant investment manager(s) have made an allowance for transaction costs, such costs may be levied at the APIFs/ITCISs level in addition to the redemption/realisation charge. Currently, no bid spread is levied.
- e. Breakdown of Management Fees

The management fees disclosed in Part (C) of the above table represent the total amount of management fees currently payable from the assets of each constituent fund and its underlying APIFs/ITCISs.

The management fee is accrued on a daily basis and is paid monthly in arrears by the relevant constituent fund and/or underlying fund(s).

With effect from 7 August 2025, the breakdown of the current and maximum levels of management fees payable out of each constituent fund is as follows:##

Constituent fund	Constituent fund level (% p.a. of NAV)					
	Sponsor fee		Trustee fee ⁺	Fee payable to eMPF Company [#]	Investment management fee	Maximum aggregate management fee
	Current	Maximum	Current	Current	Current	Current
Principal – MPF Conservative Fund	0.25	1.50	0.14	0.37	0.11 – 0.13 ^{&***}	4.00
Principal Growth Fund	0.25	1.50	0.14	0.37	0.33 – 0.35 ^{&***}	4.00
Principal Balanced Fund	0.25	1.50	0.14	0.37	0.33 – 0.35 ^{&***}	4.00
Principal Stable Fund	0.25	1.50	0.14	0.37	0.33 – 0.35 ^{&***}	4.00
Principal Dynamic Global Equity Fund ^{***}	0.25	1.50	0.14	0.37	0 – 0.50 ^{**}	2.00
Principal Dynamic Asia Pacific Equity Fund ^{***}	0.25	1.50	0.14	0.37	0 – 0.50 ^{**}	2.00
Principal Dynamic Global Bond Fund ^{***}	0.25	1.50	0.14	0.37	0 – 0.47 ^{**}	2.00
Principal Dynamic Hong Kong Equity Fund ^{***}	0.25	1.50	0.14	0.37	0 – 0.48 ^{**}	2.00
Principal Core Accumulation Fund	Nil	N/A	0.14	0.36	0.25 ^{&}	N/A
Principal Age 65 Plus Fund	Nil	N/A	0.14	0.36	0.25 ^{&}	N/A

+ The trustee fee is subject to a cap of 0.5% of NAV. The actual trustee fee therefore will not exceed 0.5% of NAV.

The fee payable to eMPF Company is payable out of each of the constituent funds through the Trustee.

& The investment management fees of these constituent funds are only charged at the constituent fund level. The investment manager at the constituent fund level will pay, from its own funds, a fee to the investment manager and/or its delegate(s) at the underlying fund level.

** The investment management fee is variable and is subject to a cap at the upper bound of the rate. The investment management fee rates take into account the respective maximum rates of the trustee fee^(a), (in respect of the constituent funds marked with ^{***}) administration fee^(b) and (in respect of the constituent funds marked with ^{***}) investment management fee^(c) at the underlying fund level, which are set out in the underlying fund fee breakdown table below. Where the trustee fee^(a), (in respect of the constituent funds marked with ^{***}) administration fee^(b) and/or (in respect of the constituent funds marked with ^{***}) the investment management fee^(c) at the underlying fund level are not charged at the respective upper bounds as specified in the table below, the remainder of the investment management fee (i.e. the investment management fee rates in the table above less the aggregate of the actual trustee fee^(a), (in respect of the constituent funds marked with ^{***}) the actual administration fee^(b) and (in respect of the constituent funds marked with ^{***}) the actual investment management fee^(c) at the underlying fund level) will be payable to the investment manager at the constituent fund level. The investment manager will adjust its investment management fee and not charge up to the cap of the investment management fee where a trustee fee^(a), (in respect of the constituent funds marked with ^{***}) an administration fee^(b) and/or (in respect of the constituent funds marked with ^{***}) an investment management fee^(c) at the underlying fund level is charged. The total of: (i) the actual investment management fee at the constituent fund level plus (ii) the total of the actual trustee fee^(a), (in respect of the constituent funds marked with ^{***}) the actual administration fee^(b) and (in respect of the constituent funds marked with ^{***}) the actual investment management fee^(c) at the underlying fund level, will equal the upper bound of the investment management fee indicated with ^{**} in the table above.

The breakdown of the current and maximum levels of management fees payable out of each of the APIF(s)/ITCIS(s) are as follows:##

Constituent fund	Underlying fund level (% p.a. of NAV)				
	Trustee fee ^(a)	Administration fee ^(b)	Investment management fee ^(c)	Current aggregate management fee ^(d)	Maximum aggregate management fee [#]
Principal – MPF Conservative Fund	up to 0.02	up to USD18,000 p.a.	Nil	up to 0.02	0.50
Principal Growth Fund	up to 0.02	up to USD18,000 p.a.	Nil	up to 0.02	0.50
Principal Balanced Fund	up to 0.02	up to USD18,000 p.a.	Nil	up to 0.02	0.50
Principal Stable Fund	up to 0.02	up to USD18,000 p.a.	Nil	up to 0.02	0.50
Principal Dynamic Global Equity Fund***	up to 0.10	up to 0.05	up to 0.50	up to 0.50	0.65
Principal Dynamic Asia Pacific Equity Fund***	up to 0.10	up to 0.05	up to 0.50	up to 0.50	0.65
Principal Dynamic Global Bond Fund***	up to 0.10	up to 0.05	up to 0.47	up to 0.47	0.62
Principal Dynamic Hong Kong Equity Fund***	up to 0.10	up to 0.05	up to 0.48	up to 0.48	0.63
Principal Core Accumulation Fund	Nil	Nil	Nil	Nil	N/A
Principal Age 65 Plus Fund	Nil	Nil	Nil	Nil	N/A

[^] The administration fee is subject to a maximum of 0.50% p.a. of the NAV.

[#] The aggregate of the actual trustee fee^(a), (in respect of the constituent funds marked with ***) the actual administration fee^(b) and the actual investment management fee^(c) will not exceed the current aggregate management fee^(d). The administration fee chargeable not in the form of a percentage of the NAV is not included in the current aggregate management fee^(d).

^{##} The fee items in the above two tables, in respect of a constituent fund (other than the DIS CFs), may not add up to the current level of the aggregate management fees of the constituent fund as set out in table (C) above. However, in any event, the management fees of each constituent fund will only be charged according to the current aggregate level in table (C) above.

- f. 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. The Principal – MPF Conservative Fund adopts method (i) hence, unit prices/NAV/fund performance quoted have incorporated the impact of such fees and charges.
- g. The “other expenses” disclosed in Part (C) above include fees and expenses in relation to the Plan and those incurred in relation to the APIF/ITCIS.

At the constituent fund level

The fees and expenses in relation to the Plan include the fees and expenses incurred in connection with or with regard to the Plan and the constituent funds (including the establishment, maintenance and continuation of the Plan and the constituent funds, and such other fees and charges incurred in respect of the Plan and/or the constituent funds having to comply with or give effect to any legal and regulatory requirements) and may, subject to the terms of the Trust Deed, be charged to the assets of the constituent

funds. Such fees and expenses may include, but are not limited to, the fees and expenses set out in Part (C) above, any fees, charges or levies payable to the SFC or the MPFA or other relevant regulatory bodies, license fees, transaction fees and costs (including but not limited to stamp and other duties, taxes, governmental charges, brokerage commission, foreign exchange costs and transfer fees and expenses) in relation to any acquisition or realisation of any units or investment or other property or cash or deposit or loan, the fees and expenses of the registrar, cost of convening meetings of members and the cost of preparing, translating, printing and distribution of documents, forms or other information relating to the Plan.

In relation to the Principal – MPF Conservative Fund: fees, charges and expenses will only be payable out of the Principal – MPF Conservative Fund to the extent permitted by the MPF Ordinance, General Regulation, relevant codes and guidelines.

Subject as provided above in relation to the Principal – MPF Conservative Fund, each constituent fund will bear the charges and expenses which are directly attributable to it. Where such charges and expenses are not directly attributable to a constituent fund, each constituent fund will bear such charges and expenses in proportion to its respective net asset value or in such manner as the Trustee with the agreement of the Sponsor shall consider fair.

Subject to the approval of the SFC and the MPFA, the Sponsor may also from time to time specify any other fee or charge in relation to the Plan or any constituent fund to be paid by the employers or members or out of any constituent fund.

No advertising fee/expense in relation to the Plan will be charged to the Plan, the constituent funds or to the members.

At the underlying fund level

The APIFs/ITCISs expenses include the fees and expenses incurred in connection with or with regard to the APIFs/ITCISs and may, subject to the constitutive documents of the APIFs/ITCISs, be chargeable to the assets of the APIFs/ITCISs. Such fees and expenses may include, but are not limited to, the fees and expenses set out in Part (C) above, any fees, charges or levies payable to any relevant regulatory bodies, exchange operators or related bodies, license fees, transaction fees and costs (including but not limited to stamp and other duties, taxes, governmental charges, brokerage commission, foreign exchange costs and transfer fees and expenses) in relation to any acquisition or realisation of any investment or other property or cash or deposit or loan (including any fees and expenses incurred by the investment manager or trustee or any of their associate in rendering any service in the claiming or collection of income or other rights in relation thereof), the fees and expenses of the registrar, cost of convening meetings of unitholders and the cost of preparing, translating, printing and distribution of documents, forms or other information relating to the APIFs/ITCISs.

In addition to the trustee fee, the trustees of the relevant APIFs/ITCISs may deduct from the APIFs/ITCISs any fees and charges in accordance with the relevant trust deeds and offering documents, including without limitation those incurred in the administration and operation of the APIFs/ITCISs. The trustees and/or the investment managers (as the case may be) of the relevant APIFs/ITCISs may also from time to time increase the level of management fees up to the maximum level or impose any other additional fees and charges in relation to the relevant APIFs/ITCISs, subject to the approval of the SFC and the MPFA and the prescribed notice period of the relevant APIFs/ITCISs for such change.

In addition, each APIF/ITCIS may bear a due proportion of the costs and expenses incurred by the investment manager and the trustee in establishing the fund. Please refer to the respective offering documents of the funds for further details.

The fees and charges attributable to the APIFs/ITCISs shall be levied against the APIFs/ITCISs only and shall not be deducted from the constituent funds of the Plan. As such, such fees and charges will be reflected in the unit prices of the APIFs/ITCISs and borne by all the unitholders of the APIFs/ITCISs.

No advertising fee/expense will be charged to the APIFs/ITCISs.

On-going costs illustrations

A document that illustrates the on-going costs on contributions to the constituent funds in the Plan (except for the Principal – MPF Conservative Fund) is available for distribution with this MPF Scheme Brochure. For the illustrative example for the Principal – MPF Conservative Fund, please refer to Appendix 1 (Illustrative example on the Principal – MPF Conservative Fund). Before making any investment decisions concerning investments in the Plan, you should ensure that you have the latest version of these documents. A copy of these documents can be viewed on our website at www.principal.com.hk and obtained from our customer service centre at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

5.2 Cash commission rebates and soft dollar benefits

None of the investment managers or any of their respective connected persons (together, “**Relevant Persons**”) may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them.

A Relevant Person may effect transactions by or through the agency of another person with whom the Relevant Person or any of its connected persons have an arrangement under which that party will from time to time provide to or procure for the Relevant Person or any of its connected persons, goods, services or other benefits, such as research and advisory services, computer hardware associated with specialised software and performance measures etc., the nature of which is such that their provision can reasonably be expected to benefit the relevant APIF as a whole and may contribute to an improvement in the APIF’s performance and that of the Relevant Person or any of its connected persons in providing services in respect of the APIF and for which no direct payment is made but instead the Relevant Person or any of its connected persons undertakes to place business with that party.

5.3 Fees and out-of-pocket expenses of the DIS

In accordance with section 34DD(4) and Schedule 11 of the MPF Ordinance, the aggregate of the payments for services specified in section 34DD(2) of the MPF Ordinance of the DIS CFs can only (subject to certain exceptions in the MPF Ordinance) be charged as a percentage of the NAV of the DIS CFs. These management fees are also subject to a statutory daily limit equivalent to 0.75% p.a. of the NAV of each of the DIS CFs which applies across both constituent funds and their underlying funds).

The above aggregate payments for services (i.e. management fees (as defined under section 5.1 (*Fee table*)) include, but are not limited to, the fees paid or payable for the services provided by the Trustee, the eMPF Company, PAM and the Sponsor of the DIS CFs, the trustee, the administrator, the investment manager and the sponsor of the underlying fund(s) of each of the DIS CFs as well as any of the delegates from these parties. In particular, the management fees are in return for the services carried out by the Trustee and the eMPF Company and are inclusive of fees payable to the investment managers of the underlying funds for their investment management services. Such fees are calculated as a percentage of the NAV of each constituent fund and its underlying fund(s), but does not include any out-of-pocket expenses incurred by each constituent fund and its underlying fund(s).

In addition, in accordance with section 34DD(4) and Schedule 11 to the MPF Ordinance, the total amount of all payments that are charged to or imposed on each of the DIS CFs or members who invest in each of the DIS CFs, for out-of-pocket expenses incurred by the Trustee on a recurrent basis in the discharge of the Trustee’s duties to provide services in relation to each of the DIS CFs, shall not in a single year exceed 0.20% of the NAV of each of the DIS CFs until 31 December 2025, and from 1 January 2026, shall not in a single year exceed 0.10% of the NAV of each of the DIS CFs. For this purpose, out-of-pocket expenses include, for example, annual audit expenses, printing or postage expenses relating to recurrent activities (such as issuing annual benefit statements), recurrent legal and professional expenses, safe custody charges which are customarily not calculated as a percentage of NAV and transaction costs incurred by the

DIS CFs in connection with recurrent acquisition of investments for the DIS CFs (including, for example, costs incurred in acquiring underlying funds) and annual statutory expenses (such as compensation fund levy where relevant) of the DIS CFs.

Members should note that out-of-pocket expenses that are not incurred on a recurrent basis may still be charged to or imposed on the DIS CFs. Such fees are not subject to the statutory caps mentioned in the preceding paragraphs.

6 ADMINISTRATIVE PROCEDURES

6.1 How to join the Plan

To participate in the Plan, an employer or a self-employed person simply needs to submit the participation agreement/application via instruction to the eMPF Platform.

In addition, a person may participate in the Plan as a member, whether as a special voluntary contributions member (e.g. “**SVC member**”) or a personal account member (e.g. a person who has amounts held in the Plan or will have amounts transferred to the Plan but in respect of whom no mandatory and voluntary contributions will be made to the Plan), by submitting an application for membership via instruction to the eMPF Platform.

Electronic instructions can be submitted to the eMPF Platform via the eMPF Web Portal or the eMPF Mobile App. Please refer to the eMPF User Guide which is available on the eMPF Platform’s website at www.empf.org.hk. Paper-based instructions can be submitted to the eMPF Platform by post, fax, email or in person. For details, please contact the eMPF Customer Service Hotline and/or any of the eMPF Service Centres. Please refer to section 2A (*The eMPF Platform*) for their contact details.

Please refer to www.empf.org.hk/servicepledge for the service pledge with respect to the above applications/instructions.

Should employers and/or members have any complaint or enquiry with respect to the services or functions of the eMPF Platform, they should contact the eMPF Customer Service Hotline and/or any of the eMPF Service Centres. Please refer to section 2A (*The eMPF Platform*) for their contact details.

6.2 Contributions

6.2.1 Mandatory contributions

(a) Employer and employee members

Subject to the provisions in the MPF Ordinance, every employer under the relevant participating scheme must, in respect of each of its employee members, pay to the Plan out of its own funds an employer mandatory contribution of 5%* of each employee member’s relevant income for each period during which income is paid or should be paid to each employee member (the “**contribution period**”). The mandatory contribution will not exceed the statutory maximum amount**.

At the same time, unless the employee member’s relevant income falls below the statutory minimum amount**, such employer must, for each contribution period, deduct from the employee member’s relevant income and pay an employee mandatory contribution of 5%* of such income, provided that the maximum contribution that would be so deducted should not exceed the statutory maximum amount**.

(b) Self-employed persons

Every self-employed person under the Plan must, from the commencement date of his participation in the Plan, pay to the Plan a mandatory contribution of 5%* of his relevant income on a monthly or yearly basis as specified in the application unless his income falls below the statutory minimum amount**. The mandatory contribution that any self-employed person must contribute will not exceed the statutory maximum amount**.

* *The rate of contributions and its respective level of income may be changed under the MPF Ordinance and the General Regulation from time to time.*

** *Please contact our customer service hotline at 2802 2812 or the eMPF Platform according to the contact details in section 2A for the updated information on the statutory minimum and maximum levels of relevant income for MPF contributions stipulated under the current legislation.*

(c) Payment of contributions

Mandatory contributions must be paid to the Plan by the 10th day (or such other day as specified by the MPF Ordinance, General Regulation, relevant codes and guidelines from time to time) after the end of the calendar month in which the relevant contribution period ends as required by the MPF Ordinance, General Regulation, relevant codes and guidelines. Where a self-employed person has opted to make mandatory contributions on a monthly or yearly basis (as set out in the prescribed form required by the Trustee from time to time) such mandatory contributions must be paid to the Plan at the end of the contribution period.

6.2.2 Voluntary contributions

An employer may by execution of a schedule to the participation agreement, and a member (other than a personal account member or SVC member in respect of whom no mandatory and voluntary contributions are made to the Plan) may by execution of a form as specified by the Trustee from time to time, elect to make voluntary contributions to the Plan as a top-up contribution in addition to mandatory contributions.

Where mandatory contributions will be made by or in respect of the relevant member, voluntary contributions by or in respect of the relevant member must be paid at the same time and in the same manner as mandatory contributions. In other cases, voluntary contributions will be paid at such time and in such manner as the Trustee may determine. Voluntary contributions made by an employer in respect of a member are calculated and vested in the member in the manner stated in the relevant schedule to the participation agreement.

Subject to the terms of the Trust Deed, the employer, employee member and self-employed person may change their respective voluntary contributions by giving the eMPF Platform the requisite notice.

The Trustee may reject voluntary contributions from any member and participating employer. Any rejected voluntary contributions will be returned in such manner and at such time (which in any event shall not exceed 60 days of receipt of any such contributions unless for some exceptional regulatory reasons the Trustee and/or the eMPF Platform is unable to effect a return within such timeframe) as the Trustee and/or the eMPF Platform may consider appropriate.

6.2.3 Special voluntary contributions

Subject to the Trustee's consent, a person (including an employee member or a self-employed person or any person who is or had been a member of a registered scheme or an occupational retirement scheme and wishes to make special voluntary contributions) may make special voluntary contributions to the Plan on a regular basis or in a lump sum by submitting instruction to the eMPF Platform. Where a person is not already an employee member or a self-employed person of the Plan, such person must request to be a SVC member of the Plan so as to make special voluntary contribution to the Plan. Special voluntary contribution may be paid by the employee member from his own funds and may be made in such manner as the Trustee and/or the eMPF Platform may specify from time to time.

The amount of regular special voluntary contributions must not be lower than HKD300 per month and the amount of special voluntary contribution in a lump sum must not be lower than HKD1,000 per payment. The Trustee may determine such other limit of special voluntary contribution or make any change in respect of the payment of special voluntary contributions by giving the member prior notice in writing from time to time. Currently, there is no upper limit on the amount of special voluntary contribution, whether on a regular basis or in a lump sum. However, the Trustee reserves the right not to accept any special voluntary contribution at any time by notifying the member in writing via the eMPF Platform after the rejection.

6.2.4 General

All mandatory contributions, voluntary contributions and special voluntary contributions to the Plan must be made to the Plan via the eMPF Platform. Payment instruction of contributions and relevant contributions information shall be submitted to the eMPF Platform.

6.3 Investment in constituent funds

6.3.1 General

The Trustee will apply or cause to apply amounts (net of charges) paid by or on behalf of a member to acquire units in the constituent funds pursuant to the instructions of the member given in an investment mandate submitted by the member via instruction to the eMPF Platform subject to the provisions of the Trust Deed. The Trustee will apply or cause to apply such net amounts to acquire units on a valuation date within such timeframe as specified in the Service Pledge of receiving cleared funds and information required by the Trustee and/or the eMPF Platform.

Pending the acquisition of units in the constituent funds, the Trustee will hold or cause to hold such net amounts in cash or on deposit.

6.3.2 Instructions

All amounts relating to an employer's contributions (whether mandatory or voluntary contributions or balances of such contributions) must be invested in the same manner in the same constituent funds. Similarly, all amounts relating to a member's contributions (whether mandatory, or voluntary contributions or special voluntary contributions or balances of such contributions) must be invested in the same manner in the same constituent funds.

Currently, there is no restriction regarding the number of constituent funds a member may invest contributions in and a member may invest contributions in all constituent funds. Currently, the minimum percentage (which must be an integer percentage) for each of the following payments and transfers that may be invested in a constituent fund is 5%:

- (a) each payment of the member's mandatory contributions, voluntary contributions, or special voluntary contributions;
- (b) each transfer of the member's mandatory contribution balance, voluntary contribution balance or special voluntary contributions balance;
- (c) each payment of his employer's mandatory contributions or employer's voluntary contributions; and
- (d) each transfer of employer's mandatory contribution balance or employer's voluntary contribution balance.

The application for membership and change in investment instruction can be submitted to the eMPF Platform. The Sponsor may limit the number of investment mandates and change in investment instructions or switching instructions that may be given by or in respect of a member in any accounting period of the Plan. Currently, there is no limit to the number of switchings performed in an accounting period. However, the Trustee will not be responsible to any member for any loss resulting from the non-receipt of an application for membership, change in investment instruction, an investment mandate or switching instruction.

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Sponsor may from time to time restrict and vary the number of constituent funds in which a member may invest and the minimum amount or percentage of contributions and balances of contributions of a member that may be invested in or realised from a single constituent fund.

6.3.3 Issue of units

Units in a constituent fund shall be acquired at the offer price of such units. The calculation of the offer price of units of a constituent fund is set out in section 7.3 (*Calculation of offer and bid prices of constituent funds*).

A preliminary charge of currently up to 2% of the offer price may be levied by the Sponsor on the issue of units. The Sponsor may levy different rates of preliminary charges by reference to the constituent fund, employer, member, nature or amount of the sums to be invested in the constituent fund or otherwise. No preliminary charge will be levied on the issue of units relating to the Principal – MPF Conservative Fund. Currently, no preliminary charge is levied on other constituent funds either.

The number of units issued shall be rounded down to four decimal places and any smaller fractions of a unit will be retained by the relevant constituent fund. No units of a constituent fund will be issued where the determination of the NAV of that constituent fund is suspended (for further details, see section 7.2 (*Suspension of determination of NAV and issuance and realisation of units*)).

6.4 Mandates to invest

On becoming a member of the Plan, a member must submit an investment mandate via instruction to the eMPF Platform with the investment mandate section on an application for membership completed and setting out how amounts paid by or on behalf of the member to the Plan are to be invested in the constituent funds. In the absence of a member's valid investment

mandate, such amounts (net of charges) will be invested in the DIS. Where a member has multiple capacities under the Plan, the investment arrangement applies to the account of the member in each capacity individually. **Any change of investment mandate only applies to future contributions and will therefore not affect the existing investments of the accrued benefits.** For the avoidance of doubt, any change of mandate instruction given after enrolment and not meeting the requirements for a Specific Investment Instruction will be rejected, and in that case, the existing investment allocation (in respect of future contributions and accrued benefits transferred from another registered scheme) will remain unchanged.

A member can change the investment mandate by submitting an instruction for change of investment mandate to the eMPF Platform. If a valid change of investment mandate instruction is received by the eMPF Platform before the Dealing Deadline on a dealing day, it will be considered as received on the same day. If such change of investment mandate instruction is received by the eMPF Platform after the Dealing Deadline on a dealing day, it will be deemed to have been received on the next dealing day. If the change of investment mandate instruction is received by the eMPF Platform at any time on a non-dealing day, it will be deemed to have been received before the Dealing Deadline on the next dealing day.

6.5 Circumstances for accrued benefits to be invested in the DIS

- (a) When members join the Plan or set up a new account in the Plan, they have the opportunity to give a Specific Investment Instruction for their future contributions and accrued benefits transferred from another registered scheme. They may choose to invest their future contributions and accrued benefits transferred from another registered scheme into:
 - (i) the DIS; and/or
 - (ii) one or more constituent funds of their own choice (including the DIS CFs) and according to their assigned allocation percentage(s).
- (b) Members should note that, if investments/accrued benefits in the Principal Core Accumulation Fund or the Principal Age 65 Plus Fund are made under the member's Specific Investment Instructions for investment in such fund (as a standalone fund choice rather than as part of the DIS offered as a choice) ("**standalone investments**"), those investments/accrued benefits will not be subject to the de-risking process. If a member's accrued benefits are invested in any combination of (i) the Principal Core Accumulation Fund and/or the Principal Age 65 Plus Fund as standalone investments and (ii) the DIS (no matter by default or by Specific Investment Instruction), accrued benefits invested under (i) will not be subject to the de-risking mechanism whereas accrued benefits under (ii) will be subject to the de-risking process. In this connection, members should pay attention to the different on-going administration arrangements applicable to accrued benefits invested in (i) and (ii). In particular, members will, when giving a fund switching instruction, be required to specify to which part of the accrued benefits (namely, under (i) or (ii)) the instruction relates.
- (c) If a member opts for (a)(ii) above, the investment instruction must meet the requirements for a Specific Investment Instruction. If the investment instruction does not meet these requirements (e.g. where the total is less than or exceeds 100%) or no investment instruction is given upon enrolment, then the entire contributions and accrued benefits transferred from another registered scheme will be invested into the DIS. Where no Specific Investment Instruction is given in respect of a particular type of contribution, contribution falling under that type will be invested in the DIS.

- (d) Where a member has multiple capacities under the Plan (e.g. a member being an employee member and a personal account member), the investment arrangement applies to the account of the member in each capacity individually. In other words, if a member is an employee member and a personal account member and wishes to switch his accrued benefits and contributions under the account related to his employee member status into DIS, such switching will only impact the account related to his employee member status and not the account related to his personal account member status.

6.6 Switching instructions

A member has the right to submit a switching instruction to the eMPF Platform (the minimum investment allocation in any constituent fund selected must be an integer percentage and 100% of the switch-out total must be invested in one or more constituent fund(s)) to switch all or part of his units in a constituent fund into units in another constituent fund. For the avoidance of doubt, where a member switches all or part of his existing investments, such switching instruction only applies to existing investments and not the new contributions. Any switching instruction given after enrolment and not meeting the requirements for a Specific Investment Instruction will be rejected, and in that case, existing investment (in respect of the existing accrued benefits) will remain unchanged.

Any invalid switching instruction (e.g. the switch-in total is less than or exceeds 100% of the switch-out total) will be rejected and will not be processed. If a valid switching instruction is received by the eMPF Platform before the Dealing Deadline on a dealing day, it will be considered as received on the same day. If such switching instruction is received by the eMPF Platform after the Dealing Deadline on a dealing day, it will be deemed to have been received on the next dealing day. If the switching instruction is received by the eMPF Platform at any time on a non-dealing day, it will be deemed to have been received before the Dealing Deadline on the next dealing day.

Units of a constituent fund (“**Existing Units**”) will be switched into units of another constituent fund (“**New Units**”) according to the bid price of the Existing Units. Pending the acquisition of New Units, the Trustee will hold or cause to hold the amounts received on the realisation of Existing Units in cash or on deposit. Unless the Sponsor determines otherwise, provided that the switching instruction is valid, the instruction will be implemented as soon as practicable.

6.7 Switching in and out of the DIS

Members can switch into or out of the DIS at any time by submitting a switching instruction to the eMPF Platform, subject to the rules of the Plan. In particular, members may elect to not invest their future contributions and transfer-in benefits in the DIS while having the existing accrued benefits invested in the DIS, or vice versa. Partial switching in/out of the DIS is allowed. Members should, however, bear in mind that the DIS has been designed as a long-term investment arrangement. For the avoidance of doubt, the DIS will cease to apply to any accrued benefits withdrawn or transferred out of the Plan, whether or not the withdrawal is a partial withdrawal and regardless of the circumstances (e.g. refund/payment of statutory long service pay/severance pay). Accrued benefits invested in the DIS and remaining in the Plan will continue to be subject to the DIS. Also, members may change their investment mandate to invest in the DIS at any time.

If a member is an employee member and a personal account member and wishes to switch his accrued benefits and contributions under the account related to his employee member status into the DIS, such switching will only impact the account related to his employee member status and not the account related to his personal account member status.

6.8 Treatment of accrued benefits transferred from a contribution account to a personal account

Where a member ceases employment with a participating employer and:

- 6.8.1 in the absence of his election to transfer the accrued benefits from such employment as described in section 6.9.1 (*Transfers to other schemes*), and his accrued benefits from such employment are automatically transferred to a personal account upon the expiry of the three months' period after the eMPF Platform has been notified of the termination of his employment, or
- 6.8.2 the member has given instruction to transfer the accrued benefits from such employment to a personal account and his accrued benefits are therefore transferred to the personal account, the accrued benefits transferred from the member's contribution account to the member's personal account will be invested in the same manner as they were invested immediately before the transfer, and, unless the eMPF Platform receives a Specific Investment Instruction from the member with regard to the member's personal account, any future contributions and accrued benefits transferred from another registered scheme may be invested in the DIS.

6.9 Transfers to and from other schemes

6.9.1 Transfers to other schemes

(a) Employers and employees

An employer may by submitting an instruction to the Relevant Recipient to have amounts held for the accounts of its employees or its account under the Plan transferred to another registered scheme.

When an employee member ceases to be employed by his employer, such employee member may elect ("**election**") (except in certain situations as specified by the MPF Ordinance, General Regulation, relevant codes and guidelines from time to time) to have amounts held for the account of the employee member under the Plan transferred to:

- (i) another account in the Plan by submitting an instruction to the Relevant Recipient;
- (ii) another MPF master trust scheme nominated by the employee member or an existing account of the employee member in an industry scheme by submitting an instruction to the Relevant Recipient; or
- (iii) the registered scheme in which the employee member's new employer participates by submitting an instruction to the Relevant Recipient.

If the employee member fails to make an Election within three months after the Trustee has been notified by the employer, the employee member will be taken to have elected to transfer his accrued benefits concerned to a personal account of the Plan, in which case, all the accrued benefits will be so transferred within 30 days thereafter.

In the case of an election for the transfer of accrued benefits by an employee member who ceases to be employed by his employer, the transfer of accrued benefits shall be made within 30 days of receipt of a request for transfer or within 30 days after the last contribution day in respect of the employment that has ceased, whichever is the later.

(b) Self-employed persons/SVC members

A member who is a self-employed person or a SVC member may elect by submitting an instruction to the Relevant Recipient to have amounts held for the account of the member under the Plan transferred to:

- (i) another MPF master trust scheme nominated by the member or an existing account of the member in an industry scheme;
- (ii) where the member is subsequently employed by an employer, the registered scheme in which the member's employer participates; or
- (iii) where a SVC member has made such election in respect of the amounts attributable to his special voluntary contributions, the registered scheme of his choice subject to the acceptance of such transfer by the trustee of the other registered scheme.

If a member has accrued benefits in a personal account of the Plan, such member may at any time transfer all such accrued benefits to a contribution account or another personal account of the Plan, or a contribution account of another registered scheme or a personal account of another registered scheme which is a master trust scheme or an industry scheme.

On receipt of an instruction to transfer, the Trustee will realise or cause to realise the units in respect of the transfer and arrange for transfer in accordance with the MPF Ordinance, General Regulation, relevant codes and guidelines. In normal circumstances, the Trustee will effect or cause to effect a transfer within 30 days (or such other period specified by the MPF Ordinance, General Regulation, relevant codes and guidelines from time to time) of receipt of an instruction to transfer. Transfers may be delayed in certain circumstances specified under the MPF Ordinance, General Regulation, relevant codes and guidelines, including where contributions are outstanding.

(c) General

Pending the transfer, the Trustee will hold or cause to hold the amount received on realisation of units relating to the transfer in cash or on deposit.

Any money paid to the Plan after the relevant member's accrued benefits have been transferred to another registered scheme under this sub-section (Transfers to other schemes) (e.g. outstanding contributions and contribution surcharge) will be transferred to the transferee registered scheme as soon as practicable and will not be invested.

6.9.2 Transfers from other schemes

The Trustee has power to accept or cause to accept transfers from other provident fund schemes in respect of a member. The Trustee will apply or cause to apply amounts received from other provident fund schemes (net of charges, if any) to acquire units in the constituent funds pursuant to the instructions of the member given in accordance with the Trust Deed within such timeframe as specified in the Service Pledge following receipt of such amounts in cleared funds and information the Trustee and/or the eMPF Platform may require. Pending the acquisition of units in the constituent funds, the Trustee will hold or cause to hold such amounts in cash or on deposit.

6.9.3 Employee choice arrangement – transfers into the Plan

If a person is a member of another registered scheme, he may transfer certain of his accrued benefits to the Plan, as described below.

(a) Transfers into the Plan – from former employment

If a person is an employee member of another registered scheme and has accrued benefits in a contribution account deriving from mandatory and voluntary contributions* made by the person or the employer in respect of the person's former employment or former self-employment, the person can have all such accrued benefits transferred to the Plan at any time by completing and returning to the eMPF Platform the specified form as prescribed by the eMPF Platform from time to time.

If a person is already a member of the Plan, the accrued benefits transferred in accordance with the above will be held in the member's contribution accounts or personal account as specified by the member. However, if the person is not a member of the Plan, he will have to become a personal account member and the accrued benefits will be held in his personal account under the Plan.

(b) Transfers into the Plan – from current employment

If a person is an employee member of another registered scheme and has accrued benefits in a contribution account deriving from his mandatory and/or voluntary contributions* made in respect of his current employment, he can have all such accrued benefits transferred to the Plan by completing and returning to the eMPF Platform the specified form as prescribed by the eMPF Platform from time to time.

If a person is already a personal account member of the Plan, the accrued benefits transferred in accordance with the above will be held in his personal account. However, if the person is not a personal account member of the Plan, he will have to become a personal account member and the accrued benefits will be held in his personal account under the Plan.

* *Transfer of accrued benefits derived from voluntary contributions will be subject to the governing rules of the transferor registered scheme.*

(c) General

The accrued benefits that a person transfers to the Plan will be invested in the constituent fund(s) in accordance with his choice of constituent fund(s) and percentage allocated. There is no limit on the number of transfer payments that a person may make to the Plan.

No fees will be charged by the Trustee for the transfer of accrued benefits from another registered scheme to the Plan other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred by the Trustee in selling or purchasing investments in order to give effect to the transfer and are payable to a party other than the Trustee. Any such amount of transfer fees and charges imposed and received by the Trustee will be used to reimburse the relevant constituent fund(s).

Please note that the above transfers in section 6.9.3(a) (*Transfers into the Plan – from former employment*) shall not apply in circumstances where an employee member ceases to be employed by his employer, in which case, section 6.9.1(a) (*Employers and employees*) above will apply.

6.9.4 Employee choice arrangement – transfers from the Plan

(a) Transfers from the Plan – from former employment

If a member has accrued benefits deriving from mandatory contributions of his former employment or former self-employment in the member's contribution account of the Plan, such member may at any time elect to have all such accrued benefits transferred to another contribution account or personal account of the Plan, a contribution account of another registered scheme or a personal account of another registered scheme, which is a master trust scheme or an industry scheme.

If a member wishes to transfer the accrued benefits to a personal account of the Plan in accordance with the above, but such member is not a personal account member of the Plan, he will have to become a personal account member and the accrued benefits will be held in his personal account under the Plan.

(b) Transfers from the Plan – from current employment

If a member has accrued benefits deriving from the employee's mandatory contributions of the member's current employment in his contribution account of the Plan, the member may at any time elect to have all such accrued benefits transferred to a personal account of the Plan or a personal account of another registered scheme, which is a master trust scheme or an industry scheme. However, a member may only make such a transfer once in every calendar year.

If a member wishes to transfer the accrued benefits to a personal account of the Plan in accordance with the above, but such member is not a personal account member of the Plan, he will have to become a personal account member and the accrued benefits will be held in his personal account under the Plan.

(c) General

No fees will be charged by the Trustee for the transfer of accrued benefits from the Plan to another registered scheme, or from an account to another account within the Plan as described above in this section 6.9.4 (Employee choice arrangement – transfers from the Plan) or in the same account within the Plan from a constituent fund to another constituent fund, other than an amount representing the necessary transaction costs that are incurred, or reasonably likely to be incurred by the Trustee in selling or purchasing investments in order to give effect to the transfer and are payable to a party other than the Trustee. Any such amount of transfer fees and charges imposed and received by the Trustee will be used to reimburse the relevant constituent fund(s).

6.10 Benefits

6.10.1 Entitlement to accrued benefits derived from mandatory contributions

Accrued benefits derived from mandatory contributions will become payable in the circumstances set out in the MPF Ordinance, General Regulation, relevant codes and guidelines. Currently, these circumstances relate to where the member:

- (a) reaches the retirement age of 65;
- (b) attains the age of 60 and retires early;
- (c) permanently departs from Hong Kong;
- (d) becomes totally incapacitated;

- (e) suffers from terminal illness (i.e. an illness that is likely to reduce the life expectancy of the member to 12 months or less);
- (f) dies; or
- (g) has a small balance account not exceeding HKD5,000.

The accrued benefits payable in respect of a member derived from mandatory contributions shall be the aggregate of all balances of mandatory contributions paid by or in respect of the member. Such balances will reflect the value of units of the relevant constituent funds acquired with such contributions, after taking into account charges and investment performance.

6.10.2 Entitlement to accrued benefits derived from voluntary contributions

A member will become entitled to receive accrued benefits derived from voluntary contributions in the circumstances set out in the Trust Deed and the schedule to the relevant participation agreement. In particular, a member who is a self-employed person is entitled to receive accrued benefits derived from his member's voluntary contributions at any time.

The accrued benefits payable in respect of a member derived from voluntary contributions shall be the aggregate of all balances of voluntary contributions paid by the member and (if applicable) the vested portion of all balances of voluntary contributions paid by the employer of the member. Such balances will reflect the value of units of the relevant constituent funds acquired with such contributions, after taking into account charges and investment performance.

6.11 Withdrawal of accrued benefits derived from special voluntary contributions

A member who has made special voluntary contributions to the Plan may at any time withdraw all or part of his special voluntary contribution balance by submitting an instruction to the eMPF Platform. Withdrawals of special voluntary contribution balance are subject to the terms and conditions prescribed by the Trustee in the Trust Deed, this MPF Scheme Brochure and any other relevant forms. These include the following:

- withdrawals are limited to six withdrawals per calendar year;
- the minimum withdrawal amount per request is HKD5,000;
- for members who made lump sum special voluntary contributions on an ad hoc basis, a minimum balance of HKD5,000 is required to be maintained after each withdrawal;
- application for withdrawal is to be made in the form specified by the eMPF Platform from time to time.

Any accrued benefits attributable to the special voluntary contributions of a member shall become payable to the member upon that member's cessation of participation in the Plan.

6.12 Realisation of units

Where accrued benefits are payable in respect of a member, the Trustee will realise or cause to realise all the units in the constituent funds held to the account of the member in respect of the accrued benefits and pay the accrued benefits in accordance with the MPF Ordinance, General Regulation, relevant codes and guidelines and the Trust Deed.

Units in a constituent fund realised on a valuation date will be realised at the bid price of such units. The calculation of the bid price of units is set out in section 7.3 (*Calculation of offer and bid prices of constituent funds*).

Realisation of units will be suspended and payment of accrued benefits will be delayed where the determination of the NAV of the relevant constituent fund is suspended (for further details, see section 7.2 (*Suspension of determination of NAV and issuance and realisation of units*)).

Pending payment of accrued benefits, the Trustee will hold or cause to hold the amounts received on realisation of units in cash or on deposit.

In addition, with a view to protecting the interests of members, the Trustee is entitled to limit or cause to limit the number of units of any constituent fund realised on any valuation date to 10% of the total number of units in that constituent fund in issue. In this event, the limitation will apply pro rata so that all members wishing to realise units in that constituent fund on that valuation date will realise the same proportion of such units and units not realised (but which would otherwise have been realised) will be carried forward for realisation, subject to the same limitation, on the next valuation date.

6.13 Payment of accrued benefits

6.13.1 Mandatory contributions

Accrued benefits derived from mandatory contribution will be paid as soon as reasonably practicable and in any event within 30 days (or such other period specified by the MPF Ordinance, General Regulation, relevant codes and guidelines from time to time) after the date the eMPF Platform receives the claim for payment in a duly completed specified form.

Where the member (i) reaches the retirement age of 65, or (ii) attains the age of 60 and retires early, the member may apply for withdrawal of all or part of his mandatory contributions by submitting an instruction to the eMPF Platform. The withdrawal charge payable in respect of each withdrawal can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or buying investments in order to give effect to the withdrawal and are payable to a party other than the Trustee. In particular, if the member chooses to have the accrued benefits to be paid to his bank account directly, bank charges may apply to the member's bank account.

6.13.2 Voluntary contributions

Accrued benefits derived from voluntary contributions will be paid at the same time as the accrued benefits in relation to the mandatory contributions are paid. If no accrued benefits in relation to mandatory contributions will be paid, accrued benefits in respect of voluntary contributions will be paid as soon as reasonably practicable within 30 days after the date the eMPF Platform receives the claim for payment in a duly completed specified form.

A self-employed person or personal account member may at any time withdraw all or part of the accrued benefits attributable to his voluntary contributions by submitting instruction to the eMPF Platform. The withdrawal charge payable in respect of each withdrawal can only include necessary transaction costs incurred or reasonably likely to be incurred in selling or buying investments in order to give effect to the withdrawal and are payable to a party other than the Trustee. In particular, if the self-employed person or personal account member chooses to have the accrued benefits to be paid to his bank account directly, bank charges may apply to his bank account.

6.13.3 Special voluntary contributions

After a withdrawal request is accepted via the eMPF Platform, accrued benefits in respect of special voluntary contributions will be paid to the relevant member as soon as reasonably practicable within 30 days. Upon a member terminating the relevant account in respect of his special voluntary contributions, the accrued benefits in such account may either be withdrawn or be transferred to other registered schemes subject to the acceptance of such transfer by the trustee of the other registered scheme.

6.13.4 General

Accrued benefits will be paid in HKD to the relevant recipient by cheque or telegraphic transfer. Bank charges (if any) incurred in making payment will be borne by the relevant recipient and accordingly will be deducted from the amount of the benefits.

Upon payment of such accrued benefits to or in respect of the member, the Trustee shall have no further liabilities or obligations whatsoever in relation to such accrued benefits.

7 OTHER INFORMATION

7.1 Determination of NAV

The value of each constituent fund and offer and bid prices shall be determined as at the close of business in the last relevant market to close (or such other time as may be agreed between the Trustee and the Sponsor) on each valuation date by the Trustee subject, among others, to the following:

- (a) the value of any unit, share or other interest in a collective investment scheme shall (except in limited circumstances) be calculated by reference to the latest available net asset value per unit, share or other interest of such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such unit, share or other interest;
- (b) the value of any investment not included in paragraph (a) above (excluding any commodity) which is listed, quoted or normally dealt in on a securities market shall (except in limited circumstances) be calculated by reference to the last closing price of such investment or (if no such price is available) midway between the latest available market dealing offer price and the latest market dealing bid price;
- (c) amounts expressed in currencies other than HKD shall be converted to HKD at such prevailing rates of exchange as the Trustee and Sponsor shall consider appropriate; and
- (d) notwithstanding the foregoing, the Trustee may adjust or cause to adjust the value of any asset or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations the Trustee deems relevant, the Trustee considers that such adjustment or use of such other method is required to reflect the fair value thereof.

Units in constituent funds shall be issued and realised on the appropriate valuation date. The valuation date shall be such date as the Trustee and the Sponsor shall determine in respect of each constituent fund.

7.2 Suspension of determination of NAV and issuance and realisation of units

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Trustee may declare a suspension of the determination of the NAV of any constituent fund:

- (a) during any period when any securities market or commodities market on which any of the investments for the time being held for the account of the constituent fund is quoted is closed otherwise than for ordinary holidays;
- (b) during any period when any dealing on any such securities market or commodities market are restricted or suspended;
- (c) during the existence of any state of affairs as a result of which acquisition or disposal of investments for the time being comprised in the constituent fund cannot in the opinion of the Trustee be effected normally;

- (d) during any breakdown in the means of communication normally employed in determining the NAV of the constituent fund or part thereof or the offer price or bid price of units or when for any other reason the value of any investment for the time being comprised in the constituent fund and representing a significant part of the value thereof cannot in the opinion of the Trustee be promptly and accurately ascertained;
- (e) during any period when the acquisition or realisation of any investment for the time being comprised in the constituent fund or the transfer of funds involved in such acquisition or realisation cannot be effected at normal prices or normal rates of exchange respectively;
- (f) during any period in which the determination of the NAV of the APIF/ITCIS in which the constituent fund invests is suspended; or
- (g) during any period when any part or all parts of the eMPF Platform is suspended.

There shall be no determination of the NAV of the constituent fund and no units in the constituent fund may be issued, realised or switched during such period of suspension. In addition, no units in the constituent fund may be issued, realised or switched during such period required for the purpose of implementing any reorganisation of the Plan which involves a change of Trustee, Sponsor, custodian, any investment manager or investment manager of any APIF/ITCIS. The suspension shall continue until with the agreement of the Sponsor, the Trustee declares the suspension at an end.

Notwithstanding the preceding paragraphs of this section 7.2, the Trustee with the agreement of the Sponsor may declare a suspension of issuance, realization or switching of units relating to a constituent fund without a suspension of the determination of the NAV of the constituent fund should any of the circumstances set out in (a) to (g) above occur.

7.3 Calculation of offer and bid prices of constituent funds

The NAV per unit in a constituent fund is calculated by valuing the assets of that constituent fund, deducting the liabilities attributable to the relevant constituent fund and dividing the resultant sum by the number of units of the fund in issue.

The offer price of a unit in a constituent fund on a valuation date is the aggregate of a preliminary charge and NAV per unit rounded down to seven decimal places plus an allowance for transaction cost which might be payable to buy investments for the account of the relevant constituent fund.

The bid price of a unit in a constituent fund on a valuation date is the net asset value per unit rounded down to seven decimal places less an allowance for transaction cost which might be payable to sell investments for the account of the relevant constituent fund.

If from the time the bid price is calculated up to the time the proceeds of realisation are converted from any other currency to HKD, there is an officially announced devaluation of that other currency, the proceeds shall be reduced as the Trustee and the Sponsor shall consider appropriate.

7.4 Publication of prices

The offer price and bid price of a unit in each constituent fund will normally be published daily in the South China Morning Post and Hong Kong Economic Times.

7.5 Calculation of offer and bid prices of the APIFs and ITCIS

Each APIF and ITCIS in which the constituent funds invest will have its own methodology in relation to calculation of offer and bid prices.

7.6 Taxation

The following statements regarding taxation are based on advice received by the Sponsor regarding the law and practice in force in Hong Kong at the date of this MPF Scheme Brochure.

Employers and members should appreciate that as a result of changing law or practice, the taxation consequences of participating in the Plan may be otherwise than as stated below. This summary is not intended to be comprehensive and should not be relied upon as a substitute for detailed and specific advice. Employers and members should seek professional advice regarding their particular tax circumstances.

7.6.1 For employers

Provided that they are not excessive in all the circumstances, initial and special lump sum contributions are allowable for profits tax purposes in five equal installments over five years.

Annual contributions made by the employer in respect of an employee of up to 15% of the total emoluments of such employee are allowable as a deduction for profits tax purposes. Excess contributions are not deductible.

Refunds of voluntary contributions to the employer will be treated as taxable receipts in the hands of the employer for profits tax purposes. Forfeited voluntary contributions are permitted to revert to the Plan to be used to reduce contributions liability of the employer or, alternatively, to increase the benefits available to employees.

7.6.2 For employees

Salaries tax is not payable on the portion of any payment that represents either the employee's contributions or the investment earnings of the Plan on those contributions (including special voluntary contributions).

The employer's contributions are not taxable on the employee. For salaries tax purposes, a deduction from salary is allowed for the amount of the employee's mandatory contributions into the Plan (up to the statutory maximum amount). However, employees will remain liable to salaries tax on voluntary contributions they make into the Plan.

Lump sum accrued benefits on retirement, incapacity, death or terminal illness are not subject to salaries tax. "Retirement" for tax purposes is defined to mean:

- (a) Retirement from the service of the employer at a specified age of not less than 45 years;
- (b) Retirement after a period of service with the employer of not less than 10 years; or
- (c) Attainment of a specified age of retirement or 60 years, whichever is later (whether or not the employee has in fact retired from his employment at such age).

If an employee leaves service otherwise than on retirement, incapacity, death, or terminal illness, a proportion of the employee's accrued benefits paid deriving from his employer's voluntary contributions may be subject to salaries tax.

7.6.3 For self-employed persons

Mandatory contributions paid into the Plan by self-employed persons (up to the statutory maximum amount) may be deducted from assessable profits for determining the liability of those persons to profits tax.

Profits tax is not payable on the portion of any benefits that represents either the self-employed person's contributions or the investment earnings of the Plan.

7.6.4 For the Plan

The Plan is not expected to be subject to Hong Kong tax in respect of any of its authorised activities.

7.7 Forfeiture account

Whenever an employee member is paid less than 100% of the employer's voluntary contribution balance held in respect of him, the balance is credited to a forfeiture account established for the employer within the Plan.

Upon request by the employer and provided that the request complies with the minimum amount or percentage specified, monies in the forfeiture account can be used to pay fees and charges, offset future contributions, increase accrued benefits of members through distribution to members or be refunded to the employer.

The Trustee will comply or cause to comply with such request within such timeframe as specified in the Service Pledge from the date of receiving such request and information required by the Trustee and/or the eMPF Platform, unless separately agreed between the Trustee and/or the eMPF Platform and the relevant employer.

The balance of the forfeiture account is automatically invested in the default fund designated by the Trustee with the agreement of the Sponsor from time to time, currently the Principal – MPF Conservative Fund.

7.8 Automatic exchange of financial account information

Financial institutions in Hong Kong and many other jurisdictions are required to identify account holders who are reportable foreign tax residents under the laws, regulations and international agreements for the implementation of automatic exchange of financial account information (“**AEOI**”), and report the information of account holders and controlling persons of certain entity account holders (each, a “**controlling person**”) (including but not limited to their names, addresses, dates of birth, places of birth/incorporation, jurisdiction(s) of tax residence, tax identification number(s) in the relevant jurisdiction(s)) and account information (including but not limited to their account balance, income, and payments to the account holders) (collectively, the “**Reportable Information**”) to the local tax authority where the financial institutions operate. The local tax authority, in respect of a reportable foreign tax resident, will provide the Reportable Information of the reportable foreign tax resident to the tax authority(ies) of the country(ies) and jurisdiction(s) of tax residence of the reportable foreign tax resident on a regular, annual basis. If you are not a tax resident in any jurisdiction outside Hong Kong, your MPF account information will not be reported to the Hong Kong Inland Revenue Department (“**IRD**”) for transmission to any tax authority outside Hong Kong.

The Plan is a Hong Kong financial institution for AEOI purposes. As required under AEOI of Hong Kong, the Trustee will use for the purposes of AEOI the Reportable Information of any individual or entity, whether in the capacity as a member, participating employer or beneficiary, that is considered under AEOI to be an account holder or controlling person of an account holder (where applicable). The Reportable Information may be transmitted to the IRD for transfer to the tax authority of another jurisdiction.

The Trustee may, to the extent not prohibited by applicable law including AEOI, engage, employ or authorise any individual or entity (including but not limited to the eMPF Platform, third-party service providers, the Trustee's affiliates, subsidiaries, associated entities, and any of their branches and offices) (each, for purposes of this section, an “**authorised person**”) to assist the Plan with the fulfilment of its obligations under AEOI, and to act on the Plan's behalf in relation to its obligations under AEOI. The Trustee and its authorised persons may share with each

other any information of any account holder or controlling person of an account holder (where applicable) of the Plan.

The Trustee and/or any of its authorised person(s) may require any account holder under AEOI to provide a valid self-certification form and such other information (including the Reportable Information and any documentary evidence) which the Trustee and/or any of its authorised person(s) may require from time to time for the implementation of AEOI (collectively, the “**Required Information**”). In addition, where the account holder is an entity, the Trustee and/or its authorised person(s) may require the Required Information of its controlling person(s).

Where required by AEOI and to the extent not prohibited by applicable law, the Trustee and its authorised persons will not accept any applicant to the Plan or make any payment to any account holder (whether in the capacity of a member, a participating employer or a beneficiary) before receiving the Required Information. Account holders and controlling persons must update the Trustee and/or any of its authorised person(s) including the eMPF Platform about any changes in the information they have previously provided to the Trustee and/or any of its authorised person(s) within 30 days of such change. If the Trustee and/or any of its authorised person(s) do not receive the Required Information in respect of an account holder or a controlling person, the Trustee and/or any of its authorised person(s) may be required to report such person based on the information they have.

Members, participating employers, and any other account holders and controlling persons should consult their own tax advisers regarding the possible implications of AEOI on their participation and holding interests in the Plan and the information that may be required to be provided and disclosed to the Trustee and/or any of its authorised person(s), and where applicable, to the IRD and other tax authorities. The application of the AEOI rules and the information that may be required to be reported and disclosed are subject to change. Please see the IRD website ([https:// www.ird.gov.hk/eng/tax/dta_aeoi.htm](https://www.ird.gov.hk/eng/tax/dta_aeoi.htm)) for more information about AEOI in Hong Kong. Any discussion of tax considerations herein is not intended or written to be tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any domestic or foreign tax penalties that may be imposed on such person.

7.9 Treatment of interest

Any amount pending acquisition of units, payment or transfer will be held in cash or on deposit. If any amount is placed on deposit, the Trustee will ensure that the rate of interest received for the deposit is reasonable. The interest earned will be used for the payment of any administrative expenses of the Plan for the benefit of members of the Plan or such other purpose as permitted by the MPF Ordinance, General Regulation, relevant codes and guidelines from time to time.

7.10 Trust Deed

All members and participating employers are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee, the Sponsor and their delegates and agents and their relief from liability in certain circumstances. Members, participating employers and intending applicants are advised to review the Trust Deed.

7.11 Modification of Trust Deed and participation agreement

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Trustee and the Sponsor may agree to modify the Trust Deed by supplemental deed (including to give effect to any relaxation or release of any requirement imposed by the MPF Ordinance, General Regulation, relevant codes and guidelines or official requirements relating thereto), either generally so as to apply to all employers and members or so as to apply specifically to a particular member or members or a particular employer or employers and members employed by such employer or employers.

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Trustee and the relevant employer (or member in the case of a self-employed person), may agree to modify the participation agreement (and/or the schedule) applicable to that employer (or self-employed person) and members employed by that employer by supplemental agreement.

Any modifications to the Trust Deed or the participation agreement will be notified to the relevant employers and members.

7.12 Merger, division or termination of the Plan

Subject to the MPF Ordinance, General Regulation, relevant codes and guidelines, the Plan may be merged with one or more other schemes or sub-divided into two or more other schemes or terminated. Three months' notice (or such shorter notice period as agreed with the SFC and the MPFA) will be given to relevant employers and members.

7.13 Accounts, reports and statements

Before joining the Plan, an employee will be given information about the Plan to facilitate his application. He will be given a notice of participation including the particulars as required by the General Regulation via the eMPF Platform within 30 days after whichever is the later of the following dates:

- (a) the date on which all the information required for the application is submitted;
- (b) the date on which the applicant agrees to comply with the governing rules of the Plan.

As soon as practicable after each accounting period of the Plan, the Trustee will prepare a consolidated report consisting of the following:

- the audited accounts of the Plan;
- the Trustee's report on the Plan for the relevant accounting period.

The latest consolidated report of the Plan is available on our website: www.principal.com.hk. Members may request from the Trustee for a copy of the consolidated report for any specified financial period within seven years preceding the date of the request. This consolidated report will be open for inspection by members free of charge at any time during normal business hours on any business day at the office of the Sponsor in Hong Kong (30/F Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong).

In addition to the above, the Members will be provided any such other statements, reports or information as required under the MPF Ordinance and the General Regulation.

7.14 Documents available for inspection

Copies of the Trust Deed and the latest consolidated report for the Plan (if any) are available for inspection free of charge at any time during normal business hours on any business day at the office of the Sponsor in Hong Kong (30/F Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong).

Intending participants are welcome to call our customer service hotline at 2802 2812.

8. GLOSSARY

“accounting period”	means a 12 months’ period ending on 31 December.
“APIF”	means a collective investment scheme approved by the MPFA pursuant to the MPF Ordinance for investment by registered schemes.
“business day”	means a day, other than a Saturday or Sunday, on which banks are open for business in Hong Kong.
“China A-Shares”	means the stock shares of PRC-based companies that trade on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.
“CIBM”	means the China Interbank Bond Market.
“constituent fund”	means each constituent fund provided under section 3.2 (<i>Table for constituent funds</i>).
“Dealing Deadline”	means 4:00 p.m. on each dealing day or such other time as agreed between the Trustee and the eMPF Platform.
“DIS”	means the default investment strategy that complies with part 2 of Schedule 10 to the MPF Ordinance.
“DIS CFs”	means each of the Principal Core Accumulation Fund and the Principal Age 65 Plus Fund.
“eMPF Company”	means eMPF Platform Company Limited.
“eMPF Platform”	means an electronic MPF system administered and operated by the eMPF Company to provide scheme administration services to facilitate the Trustee in performing its scheme administration functions, although the eMPF Platform and the eMPF Company are not service providers of the Trustee or assume the role of Trustee or Sponsor.
“General Regulation”	means the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485A of the laws of Hong Kong).
“Greater China”	means People’s Republic of China, Hong Kong, Macau and Taiwan.
“higher risk assets”	has the meaning given to it in the MPF Ordinance, and generally means equities or similar investments (such as global equities).
“HKD”	means Hong Kong dollars.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“ITCIS”	means an index-tracking collective investment scheme, as defined in section 1(1) of Schedule 1 to the General Regulation, approved by the MPFA for the purposes of section 6A of Schedule 1 to the General Regulation.
“lower risk assets”	means those assets not being higher risk assets, including without limitation global bonds and money market instruments.
“MPF Ordinance”	means the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong).
“MPF Scheme Brochure”	means this MPF Scheme Brochure of the Plan, as amended from time to time.
“MPFA”	means the Mandatory Provident Fund Schemes Authority.
“NAV”	means net asset value.

“Original Default Investment Arrangement”	means before 1 April, 2017, the Principal – MPF Conservative Fund.
“PAM”	means Principal Asset Management Company (Asia) Limited.
“Plan”	means the Principal MPF – Simple Plan.
“PRC”	means the People’s Republic of China.
“Reference Portfolio”	means, in respect of each of the DIS CFs, the MPF industry developed reference portfolio adopted for the purpose of the DIS to provide a common reference point for the performance and asset allocation of the Principal Core Accumulation Fund and the Principal Age 65 Plus Fund (as the case may be).
“Relevant Recipient”	means: <ul style="list-style-type: none"> (i) the eMPF Platform, where the other registered scheme has been onboarded to the eMPF Platform by the time of the submission of instruction as referred to in section 6.9.1 (<i>Transfers to other schemes</i>); or (ii) the transferee trustee of the other registered scheme, where the other registered scheme does not meet the requirement in (i) above.
“RMB”	means Renminbi, the official currency of the PRC.
“Service Pledge”	means the service pledge issued by the eMPF Platform from time to time in relation to its provision of services.
“SFC”	means the Securities and Futures Commission.
“Specific Investment Instruction”	means: <ul style="list-style-type: none"> (i) an instruction for investment allocations, which meets the following requirements: <ul style="list-style-type: none"> – the minimum investment allocation in any constituent fund selected must be 5%; – must be an integer (e.g. 6% and not 6.5%); and – the total (or in the case of any switching instruction, the switch-in total) must be 100%; or (ii) any confirmation by a member (whether made verbally or through hard copy submission, online submission or email) with regard to any investment arrangements of the existing accrued benefits and/or future contributions and accrued benefits transferred from another scheme. <p>The Specific Investment Instruction for employer’s mandatory and voluntary contributions may be different from the Specific Investment Instruction for employee’s mandatory and voluntary contributions or special voluntary contributions.</p> <p>Any investment mandate, change of investment mandate or switching instruction must meet the requirements for a Specific Investment Instruction.</p>

“Sponsor”	means Principal Insurance Company (Hong Kong) Limited.
“Stock Connect”	means the cross-boundary investment channel that connects the PRC markets and the Stock Exchange.
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“SVC member”	means a person who wish to make special voluntary contributions.
“Trust Deed”	means a master trust deed constituting the Plan, as amended from time to time.
“Trustee”	means Principal Trust Company (Asia) Limited.
“USD”	means US dollar, the official currency of the United States.
“valuation date”	for each constituent fund, means each business day.

APPENDIX 1 – ILLUSTRATIVE EXAMPLE ON THE PRINCIPAL – MPF CONSERVATIVE FUND

This example is intended to help you compare the total amounts of annual fees and charges payable under the Plan with those under other registered schemes.

This example assumes that:

Your MPF account activities

- (a) your monthly relevant income is HKD8,000;
- (b) you have put all your accrued benefits into the Principal – MPF Conservative Fund;
- (c) you have not switched your accrued benefits to other constituent funds during the financial period; and
- (d) you have not transferred any accrued benefits into or out of the Plan during the financial period.

Your Company Profile

- (e) five employees (including yourself) of your employer participate in the Plan;
- (f) the monthly relevant income of each employee is HKD8,000;
- (g) no voluntary contribution is made; and
- (h) each of the other four employees has the same MPF account activities as yours.

Investment Return and Savings Rate

- (i) the monthly rate of investment return is 0.5% on total assets; and
- (j) the prescribed savings rate is 3.25% p.a. throughout the financial period.

Based on these assumptions, the **total amounts of annual fees** you need to pay under the Plan (including those payable to the APIF) in one financial period would be: HKD52.52 until 6 August 2025, and with effect from 7 August 2025, HKD47.27.

Note: Fees and charges of a MPF conservative fund can be deducted from either (i) the assets of this constituent fund or (ii) members' account by way of unit deduction. The Principal – MPF Conservative Fund adopts method (i) hence, unit prices/NAV/fund performance quoted have incorporated the impact of such fees and charges.

Warning: This is just an illustrative example. The actual amounts of fees you need to pay may be **higher or lower**, depending on your choice of investments and activities taken during the financial period.



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