

Annual Report and Audited Financial Statements

PRINCIPAL MPF - SMART PLAN

31 December 2024



PRINCIPAL MPF - SMART PLAN

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PRINCIPAL MPF - SMART PLAN

DIRECTORY OF PARTIES

Trustee and 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

Administrator

Principal Trust Company (Asia) Limited
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Investment Manager of all Constituent Funds

Principal Asset Management Company (Asia) Limited
29/F, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Legal Advisor

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

Global

Performance Overview

A year-end article recently posted by the Wall Street Journal featured the headline “Stocks Cap Best Two Years in a Quarter-Century,” referring to 2023 and 2024 being the best back-to-back calendar year showings for the S&P 500 since 1997 and 1998. It further noted that the past year featured 57 new record highs for the U.S. bellwether index. While those stats are certainly impressive, the headlines are not fully representative of the broader market, especially from a global perspective.

In terms of market breadth -- the diversity of participation across sectors, capitalization ranges and geographies -- results for the quarter were anemic, and once again dominated by mega-cap growth companies with high AI involvement/ambitions (aka “Magnificent 7”). This was a disappointing reversal from the prior quarter where smaller capitalization stocks and several international markets demonstrated encouraging outperformance versus U.S. large caps. Although domestic small and mid-cap stocks surged ahead in the month following the decisive reelection of Donald Trump, they slumped sharply in the final weeks of the year, finishing the quarter relatively flat. Meanwhile, the largest mega-cap growth stocks reasserted their dominance. Even within the S&P 500, the average stock measured on an equal-weighted basis, declined slightly during the quarter. Similarly, market conditions outside the U.S. were broadly disappointing during the quarter. This largely reflected anticipated tariffs and other protectionist policies by the incoming Trump administration, fueling a surge in the value of the U.S. dollar relative to virtually all major freely exchangeable currencies.

Notably, the Euro and British Pound both slipped about 7%, and the Japanese Yen shed 9%, while many emerging markets currencies fared even worse. Even countries that delivered robust returns in their local markets, such as Japan and Taiwan, saw offsetting currency declines. Countries facing internal political and fiscal upheaval at home fared the worst (both before and after adjusting for currency values), most notably including France, Mexico, Brazil, and South Korea. In aggregate, the MSCI All Country World Index declined 0.9% for the quarter in U.S. dollar terms, with MSCI Europe down 9.7%, MSCI Japan down 3.6% and MSCI Emerging Markets down 7.8%. Amid this latest episode of divergent performance, the U.S. weight in global market indexes increased to represent over two-thirds of total worldwide tradable market capitalization. For perspective, this marks a 24% expansion in the U.S. weight over the past 15 years. Importantly, while the historic strength of the U.S. dollar has hampered international stock returns for U.S. based investors, it could increasingly become a major headwind to the global competitiveness for many U.S. multinational companies. This practical reality may also serve to temper the scope and magnitude of protectionist trade policies looking ahead.

Asia

Performance review

Global equity markets declined in the fourth quarter as investors looked to take profits from the strong gains overall from the year. Using the MSCI All Country World Index (USD) as a proxy, global equities lost 0.9% during the quarter, with developed markets outperforming emerging markets, down 0.1% vs. down 8.0%. Following the re-election of Donald Trump, international and emerging markets were under pressure on the back of a rising U.S. dollar, potential trade tariff expansion, and expectations for stronger U.S. growth. Further amplifying the negative sentiment in emerging markets was domestic challenges in the Latin America region, China, and Korea after President Yoon was impeached. The dollar saw broad-based strength against international currencies post U.S.-election results. Both developed and emerging markets currencies saw large declines. Asian currencies fared the best, falling between 3-5% on average, however the Korean won declined 11.3% following the surprise impeachment. The Asia Pacific ex-Japan Index lost 8.2% during the quarter, underperforming the broader MSCI Emerging Markets Index which declined 8.0%. Within Asia Pacific markets, the only markets with positive performance were Taiwan and Singapore, up 3.3% and 0.6%, respectively while South Korea, the Philippines, and Australia fared the worst, down 19.2%, 13.9%, and 11.4%, respectively. Information technology was the only sector up during the quarter while materials, energy, and consumer staples were the worst performing.

In Asia, we expect growth impetus to be contained given the US rates outlook and in the face of measured but not forceful stimulus from China. Although China investment credit space spreads have received support from both onshore and offshore participants, potential changes in the geopolitical landscape in 2025 will impact outlook. Rest of Asia faces mixed prospects in 2025 but largely hinging on the monetary policy space accorded by the Fed's easing cycle. While valuations are historically tight, we expect investment grade spreads to be stable relatively stable as we expect the slowdown to be manageable. A scenario of weakening growth and declining risk-free rates may be supportive of technicals if investors intend to lock in the higher yields. Although we are constructive on credit in the medium term, we are cognizant of the risks and volatility emanating from further geopolitical tensions, uncertainty with the new administration taking over charge and potential upside risks of inflation and fiscal concerns, we continue to maintain carry in the portfolios without reaching out to the lowest spectrum in the Asia IG space.

Hong Kong and China

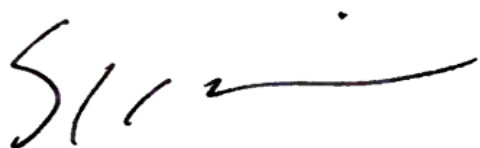
Performance Review

China's economics activities were stabilized in the fourth quarter. Official Manufacturing PMI slightly decreased to 50.1 in December from 50.3 in November. Industrial production growth was 5.4% in November vs. 5.3% in October. Exports growth was 5.8% yoy in November vs. 11.8% in October, and imports growth was -4.7% in November vs -3.7% in October. Retail sales growth was 3.0% in November, below consensus estimates, which was 5.0%. Total social financing was RMB29400bn year-to-date, below consensus estimates. Investors got excited on the government's pro-growth gesture. However, Reality showed that it would take a while before stimulus kicks in. Also, the CEWC signaled that the government wait-and-see attitude toward economic stimulus has not changed fundamentally.

Hong Kong's economics activities were stabilized towards the end of the quarter. Hong Kong S&P Global PMI slightly decreased to 51.1 in December from 51.2 in November. Export growth decelerated to 2.1% in November vs. 3.5% in October, and import growth was 5.7% vs. 4.5% in October. Official CPI was 1.4% in August, below estimates. Retail sales growth was -7.3% in terms of value and -8.3% in terms of volume, both below estimates. Hong Kong's economy is recovering but still facing some headwind due to challenging economic outlook both domestically and globally, thus we retain a neutral position in Hong Kong companies. Investors got excited on the government's pro-growth gesture. However, Reality showed that it would take a while before stimulus kicks in. We will continue to monitor the actual fiscal support provided from the government and how it will help economy recovery.

For and on behalf of

Principal Asset Management Company (Asia) Limited

A handwritten signature in black ink, appearing to be 'S. Li' followed by a long horizontal stroke.

Hong Kong
30 June 2025

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT

Investment portfolio

Constituent Funds	2024			
	* Units	Cost HK\$	Fair value HK\$	% of net asset value
Principal Age 65 Plus Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Age 65 Plus Fund	31,064,590	371,309,006	387,182,842	99.65
Principal Balanced Fund				
– Holdings in Principal MPF Fund				
– Principal MPF Balanced Fund - Class M	10,535,811	1,459,675,882	1,841,975,782	100.12
Principal Cash Fund				
– Holdings in Principal MPF Fund				
– Principal MPF Cash Fund - Class M	4,366,973	515,820,672	554,387,258	99.76
Principal Core Accumulation Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Core Accumulation Fund	55,302,190	789,002,121	908,697,930	100.07
Principal Dynamic Asian Bond Fund				
– Holdings in iShares Trust				
– iShares 20+ Year Treasury Bond ETF	27,842	20,004,198	18,887,333	10.42
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Bond Fund - Pension Class	1,462,279	19,570,566	19,743,110	10.89
– Principal Hong Kong Dollar Savings Fund - Pension Class	357,573	5,454,346	5,495,896	3.03
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Asian Bond Fund	13,257,495	129,998,568	133,042,943	73.37
Principal Dynamic Asia Pacific Equity Fund				
– Holdings in Fidelity Global Investment Fund				
– Fidelity Asia Pacific Equity Fund (MPF) - Class B	8,260,658	149,808,205	169,839,133	19.39
– Holdings in Franklin Templeton ETF Trust				
– Franklin FTSE India ETF	110,388	35,337,455	32,498,837	3.71
– Franklin FTSE Taiwan ETF	47,510	17,774,067	17,460,019	1.99
– Holdings in Hang Seng Investment Index Funds Series				
– Hang Seng China Enterprises Index ETF	1,109,000	69,179,876	82,376,520	9.40
– Holdings in iShares Asia Trust				
– iShares Core MSCI Asia ex Japan ETF	1,921,200	106,203,650	104,398,008	11.92
– Holdings in iShares Trust and iShares, Inc.				
– iShares MSCI Taiwan ETF	53,113	21,969,443	21,355,111	2.44
– Holdings in Ping An of China Trust				
– Ping An of China CSI HK Dividend ETF	1,579,100	49,832,185	49,773,232	5.68
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Asian Equity Fund	7,975,993	313,041,532	308,733,934	35.24
– Holdings in Schroder MPF Umbrella Fund				
– Schroder MPF Asian Fund - Class B	1,270,688	74,429,361	81,107,996	9.26
Principal Dynamic Global Bond Fund				
– Holdings in Fidelity Global Investment Fund				
– Fidelity World Bond Fund - Class B	9,397,193	117,501,461	111,450,706	26.69
– Holdings in iShares Trust				
– iShares 20+ Year Treasury Bond ETF	37,783	27,184,301	25,631,064	6.14
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Bond Fund - Pension Class	2,365,023	31,100,344	31,931,599	7.65

* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment portfolio (continued)

Constituent Funds (continued)	2024			
	* Units	Cost HK\$	Fair value HK\$	% of net asset value
Principal Dynamic Global Bond Fund (continued)				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal International Bond Fund	10,850,281	247,924,607	242,243,369	58.01
Principal Dynamic Global Equity Fund				
– Holdings in Franklin Templeton ETF Trust				
– Franklin FTSE India ETF	80,513	25,042,864	23,703,471	0.73
– Franklin FTSE Japan ETF	316,020	69,412,573	70,232,667	2.17
– Franklin FTSE Taiwan ETF	122,685	48,317,159	45,086,981	1.40
– Holdings in Hang Seng Investment Index Funds Series				
– Hang Seng China Enterprises Index ETF	899,600	62,378,295	66,822,288	2.07
– Holdings in Invesco QQQ Trust, Series 1				
– Invesco QQQ	8,700	30,990,060	34,549,544	1.07
– Holdings in iShares Trust				
– iShares Core S&P 500 ETF	7,032	32,380,064	32,156,212	1.00
– Holdings in iShares Trust and iShares, Inc.				
– iShares Russell 2000 ETF	8,835	16,036,111	15,164,460	0.47
– Holdings in Ping An of China Trust				
– Ping An of China CSI HK Dividend ETF	1,510,000	47,770,032	47,595,200	1.47
– Holdings in Principal Life Style Fund				
– Principal European Equity Fund - Pension Class	7,685,371	199,585,335	188,209,347	5.83
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Asian Equity Fund	8,305,159	322,112,680	321,475,248	9.95
– Principal U.S. Equity Fund	27,012,195	2,260,851,063	2,325,377,194	72.00
Principal Dynamic Greater China Equity Fund				
– Holdings in Franklin Templeton ETF Trust				
– Franklin FTSE Taiwan ETF	615,289	221,990,656	226,119,926	20.02
– Holdings in Hang Seng Investment Index Funds Series				
– Hang Seng China Enterprises Index ETF	1,389,600	87,931,301	103,219,488	9.14
– Holdings in iShares Trust and iShares, Inc.				
– iShares MSCI Taiwan ETF	194,408	78,902,179	78,165,505	6.92
– Holdings in PineBridge Fund Series				
– Pinebridge Greater China Equity Fund	5,022,148	167,652,199	168,693,952	14.93
– Holdings in Ping An of China Trust				
– Ping An of China CSI HK Dividend ETF	2,930,900	92,475,964	92,381,968	8.18
– Holdings in Principal Life Style Fund				
– Principal China Equity Fund - Pension Class	20,913,859	324,188,729	338,218,932	29.94
– Principal Hong Kong Equity Fund - Pension Class	1,904,584	61,631,852	70,972,790	6.28
– Holdings in Tracker Fund of Hong Kong	1,612,000	29,312,846	32,659,120	2.89
Principal Dynamic Hong Kong Equity Fund				
– Holdings in Hang Seng Investment Index Funds Series				
– Hang Seng China Enterprises Index ETF	1,443,000	91,708,758	107,186,040	11.01
– Holdings in iShares Asia Trust				
– iShares Core CSI 300 ETF	1,675,800	50,714,076	46,922,400	4.82

* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

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INVESTMENT REPORT (continued)

Investment portfolio (continued)

<i>Constituent Funds (continued)</i>	2024			
	<i>* Units</i>	<i>Cost HK\$</i>	<i>Fair value HK\$</i>	<i>% of net asset value</i>
Principal Dynamic Hong Kong Equity Fund (continued)				
– Holdings in PineBridge Fund Series				
– PineBridge Hong Kong Equity Fund	3,335,201	141,726,420	143,446,987	14.74
– Holdings in Ping An of China Trust				
– Ping An of China CSI HK Dividend ETF	3,912,200	122,185,483	123,312,544	12.67
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Equity Fund - Pension Class	9,596,574	376,437,497	357,608,638	36.75
– Holdings in Tracker Fund of Hong Kong	8,906,500	159,555,705	180,445,690	18.54
Principal Growth Fund				
– Holdings in Principal MPF Fund				
– Principal MPF Growth Fund - Class M	13,703,649	2,054,192,941	2,697,015,228	100.13
**Principal Guaranteed Fund				
– Holdings in Principal Guaranteed Fund Policy	-	-	-	-
Principal - Hang Seng Index Tracking Fund				
– Holdings in Tracker Fund of Hong Kong	31,267,970	696,882,317	633,489,072	99.45
Principal - MPF Conservative Fund				
– Holdings in Principal MPF Fund				
– Principal MPF Conservative Fund - Class M	30,954,394	3,576,233,774	3,791,913,278	99.80
Principal Stable Fund				
– Holdings in Principal MPF Fund				
– Principal MPF Stable Fund - Class M	9,643,271	1,195,644,513	1,309,074,059	100.15

* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

** This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

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INVESTMENT REPORT (continued)

Statement of movements in portfolio holdings

	<i>% of net assets as at 31 December 2024</i>	<i>% of net assets as at 31 December 2023</i>
<i>Constituent Funds</i>		
Principal Age 65 Plus Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Age 65 Plus Fund	99.65	99.58
Principal Balanced Fund		
– Holdings in Principal MPF Fund		
– Principal MPF Balanced Fund - Class M	100.12	100.02
Principal Cash Fund		
– Holdings in Principal MPF Fund		
– Principal MPF Cash Fund - Class M	99.76	99.42
Principal Core Accumulation Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Core Accumulation Fund	100.07	99.46
Principal Dynamic Asian Bond Fund		
– Holdings in iShares Trust		
– iShares 20+ Year Treasury Bond ETF	10.42	-
– Holdings in JPMorgan Saving and Retirement (SAR) Series		
– JPMorgan Asian Bond Fund - Class B	-	27.60
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Bond Fund - Pension Class	10.89	-
– Principal Hong Kong Dollar Savings Fund - Pension Class	3.03	-
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Asian Bond Fund	73.37	70.83
Principal Dynamic Asia Pacific Equity Fund		
– Holdings in Fidelity Global Investment Fund		
– Fidelity Asia Pacific Equity Fund (MPF) - Class B	19.39	86.00
– Holdings in Franklin Templeton ETF Trust		
– Franklin FTSE India ETF	3.71	-
– Franklin FTSE Taiwan ETF	1.99	-
– Holdings in Hang Seng Investment Index Funds Series		
– Hang Seng China Enterprises Index ETF	9.40	-
– Holdings in iShares Asia Trust		
– iShares Core MSCI Asia ex Japan ETF	11.92	-
– Holdings in iShares Trust and iShares, Inc.		
– iShares MSCI Taiwan ETF	2.44	-
– Holdings in Ping An of China Trust		
– Ping An of China CSI HK Dividend ETF	5.68	-
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Asian Equity Fund	35.24	-
– Holdings in Schroder MPF Umbrella Fund		
– Schroder MPF Asian Fund - Class B	9.26	13.95

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Statement of movements in portfolio holdings (continued)

	<i>% of net assets as at 31 December 2024</i>	<i>% of net assets as at 31 December 2023</i>
<i>Constituent Funds (continued)</i>		
Principal Dynamic Global Bond Fund		
– Holdings in Fidelity Global Investment Fund		
– Fidelity World Bond Fund - Class B	26.69	77.86
– Holdings in iShares Trust		
– iShares 20+ Year Treasury Bond ETF	6.14	-
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Bond Fund - Pension Class	7.65	-
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal International Bond Fund	58.01	20.98
Principal Dynamic Global Equity Fund		
– Holdings in Fidelity Global Investment Fund		
– Fidelity Global Equity Fund - Class B	-	34.55
– Holdings in Franklin Templeton ETF Trust		
– Franklin FTSE India ETF	0.73	-
– Franklin FTSE Japan ETF	2.17	-
– Franklin FTSE Taiwan ETF	1.40	-
– Holdings in Hang Seng Investment Index Funds Series		
– Hang Seng China Enterprises Index ETF	2.07	-
– Holdings in Invesco QQQ Trust, Series 1		
– Invesco QQQ	1.07	-
– Holdings in iShares Trust		
– iShares Core S&P 500 ETF	1.00	-
– Holdings in iShares Trust and iShares, Inc.		
– iShares Russell 2000 ETF	0.47	-
– Holdings in Ping An of China Trust		
– Ping An of China CSI HK Dividend ETF	1.47	-
– Holdings in Principal Life Style Fund		
– Principal European Equity Fund - Pension Class	5.83	-
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Asian Equity Fund	9.95	-
– Principal International Equity Fund	-	29.03
– Principal U.S. Equity Fund	72.00	-
– Holdings in Schroder MPF Umbrella Fund		
– Schroder MPF International Fund - Class B	-	36.37

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INVESTMENT REPORT (continued)

Statement of movements in portfolio holdings (continued)

	<i>% of net assets as at 31 December 2024</i>	<i>% of net assets as at 31 December 2023</i>
<i>Constituent Funds (continued)</i>		
Principal Dynamic Greater China Equity Fund		
– Holdings in Franklin Templeton ETF Trust		
– Franklin FTSE Taiwan ETF	20.02	-
– Holdings in Hang Seng Investment Index Funds Series		
– Hang Seng China Enterprises Index ETF	9.14	-
– Holdings in iShares Trust and iShares, Inc.		
– iShares MSCI Taiwan ETF	6.92	-
– Holdings in JPMorgan Savings and Retirement (SAR) Series		
– JPMorgan Greater China Fund - Class B	-	87.05
– Holdings in PineBridge Fund Series		
– Pinebridge Greater China Equity Fund	14.93	-
– Holdings in Ping An of China Trust		
– Ping An of China CSI HK Dividend ETF	8.18	-
– Holdings in Principal Life Style Fund		
– Principal China Equity Fund - Pension Class	29.94	13.14
– Principal Hong Kong Equity Fund - Pension Class	6.28	-
– Holdings in Tracker Fund of Hong Kong	2.89	-
Principal Dynamic Hong Kong Equity Fund		
– Holdings in Hang Seng Investment Index Funds Series		
– Hang Seng China Enterprises Index ETF	11.01	-
– Holdings in iShares Asia Trust		
– iShares Core CSI 300 ETF	4.82	-
– Holdings in JPMorgan Savings and Retirement (SAR) Series		
– JPMorgan SAR Hong Kong Fund - Class B	-	34.37
– Holdings in PineBridge Fund Series		
– PineBridge Hong Kong Equity Fund	14.74	-
– Holdings in Ping An of China Trust		
– Ping An of China CSI HK Dividend ETF	12.67	-
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Equity Fund - Pension Class	36.75	65.43
– Holdings in Tracker Fund of Hong Kong	18.54	-
Principal Growth Fund		
– Holdings in Principal MPF Fund		
– Principal MPF Growth Fund - Class M	100.13	100.03
*Principal Guaranteed Fund		
– Holdings in Principal Guaranteed Fund Policy	-	-
Principal - Hang Seng Index Tracking Fund		
– Holdings in Tracker Fund of Hong Kong	99.45	99.78
Principal - MPF Conservative Fund		
– Holdings in Principal MPF Fund		
– Principal MPF Conservative Fund - Class M	99.80	99.80
Principal Stable Fund		
– Holdings in Principal MPF Fund		
– Principal MPF Stable Fund - Class M	100.15	100.05

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment income and performance

	2024														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	#Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Investment performance															
Net gains/(losses) of investments - realised	5,704,638	68,782,462	13,224,899	34,322,525	744,377	128,663,459	(13,654,958)	847,431,751	(189,323,227)	(154,720,414)	115,333,170	-	(27,378,766)	48,399,482	23,272,125
Net change in unrealised gains/ (losses) of investments	<u>7,757,072</u>	<u>97,001,107</u>	<u>12,549,340</u>	<u>41,481,364</u>	<u>2,663,095</u>	<u>(7,234,090)</u>	<u>2,441,228</u>	<u>(365,027,522)</u>	<u>321,607,689</u>	<u>286,170,962</u>	<u>189,044,103</u>	<u>-</u>	<u>125,930,134</u>	<u>119,964,346</u>	<u>28,176,162</u>

This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	2023														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Investment performance															
Net (losses)/gains of investments - realised	(3,011,081)	41,499,632	6,745,598	8,998,392	(2,472,094)	(1,922,612)	(10,064,195)	41,382,586	(58,376,315)	(58,281,831)	66,080,169	(30,182,755)	(16,006,972)	25,249,464	9,389,303
Net change in unrealised gains/ (losses) of investments	<u>29,467,320</u>	<u>94,991,865</u>	<u>16,866,468</u>	<u>88,439,678</u>	<u>13,067,603</u>	<u>73,204,973</u>	<u>31,132,655</u>	<u>456,612,864</u>	<u>(59,782,240)</u>	<u>(68,026,632)</u>	<u>148,818,759</u>	<u>123,373,938</u>	<u>(66,205,027)</u>	<u>59,916,411</u>	<u>72,451,408</u>

* This Constituent Fund was terminated on 26 October 2023.

	2022														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Investment performance															
Net (losses)/gains of investments - realised	(3,494,401)	41,085,506	3,423,786	5,869,422	(4,099,950)	4,819,135	(8,935,096)	23,412,080	(54,823,919)	(60,348,149)	65,266,867	(18,479,158)	(16,689,235)	10,878,487	15,469,578
Net change in unrealised gains/ (losses) of investments	<u>(39,852,281)</u>	<u>(417,301,722)</u>	<u>(2,804,071)</u>	<u>(111,640,033)</u>	<u>(14,604,422)</u>	<u>(201,312,698)</u>	<u>(57,777,715)</u>	<u>(640,785,349)</u>	<u>(395,772,962)</u>	<u>(175,271,591)</u>	<u>(628,889,833)</u>	<u>(285,736,479)</u>	<u>(67,610,065)</u>	<u>8,441,840</u>	<u>(243,074,026)</u>

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment income and performance (continued)

	2024														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	#Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Income derived from investments															
Distribution income	-	-	-	-	252,307	6,949,469	460,609	4,033,249	11,492,635	13,302,314	-	-	23,231,792	-	-
Interest income	-	-	-	-	15	54	21	175	68	85	-	-	12	-	-
Rebate income	-	-	-	-	-	20,944	-	31,397	42,833	49,171	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	201,560	-	-

This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	2023														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Income derived from investments															
Distribution income	-	-	-	-	-	-	-	-	-	-	-	-	19,652,056	-	-
Interest income	-	-	-	-	16	-	-	-	-	-	-	-	15	-	-
Other income	946	12,889	-	2,639	403	2,097	2,172	3,174	28,874	10,459	17,902	-	11,699	-	13,763

* This Constituent Fund was terminated on 26 October 2023.

	2022														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Income derived from investments															
Distribution income	-	-	-	-	-	-	-	-	-	-	-	-	17,477,581	-	-
Interest income	-	-	-	-	13	-	-	-	-	-	-	-	7	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table

Investment record as at 31 December 2024

	Net asset value per unit HK\$	Total net asset value HK\$
Principal Age 65 Plus Fund	11.63	388,560,038
Principal Balanced Fund	20.78	1,839,715,272
Principal Cash Fund	12.30	555,694,959
Principal Core Accumulation Fund	15.23	908,025,014
Principal Dynamic Asian Bond Fund	9.83	181,335,342
Principal Dynamic Asia Pacific Equity Fund	15.54	876,094,353
Principal Dynamic Global Bond Fund	8.24	417,581,350
Principal Dynamic Global Equity Fund	21.01	3,229,906,451
Principal Dynamic Greater China Equity Fund	18.91	1,129,553,334
Principal Dynamic Hong Kong Equity Fund	9.56	973,117,139
Principal Growth Fund	22.95	2,693,439,314
Principal Guaranteed Fund*	-	-
Principal – Hang Seng Index Tracking Fund	10.52	637,001,601
Principal – MPF Conservative Fund	11.90	3,799,658,260
Principal Stable Fund	16.46	1,307,078,241

*Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

Investment record as at 31 December 2023

	Net asset value per unit HK\$	Total net asset value HK\$
Principal Age 65 Plus Fund	11.29	346,943,636
Principal Balanced Fund	19.29	1,799,573,407
Principal Cash Fund	11.84	527,118,589
Principal Core Accumulation Fund	14.00	758,171,130
Principal Dynamic Asian Bond Fund	9.76	173,906,391
Principal Dynamic Asia Pacific Equity Fund	13.60	798,229,699
Principal Dynamic Global Bond Fund	8.58	385,923,929
Principal Dynamic Global Equity Fund	18.23	2,841,746,187
Principal Dynamic Greater China Equity Fund	16.79	1,063,470,657
Principal Dynamic Hong Kong Equity Fund	8.28	875,892,330
Principal Growth Fund	20.79	2,564,725,132
Principal Guaranteed Fund**	-	-
Principal – Hang Seng Index Tracking Fund	8.66	553,019,574
Principal – MPF Conservative Fund	11.49	3,803,179,033
Principal Stable Fund	16.09	1,322,730,131

**Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Investment record as at 31 December 2022

	Net asset value per unit HK\$	Total net asset value HK\$
Principal Age 65 Plus Fund	10.48	284,698,739
Principal Balanced Fund	18.15	1,740,133,369
Principal Cash Fund	11.42	521,985,076
Principal Core Accumulation Fund	12.22	596,988,746
Principal Dynamic Asian Bond Fund	9.28	162,413,501
Principal Dynamic Asia Pacific Equity Fund	12.60	741,145,410
Principal Dynamic Global Bond Fund	8.22	334,253,029
Principal Dynamic Global Equity Fund	15.33	2,395,489,118
Principal Dynamic Greater China Equity Fund	18.86	1,177,770,058
Principal Dynamic Hong Kong Equity Fund	9.63	1,000,015,132
Principal Growth Fund	19.38	2,404,312,245
Principal Guaranteed Fund*	-	2,711,657,405
Principal - Hang Seng Index Tracking Fund	9.77	571,584,924
Principal - MPF Conservative Fund	11.11	1,481,172,375
Principal Stable Fund	15.36	1,291,481,731

*Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2024

	Fund expense ratio (%)#	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	0.79253	11.91	11.16	3.01
Principal Balanced Fund	1.73779	22.10	18.68	7.72
Principal Cash Fund	0.98972	12.30	11.83	3.89
Principal Core Accumulation Fund	0.78109	15.69	13.81	8.79
Principal Dynamic Asian Bond Fund	1.43774	10.16	9.51	0.72
Principal Dynamic Asia Pacific Equity Fund	1.91402	16.82	13.04	14.26
Principal Dynamic Global Bond Fund	1.51955	8.81	8.16	(3.96)
Principal Dynamic Global Equity Fund	1.80625	21.71	17.92	15.25
Principal Dynamic Greater China Equity Fund	1.58987	20.92	15.24	12.63
Principal Dynamic Hong Kong Equity Fund	1.77260	10.99	7.33	15.46
Principal Growth Fund	1.75714	24.67	20.03	10.39
Principal Guaranteed Fund**	-	-	-	-
Principal – Hang Seng Index Tracking Fund	1.03529	11.96	7.62	21.48
Principal – MPF Conservative Fund	0.97573	11.90	11.50	3.57
Principal Stable Fund	1.70410	17.22	15.76	2.30

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.
This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

The fee and charges of an investment in a listed REIT are not regarded as the underlying fund costs as defined under E3.9 of the Disclosure Code of an APIF for the purposes of calculating FER.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2023

	Fund expense ratio (%)#	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	0.83905	11.34	10.46	7.73
Principal Balanced Fund	1.72163	19.67	17.73	6.28
Principal Cash Fund	0.99639	11.84	11.42	3.68
Principal Core Accumulation Fund	0.83933	14.04	12.25	14.57
Principal Dynamic Asian Bond Fund	1.43082	9.77	9.10	5.17
Principal Dynamic Asia Pacific Equity Fund	1.84978	13.78	12.08	7.94
Principal Dynamic Global Bond Fund	1.55613	8.63	7.87	4.38
Principal Dynamic Global Equity Fund	1.80581	18.27	15.30	18.92
Principal Dynamic Greater China Equity Fund	1.47463	21.33	16.16	(10.98)
Principal Dynamic Hong Kong Equity Fund	1.65358	11.15	8.00	(14.02)
Principal Growth Fund	1.73550	21.31	18.97	7.28
Principal Guaranteed Fund**	1.86420	N/A	N/A	0.25
Principal – Hang Seng Index Tracking Fund	1.09081	11.15	8.24	(11.36)
Principal – MPF Conservative Fund	1.00529	11.49	11.12	3.42
Principal Stable Fund	1.70310	16.21	14.99	4.75

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.
This Constituent Fund was terminated on 26 October 2023.

The fee and charges of an investment in a listed REIT are not regarded as the underlying fund costs as defined under E3.9 of the Disclosure Code of an APIF for the purposes of calculating FER.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2022

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	12.20	10.18	(14.24)
Principal Balanced Fund	22.31	16.36	(18.61)
Principal Cash Fund	11.51	11.35	(0.78)
Principal Core Accumulation Fund	14.64	11.55	(16.47)
Principal Dynamic Asian Bond Fund	10.43	8.80	(11.11)
Principal Dynamic Asia Pacific Equity Fund	16.39	11.45	(21.98)
Principal Dynamic Global Bond Fund	9.96	7.87	(17.88)
Principal Dynamic Global Equity Fund	19.62	14.29	(21.51)
Principal Dynamic Greater China Equity Fund	26.54	14.50	(28.64)
Principal Dynamic Hong Kong Equity Fund	12.75	7.15	(21.00)
Principal Growth Fund	24.29	17.11	(19.98)
Principal Guaranteed Fund**	N/A	N/A	0.25
Principal - Hang Seng Index Tracking Fund	12.00	7.37	(13.31)
Principal - MPF Conservative Fund	11.12	11.11	0.09
Principal Stable Fund	18.21	14.46	(15.97)

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2021

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	12.32	11.79	1.66
Principal Balanced Fund	23.43	21.76	1.55
Principal Cash Fund	11.57	11.51	(0.52)
Principal Core Accumulation Fund	14.71	13.32	9.34
Principal Dynamic Asian Bond Fund	10.72	10.37	(2.43)
Principal Dynamic Asia Pacific Equity Fund	18.76	15.57	(2.94)
Principal Dynamic Global Bond Fund	10.59	9.96	(5.48)
Principal Dynamic Global Equity Fund	19.77	16.72	15.91
Principal Dynamic Greater China Equity Fund	34.93	25.69	(8.13)
Principal Dynamic Hong Kong Equity Fund	17.26	11.84	(15.64)
Principal Growth Fund	25.53	23.43	3.28
Principal Guaranteed Fund**	N/A	N/A	0.25
Principal - Hang Seng Index Tracking Fund	14.70	10.98	(12.77)
Principal - MPF Conservative Fund	11.10	11.10	-
Principal Stable Fund	18.98	18.15	(1.67)

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2020

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	12.02	10.34	8.88
Principal Balanced Fund	21.96	15.24	12.96
Principal Cash Fund	11.57	11.44	1.14
Principal Core Accumulation Fund	13.38	9.53	13.01
Principal Dynamic Asian Bond Fund	10.73	9.94	5.52
Principal Dynamic Asia Pacific Equity Fund	16.64	10.21	18.10
Principal Dynamic Global Bond Fund	10.59	9.59	8.62
Principal Dynamic Global Equity Fund	16.85	10.35	13.01
Principal Dynamic Greater China Equity Fund	28.77	15.60	46.94
Principal Dynamic Hong Kong Equity Fund	14.45	9.65	15.97
Principal Growth Fund	23.45	14.90	14.56
Principal Guaranteed Fund**	N/A	N/A	0.44
Principal - Hang Seng Index Tracking Fund	13.45	10.19	(1.45)
Principal - MPF Conservative Fund	11.11	11.04	0.54
Principal Stable Fund	18.59	15.31	8.97

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2019

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	11.06	10.07	9.74
Principal Balanced Fund	19.46	16.94	13.42
Principal Cash Fund	11.44	11.29	1.33
Principal Core Accumulation Fund	11.85	10.09	16.42
Principal Dynamic Asian Bond Fund	10.27	9.77	4.00
Principal Dynamic Asia Pacific Equity Fund	14.16	11.85	16.45
Principal Dynamic Global Bond Fund	9.95	9.27	5.18
Principal Dynamic Global Equity Fund	14.95	11.70	25.19
Principal Dynamic Greater China Equity Fund	19.67	14.25	31.94
Principal Dynamic Hong Kong Equity Fund	13.09	10.79	11.85
Principal Growth Fund	20.50	17.36	15.91
Principal Guaranteed Fund**	N/A	N/A	1.00
Principal - Hang Seng Index Tracking Fund	13.66	11.36	11.86
Principal - MPF Conservative Fund	11.04	10.92	1.01
Principal Stable Fund	17.07	15.71	8.25

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2018

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	10.37	9.96	(2.04)
Principal Balanced Fund	20.36	16.86	(10.64)
Principal Cash Fund	11.29	11.19	0.89
Principal Core Accumulation Fund	11.32	9.92	(6.27)
Principal Dynamic Asian Bond Fund	9.95	9.45	(1.12)
Principal Dynamic Asia Pacific Equity Fund	14.79	11.64	(12.06)
Principal Dynamic Global Bond Fund	9.53	9.10	(1.49)
Principal Dynamic Global Equity Fund	14.34	11.42	(11.25)
Principal Dynamic Greater China Equity Fund	20.29	14.33	(19.35)
Principal Dynamic Hong Kong Equity Fund	14.51	10.60	(14.96)
Principal Growth Fund	21.87	17.30	(13.05)
Principal Guaranteed Fund**	N/A	N/A	1.00
Principal - Hang Seng Index Tracking Fund	14.62	11.21	(11.14)
Principal - MPF Conservative Fund	10.92	9.96	0.55
Principal Stable Fund	17.18	15.63	(5.63)

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2017

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
#Principal Age 65 Plus Fund	10.29	9.98	2.70
Principal Balanced Fund	19.18	15.60	23.03
Principal Cash Fund	11.20	11.14	0.45
#Principal Core Accumulation Fund	10.86	9.99	8.50
Principal Dynamic Asian Bond Fund (formerly known as "Principal - JPMorgan Asian Bond Fund")	9.90	9.22	6.83
Principal Dynamic Asia Pacific Equity Fund (formerly known as "Principal - Fidelity Asia Pacific Equity Fund")	13.76	10.33	33.46
Principal Dynamic Global Bond Fund (formerly known as "Principal - Templeton Global Bond Fund")	9.57	9.09	3.18
Principal Dynamic Global Equity Fund (formerly known as "Principal - Fidelity Global Equity Fund")	13.44	11.28	19.29
Principal Dynamic Greater China Equity Fund (formerly known as "Principal - JPMorgan Greater China Equity Fund")	18.71	12.53	47.20
Principal Dynamic Hong Kong Equity Fund (formerly known as "Principal - RCM Hong Kong Fund")	13.21	9.82	34.22
Principal Growth Fund	20.31	15.85	28.38
Principal Guaranteed Fund**	N/A	N/A	1.00
Principal - Hang Seng Index Tracking Fund	13.28	9.60	38.55
Principal - MPF Conservative Fund	10.87	10.87	-
Principal Stable Fund	16.70	14.81	12.53

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

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** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2016

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Balanced Fund	16.28	13.91	1.63
Principal - MPF Conservative Fund	10.87	10.87	-
Principal Cash Fund	11.17	11.11	(0.09)
Principal Growth Fund	16.49	13.63	1.93
Principal Guaranteed Fund**	N/A	N/A	1.00
Principal Stable Fund	15.56	14.22	0.75
Principal - Fidelity Global Equity Fund	11.39	9.76	1.99
Principal - Fidelity Asia Pacific Equity Fund	11.13	8.68	4.67
Principal - Templeton Global Bond Fund	9.53	9.10	(3.18)
Principal - RCM Hong Kong Fund	10.54	8.10	0.31
Principal - JPMorgan Asian Bond Fund	9.94	9.18	(0.97)
Principal - JPMorgan Greater China Equity Fund	13.88	10.27	1.63
Principal - Hang Seng Index Tracking Fund	10.44	7.76	2.81

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2015

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Balanced Fund (formerly known as "AXA Balanced Fund")	18.06	14.64	(5.72)
Principal - MPF Conservative Fund (formerly known as "AXA MPF Conservative Fund")	10.87	10.87	-
Principal Cash Fund (formerly known as "AXA Cash Fund")	11.17	11.13	0.18
Principal Growth Fund (formerly known as "AXA Growth Fund")	18.53	14.60	(5.37)
Principal Guaranteed Fund** (formerly known as "AXA Guaranteed Fund")	N/A	N/A	3.00
Principal Stable Fund (formerly known as "AXA Stable Fund")	16.45	14.50	(5.58)
Principal - Fidelity Global Equity Fund (formerly known as "AXA - Fidelity Global Equity Fund")	11.98	10.30	(1.08)
Principal - Fidelity Asia Pacific Equity Fund (formerly known as "AXA - Fidelity Asia Pacific Equity Fund")	11.94	9.07	(6.90)
Principal - Templeton Global Bond Fund (formerly known as "AXA - Templeton Global Bond Fund")	10.09	9.38	(6.55)
Principal - RCM Hong Kong Fund (formerly known as "AXA - RCM Hong Kong Fund")	12.84	9.10	(6.53)
Principal - JPMorgan Asian Bond Fund (formerly known as "AXA - JPMorgan Asian Bond Fund")	9.81	9.14	(3.32)
Principal - JPMorgan Greater China Equity Fund (formerly known as "AXA - JPMorgan Greater China Equity Fund")	15.83	11.45	(6.53)
Principal - Hang Seng Index Tracking Fund (formerly known as "AXA - Hang Seng Index Tracking Fund")	11.68	8.72	(6.38)

Except for Principal Guaranteed Fund, the net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not a guide to future performance.

The net annualised investment return of Principal Guaranteed Fund Policy for a particular period is the average declared return of the Fund for that period. The declared return was 4% per annum for the period from 12 December 2006 to 1 October 2013, 3% per annum for the period from 2 October 2013 to 31 December 2015, 1% per annum for the period from 1 January 2016 to 31 March 2020 and 0.25% per annum for the period from 1 April 2020 onwards.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

** Please refer to the note for Principal Guaranteed Fund as shown on page 25 to 26.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Note for Principal Guaranteed Fund

Principal Guaranteed Fund is a non-unitised constituent fund and the APIF in which the Principal Guaranteed Fund invests is also a non-unitised insurance policy. The rate of return of the APIF in which the Principal Guaranteed Fund invests is determined by Principal Insurance Company (Hong Kong) Limited ("Sponsor") at its absolute discretion through a declared crediting rate and is independent of the value of assets held in respect of the APIF.

The account balance of the APIF is the amount in Hong Kong dollars invested in the APIF (net of Contribution charges and Offer spread, if any, as set out in the Fee Table) for members accrued with the declared crediting rate as determined by the Sponsor.

The APIF in which the Principal Guaranteed Fund invests offers a guarantee given by the Sponsor on amounts invested in the APIF (net of Contribution charges and Offer spread, if any). The Sponsor guarantees, through the APIF, that the amount payable under the APIF for the member shall be the account balance of that member in the APIF in the following events:

- death;
- retirement; or
- total incapacity; or
- terminal illness (i.e. an illness that is likely to reduce the life expectancy of the member to 12 months or less).

In the following events, the Sponsor guarantees, through the APIF, that the amount payable under the APIF for the member shall be the greater of the amount in Hong Kong dollars invested in the APIF (net of Contribution charges and Offer spread, if any) for that member and the account balance of that member in the APIF after applying a reduction, if any, as explained below:

- termination of the APIF by the Sponsor;
- termination of employment of the member with or without payment of severance payment or long service payment out of accrued benefits derived from the employer's voluntary or mandatory contributions; or
- circumstances set out in the MPF Ordinance and Regulation in which accrued benefits derived from mandatory contributions are payable in respect of the member's permanent departure from Hong Kong or a small balance account; or
- intra-group employment transfer which results in the transfer of the member to another provident fund scheme.

No guarantee shall be applied in other events and the amount payable under the APIF for the member shall be the account balance (or the relevant part of the account balance) of that member in the APIF after applying a reduction, if any, as explained below in the events such as:

- a member switches all or part of the amount invested in the fund to another constituent fund;
- a member elects to have amount held for his account under the Scheme transferred to other provident fund scheme; or
- the employer terminates its participation in the Scheme.

Upon realisation of investments in the APIF, the Sponsor may reduce the proceeds of realisation of such investments by an amount at its absolute discretion having regard to various factors including market conditions, the level of guarantee being provided and market value of the underlying assets. The reduction will not exceed 5% (or such higher percentage as decided by the Sponsor with the approval of the Mandatory Provident Fund Schemes Authority) of the account balance (or the relevant part of the account balance) of the member in the APIF.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Note for Principal Guaranteed Fund (continued)

On 23 June 2023, the Insurer decided to terminate the Fund with effect on 26 October 2023 and gave notice to the Trustee regarding its decision. On 26 October 2023, the fund was terminated and all assets and holding of the Fund were redeemed. Accordingly, the fund was deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and 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.

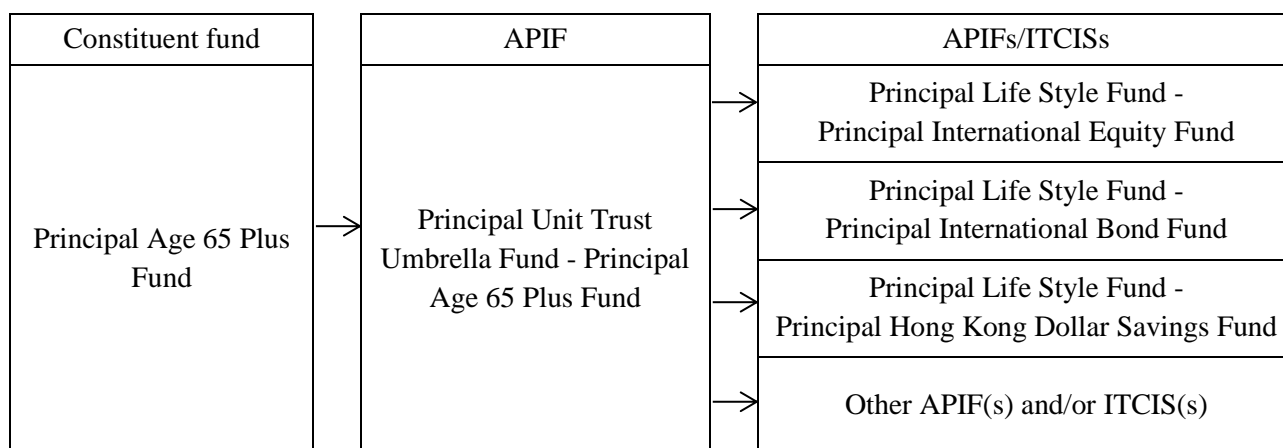
Principal Age 65 Plus Fund

Objective

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

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.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Age 65 Plus Fund (continued)

Balance of investments (continued)

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.

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.

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.

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

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Balanced Fund

Objective

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

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.

Security lending and repurchase agreements

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

Futures and options

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

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

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Cash Fund

Objective

The Principal Cash Fund aims to provide a return higher than retail HKD savings deposit rate in Hong Kong.

Balance of investments

The Principal Cash Fund pursues its investment objective by investing in a unit trust APIF, the Principal MPF Fund - Principal MPF Cash Fund. The Principal Cash Fund, via the APIF, invests in a wide range of transferable securities including certificates of deposit, floating rate notes and commercial papers, with a diversified spread of high quality financial institutions, sovereign issuers and corporate issuers.

Security lending and repurchase agreements

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

Futures and options

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

Risks

The Principal Cash Fund has a low risk profile. The return on the Principal Cash Fund is expected to be in line with its investment objective with minimal short-term fluctuations.

Investments in the Principal Cash 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
- Risks relating to investing solely in a single APIF or ITCIS
- Risks of investing in collective investment schemes
- Risk of investing in CIBM and/or Bond Connect
- Risk relating solely to investment in the Principal - MPF Conservative Fund and the Principal Cash Fund

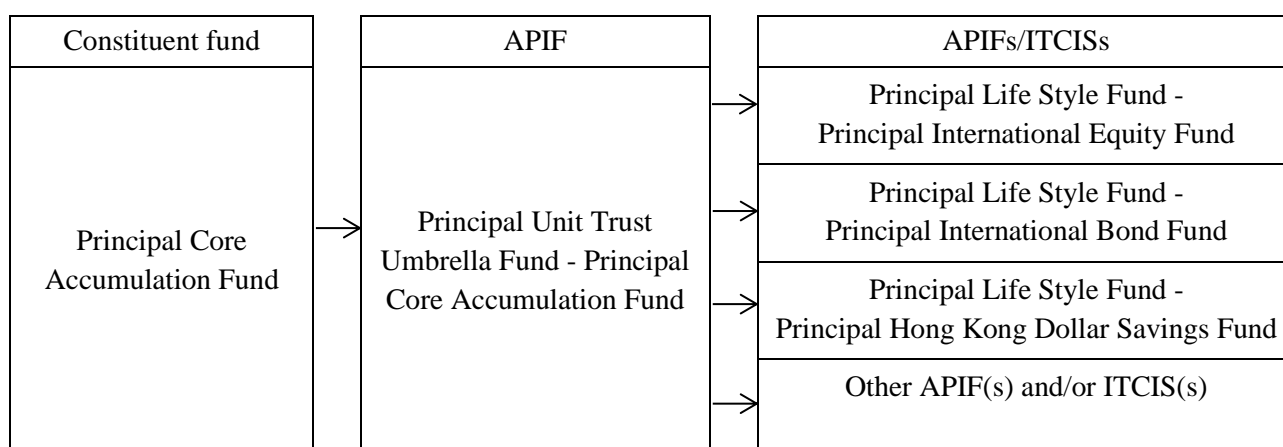
Principal Core Accumulation Fund

Objective

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

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.

Principal Core Accumulation Fund (continued)

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.

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.

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

Principal Dynamic Asian Bond Fund

Objective

The Principal Dynamic Asian Bond Fund aims to achieve long term capital growth in HKD terms through a portfolio consisting primarily of bonds within the Asia Pacific region (excluding Japan), including but not limited to Australia, Hong Kong, Korea, Malaysia, New Zealand, Singapore and Thailand.

Balance of investments

The Principal Dynamic Asian Bond Fund will invest in two or more APIFs and/or ITCISs managed by different managers, which in turn, follow the proposed asset allocation of 70% to 100% assets in bonds within the Asia Pacific region (excluding Japan), including but not limited to Australia, Hong Kong, Korea, Malaysia, New Zealand, Singapore and Thailand and 0% to 30% assets in bonds outside the Asia Pacific region (excluding Japan) including but not limited to USD denominated bonds such as US treasury inflation-protected securities and treasury bonds for defensive purpose during periods of perceived uncertainty and volatility in Asian bond market.

Security lending and repurchase agreements

The Principal Dynamic Asian 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.

Futures and options

The Principal Dynamic Asian 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.

Risks

The Principal Dynamic Asian 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 Asian Bond Fund. However, the return on the Principal Dynamic Asian 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 Asian Bond Fund's investment objective.

Investments in the Principal Dynamic Asian 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
- Custodial risk
- Hedging risk
- Fund of funds risk
- Risks of investing in collective investment schemes
- Risk of investing in CIBM and/or Bond Connect

Principal Dynamic Asia Pacific Equity Fund

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.

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.

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.

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.

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

Principal Dynamic Global Bond Fund

Objective

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

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.

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.

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.

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

Principal Dynamic Global Equity Fund

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.

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.

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.

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.

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

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Dynamic Greater China Equity Fund

Objective

The Principal Dynamic Greater China Equity Fund aims to achieve long term capital growth in HKD terms through a portfolio consisting primarily of securities of companies based or operating principally in Greater China and the majority of these companies are listed on a stock exchange in Hong Kong or Taiwan.

Balance of investments

The Principal Dynamic Greater China Equity Fund will invest in two or more APIFs and/or ITCISs managed by different managers, which in turn, follow the proposed asset allocation of 70-100% assets in Greater China equities, 0-30% assets in other equities and 0-30% assets in bonds*.

* For cash management purpose only.

Security lending and repurchase agreements

The Principal Dynamic Greater China 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.

Futures and options

The Principal Dynamic Greater China 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.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Dynamic Greater China Equity Fund (continued)

Risks

The Principal Dynamic Greater China 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 Greater China Equity Fund. Therefore, the return on the Principal Dynamic Greater China 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 Greater China Equity Fund's investment objective.

Investments in the Principal Dynamic Greater China 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
- 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
- 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
- Risk of investing in CIBM and/or Bond Connect

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Dynamic Hong Kong Equity Fund

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.

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 listed on the Shanghai and Shenzhen stock exchanges, 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.

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.

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.

Principal Dynamic Hong Kong Equity Fund (continued)

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

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Growth Fund

Objective

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

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.

Security lending and repurchase agreements

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

Futures and options

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

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/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 MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Guaranteed Fund

Objective

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

Balance of investments

The Principal Guaranteed Fund, through an insurance policy based APIF, the Principal Guaranteed Fund Policy, invests in a unit trust APIF, the Principal MPF Fund - Principal MPF Capital Stable Fund. The unit trust APIF will invest through other unit trust APIFs to gain exposure to a diversified portfolio of bonds, equities and deposits, with heavier weighting in bonds. Normally around 60% to 90% of the assets will be invested in bonds, 10% to 25% in equities and up to 25% in deposits.

Guarantee features

The insurance policy based APIF in which the Principal Guaranteed Fund invests offers a guarantee given by the Sponsor on amounts invested in the insurance policy based APIF (net of contribution charges and offer spread, if any). For details on the features of the guarantee and its operation, please refer to Appendix 1 (Insurance policy based APIF).

Security lending and repurchase agreements

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

Futures and options

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

Principal - Hang Seng Index Tracking Fund

Objective

The Principal - Hang Seng Index Tracking Fund aims to provide investment results that closely correspond to the performance of the Hang Seng Index.

Balance of investments

The Principal - Hang Seng Index Tracking Fund pursues its investment objective by investing solely in a single ITCIS, the TraHK. The Principal - Hang Seng Index Tracking Fund, via the TraHK, invests all, or substantially all, of its assets in the Index Shares in substantially the same weightings as they appear in the Hang Seng Index.

The Principal - Hang Seng Index Tracking Fund will, through the TraHK, maintain an effective currency exposure to HKD of not less than 30% of the NAV of the Principal - Hang Seng Index Tracking Fund. The Principal - Hang Seng Index Tracking Fund may hold cash or bank deposits for ancillary purposes, such as for meeting redemption request.

Tracking of the Hang Seng Index by the TraHK

The investment manager of the TraHK reviews the shares held in the TraHK's portfolio on each business day, checking those shares against the Index Shares and comparing the weighting of each Index Share in the TraHK's portfolio to the weighting of the corresponding constituent share in the Hang Seng Index.

Members should be aware that whilst the Principal - Hang Seng Index Tracking Fund, through its investment in the TraHK, aims to achieve a return which follows the trend of the Hang Seng Index, there is no guarantee/assurance that the performance of the Principal - Hang Seng Index Tracking Fund and the TraHK will at any time be identical to that of the Hang Seng Index.

In the event that there is any deviation between the TraHK's portfolio and the composition and weighting of the Hang Seng Index thereby giving rise to a tracking error which is considered by the investment manager of the Principal - Hang Seng Index Tracking Fund to be significant taking into account the investment objective, the investment manager of the Principal - Hang Seng Index Tracking Fund will effect adjustments of the TraHK's portfolio which it considers appropriate as soon as it is reasonably practicable, after considering transaction costs and the impact, if any, on the market. However, it will not always be efficient to replicate or attempt to replicate identically the share composition of the Hang Seng Index if, for example, transaction costs incurred by the TraHK in performing any necessary adjustments would outweigh the anticipated reduction in tracking error that would result from failure to reflect minor changes in the Hang Seng Index. Therefore, minor mis-weightings are likely to occur. Further, the investment manager of the Principal - Hang Seng Index Tracking Fund may be restricted from effecting certain adjustments or may be required to perform certain adjustments by applicable laws and regulations.

Hang Seng Index

The Hang Seng Index is a widely quoted indicator for the performance of the Hong Kong stock market. It is composed of constituent companies listed on the Main Board of the Stock Exchange, and the shares of which generally have high market value and liquidity in the Hong Kong stock market. The Hang Seng Index is compiled by adopting free float-adjusted market capitalization weighted methodology. Details of the Hang Seng Index methodology can be found in the website of Hang Seng Indexes Company Limited (www.hsi.com.hk). The latest index information and other important news of the Hang Seng Index can also be obtained from that website.

Principal - Hang Seng Index Tracking Fund (continued)

Balance of investments (continued)

Hang Seng Index (continued)

Constituent stocks of the Hang Seng Index are selected by a process of detailed analysis. Mainland enterprises that have an H-share listing in Hong Kong are eligible for inclusion in the Hang Seng Index if they meet certain conditions. The Hang Seng Index is reviewed quarterly. The composition of the Hang Seng Index may change if one of the constituent stocks was changed or if any of the constituent companies were to delist its shares or if a new company were to list its shares on the Stock Exchange and be added to the Hang Seng Index.

The Hang Seng Index is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name Hang Seng Index are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the Hang Seng Index by the Trustee in connection with the Principal - Hang Seng Index Tracking Fund, but neither Hang Seng Indexes Company Limited nor Hang Seng Data Services Limited warrants or represents or guarantees to any broker or holder of the Principal - Hang Seng Index Tracking Fund or any other person (i) the accuracy or completeness of the Hang Seng Index and its computation or any information related thereto; or (ii) the fitness or suitability for any purpose of the Hang Seng Index or any component or data comprised in it; or (iii) the results which may be obtained by any person from the use of the Hang Seng Index or any component or data comprised in it for any purpose, and no warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Index is given or may be implied. The process and basis of computation and compilation of the Hang Seng Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. to the extent permitted by applicable law, no responsibility or liability is accepted by Hang Seng Indexes Company Limited or Hang Seng Data Services Limited (i) in respect of the use of and/or reference to the Hang Seng Index by the trustee in connection with the Principal - Hang Seng Index Tracking Fund; or (ii) for any inaccuracies, omissions, mistakes or errors of Hang Seng Indexes Company Limited in the computation of the Hang Seng Index; or (iii) for any inaccuracies, omissions, mistakes, errors or incompleteness of any information used in connection with the computation of the Hang Seng Index which is supplied by any other person; or (iv) for any economic or other loss which may be directly or indirectly sustained by any broker or holder of the Principal - Hang Seng Index Tracking Fund or any other person dealing with the Principal - Hang Seng Index Tracking Fund as a result of any of the aforesaid, and no claims, actions or legal proceedings may be brought against Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited in connection with the Principal - Hang Seng Index Tracking Fund in any manner whatsoever by any broker, holder or other person dealing with the Principal - Hang Seng Index Tracking Fund. Any broker, holder or other person dealing with the Principal - Hang Seng Index Tracking Fund does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal - Hang Seng Index Tracking Fund (continued)

Balance of investments (continued)

Hang Seng Index (continued)

Members, by investing in the Principal - Hang Seng Index Tracking Fund, will be regarded as having acknowledged, understood and accepted the disclaimer of Hang Seng Indexes Company Limited and Hang Seng Data Services Limited referred to above and will be bound by it. The level of the Hang Seng Index at any time for the purposes of the Principal - Hang Seng Index Tracking Fund will be the level as calculated by Hang Seng Indexes Company Limited in its sole discretion.

Hang Seng Indexes Company Limited is the compiler and publisher of the Hang Seng Index. The investment manager of the TraHK, State Street Global Advisors Asia Limited, and the Trustee, are independent of Hang Seng Indexes Company Limited and Hang Seng Data Services Limited.

Security lending and repurchase agreements

Neither the Principal - Hang Seng Index Tracking Fund nor the TraHK will enter into any security lending or repurchase agreements.

Futures and options

The Principal - Hang Seng Index Tracking Fund will not enter into any financial futures contracts or options contracts.

The TraHK is permitted to enter into financial futures contracts and options contract for hedging purposes or to achieve the investment objective. The value of the TraHK's investments in options contracts (in terms of the total amount of premium paid) and the value of the TraHK's investments in financial futures contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to the TraHK) will not in the aggregate exceed 10% of the TraHK's NAV. The TraHK may only enter into financial futures contracts which are traded on the Hong Kong Futures Exchange Limited.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal - Hang Seng Index Tracking Fund (continued)

Risks

The Principal - Hang Seng Index Tracking 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 – Hang Seng Index Tracking Fund. Therefore, the return on the Principal - Hang Seng Index Tracking Fund may fluctuate significantly, particularly in the short term.

The performance of the TraHK, NAV of the TraHK, the performance by the investment manager and the trustee of the TraHK of their respective obligations are not guaranteed by the Hong Kong Government. The Hong Kong Government has given no guarantee or assurance that the investment objective of the TraHK will be met.

Investments in the Principal - Hang Seng Index Tracking 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
- Security risk
- Liquidity risk
- 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 solely in a single APIF or ITCIS
- Risks relating to investing in an APIF or an ITCIS that invests in a single market
- Risks of investing in collective investment schemes
- Risks relating to investments in PRC securities
- Risk relating solely to investing in the Principal - Hang Seng Index Tracking Fund

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal - MPF Conservative Fund

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.

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.

Security lending and repurchase agreements

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

Futures and options

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

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 and the Principal Cash Fund

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Stable Fund

Objective

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

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.

Security lending and repurchase agreements

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

Futures and options

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

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

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee

During this financial year, all the investments made by each of the funds were in accordance with the respective fund's investment policies and the requirements under the Mandatory Provident Fund Schemes Ordinance and the Securities and Futures Ordinance. For detailed information of each fund's performance and particulars of investments, please refer to the details in this report.

Principal Age 65 Plus Fund

Launch Date: 1 April 2017

Reference Benchmark: MPF DIS Reference Portfolio - Age 65 Plus Fund

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	3.01	1.05	N/A	1.97
Benchmark/Performance Target#	3.30	0.53	N/A	1.81
Deviation	-0.29	0.52	N/A	0.16

The fund outperformed the benchmark in 5-year and since launch periods, but underperformed in 1-year period.

The fund was launched in April 2017 to provide capital growth to members by investing in a globally diversified manner. The fund is structured to invest substantially into index funds currently, while allocating small portions to active funds to grasp opportunities in the market.

2024 was a busy political election year in the globe, equity registered another year of positive gains and outperforming fixed income on the back of disinflation traction, easier monetary policies and soft-landing expectation. For equity side, the fund's allocation to the active international equity fund put pressure to the performance, mainly in the second half of the year, which was mainly driven by the dynamics within the information technology sector. For fixed income side, the long duration positioning weighed on the performance in the last quarter as fixed income markets sold off as Fed guided for less rate cuts in 2025.

The investment team is currently reviewing the strategical allocation in the active components and the underlying funds' positioning and planning to extend more flexibility in rotation between active and passive components to avoid manager style bias under some prevailing market cycles. The manager will closely monitor the fund performance before and after the portfolio change to optimize the risk-return profile.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Balanced Fund

Launch Date: 1 December 2000

Reference Benchmark: Willis Towers Watson Composite Benchmark (>60% - 80% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	7.72	1.34	2.48	3.08
Benchmark/Performance Target#	7.67	1.12	2.77	N/A
Deviation	0.05	0.22	-0.29	N/A

The fund outperformed the benchmark 1-year and 5-year period, but underperformed in 10-year period.

2024 was a busy political election year in the globe, equity registered another year of good gains and outperforming fixed income on the back of disinflation traction, easier monetary policies and soft-landing expectation. The fund performed in line with the benchmark in 2024. The asset allocation alpha contributed positively over the year while underlying fund performance contribution was largely flat.

From asset allocation perspective, the asset allocation team has been generating positive alpha through tactical asset allocation calls. Investment team is actively using ITCISs to keep liquidity and avoid some style bias from the underlying managers amid market volatilities.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Cash Fund

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	3.89	1.46	1.00	0.86
Benchmark/Performance Target#	0.81	0.33	0.18	0.43
Deviation	3.08	1.13	0.82	0.43

The fund outperformed the benchmark in 1-year, 5-year and 10-year and since launch periods.

The strategy of optimizing yield across various options in time deposits, certificate of deposits and public market securities to generate excess returns over the savings rate remains unchanged in 2024. Over longer time periods, the fund performance remained competitive against the savings rate.

The manager retains the bias to extend portfolio duration by taking advantage of any jump in short-term yields and reinvest at higher rates with occasional spikes in funding levels. With the HKD curve remaining inverted, the team will seek to capture attractive medium-term carry opportunities along the two to three years part of the curve.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Core Accumulation Fund

Launch Date: 1 April 2017

Reference Benchmark: MPF DIS Reference Portfolio - Core Accumulation Fund

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	8.79	5.16	N/A	5.58
Benchmark/Performance Target#	9.54	5.09	N/A	5.82
Deviation	-0.75	0.07	N/A	-0.24

The fund underperformed the benchmark in 1-year and since launch periods, but outperformed in 5-year period.

The fund was launched in April 2017 to provide capital growth to members by investing in a globally diversified manner. The fund is structured to invest substantially into index funds currently, while allocating small portions to active funds to grasp opportunities in the market.

2024 was a busy political election year in the globe, equity registered another year of positive gains and outperforming fixed income on the back of disinflation traction, easier monetary policies and soft-landing expectation. For equity side, the fund's allocation to the active international equity fund put pressure to the performance, mainly in the second half of the year, which was mainly driven by the dynamics within the information technology sector. For fixed income side, the long duration positioning weighed on the performance in the last quarter as fixed income markets sold off as Fed guided for less rate cuts in 2025.

The investment team is currently reviewing the strategical allocation in the active components and the underlying funds' positioning and planning to extend more flexibility in rotation between active and passive components to avoid manager style bias under some prevailing market cycles. The manager will closely monitor the fund performance before and after the portfolio change to optimize the risk-return profile.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Asian Bond Fund

Launch Date: 13 August 2012

Reference Benchmark: ICE BAML Asian Dollar Investment Grade TR Index

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	0.72	-0.62	0.21	-0.14
Benchmark/Performance Target#	1.74	-0.09	1.63	1.81
Deviation	-1.02	-0.53	-1.42	-1.95

The fund underperformed benchmark all time scopes.

For 2024, pressure in performance mainly came from the benchmark mismatch of one underlying external APIF, and the long duration positioning in Q4 when the fixed income markets sold off as Fed guided for less rate cuts in 2025.

The investment manager is closely monitoring the underlying funds' positioning and its impact on overall fund performance on both short- and long-term basis. The manager has augmented the investment management team by bringing in experienced professionals to provide portfolio management research, additional oversight and strategic direction. The investment team has been conducting a holistic review of the existing underlying investment managers and other available APIFs in the market. Based on the review and re-selection results, a set of reallocation plan is currently being executed. In 2024, the portfolio is rebalanced between APIFs and exited the fund which benchmarked with a lower risk-adjusted return index in the long-term. The manager has also extended the flexible use of ITCISs to improve nimbleness in tactical allocation and reduce active risk, and introduced currency forward hedging at CF level to manage the currency exposures more efficiently.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Asia Pacific Equity Fund

Launch Date: 10 January 2011

Reference Benchmark: FTSE MPF Asia Pacific ex Japan Hedged Index

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	14.26	1.98	3.92	3.20
Benchmark/Performance Target#	9.30	1.82	3.49	2.76
Deviation	4.96	0.16	0.43	0.44

The fund outperformed the benchmark in 1-year, 5-year, 10-year and since launch periods.

The benchmark was changed from FTSE MPF Asia Pacific ex Japan ex HK Hedged to FTSE MPF Asia Pacific ex Japan Hedged Index on 1 Aug 2024. By changing the benchmark, it provides a better diversification for members by extending the breadth of the investible pool to a broader Asia Pacific market and better aligns the assets with the current investment strategy to ensure optimal performance, provided that it does not cause change to the fund's investment objective and strategy.

In 2024, the manager has augmented the investment management team by bringing in experienced professionals to provide portfolio management research, additional oversight and strategic direction. The investment team has been conducting a holistic review of the existing underlying investment managers and other available APIFs in the market. Based on the review and re-selection results, a set of reallocation plan is currently being executed. The portfolio was rebalanced within the new Asia Pacific ex Japan investible pool, among selected external and internal APIF managers which provide better risk-adjusted return in the long-term. The manager has also extended the flexible use of ITCISs to improve nimbleness in tactical allocation and reduce active risk, and introduced currency forward hedging at CF level to manage the currency exposures more efficiently.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Global Bond Fund

Launch Date: 10 January 2011

Reference Benchmark: FTSE World Government Bond Index (35% HKD hedged)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	-3.96	-3.31	-2.00	-1.38
Benchmark/Performance Target#	-3.21	-3.80	-1.46	-0.78
Deviation	-0.75	0.49	-0.54	-0.60

The fund underperformed the benchmark in 1-year, 10-year and since launch periods, but outperformed in 5-year period.

For 2024, pressure in performance mainly appeared in Q4, where the long duration positioning was the main drag as fixed income markets sold off as Fed guided for less rate cuts in 2025. For the longer-term performance, the deviation in the performance is attributed partially to the HKD exposure, where some peers invest substantially in HKD bonds for direct HKD exposure, while others (including Principal) achieve HKD exposure through currency hedging, as well as the recent years' underperformance of one underlying external fund.

The investment manager is closely monitoring the underlying funds' positioning and its impact on overall fund performance on both short- and long-term basis. The manager has augmented the investment management team by bringing in experienced professionals to provide portfolio management research, additional oversight and strategic direction. The investment team has been conducting a holistic review of the existing underlying investment managers and other available APIFs in the market. Based on the review and re-selection results, a set of reallocation plan is currently being executed. In 2024, the portfolio was rebalanced between APIFs and adjusted the allocation to funds with lower risk-adjusted return in the long-term. The manager has also extended the flexible use of ITCISs to improve nimbleness in tactical allocation and reduce active risk, and introduced currency forward hedging at CF level to manage the currency exposures more efficiently.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Global Equity Fund

Launch Date: 1 December 2000

Reference Benchmark: FTSE MPF All-World (35% HKD hedged)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	15.25	7.10	6.54	3.13
Benchmark/Performance Target#	16.29	8.97	8.03	N/A
Deviation	-1.04	-1.87	-1.49	N/A

The fund underperformed the benchmark in 1-year, 5-year, and 10-year periods.

For 2024, pressure in performance mainly showed in Q3 where the internal international equity APIF lagged index driven by dynamics within the information technology sector. Long-term performance was weighed by mainly the allocation in an external APIF, which substantially underperformed benchmark in 2022. Over the year, the portfolio was rebalanced towards a fund of regional funds to more efficient and better express the market view.

The investment manager is closely monitoring the underlying funds' positioning and its impact on overall fund performance on both short- and long-term basis. The manager has augmented the investment management team by bringing in experienced professionals to provide portfolio management research, additional oversight and strategic direction. The investment team has been conducting a holistic review of the existing underlying investment managers and other available APIFs in the market. Based on the review and re-selection results, a set of reallocation plan is currently being executed. The portfolio has exited some funds with lower risk-adjusted return in the long-term. The manager has also extended the flexible use of ITCISs to improve nimbleness in tactical allocation and reduce active risk, and introduced currency forward hedging at CF level to manage the currency exposures more efficiently.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Greater China Equity Fund

Launch Date: 13 August 2012

Reference Benchmark: FTSE MPF Greater China

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	12.63	-0.69	3.69	5.28
Benchmark/Performance Target#	19.04	0.01	3.15	4.39
Deviation	-6.41	-0.70	0.54	0.89

The fund underperformed the benchmark in 1-year and 5-year period, but outperformed in 10-year and since launch periods.

For 2024, as well as the recent 2 years, pressure in performance mainly came from the underweight of Taiwan exposure and the underperformance in an external APIF.

The investment manager is closely monitoring the underlying funds' positioning and its impact on overall fund performance on both short- and long-term basis. the manager has augmented the investment management team by bringing in experienced professionals to provide portfolio management research, additional oversight and strategic direction. The investment team has been conducting a holistic review of the existing underlying investment managers and other available APIFs in the market. Based on the review and re-selection results, a set of reallocation plan is currently being executed. In 2024, the portfolio was rebalanced by exited the external APIF with lower risk-adjusted return in the long-term and introduced a new external APIF manager to diversify the investment style. The manager has also extended the flexible use of ITCISs to improve nimbleness in tactical allocation and reduce active risk, and introduced currency forward hedging at CF level to manage the currency exposures more efficiently.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Hong Kong Equity Fund

Launch Date: 10 January 2011

Reference Benchmark: FTSE MPF Hong Kong

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	15.46	-5.16	-0.85	-0.32
Benchmark/Performance Target#	18.08	-4.85	0.03	0.45
Deviation	-2.62	-0.31	-0.88	-0.77

The fund underperformed the benchmark in 1-year, 5-year, 10-year and since launch periods.

For 2024, pressure in performance mainly due to the lack of Taiwan exposure in the internal China equity APIF. Long-term performance was weighed by mainly the allocation in one external APIF, which underperformed benchmark in 2022 and 2023.

The investment manager is closely monitoring the underlying funds' positioning and its impact on overall fund performance on both short- and long-term basis. The manager has augmented the investment management team by bringing in experienced professionals to provide portfolio management research, additional oversight and strategic direction. The investment team has been conducting a holistic review of the existing underlying investment managers and other available APIFs in the market. Based on the review and re-selection results, a set of reallocation plan is currently being executed. In 2024, the portfolio exited the external APIF with lower risk-adjusted return in the long-term and a new external APIF manager was introduced to diversify the investment style. The manager has also extended the flexible use of ITCISs to improve nimbleness in tactical allocation and reduce active risk, and introduced currency forward hedging at CF level to manage the currency exposures more efficiently.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Growth Fund

Launch Date: 1 December 2000

Reference Benchmark: Willis Towers Watson Composite Benchmark (>80% - 100% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	10.39	2.31	3.42	3.51
Benchmark/Performance Target#	10.62	2.38	3.89	N/A
Deviation	-0.23	-0.07	-0.47	N/A

The fund underperformed the benchmark in 1-year, 5-year and 10-year periods.

2024 was a busy political election year in the globe, equity registered another year of positive gains and outperforming fixed income on the back of disinflation traction, easier monetary policies and soft-landing expectation. The fund lagged benchmark in 2024 with the underlying fund relative performance being the key detractor. Hong Kong Equity sleeve weighed the most mainly in the second half of the year due to strong reversals of top-down policies instead of a bottom-up driven market. However, the asset allocation alpha contributed positively over the year and offset part of the impact.

From asset allocation perspective, the asset allocation team has been generating positive alpha through tactical asset allocation calls. Investment team is actively using ITCISs to keep liquidity and avoid some style bias from the underlying managers amid market volatilities.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Guaranteed Fund

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

The 'Declared Crediting Rate' for the Principal Guaranteed Fund remains at 0.25% per annum. The fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal - Hang Seng Index Tracking Fund

Launch Date: 3 November 2014

Reference Benchmark: Hang Seng Index Total Return Index

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	21.48	-4.31	0.63	0.50
Benchmark/Performance Target#	21.99	-4.17	1.05	0.86
Deviation	-0.51	-0.14	-0.42	-0.36

The fund underperformed the benchmark in 1-year, 5-year, 10-year and since launch periods.

The fund provides investment results that closely correspond to the performance of the Hang Seng Index through investing substantially all of the fund's assets in units of the Tracker Fund of Hong Kong. During 2024, the fund performance largely aligned with Hang Seng Index and tracking error remained stable over the year.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal - MPF Conservative Fund

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	3.57	1.51	0.91	0.72
Benchmark/Performance Target#	0.81	0.33	0.18	0.43
Deviation	2.76	1.18	0.73	0.29

The fund outperformed the benchmark in 1-year, 5-year, 10-year and since launch periods.

The fund comfortably achieved its objective over the year of 2024, which is to at least earn a net return equal to the “prescribed savings rate” (which is broadly the average rate of interest on a Hong Kong dollar savings account) determined by the MPFA.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Stable Fund

Launch Date: 1 December 2000

Reference Benchmark: Willis Towers Watson Composite Benchmark (>20% - 40% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	2.30	-0.71	0.54	2.09
Benchmark/Performance Target#	1.67	-1.47	0.37	N/A
Deviation	0.63	0.76	0.17	N/A

The fund outperformed the benchmark in 1-year, 5-year and 10-year periods.

2024 was a busy political election year in the globe, equity registered another year of good gains and outperforming fixed income on the back of disinflation traction, easier monetary policies and soft-landing expectation. The fund outperformed benchmark in 2024. The asset allocation alpha contributed positively over the year while the underlying fund performance also had positive contribution with the help of fixed income, mainly the outperformance in the Hong Kong bond sleeve.

From asset allocation perspective, the asset allocation team has been generating positive alpha through tactical asset allocation calls. Investment team is actively using ITCISs to keep liquidity and avoid some style bias from the underlying managers amid market volatilities.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Performance assessment framework:

Principal Trust Company (Asia) Limited (the “Trustee”) and Principal Asset Management Company (Asia) Limited (the “Investment Manager”) take continuous efforts in reviewing and improving the performance of the Constituent Funds. Currently, an investment committee is in place to oversee the performance of the Constituent Funds and the underlying fund managers. Appropriate qualitative and quantitative assessments are utilized to monitor all Constituent Funds with the oversight of a local investment committee. Ongoing conference calls or meetings with delegate managers are conducted to review each investment team and strategy and discuss business goals. The objective of this qualitative assessment is to ensure the delegate managers retain the organizational traits and the investment process characteristics that served as the basis for the original hiring decision. Meanwhile, quantitative assessments focus on those elements that can be measured objectively and compared to certain targets or goals. The most common and important form of quantitative assessment is the periodic review of historical performance against benchmarks and peers. Assessment of concerned funds would be further conducted, whilst appropriate actions would be taken if necessary, including but not limited to rebalancing the strategic asset allocation, replacing the existing underlying funds and reviewing the investment objective and policy. The Board of the Trustee will review the performance results and enhancement plans delivered by the investment committee on a quarterly basis.

The Trustee and Investment Manager and/or the underlying Delegate Investment Managers will continue to monitor the Constituent Funds with underperformance issues and the effect of implemented changes (if any) as noted on the respective commentary in the previous section.

PRINCIPAL MPF - SMART PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Changes in the statement of investment policy

Principal Age 65 Plus Fund
Principal Balanced fund
Principal Cash Fund
Principal Core Accumulation Fund
Principal Dynamic Asian Bond Fund
Principal Dynamic Asia Pacific Equity Fund
Principal Dynamic Global Bond Fund
Principal Dynamic Global Equity Fund
Principal Dynamic Greater China Equity Fund
Principal Dynamic Hong Kong Equity Fund
Principal Growth Fund
Principal Guaranteed Fund
Principal - Hang Seng Index Tracking Fund
Principal - MPF Conservative Fund
Principal Stable Fund

During the year under review, there were no major changes in the investment objectives and policies of the above funds that would significantly affect their risks profile.

For and on behalf of
Principal Trust Company (Asia) Limited

Martin Tan



Hong Kong
30 June 2025

PRINCIPAL MPF - SMART PLAN

SCHEME REPORT

The Trustee hereby submits the scheme report together with the audited financial statements of Principal MPF - Smart Plan (the "Scheme") for the year ended 31 December 2024 in accordance with section 86 of Mandatory Provident Fund Schemes (General) Regulation ("MPF Regulation").

The Scheme

The Scheme is a master trust scheme registered in accordance with the Mandatory Provident Fund Schemes Ordinance (the "Ordinance") for the purpose of providing retirement benefits to members. The Scheme was established under a Master Trust Deed dated 27 January 2000, as subsequently amended. The Scheme is registered under section 21 of the Ordinance.

Financial development

During the year, the Scheme operated in accordance with the MPF regime. All assets of the Scheme are invested in accordance with the prescribed policy in the Master Trust Deed.

Enquiry

Further information about the Scheme and its operation can be obtained by contacting Principal Trust Company (Asia) Limited, the administrator of the Scheme, at 2802-2812 or 2885-8011 or via the internet at www.principal.com.hk.

Directory of parties

Details of those parties engaged by the Trustee for the purposes of providing services to the Scheme during the year ended 31 December 2024 are set out on page 1.

Principal Financial Group, Inc. is the ultimate holding company of Principal Trust Company (Asia) Limited and Principal Insurance Company (Hong Kong) Limited.

Change to the governing rules

During the financial year ended 31 December 2024, the governing rules of the Scheme have not been changed.

PRINCIPAL MPF - SMART PLAN

SCHEME REPORT (continued)

Directors

The directors of Principal Trust Company (Asia) Limited during the year and up to the date of this report were:

Cheong Wee Yee
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Lau Martin Kin Yeung
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

John Michael Egan
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Uday Jayaram
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Liu Man Kwong (resigned on 31 May 2024)
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Lam Heung Yeung Herman
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Hong Mei Knight
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL MPF - SMART PLAN

SCHEME REPORT (continued)

Controllers

The controllers of Principal Insurance Company (Hong Kong) Limited during the year and up to the date of this report were:

Julian Christopher Vivian Pull
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Lau Martin Kin Yeung
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

John Michael Egan
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Wong Yuk Ying
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Li Wing Kuen
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Principal International (Asia) Limited
29/F, Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Principal Financial Group, Inc.
711 High Street, Des Moines
Iowa 50392, U.S.A.

Principal Financial Services, Inc.
711 High Street, Des Moines
Iowa 50392, U.S.A.

Principal International, LLC
711 High Street, Des Moines
Iowa 50392, U.S.A.

PRINCIPAL MPF - SMART PLAN

SCHEME REPORT (continued)

Controllers

The controllers of Principal Asset Management Company (Asia) Limited during the year and up to the date of this report were:

Kenneth Kirk West (resigned on 21 June 2024)

29/F, Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

Chiu Siu Po Steve

29/F, Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

Zhong Rongsa

29/F, Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

Rohit Vohra

29/F, Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

Raj Kumar Singh (appointed on 27 August 2024)

29/F, Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

Principal International (Asia) Limited

29/F, Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

Principal Financial Group, Inc.

711 High Street, Des Moines

Iowa 50392, U.S.A.

Principal Financial Services, Inc.

711 High Street, Des Moines

Iowa 50392, U.S.A.

PRINCIPAL MPF – SMART PLAN

SCHEME REPORT (continued)

Controllers (continued)

The controllers of Principal Asset Management Company (Asia) Limited during the year and up to the date of this report were: (continued)

Principal International, LLC
711 High Street, Des Moines
Iowa 50392, U.S.A.

For and on behalf of
Principal Trust Company (Asia) Limited

A handwritten signature in blue ink, appearing to read "Martin Tan".

Hong Kong
30 June 2025

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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Independent auditor's report To the Trustee of Principal MPF - Smart Plan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Principal MPF - Smart Plan (the "Scheme") set out on pages 74 to 117 which comprise the statement of net assets available for benefits as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets available for benefits, and the statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2024, and of its financial transactions and cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* as issued by the HKICPA. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Annual Report

The trustee is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Trustee for the Financial Statements

The trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report (continued)
To the Trustee of Principal MPF - Smart Plan

Responsibilities of Trustee for the Financial Statements (continued)

In preparing the financial statements, the trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

In addition, the trustee is required to ensure that the financial statements have been properly prepared in accordance with sections 80, 81, 83 and 84 of the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation").

The Trustee is responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Scheme has been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Conclude on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent auditor's report (continued)
To the Trustee of Principal MPF - Smart Plan

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on matters under the Mandatory Provident Fund Schemes (General) Regulation

- (a) In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.
- (b) We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Certified Public Accountants
Hong Kong
30 June 2025

PRINCIPAL MPF - SMART PLAN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

		2024																
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal -Hang Seng Index Tracking Fund HK\$	Principal -MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme Level HK\$	Total HK\$
Income																		
Distribution income		-	-	-	-	252,307	6,949,469	460,609	4,033,249	11,492,635	13,302,314	-	-	23,231,792	-	-	-	59,722,375
Gains/(losses)																		
on investments	4	13,461,710	165,783,569	25,774,239	75,803,889	3,407,472	121,429,369	(11,213,730)	482,404,229	132,284,462	131,450,548	304,377,273	-	98,551,368	168,363,828	51,448,287	-	1,763,326,513
Exchange losses		-	-	-	-	(20,079)	(78,639)	(29,081)	(307,627)	(415,412)	(8,461)	-	-	-	-	-	-	(859,299)
Interest income	3	-	-	-	-	15	54	21	175	68	85	-	-	12	-	-	-	430
Rebate income		-	-	-	-	-	20,944	-	31,397	42,833	49,171	-	-	-	-	-	-	144,345
Other income		-	-	-	-	-	-	-	-	-	-	-	-	201,560	-	-	-	201,560
		<u>13,461,710</u>	<u>165,783,569</u>	<u>25,774,239</u>	<u>75,803,889</u>	<u>3,639,715</u>	<u>128,321,197</u>	<u>(10,782,181)</u>	<u>486,161,423</u>	<u>143,404,586</u>	<u>144,793,657</u>	<u>304,377,273</u>	<u>-</u>	<u>121,984,732</u>	<u>168,363,828</u>	<u>51,448,287</u>	<u>-</u>	<u>1,822,535,924</u>
Expenditure																		
Audit fee		(10,242)	(52,215)	(15,625)	(23,984)	(4,846)	(23,008)	(10,097)	(75,907)	(33,884)	(28,244)	(72,080)	-	(16,370)	(123,480)	(38,799)	-	(528,781)
Investment management fee	5(a),(c)	(927,776)	(6,091,214)	(604,626)	(2,135,404)	(747,062)	(3,462,409)	(1,587,477)	(12,538,477)	(4,925,637)	(4,217,523)	(8,842,808)	-	(347,811)	(4,175,583)	(4,380,041)	-	(54,983,848)
Investment transaction costs		-	-	-	-	(2,667)	(154,073)	(3,900)	(140,539)	(185,050)	(251,824)	-	-	(124,748)	-	-	-	(862,801)
Legal and professional fees		(4,360)	(76,955)	(22,346)	(8,349)	(7,273)	(36,912)	(17,361)	(128,749)	(46,657)	(40,122)	(112,523)	-	(25,902)	(97,073)	(54,263)	-	(678,845)
Licence fees		-	-	-	-	-	-	-	-	-	-	-	-	(144,921)	-	-	-	(144,921)
Operating expenses	5(d)	(84,188)	(445,457)	(141,153)	(164,879)	(54,193)	(208,714)	(95,344)	(622,879)	(296,617)	(283,877)	(611,683)	-	(255,232)	(490,278)	(333,195)	-	(4,087,689)
Sponsor fee	5(a),(e)	-	(4,614,556)	(1,374,149)	-	(443,518)	(2,164,005)	(1,017,614)	(7,836,548)	(2,706,989)	(2,244,796)	(6,699,097)	-	(1,449,213)	(9,489,961)	(3,318,213)	-	(43,358,659)
Trustee and administrator fee	5(a),(b)	(1,855,553)	(18,273,642)	(2,913,196)	(4,270,809)	(1,153,148)	(8,656,022)	(3,134,250)	(31,346,191)	(6,929,892)	(7,722,099)	(26,528,424)	-	(3,362,173)	(21,637,111)	(13,140,125)	-	(150,922,635)
		<u>(2,882,119)</u>	<u>(29,554,039)</u>	<u>(5,071,095)</u>	<u>(6,603,425)</u>	<u>(2,412,707)</u>	<u>(14,705,143)</u>	<u>(5,866,043)</u>	<u>(52,689,290)</u>	<u>(15,124,726)</u>	<u>(14,788,485)</u>	<u>(42,866,615)</u>	<u>-</u>	<u>(5,726,370)</u>	<u>(36,013,486)</u>	<u>(21,264,636)</u>	<u>-</u>	<u>(255,568,179)</u>
Profit/(loss) before tax		<u>10,579,591</u>	<u>136,229,530</u>	<u>20,703,144</u>	<u>69,200,464</u>	<u>1,227,008</u>	<u>113,616,054</u>	<u>(16,648,224)</u>	<u>433,472,133</u>	<u>128,279,860</u>	<u>130,005,172</u>	<u>261,510,658</u>	<u>-</u>	<u>116,258,362</u>	<u>132,350,342</u>	<u>30,183,651</u>	<u>-</u>	<u>1,566,967,745</u>
Taxation	11	-	-	-	-	-	(325,468)	-	(650,430)	(1,634,318)	-	-	-	-	-	-	-	(2,610,216)
Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income for the year		<u>10,579,591</u>	<u>136,229,530</u>	<u>20,703,144</u>	<u>69,200,464</u>	<u>1,227,008</u>	<u>113,290,586</u>	<u>(16,648,224)</u>	<u>432,821,703</u>	<u>126,645,542</u>	<u>130,005,172</u>	<u>261,510,658</u>	<u>-</u>	<u>116,258,362</u>	<u>132,350,342</u>	<u>30,183,651</u>	<u>-</u>	<u>1,564,357,529</u>

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Year ended 31 December 2024

		2023																	
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal -Hang Seng Index Tracking Fund HK\$	Principal -MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme Level HK\$	Total HK\$	
Income																			
Distribution income		-	-	-	-	-	-	-	-	-	-	-	-	19,652,056	-	-	-	19,652,056	
Gains/(losses)																			
on investments	4	26,456,239	136,491,497	23,612,066	97,438,070	10,595,509	71,282,361	21,068,460	497,995,450	(118,158,555)	(126,308,463)	214,898,928	93,191,183	(82,211,999)	85,165,875	81,840,711	-	1,033,357,332	
Interest income	3	-	-	-	-	16	-	-	-	-	-	-	-	15	-	-	-	31	
Other income		946	12,889	-	2,639	403	2,097	2,172	3,174	28,874	10,459	17,902	-	11,699	-	13,763	-	107,017	
		<u>26,457,185</u>	<u>136,504,386</u>	<u>23,612,066</u>	<u>97,440,709</u>	<u>10,595,928</u>	<u>71,284,458</u>	<u>21,070,632</u>	<u>497,998,624</u>	<u>(118,129,681)</u>	<u>(126,298,004)</u>	<u>214,916,830</u>	<u>93,191,183</u>	<u>(62,548,229)</u>	<u>85,165,875</u>	<u>81,854,474</u>	<u>-</u>	<u>1,053,116,436</u>	
Expenditure																			
Audit fee		(15,167)	(52,349)	(15,662)	(32,020)	(5,387)	(25,246)	(11,589)	(87,005)	(51,437)	(28,353)	(72,628)	-	(18,687)	(44,472)	(38,967)	-	(498,969)	
Investment management fee		5(a),(c)	(779,295)	(5,934,969)	(569,725)	(1,690,660)	(704,906)	(3,077,769)	(1,371,178)	(10,547,542)	(5,392,377)	(4,583,769)	(8,334,561)	-	(351,196)	(2,121,989)	(4,338,801)	-	(49,798,737)
Investment transaction costs			-	-	-	-	-	-	-	-	-	-	-	(82,309)	-	-	-	(82,309)	
Legal and professional fees			(13,023)	(71,902)	(19,649)	(29,153)	(6,523)	(30,753)	(13,361)	(110,116)	(48,149)	(37,359)	(101,788)	-	(24,192)	(71,959)	(51,696)	-	(629,623)
Licence fees			-	-	-	-	-	-	-	-	-	-	-	(161,534)	-	-	-	-	(161,534)
Operating expenses		5(d)	(167,623)	(517,384)	(155,924)	(333,319)	(71,995)	(272,046)	(130,482)	(947,817)	(549,027)	(300,788)	(806,659)	-	(567,129)	(651,789)	(428,325)	-	(5,900,307)
Sponsor fee		5(a),(e)	-	(4,496,189)	(1,294,830)	-	(418,491)	(1,923,606)	(878,960)	(6,592,214)	(2,963,496)	(2,439,732)	(6,314,061)	-	(1,463,318)	(4,822,702)	(3,286,970)	-	(36,894,569)
Trustee and administrator fee		5(a),(b)	(1,558,589)	(17,804,907)	(2,745,039)	(3,381,320)	(1,088,075)	(7,694,424)	(2,707,199)	(26,368,854)	(7,586,550)	(8,392,679)	(25,003,682)	-	(3,394,896)	(10,995,761)	(13,016,403)	-	(131,738,378)
		<u>(2,533,697)</u>	<u>(28,877,700)</u>	<u>(4,800,829)</u>	<u>(5,466,472)</u>	<u>(2,295,377)</u>	<u>(13,023,844)</u>	<u>(5,112,769)</u>	<u>(44,653,548)</u>	<u>(16,591,036)</u>	<u>(15,782,680)</u>	<u>(40,633,379)</u>	<u>-</u>	<u>(6,063,261)</u>	<u>(18,708,672)</u>	<u>(21,161,162)</u>	<u>-</u>	<u>(225,704,426)</u>	
Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income for the year			<u>23,923,488</u>	<u>107,626,686</u>	<u>18,811,237</u>	<u>91,974,237</u>	<u>8,300,551</u>	<u>58,260,614</u>	<u>15,957,863</u>	<u>453,345,076</u>	<u>(134,720,717)</u>	<u>(142,080,684)</u>	<u>174,283,451</u>	<u>93,191,183</u>	<u>(68,611,490)</u>	<u>66,457,203</u>	<u>60,693,312</u>	<u>-</u>	<u>827,412,010</u>

* This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

Year ended 31 December 2024

		2024																	
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme Level HK\$	Total HK\$	
ASSETS																			
Investments measured at fair value through profit or loss	6	387,182,842	1,841,975,782	554,387,258	908,697,930	177,169,282	867,542,790	411,256,738	3,170,372,612	1,110,431,681	958,922,299	2,697,015,228	-	633,489,072	3,791,913,278	1,309,074,059	-	18,819,430,851	
Derivative financial assets		-	-	-	-	-	-	-	13,863	-	-	-	-	-	-	-	-	13,863	
Contributions receivable		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,503,295	102,503,295	
Subscriptions in transit		3,775,633	1,442,790	2,975,034	4,344,404	751,517	1,235,656	2,178,774	14,715,515	2,977,629	7,523,422	3,257,612	-	5,492,652	15,826,236	1,477,810	-	67,974,684	
Accounts receivable		1,128,798	6,417,135	2,680,373	4,671,475	650,041	25,018,912	2,896,185	10,892,461	36,248,773	31,503,369	4,661,663	-	665,391	9,950,034	2,296,739	-	139,681,349	
Cash and cash equivalents	7	-	-	-	-	4,141,328	12,832,955	5,645,660	57,347,944	20,280,808	21,768,920	-	-	1,726,264	-	-	51,218,584	174,962,463	
Other receivables		-	-	-	-	-	20,944	-	31,397	42,833	49,171	-	-	-	-	-	-	144,345	
		<u>392,087,273</u>	<u>1,849,835,707</u>	<u>560,042,665</u>	<u>917,713,809</u>	<u>182,712,168</u>	<u>906,651,257</u>	<u>421,977,357</u>	<u>3,253,373,792</u>	<u>1,169,981,724</u>	<u>1,019,767,181</u>	<u>2,704,934,503</u>	<u>-</u>	<u>641,373,379</u>	<u>3,817,689,548</u>	<u>1,312,848,608</u>	<u>153,721,879</u>	<u>19,304,710,850</u>	
LIABILITIES																			
Derivative financial liabilities		-	-	-	-	-	-	3,803	-	-	-	-	-	-	-	-	-	3,803	
Amounts pending for allocation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,621,805	5,621,805	
Amounts payable on redemptions		1,478,551	6,643,035	3,419,336	6,049,128	653,234	6,376,377	3,335,743	14,805,113	3,814,222	3,554,177	6,391,634	-	3,478,223	12,341,823	2,982,950	16,034,106	91,357,652	
Amounts payable to brokers		1,460,890	367,332	337,670	2,339,750	462,682	22,758,618	466,291	3,540,351	35,075,224	41,533,564	815,165	-	127,694	1,842,586	623,254	15,160,589	126,911,660	
Accrued expenses and other payables		<u>587,794</u>	<u>3,110,068</u>	<u>590,700</u>	<u>1,299,917</u>	<u>260,910</u>	<u>1,421,909</u>	<u>590,170</u>	<u>5,121,877</u>	<u>1,538,944</u>	<u>1,562,301</u>	<u>4,288,390</u>	<u>-</u>	<u>765,861</u>	<u>3,846,879</u>	<u>2,164,163</u>	<u>14,402,084</u>	<u>41,551,967</u>	
		<u>3,527,235</u>	<u>10,120,435</u>	<u>4,347,706</u>	<u>9,688,795</u>	<u>1,376,826</u>	<u>30,556,904</u>	<u>4,396,007</u>	<u>23,467,341</u>	<u>40,428,390</u>	<u>46,650,042</u>	<u>11,495,189</u>	<u>-</u>	<u>4,371,778</u>	<u>18,031,288</u>	<u>5,770,367</u>	<u>51,218,584</u>	<u>265,446,887</u>	
Net assets available for benefits																			
		<u>388,560,038</u>	<u>1,839,715,272</u>	<u>555,694,959</u>	<u>908,025,014</u>	<u>181,335,342</u>	<u>876,094,353</u>	<u>417,581,350</u>	<u>3,229,906,451</u>	<u>1,129,553,334</u>	<u>973,117,139</u>	<u>2,693,439,314</u>	<u>-</u>	<u>637,001,601</u>	<u>3,799,658,260</u>	<u>1,307,078,241</u>	<u>102,503,295</u>	<u>19,039,263,963</u>	

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)


Year ended 31 December 2024

2024 (continued)																
Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	
Number of units in issue	8	33,398,680.7224	88,514,950.9353	45,177,383.5523	59,582,978.7150	18,436,147.2943	56,350,231.8739	50,636,884.3088	153,676,859.9650	59,716,112.7428	101,704,592.4565	117,348,476.2347	-	60,498,245.1015	319,080,954.7626	79,375,632.0430
Net asset value per unit		11.63	20.78	12.30	15.23	9.83	15.54	8.24	21.01	18.91	9.56	22.95	-	10.52	11.90	16.46

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

For and on behalf of
Principal Trust Company (Asia) Limited


Director


Director

PRINCIPAL MPF - SMART PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

Year ended 31 December 2024

		2023																
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme Level HK\$	Total HK\$
ASSETS																		
Investments measured at fair value through profit or loss	6	345,496,964	1,799,962,673	524,082,752	754,060,959	171,182,421	797,789,017	381,440,753	2,840,491,248	1,065,427,255	874,105,985	2,565,412,544	-	551,824,269	3,795,744,140	1,323,350,762	-	17,790,371,742
Contributions receivable		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,466,828	107,466,828
Subscriptions in transit		3,457,581	3,873,417	4,813,000	7,600,929	40,276	2,850,884	8,807,932	16,581,157	2,858,922	5,286,692	7,591,615	-	105,876	24,546,123	3,114,137	-	91,528,541
Accounts receivable		1,105,977	6,658,333	3,213,180	3,179,498	527,513	3,937,449	1,632,277	11,029,972	4,623,814	3,169,900	11,275,937	-	731,993	25,415,007	4,706,006	-	81,206,856
Cash and cash equivalents	7	-	-	-	-	2,729,508	-	-	-	-	-	-	-	2,471,048	-	-	91,159,864	96,360,420
		<u>350,060,522</u>	<u>1,810,494,423</u>	<u>532,108,932</u>	<u>764,841,386</u>	<u>174,479,718</u>	<u>804,577,350</u>	<u>391,880,962</u>	<u>2,868,102,377</u>	<u>1,072,909,991</u>	<u>882,562,577</u>	<u>2,584,280,096</u>	<u>-</u>	<u>555,133,186</u>	<u>3,845,705,270</u>	<u>1,331,170,905</u>	<u>198,626,692</u>	<u>18,166,934,387</u>
LIABILITIES																		
Amounts pending for allocation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,762,461	55,762,461
Amounts payable on redemptions		1,288,574	7,706,998	3,901,128	3,651,146	39,189	4,549,406	1,838,442	16,557,459	7,082,539	3,979,120	14,591,432	-	693,190	30,205,720	6,148,939	24,764,845	126,998,127
Amounts payable to brokers		1,268,169	350,622	551,171	1,804,046	296,783	559,928	3,596,422	5,495,289	969,709	1,317,670	1,100,985	-	662,070	8,244,956	247,028	-	26,464,848
Accrued expenses and other payables		<u>560,143</u>	<u>2,863,396</u>	<u>538,044</u>	<u>1,215,064</u>	<u>237,355</u>	<u>1,238,317</u>	<u>522,169</u>	<u>4,303,442</u>	<u>1,387,086</u>	<u>1,373,457</u>	<u>3,862,547</u>	<u>-</u>	<u>758,352</u>	<u>4,075,561</u>	<u>2,044,807</u>	<u>10,632,558</u>	<u>35,612,298</u>
		<u>3,116,886</u>	<u>10,921,016</u>	<u>4,990,343</u>	<u>6,670,256</u>	<u>573,327</u>	<u>6,347,651</u>	<u>5,957,033</u>	<u>26,356,190</u>	<u>9,439,334</u>	<u>6,670,247</u>	<u>19,554,964</u>	<u>-</u>	<u>2,113,612</u>	<u>42,526,237</u>	<u>8,440,774</u>	<u>91,159,864</u>	<u>244,837,734</u>
Net assets available for benefits		<u>346,943,636</u>	<u>1,799,573,407</u>	<u>527,118,589</u>	<u>758,171,130</u>	<u>173,906,391</u>	<u>798,229,699</u>	<u>385,923,929</u>	<u>2,841,746,187</u>	<u>1,063,470,657</u>	<u>875,892,330</u>	<u>2,564,725,132</u>	<u>-</u>	<u>553,019,574</u>	<u>3,803,179,033</u>	<u>1,322,730,131</u>	<u>107,466,828</u>	<u>17,922,096,653</u>

* This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

Year ended 31 December 2024

2023 (continued)																
	Principal Age 65 Plus Fund Notes HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	
Number of units in issue	8	30,707,951.9662	93,248,530.1884	44,503,961.3974	54,118,895.3253	17,813,138.0873	58,658,829.0590	44,964,530.4616	155,831,893.8013	63,313,912.8467	105,733,681.5321	123,316,412.9014	-	63,807,525.6000	330,714,968.4134	82,164,844.0255
Net asset value per unit		11.29	19.29	11.84	14.00	9.76	13.60	8.58	18.23	16.79	8.28	20.79	-	8.66	11.49	16.09

* This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended 31 December 2024

		2024																
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Balance brought forward		346,943,636	1,799,573,407	527,118,589	758,171,130	173,906,391	798,229,699	385,923,929	2,841,746,187	1,063,470,657	875,892,330	2,564,725,132	-	553,019,574	3,803,179,033	1,322,730,131	107,466,828	17,922,096,653
Contributions received and receivable	9	164,309,173	220,822,796	209,370,861	325,871,448	54,037,814	152,148,163	189,492,485	636,757,466	294,058,319	259,321,098	338,332,628	-	308,657,960	936,646,729	209,301,673	(4,963,533)	4,294,165,080
Withdrawals paid and payable	10	(133,272,362)	(316,910,461)	(201,497,635)	(245,218,028)	(47,835,871)	(187,574,095)	(141,186,840)	(681,418,905)	(354,621,184)	(292,101,461)	(471,129,104)	-	(340,934,295)	(1,072,517,844)	(255,137,214)	-	(4,741,355,299)
Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income		10,579,591	136,229,530	20,703,144	69,200,464	1,227,008	113,290,586	(16,648,224)	432,821,703	126,645,542	130,005,172	261,510,658	-	116,258,362	132,350,342	30,183,651	-	1,564,357,529
Balance carried forward		388,560,038	1,839,715,272	555,694,959	908,025,014	181,335,342	876,094,353	417,581,350	3,229,906,451	1,129,553,334	973,117,139	2,693,439,314	-	637,001,601	3,799,658,260	1,307,078,241	102,503,295	19,039,263,963

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (continued)

Year ended 31 December 2024

		2023																
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Balance brought forward		284,698,739	1,740,133,369	521,985,076	596,988,746	162,413,501	741,145,410	334,253,029	2,395,489,118	1,177,770,058	1,000,015,132	2,404,312,245	2,711,657,405	571,584,924	1,481,172,375	1,291,481,731	112,414,002	17,527,514,860
Contributions received and receivable	9	135,438,611	223,865,337	170,857,578	251,157,928	48,500,542	141,060,887	131,344,913	478,403,933	331,946,874	282,898,353	359,260,365	369,825,008	288,992,365	2,986,196,787	215,695,610	(4,947,174)	6,410,497,917
Withdrawals paid and payable	10	(97,117,202)	(272,051,985)	(184,535,302)	(181,949,781)	(45,308,203)	(142,237,212)	(95,631,876)	(485,491,940)	(311,525,558)	(264,940,471)	(373,130,929)	(3,174,673,596)	(238,946,225)	(730,647,332)	(245,140,522)	-	(6,843,328,134)
Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income		23,923,488	107,626,686	18,811,237	91,974,237	8,300,551	58,260,614	15,957,863	453,345,076	(134,720,717)	(142,080,684)	174,283,451	93,191,183	(68,611,490)	66,457,203	60,693,312	-	827,412,010
Balance carried forward		346,943,636	1,799,573,407	527,118,589	758,171,130	173,906,391	798,229,699	385,923,929	2,841,746,187	1,063,470,657	875,892,330	2,564,725,132	-	553,019,574	3,803,179,033	1,322,730,131	107,466,828	17,922,096,653

* This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Note	2024 HK\$	2023 HK\$
Cash flows from operating activities			
Interest received		430	31
Distribution income received		57,112,159	19,652,056
Exchange losses		(859,299)	-
Other income received		201,560	107,017
Operating expenses paid		<u>(253,398,036)</u>	<u>(273,997,301)</u>
Net cash flows used in operating activities		<u>(196,943,186)</u>	<u>(254,238,197)</u>
Cash flows from investing activities			
Purchase of investment		(10,237,367,979)	(6,284,143,794)
Proceeds on sale of investment		<u>11,013,597,642</u>	<u>6,935,684,474</u>
Net cash generated from investing activities		<u>776,229,663</u>	<u>651,540,680</u>
Cash flows from financing activities			
Contributions received		4,281,309,521	6,400,219,067
Withdrawals paid		<u>(4,781,993,955)</u>	<u>(6,792,372,437)</u>
Net cash used in financing activities		<u>(500,684,434)</u>	<u>(392,153,370)</u>
Net increase in cash and cash equivalents		78,602,043	5,149,113
Cash and cash equivalents at beginning of the year		<u>96,360,420</u>	<u>91,211,307</u>
Cash and cash equivalents at end of year		<u>174,962,463</u>	<u>96,360,420</u>
Analysis of balances of cash and cash equivalents:			
Bank balances	7	<u>174,962,463</u>	<u>96,360,420</u>

PRINCIPAL LIFE STYLE FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. THE SCHEME

Principal MPF - Smart Plan (the "Scheme") is a mandatory provident fund scheme constituted by a trust deed dated 27 January 2000 and is governed by the laws of the Hong Kong Special Administrative Region of the People's Republic of China. The Scheme is designed to provide retirement benefits to the members under the Scheme.

Effective from 4 July 2016, the Scheme's trustee has been changed from Principal Trust Company (Hong Kong) Limited to Principal Trust Company (Asia) Limited (the "Trustee"). Under the Master Trust Deed, the Trustee is required to establish and maintain separate constituent funds (the "Constituent Fund" and collectively the "Constituent Funds") into which contributions may be invested. The Constituent Funds are notional funds established within the Scheme and are only available for investment by members of the Scheme.

The Scheme had fourteen Constituent Funds as at 31 December 2024:

- Principal Age 65 Plus Fund
- Principal Balanced Fund
- Principal Cash Fund
- Principal Core Accumulation Fund
- Principal Dynamic Asian Bond Fund
- Principal Dynamic Asia Pacific Equity Fund
- Principal Dynamic Global Bond Fund
- Principal Dynamic Global Equity Fund
- Principal Dynamic Greater China Equity Fund
- Principal Dynamic Hong Kong Equity Fund
- Principal Growth Fund
- Principal Guaranteed Fund (terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024)
- Principal - Hang Seng Index Tracking Fund
- Principal - MPF Conservative Fund
- Principal Stable Fund

PRINCIPAL LIFE STYLE FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation").

These financial statements have been prepared under the historical cost convention, except for investments held at fair values through profit or loss ("FVPL"). These financial statements are presented in Hong Kong dollars.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the Trustee of the Scheme to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

PRINCIPAL LIFE STYLE FUND

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Scheme has adopted the following revised HKFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>

The nature and the impact of the revised HKFRS Accounting Standards are described below:

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current (the "2020 and 2022 Amendments")*

- The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.
- The Scheme has reassessed the terms and conditions of their liabilities as at 1 January 2023 and 2024 and concluded that the classification of their liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Scheme.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Scheme has not applied the following new and revised HKFRS Accounting Standards that have been issued but are not yet effective, in these financial statements. The Scheme intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Joint Venture</i> ⁴
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ¹
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i> ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Scheme are described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Scheme is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Scheme's financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Scheme's financial statements.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to *HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Scheme's is as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Scheme's financial statements.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Scheme's financial statements.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Scheme's financial statements.

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Scheme measures its debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Scheme. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Scheme determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Scheme's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Scheme has applied the practical expedient of not adjusting the effect of a significant financing component, the Scheme initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cashflows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Scheme's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Scheme commit to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if (a) they are acquired for the purpose of selling or repurchasing in the near term, (b) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together for which, there is evidence of a recent actual pattern of short-term profit-taking, or (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designed and effective hedging instruments). Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category includes investments which the Scheme had not irrevocably elected to classify at fair value through other comprehensive income. Distribution income on equity investments classified as financial assets at fair value through profit or loss are also recognised as distribution income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the distribution income will flow to the Scheme and the amount of the distribution income can be measured reliably.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at amortised cost (debt instruments)

The Scheme measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

The Scheme recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Scheme expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Scheme assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Scheme compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Scheme considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Scheme may also consider a financial asset to be in default when internal or external information indicates that the Scheme is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Scheme. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for investment contract receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

The Scheme holds the trade receivables with no significant financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply the simplified approach for ECLs under HKFRS 9 to all its trade receivables. Therefore the Scheme does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Scheme's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about the past events, current conditions and forecasts of future economic conditions.

The Scheme uses provision matrix as a practical expedient to measure ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Scheme's statement of net assets available for benefits) when:

- the rights to receive cash flows from the asset have expired; or
- the Scheme has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Scheme has transferred substantially all the risks and rewards of the asset, or (b) the Scheme has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Scheme has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Scheme continues to recognise the transferred asset to the extent of the Scheme's continuing involvement in the asset. In that case, the Scheme also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Scheme has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Scheme's financial liabilities include amounts pending for allocation, amounts payable on redemptions, amounts payable to brokers, accrued expenses and other payables.

Subsequent measurement

Financial liabilities at amortised cost (Loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of net assets available for benefits if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Scheme's cash management.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Scheme and when the revenue can be measured reliably, on the following bases:

- (a) Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income on bank deposits is disclosed separately on the face of the statement of profit or loss and other comprehensive income. Interest income on debt securities is included in gains on investments.
- (b) Distribution income is recognised when the Scheme's right to receive payment has been established. Distribution income relating to exchange-traded equity investments is recognised in profit or loss as distribution income when declared. Distribution income from private equity investments and other investment funds are recognised in profit or loss as distribution income when declared.
- (c) Realised and unrealised gains and losses on investments at fair value through profit or loss are dealt with in profit or loss in the year in which they arise.

Expenses

All expenses, including investment management and custodian fees, are recognised in profit or loss on an accrual basis.

Foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Scheme using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

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2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Scheme if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Scheme;
 - (ii) has significant influence over the Scheme;
 - (iii) is a member of the key management personnel of the Trustee or of a parent of the Trustee;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Scheme are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Scheme are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Scheme or an entity related to the Scheme;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a Scheme of which it is a part, provides key management personnel services to the Scheme or to the parent of the Scheme.

Units in issue

The Scheme classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the Scheme to repurchase or redeem that instrument for cash or another financial asset is classified as an equity instrument if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Scheme's net assets in the event of its liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Scheme to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Scheme over the life of the instrument.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Units in issue (continued)

The redeemable units do not provide the unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Scheme's net assets at each daily redemption date and also in the event of the Scheme's liquidation. Therefore, they do not meet the criteria for equity classification and therefore are classified as financial liabilities. They are measured at the present value of the redemption amounts.

3. INTEREST INCOME

This represents interest earned from the receipt of cleared funds before the acquisition of units. Any interest earned belongs to the Scheme.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

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4. GAINS AND LOSSES ON INVESTMENTS

	2024															
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$
Realised gains/(losses)	5,704,638	68,782,462	13,224,899	34,322,525	744,377	128,663,459	(13,654,958)	847,431,751	(189,323,227)	(154,720,414)	115,333,170	-	(27,378,766)	48,399,482	23,272,125	900,801,523
Net change in unrealised gains/(losses)	<u>7,757,072</u>	<u>97,001,107</u>	<u>12,549,340</u>	<u>41,481,364</u>	<u>2,663,095</u>	<u>(7,234,090)</u>	<u>2,441,228</u>	<u>(365,027,522)</u>	<u>321,607,689</u>	<u>286,170,962</u>	<u>189,044,103</u>	<u>-</u>	<u>125,930,134</u>	<u>119,964,346</u>	<u>28,176,162</u>	<u>862,524,990</u>
Net gains/(losses) on investments	<u>13,461,710</u>	<u>165,783,569</u>	<u>25,774,239</u>	<u>75,803,889</u>	<u>3,407,472</u>	<u>121,429,369</u>	<u>(11,213,730)</u>	<u>482,404,229</u>	<u>132,284,462</u>	<u>131,450,548</u>	<u>304,377,273</u>	<u>-</u>	<u>98,551,368</u>	<u>168,363,828</u>	<u>51,448,287</u>	<u>1,763,326,513</u>

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	2023															
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	#Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$
Realised (losses)/gains	(3,011,081)	41,499,632	6,745,598	8,998,392	(2,472,094)	(1,922,612)	(10,064,195)	41,382,586	(58,376,315)	(58,281,831)	66,080,169	(30,182,755)	(16,006,972)	25,249,464	9,389,303	19,027,289
Net change in unrealised gains/(losses)	<u>29,467,320</u>	<u>94,991,865</u>	<u>16,866,468</u>	<u>88,439,678</u>	<u>13,067,603</u>	<u>73,204,973</u>	<u>31,132,655</u>	<u>456,612,864</u>	<u>(59,782,240)</u>	<u>(68,026,632)</u>	<u>148,818,759</u>	<u>123,373,938</u>	<u>(66,205,027)</u>	<u>59,916,411</u>	<u>72,451,408</u>	<u>1,014,330,043</u>
Net gains/(losses) on investments	<u>26,456,239</u>	<u>136,491,497</u>	<u>23,612,066</u>	<u>97,438,070</u>	<u>10,595,509</u>	<u>71,282,361</u>	<u>21,068,460</u>	<u>497,995,450</u>	<u>(118,158,555)</u>	<u>(126,308,463)</u>	<u>214,898,928</u>	<u>93,191,183</u>	<u>(82,211,999)</u>	<u>85,165,875</u>	<u>81,840,711</u>	<u>1,033,357,332</u>

This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. RELATED PARTY TRANSACTIONS

The following is a summary of transactions with related parties during the year which were entered into in the ordinary course of business and on normal commercial terms:

(a) The breakdown of the fee rates of each of the Constituent Funds is as follows:

	Constituent Fund Level (% p.a. of net assets value)				
	2024				
	Sponsor fee		Trustee and administrator fee	Investment management fee	Maximum aggregate management fee
	Current	Maximum	Current	Current	
Principal - MPF Conservative Fund	0.25	1.50	0.57	0.11 - 0.13	4.00
Principal Growth Fund	0.25	1.50	0.99	0.33 - 0.35	4.00
Principal Balanced Fund	0.25	1.50	0.99	0.33 - 0.35	4.00
Principal Stable Fund	0.25	1.50	0.99	0.33 - 0.35	4.00
Principal Cash Fund	0.25	1.50	0.53	0.11 - 0.13	4.00
Principal Guaranteed Fund*	N/A	N/A	N/A	N/A	N/A
Principal Dynamic Global Equity Fund	0.25	1.50	1.00	0 - 0.50	2.00
Principal Dynamic Asia Pacific Equity Fund	0.25	1.50	1.00	0 - 0.50	2.00
Principal Dynamic Global Bond Fund	0.25	1.50	0.77	0 - 0.47	2.00
Principal Dynamic Greater China Equity Fund	0.25	1.50	0.64	0 - 0.48	3.20
Principal Dynamic Asian Bond Fund	0.25	1.50	0.65	0 - 0.43	3.20
Principal Dynamic Hong Kong Equity Fund	0.25	1.50	0.86	0 - 0.48	2.00
Principal - Hang Seng Index Tracking Fund	0.25	1.50	0.58	0.06	2.00
Principal Core Accumulation Fund	Nil	N/A	0.50	0.25	N/A
Principal Age 65 Plus Fund	Nil	N/A	0.50	0.25	N/A

The above fee types are accrued daily, calculated on each dealing day and is paid monthly in arrears.

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. RELATED PARTY TRANSACTIONS (continued)

(a) The breakdown of the fee rates of each of the Constituent Funds is as follows: (continued)

	Constituent Fund Level (% p.a. of net assets value)				
	2023				
	Sponsor fee		Trustee and administrator fee	Investment management fee	Maximum aggregate management fee
	Current	Maximum	Current	Current	
Principal - MPF Conservative Fund	0.25	1.50	0.57	0.11 - 0.13	4.00
Principal Growth Fund	0.25	1.50	0.99	0.33 - 0.35	4.00
Principal Balanced Fund	0.25	1.50	0.99	0.33 - 0.35	4.00
Principal Stable Fund	0.25	1.50	0.99	0.33 - 0.35	4.00
Principal Cash Fund	0.25	1.50	0.53	0.11 - 0.13	4.00
Principal Guaranteed Fund*	Nil	1.50	Nil	Nil	2.00
Principal Dynamic Global Equity Fund	0.25	1.50	1.00	0 - 0.50	2.00
Principal Dynamic Asia Pacific Equity Fund	0.25	1.50	1.00	0 - 0.50	2.00
Principal Dynamic Global Bond Fund	0.25	1.50	0.77	0 - 0.47	2.00
Principal Dynamic Greater China Equity Fund	0.25	1.50	0.64	0 - 0.48	3.20
Principal Dynamic Asian Bond Fund	0.25	1.50	0.65	0 - 0.43	3.20
Principal Dynamic Hong Kong Equity Fund	0.25	1.50	0.86	0 - 0.48	2.00
Principal - Hang Seng Index Tracking Fund	0.25	1.50	0.58	0.06	2.00
Principal Core Accumulation Fund	Nil	N/A	0.50	0.25	N/A
Principal Age 65 Plus Fund	Nil	N/A	0.50	0.25	N/A

The above fee types are accrued daily, calculated on each dealing day and is paid monthly in arrears.

* This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. RELATED PARTY TRANSACTIONS (continued)

- (b) The Trustee collects contributions in accordance with the rules of the Scheme and invests the contributions in the Constituent Funds. The trustee is also the scheme administrator handling the daily administration work of the Scheme. Including to keep records of the Scheme, handling requests for transfers or withdrawal of accrued benefits and providing other customer services to enrolled employers and scheme members.
- (c) All investments held by each Constituent Fund were managed by the Investment Manager.
- (d) Operating expenses are paid by the Administrator and then recharged to the Constituent Funds.
- (e) The Sponsor of the Scheme provides product design advice as well as ancillary and support services to the Trustee as may be agreed between them from time to time, including but not limited to business development, marketing, sponsoring of the Scheme and product development.
- (f) For the years ended 31 December 2024 and 2023, the Constituent Funds did not have any transactions with any of the Investment Manager's associates or delegates.
- (g) The transactions with related parties as stated above are within the definition of transactions with associates in accordance with the MPF Ordinance and MPF Guideline II.4 Annex C I (D) 2.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. RELATED PARTY TRANSACTIONS (continued)

(h) At year end, the fee expense and amounts payable to the related parties were:

	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
For the year ended 31 December 2024															
Investment management fee	927,776	6,091,214	604,626	2,135,404	747,062	3,462,409	1,587,477	12,538,477	4,925,637	4,217,523	8,842,808	-	347,811	4,175,583	4,380,041
Sponsor fee	-	4,614,556	1,374,149	-	443,518	2,164,005	1,017,614	7,836,548	2,706,989	2,244,796	6,699,097	-	1,449,213	9,489,961	3,318,213
Trustee and administrator fee	<u>1,855,553</u>	<u>18,273,642</u>	<u>2,913,196</u>	<u>4,270,809</u>	<u>1,153,148</u>	<u>8,656,022</u>	<u>3,134,250</u>	<u>31,346,191</u>	<u>6,929,892</u>	<u>7,722,099</u>	<u>26,528,424</u>	<u>-</u>	<u>3,362,173</u>	<u>21,637,111</u>	<u>13,140,125</u>
As at 31 December 2024															
Investment management fee payable	85,553	538,529	53,496	201,538	67,161	310,842	144,576	1,152,451	451,462	396,522	788,240	-	33,153	530,041	381,460
Sponsor fee payable	-	407,977	121,581	-	39,873	194,276	92,677	720,282	248,110	211,051	597,151	-	138,137	804,569	288,985
Trustee and administrator fee payable	<u>171,106</u>	<u>1,615,587</u>	<u>257,752</u>	<u>403,075</u>	<u>103,669</u>	<u>777,104</u>	<u>285,445</u>	<u>2,881,129</u>	<u>635,163</u>	<u>726,015</u>	<u>2,364,719</u>	<u>-</u>	<u>320,478</u>	<u>1,881,120</u>	<u>1,144,380</u>

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	#Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
For the year ended 31 December 2023															
Investment management fee	779,295	5,934,969	569,725	1,690,660	704,906	3,077,769	1,371,178	10,547,542	5,392,377	4,583,769	8,334,561	-	351,196	2,121,989	4,338,801
Sponsor fee	-	4,496,189	1,294,830	-	418,491	1,923,606	878,960	6,592,214	2,963,496	2,439,732	6,314,061	-	1,463,318	4,822,702	3,286,970
Trustee and administrator fee	<u>1,558,589</u>	<u>17,804,907</u>	<u>2,745,039</u>	<u>3,381,320</u>	<u>1,088,075</u>	<u>7,694,424</u>	<u>2,707,199</u>	<u>26,368,854</u>	<u>7,586,550</u>	<u>8,392,679</u>	<u>25,003,682</u>	<u>-</u>	<u>3,394,896</u>	<u>10,995,761</u>	<u>13,016,403</u>
As at 31 December 2023															
Investment management fee payable	72,697	495,408	49,142	158,086	61,334	263,259	124,897	906,649	402,414	341,278	704,382	-	27,482	520,411	365,758
Sponsor fee payable	-	375,309	111,686	-	36,413	164,537	80,062	592,736	221,155	181,647	533,623	-	114,509	782,683	277,089
Trustee and administrator fee payable	<u>145,395</u>	<u>1,486,225</u>	<u>236,775</u>	<u>316,173</u>	<u>94,673</u>	<u>658,146</u>	<u>246,591</u>	<u>2,370,944</u>	<u>566,157</u>	<u>624,865</u>	<u>2,113,146</u>	<u>-</u>	<u>265,661</u>	<u>1,831,219</u>	<u>1,097,274</u>

This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

6. INVESTMENT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024																
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$	
Collective investment schemes																	
Listed securities	-	-	-	-	-	-	-	-	32,659,120	180,445,690	-	-	633,489,072	-	-	846,593,882	
Unit trust	<u>387,182,842</u>	<u>1,841,975,782</u>	<u>554,387,258</u>	<u>908,697,930</u>	<u>177,169,282</u>	<u>867,542,790</u>	<u>411,256,738</u>	<u>3,170,372,612</u>	<u>1,077,772,561</u>	<u>778,476,609</u>	<u>2,697,015,228</u>	<u>-</u>	<u>-</u>	<u>3,791,913,278</u>	<u>1,309,074,059</u>	<u>17,972,836,969</u>	
Total	387,182,842	1,841,975,782	554,387,258	908,697,930	177,169,282	867,542,790	411,256,738	3,170,372,612	1,110,431,681	958,922,299	2,697,015,228	-	633,489,072	3,791,913,278	1,309,074,059	18,819,430,851	

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	2023																
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$	
Collective investment schemes																	
Listed securities	-	-	-	-	-	-	-	-	-	-	-	-	551,824,269	-	-	551,824,269	
Unit trust	345,496,964	1,799,962,673	524,082,752	754,060,959	171,182,421	797,789,017	381,440,753	2,840,491,248	1,065,427,255	874,105,985	2,565,412,544	-	-	3,795,744,140	1,323,350,762	17,238,547,473	
Total	345,496,964	1,799,962,673	524,082,752	754,060,959	171,182,421	797,789,017	381,440,753	2,840,491,248	1,065,427,255	874,105,985	2,565,412,544	-	551,824,269	3,795,744,140	1,323,350,762	17,790,371,742	

This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. CASH AND CASH EQUIVALENTS

	2024																
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme Level HK\$	Total HK\$
Cash at banks	-	-	-	-	4,141,328	12,832,955	5,645,660	57,347,944	20,280,808	21,768,920	-	-	1,726,264	-	-	51,218,584	174,962,463

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	2023																
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme Level HK\$	Total HK\$
Cash at banks	-	-	-	-	2,729,508	-	-	-	-	-	-	-	2,471,048	-	-	91,159,864	96,360,420

This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

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8. UNITS IN ISSUE

	2024														
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Cash Fund	Principal Core Accumulation Fund	Principal Dynamic Asian Bond Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Greater China Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	*Principal Guaranteed Fund	Principal - Hang Seng Index Tracking Fund	Principal - MPF Conservative Fund	Principal Stable Fund
Balance at 1 January 2024	30,707,951.9662	93,248,530.1884	44,503,961.3974	54,118,895.3253	17,813,138.0873	58,658,829.0590	44,964,530.4616	155,831,893.8013	63,313,912.8467	105,733,681.5321	123,316,412.9014	N/A	63,807,525.6000	330,714,968.4134	82,164,844.0255
Issued during the year	14,219,375.1560	10,859,585.4046	17,298,918.3810	21,910,147.7515	5,484,475.1519	10,171,723.0723	22,387,683.3351	31,739,884.3932	16,403,804.4674	29,425,814.0574	15,250,263.7040	N/A	32,254,029.2491	79,889,399.2610	12,764,865.3223
Redeemed during the year	(11,528,646.3998)	(15,593,164.6577)	(16,625,496.2261)	(16,446,064.3618)	(4,861,465.9449)	(12,480,320.2574)	(16,715,329.4879)	(33,894,918.2295)	(20,001,604.5713)	(33,454,903.1330)	(21,218,200.3707)	N/A	(35,563,309.7476)	(91,523,412.9118)	(15,554,077.3048)
Balance at 31 December 2024	<u>33,398,680.7224</u>	<u>88,514,950.9353</u>	<u>45,177,383.5523</u>	<u>59,582,978.7150</u>	<u>18,436,147.2943</u>	<u>56,350,231.8739</u>	<u>50,636,884.3088</u>	<u>153,676,859.9650</u>	<u>59,716,112.7428</u>	<u>101,704,592.4565</u>	<u>117,348,476.2347</u>	<u>N/A</u>	<u>60,498,245.1015</u>	<u>319,080,954.7626</u>	<u>79,375,632.0430</u>

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	2023														
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Cash Fund	Principal Core Accumulation Fund	Principal Dynamic Asian Bond Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Greater China Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	*Principal Guaranteed Fund	Principal - Hang Seng Index Tracking Fund	Principal - MPF Conservative Fund	Principal Stable Fund
Balance at 1 January 2023	27,155,336.8041	95,838,636.9309	45,692,754.4854	48,817,545.5215	17,486,200.0316	58,795,190.4415	40,614,705.5564	156,261,498.9549	62,444,277.9434	103,794,582.9798	124,021,753.1358	N/A	58,486,312.1725	133,218,156.5675	84,066,322.2648
Issued during the year	12,511,535.5999	11,875,909.6759	14,663,972.9408	19,152,146.2620	5,125,407.4903	10,869,591.2655	15,816,649.5682	28,299,167.8190	17,693,843.6891	30,320,453.9751	17,681,016.5450	N/A	30,315,763.3616	261,945,635.9763	13,726,393.1833
Redeemed during the year	(8,958,920.4378)	(14,466,016.4184)	(15,852,766.0288)	(13,850,796.4582)	(4,798,469.4346)	(11,005,952.6480)	(11,466,824.6630)	(28,728,772.9726)	(16,824,208.7858)	(28,381,355.4228)	(18,386,356.7794)	N/A	(24,994,549.9341)	(64,448,824.1304)	(15,627,871.4226)
Balance at 31 December 2023	<u>30,707,951.9662</u>	<u>93,248,530.1884</u>	<u>44,503,961.3974</u>	<u>54,118,895.3253</u>	<u>17,813,138.0873</u>	<u>58,658,829.0590</u>	<u>44,964,530.4616</u>	<u>155,831,893.8013</u>	<u>63,313,912.8467</u>	<u>105,733,681.5321</u>	<u>123,316,412.9014</u>	<u>N/A</u>	<u>63,807,525.6000</u>	<u>330,714,968.4134</u>	<u>82,164,844.0255</u>

This Constituent Fund was terminated on 26 October 2023.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

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9. CONTRIBUTIONS RECEIVED AND RECEIVABLE

Contributions received and receivable in the statement of changes in net assets available for benefits are derived from the followings:

	2024 HK\$	2023 HK\$
From employers		
- mandatory	462,009,932	495,704,933
- additional voluntary	370,299,356	362,670,385
From members		
- mandatory	413,428,225	440,937,777
- additional voluntary	18,331,588	20,089,738
	<u>1,264,069,101</u>	<u>1,319,402,833</u>
Transfer in from		
- other schemes	291,913,639	217,428,780
- same scheme	689,940,073	894,490,188
	<u>981,853,712</u>	<u>1,111,918,968</u>
Switching in	2,004,542,517	3,919,273,068
Others	<u>43,699,750</u>	<u>59,903,048</u>
Proceeds on issue of units	<u>4,294,165,080</u>	<u>6,410,497,917</u>

10. WITHDRAWALS PAID AND PAYABLE

Withdrawals paid and payable in the statement of changes in net assets available for benefits are derived from the following:

	2024 HK\$	2023 HK\$
Benefits	605,796,128	519,905,433
Transfers out	2,098,445,905	2,074,897,543
Forfeitures	30,974,666	121,937,089
Switching out	2,004,542,517	3,919,258,678
Others	<u>1,596,083</u>	<u>207,329,391</u>
Payments on redemption of units	<u>4,741,355,299</u>	<u>6,843,328,134</u>

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

11. TAXATION

Taxation in the statement of profit or loss and other comprehensive income represents:

2024																
Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$	
Overseas withholding tax	-	-	-	-	325,468	-	650,430	1,634,318	-	-	-	-	-	-	2,610,216	

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

2023																
Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$	
Overseas withholding tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

This Constituent Fund was terminated on 26 October 2023.

The Scheme is not subject to Hong Kong Profits tax as it is not considered to be carrying on a business in Hong Kong. Reconciliations of the tax expense/credit applicable to income/loss for the year using the statutory rate to tax expense/credit at the effective tax rate have not been presented as the income/loss of the Scheme is not subject to tax.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

12. SOFT COMMISSION ARRANGEMENTS

Neither the Trustee, the Administrator, the Investment Manager nor any of its connected persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions in the investments of the Constituent Funds to the broker or dealer, save that goods and services may be retained within the limitations set out by the Hong Kong Securities and Futures Commission. Those permissible goods and services must be, among other things, of demonstrable benefit to the members and consistent with best execution standards. They may include research and advisory services, portfolio analysis, data and quotation services etc. but may not include, among other things, travel, accommodation, entertainment or direct money payments. The Trustee, the Administrator and the Investment Manager did not enter into any soft commission arrangements for the years ended 31 December 2024 and 2023.

13. FEES, CHARGES AND EXPENSES

Each constituent fund, bears certain fees, charges and expenses which are directly attributable to it and indirect charges and expenses in proportion to its respective net asset value.

Only certain fees, charges and expenses of Principal - MPF Conservative Fund would only be reduced if the return of the fund for a particular month is less than the prescribed savings rate published by the Mandatory Provident Fund Schemes Authority.

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14. PAYMENTS CHARGED TO DEFAULT INVESTMENT STRATEGY CONSTITUENT FUNDS

Year ended 31 December 2024

	Principal Age 65 Plus Fund		Principal Core Accumulation Fund	
	HK\$	% of net assets#	HK\$	% of net assets#
Payments for out-of-pocket expenses				
- Auditor's fees	10,242		23,984	
- Bank charges	-		-	
- Legal and professional fees	4,360		8,349	
- Miscellaneous expenses	30,893		65,053	
- Printing and postage expenses	53,295		99,826	
	<u>98,790</u>	0.03	<u>197,212</u>	0.02
Payments for service				
- Investment management fee	927,776		2,135,404	
- Trustee and administrator fee	1,855,553		4,270,809	
	<u>2,783,329</u>		<u>6,406,213</u>	
Other payments				
- Legal and professional fees (non-recurring)	-		-	
	<u>2,882,119</u>		<u>6,603,425</u>	

Year ended 31 December 2023

	Principal Age 65 Plus Fund		Principal Core Accumulation Fund	
	HK\$	% of net assets#	HK\$	% of net assets#
Payments for out-of-pocket expenses				
- Auditor's fees	15,167		32,020	
- Bank charges	-		-	
- Legal and professional fees	13,023		29,153	
- Miscellaneous expenses	59,865		115,591	
- Printing and postage expenses	107,758		217,728	
	<u>195,813</u>	0.06	<u>394,492</u>	0.06
Payments for service				
- Investment management fee	779,295		1,690,660	
- Trustee and administrator fee	1,558,589		3,381,320	
	<u>2,337,884</u>		<u>5,071,980</u>	
Other payments				
- Legal and professional fees (non-recurring)	-		-	
	<u>2,533,697</u>		<u>5,466,472</u>	

The net asset value used for calculating the percentage of out-of-pocket expenses is the sum of the net asset value of the relevant DIS constituent fund as at the last dealing day of each month of the relevant year divided by 12.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

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15. MARKETING EXPENSES

There were no advertising expenses, promotional expenses, commissions or brokerage fees payable to the MPF intermediaries of the Scheme deducted from the Constituent Funds during the year ended 31 December 2024 and 2023.

16. BANKING FACILITIES, BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Scheme had no bank loans, overdrafts or other borrowings as at 31 December 2024 and 2023.

17. COMMITMENTS

The Scheme had no commitments as at 31 December 2024 and 2023.

18. CONTINGENT LIABILITIES

The Scheme had no contingent liabilities as at 31 December 2024 and 2023.

19. NEGOTIABILITY OF ASSETS

At 31 December 2024 and 2023, there was no statutory or contractual requirement restricting the negotiability of the assets of the Scheme.

20. MARKET VALUE ADJUSTMENT

Market value adjustment represents the reduction amount in the redemption proceeds payable to members of the Scheme who have invested in Principal Guaranteed Fund. The rate of reduction is determined and applied by Principal Insurance Company (Hong Kong) Limited ("Sponsor") having regard to various factors including market condition, the level of guarantee being provided by the Sponsor and the market value of the underlying assets of the Principal Guaranteed Fund Policy ("Fund"). The rate of reduction will not exceed 5% (or such higher percentage as decided by the Sponsor with the approval of the Mandatory Provident Fund Schemes Authority) of the account balance (or the relevant part of the account balance) of the member in the Fund.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

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21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2024			2023		
	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$
Investments measured at fair value						
through profit or loss	18,819,430,851	-	18,819,430,851	17,790,371,742	-	17,790,371,742
Derivative financial assets	13,863	-	13,863	-	-	-
Contributions receivable	-	102,503,295	102,503,295	-	107,466,828	107,466,828
Subscriptions in transit	-	67,974,684	67,974,684	-	91,528,541	91,528,541
Accounts receivable	-	139,681,349	139,681,349	-	81,206,856	81,206,856
Cash and cash equivalents	-	174,962,463	174,962,463	-	96,360,420	96,360,420
Others receivables	-	144,345	144,345	-	-	-
	<u>18,819,444,714</u>	<u>485,266,136</u>	<u>19,304,710,850</u>	<u>17,790,371,742</u>	<u>376,562,645</u>	<u>18,166,934,387</u>

Financial liabilities

	2024			2023		
	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$
Derivative financial liabilities	3,803	-	3,803	-	-	-
Amounts pending for allocation	-	5,621,805	5,621,805	-	55,762,461	55,762,461
Amounts payable on redemption	-	91,357,652	91,357,652	-	126,998,127	126,998,127
Amounts payable to brokers	-	126,911,660	126,911,660	-	26,464,848	26,464,848
Accrued expenses and other payables	-	41,551,967	41,551,967	-	35,612,298	35,612,298
	<u>3,803</u>	<u>265,443,084</u>	<u>265,446,887</u>	<u>-</u>	<u>244,837,734</u>	<u>244,837,734</u>

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The major methods and assumptions used in estimating the fair values of financial instruments in accordance with the accounting policy, stated in note 2.4, are disclosed below:

The carrying amounts of all the Constituent Funds' financial assets and financial liabilities at the year end date approximated their fair values. For the Investment Funds, the fair values are based on their latest NAV per unit at the year end date. For other financial instruments, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

For the year ended 31 December 2024 and 2023, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

At 31 December 2024 and 31 December 2023, all financial instruments of the Scheme carried at fair value were investments in listed security and unit trust which fall into Level 1 and Level 2 of the fair value hierarchy respectively.

31 December 2024

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Each Constituent Fund normally invests in one or more investment fund (the "Investment Funds") to get its asset allocation. The Investment Funds can either be equity funds or fixed income funds. Further, these funds may be regional or country specific. The purpose is to achieve the asset allocation in accordance with each Constituent Fund's investment objectives and policies as stated in the offering documents. Since the Constituent Funds derive their value from the value of these Investment Funds, their risk profile is a function of the risks inherent in each Investment Fund. These inherent risks include market risk, credit risk and liquidity risk. The portfolio manager of each Investment Fund uses various tools to manage these risks.

Additionally, there is a risk of under-allocation or over-allocation to one or more of these Investment Funds. While the risk of each Investment Fund is managed at that fund's level, the overall asset allocation of the Constituent Fund is managed within set investment guidelines to ensure that risks taken are in line with investment and risk expectations. The Constituent Fund's exposure to Investment Funds is periodically rebalanced to prevent excessive exposure. Each Constituent Fund that is allowed to invest into more than one Investment Fund has internal guidelines that specify the permissible asset allocation ranges within which portfolio managers of the Investment Fund operate.

The Scheme offers a wide range of investment choices to investors to allow them the flexibility of choosing the desired risk profile for their investments.

(a) Market risk

Market risk embodies the potential for both loss and gain and includes currency risk, interest rate risk and other price risk. The Constituent Funds solely invest in Investment Funds which are denominated in Hong Kong dollars, their functional currency. So, the direct currency risk and interest rate risk are not significant. There are inherent risks in the Investment Funds level.

To control the risk of the Investment Funds, investment decisions for these funds are based on a risk/reward analysis, with the adoption of diversification policies. Investment decisions are taken in accordance with the investment objectives of the concerned portfolios so that unwarranted deviations (risks) are controlled.

The Investment Funds are also subject to the risk of concentration of investments in issuers located in a particular country or region which may be susceptible to adverse securities markets, exchange rates and social, political, regulatory or economic events which may occur in that country or region.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since all financial assets and liabilities of the Scheme and the Constituent Funds are denominated in Hong Kong dollars, the Scheme and the Constituent Funds are not exposed to any currency risk.

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is exposed to a minimal interest rate risk as the Scheme invests mainly in the Constituent Funds and only the Scheme's cash and deposits at banks are exposed to interest rate risk which is considered to be minimal.

The Constituent Fund - Principal - Hang Seng Index Tracking Fund is exposed to minimal interest rate risk as it invests mainly approved Index - Tracking and Tracker Fund of Hong Kong, and only the Constituent Fund's cash and deposits at banks are exposed to interest rate risk which is considered to be minimal.

Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) traded in the market.

The choice of Investment Funds is based on the Investment Manager's views on the suitability of a particular Investment Fund in achieving the asset allocation profile of that Constituent Fund. There is a constant review of such Investment Funds in order to provide the Constituent Funds with more investment options to help achieve their target allocations. The performance of each Investment Fund is monitored regularly, as in the normal course of investment operations in consideration of the overall market risks including foreign currency risks, interest rate risks and other price risks. When their performance is found to be below expectations, the portfolio manager takes appropriate action.

Each Constituent Fund derives its other price risk from each of the Investment Funds that it invests into. Such other price risk of these Investment Funds can be mitigated by constructing a diversified portfolio of investments i.e. diversified on asset class or geographies (global vs country specific) or both. The portfolio manager of the Investment Funds manages such risks by regularly monitoring portfolio exposures, both on an absolute basis and relative to underlying benchmarks, if any. For example, if an Investment Fund benchmark has an exposure of x% in a particular stock and of y% in a particular country, the portfolio manager may manage exposure to that stock in his portfolio within x+/-10% and to the country at y+/-10%. Other risks relating to liquidity, sector exposures etc. are also managed in a similar manner. However, it should be noted that while diversification does mitigate risks, diversification benefits may not be visible in the short-term, especially when market volatility increases.

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Other price risk sensitivity analysis

As at year end, the overall market exposures of each Constituent Fund were as follows. An increase in prices of the Investment Funds at the year end would have increased the NAV of the respective Constituent Funds and the change in net assets available for benefits by the amounts shown below. An equal change in the opposite direction would have decreased the NAV by an equal but opposite amount. The analysis is performed on the same basis for 2023.

	2024														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Overall market exposure	387,182,842	1,841,975,782	554,387,258	908,697,930	177,169,282	867,542,790	411,256,738	3,170,372,612	1,110,431,681	958,922,299	2,697,015,228	-	633,489,072	3,791,913,278	1,309,074,059
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	-	10%	10%	10%
Change in NAV	38,718,284	184,197,578	55,438,726	90,869,793	17,716,928	86,754,279	41,125,674	317,037,261	111,043,168	95,892,230	269,701,523	-	63,348,907	379,191,328	130,907,406

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

	2023														
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	#Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Overall market exposure	345,496,964	1,799,962,673	524,082,752	754,060,959	171,182,421	797,789,017	381,440,753	2,840,491,248	1,065,427,255	874,105,985	2,565,412,544	-	551,824,269	3,795,744,140	1,323,350,762
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	-	10%	10%	10%
Change in NAV	34,549,696	179,996,267	52,408,275	75,406,096	17,118,242	79,778,902	38,144,075	284,049,125	106,542,726	87,410,599	256,541,254	-	55,182,427	379,574,414	132,335,076

This Constituent Fund was terminated on 26 October 2023.

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme.

The Scheme is exposed to risk on the creditability of the issuers of the funds and the banks. The Scheme limits its exposure by using funds' issuers and banks with high credit ratings.

Each Constituent Fund of the Scheme is a feeder fund and invests in unit trusts/listed security managed by appointed investment managers with high credit ratings. Principal Insurance Company (Hong Kong) Limited, which is the guarantor of the Principal Guaranteed Fund Policy, is a member of the worldwide Principal Finance Group with a high credit rating.

The Scheme also manages its credit risk by placing deposits at Citibank, N.A., which has high credit rating.

Financial assets subject to HKFRS 9's impairment requirements

The Scheme's financial assets subject to the ECL model within HKFRS 9 are only short-term trade receivables, cash and cash equivalent and others. At 31 December 2024, the total of short-term trade receivables, cash and cash equivalent and others was HK\$485,266,136 which no loss allowance had been provided (31 December 2023: total of HK\$376,562,645 on which no loss allowance had been provided). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

All trade receivables are expected to be received in three months or less. An amount is in default if it has not been received 30 days after it is due.

As trade receivables are impacted by the HKFRS 9 ECL model, the Scheme has adopted the simplified approach. The loss allowance is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: contributions receivable, subscriptions in transit and accounts receivable.

Financial assets not subject to HKFRS 9's impairment requirements

The Scheme is exposed to credit risk on debt instruments, money market funds and similar securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under HKFRS 9 represents the Scheme's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

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23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

The Scheme provides the members with the right to redeem their benefits for cash equal to their proportionate share of the net asset value of the Scheme through their interests in the Constituent Funds under certain circumstances in accordance with the Mandatory Provident Fund Schemes Ordinance. The Scheme is therefore potentially exposed to benefit payment obligations to the members. As such, the Scheme and all Constituent Funds invest in the underlying investments that are readily disposed of in order to meet the benefit payments as needed.

The following table analyses the Scheme's and Constituent Funds' financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Constituent Funds

At 31 December 2024

	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$
Non-derivative financial liabilities								
<u>Less than 1 month</u>								
Amounts payable on redemptions	1,478,551	6,643,035	3,419,336	6,049,128	653,234	6,376,377	3,335,743	14,805,113
Amounts payable to brokers	1,460,890	367,332	337,670	2,339,750	462,682	22,758,618	466,291	3,540,351
Accrued expenses and other payables	587,794	3,110,068	590,700	1,299,917	260,910	1,421,909	590,170	5,121,877
<u>Less than 12 months</u>								
Derivative financial liabilities	-	-	-	-	-	-	3,803	-
<u>Repayable on demand</u>								
Net assets available for benefits	388,560,038	1,839,715,272	555,694,959	908,025,014	181,335,342	876,094,353	417,581,350	3,229,906,451
	<u>392,087,273</u>	<u>1,849,835,707</u>	<u>560,042,665</u>	<u>917,713,809</u>	<u>182,712,168</u>	<u>906,651,257</u>	<u>421,977,357</u>	<u>3,253,373,792</u>
	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$
Non-derivative financial liabilities								
<u>Less than 1 month</u>								
Amounts payable on redemptions	3,814,222	3,554,177	6,391,634	-	3,478,223	12,341,823	2,982,950	75,323,546
Accounts payable to brokers	35,075,224	41,533,564	815,165	-	127,694	1,842,586	623,254	111,751,071
Accrued expenses and other payables	1,538,944	1,562,301	4,288,390	-	765,861	3,846,879	2,164,163	27,149,883
<u>Less than 12 months</u>								
Derivative financial liabilities	-	-	-	-	-	-	-	3,803
<u>Repayable on demand</u>								
Net assets available for benefits	1,129,553,334	973,117,139	2,693,439,314	-	637,001,601	3,799,658,260	1,307,078,241	18,936,760,668
	<u>1,169,981,724</u>	<u>1,019,767,181</u>	<u>2,704,934,503</u>	<u>-</u>	<u>641,373,379</u>	<u>3,817,689,548</u>	<u>1,312,848,608</u>	<u>19,150,988,971</u>

* This Constituent Fund was terminated on 26 October 2023 and deregistered under the MPF legislation on 29 January 2024.

PRINCIPAL MPF - SMART PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

Constituent Funds (continued)

At 31 December 2023

	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Cash Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asian Bond Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$
Non-derivative financial liabilities								
<u>Less than 1 month</u>								
Amounts payable on redemptions	1,288,574	7,706,998	3,901,128	3,651,146	39,189	4,549,406	1,838,442	16,557,459
Amounts payable to brokers	1,268,169	350,622	551,171	1,804,046	296,783	559,928	3,596,422	5,495,289
Accrued expenses and other payables	560,143	2,863,396	538,044	1,215,064	237,355	1,238,317	522,169	4,303,442
<u>Repayable on demand</u>								
Net assets available for benefits	346,943,636	1,799,573,407	527,118,589	758,171,130	173,906,391	798,229,699	385,923,929	2,841,746,187
	<u>350,060,522</u>	<u>1,810,494,423</u>	<u>532,108,932</u>	<u>764,841,386</u>	<u>174,479,718</u>	<u>804,577,350</u>	<u>391,880,962</u>	<u>2,868,102,377</u>
	Principal Dynamic Greater China Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	*Principal Guaranteed Fund HK\$	Principal - Hang Seng Index Tracking Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$
Non-derivative financial liabilities								
<u>Less than 1 month</u>								
Amounts payable on redemptions	7,082,539	3,979,120	14,591,432	-	693,190	30,205,720	6,148,939	102,233,282
Accounts payable to brokers	969,709	1,317,670	1,100,985	-	662,070	8,244,956	247,028	26,464,848
Accrued expenses and other payables	1,387,086	1,373,457	3,862,547	-	758,352	4,075,561	2,044,807	24,979,740
<u>Repayable on demand</u>								
Net assets available for benefits	1,063,470,657	875,892,330	2,564,725,132	-	553,019,574	3,803,179,033	1,322,730,131	17,814,629,825
	<u>1,072,909,991</u>	<u>882,562,577</u>	<u>2,584,280,096</u>	<u>-</u>	<u>555,133,186</u>	<u>3,845,705,270</u>	<u>1,331,170,905</u>	<u>17,968,307,695</u>

* This Constituent Fund was terminated on 26 October 2023.

31 December 2024

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

The Scheme

	Repayable <u>on demand</u> HK\$	Less than <u>1 month</u> HK\$
At 31 December 2024		
Amounts pending for allocation	-	5,621,805
Amounts payable on redemptions	-	16,034,106
Amounts payable to brokers	-	15,160,589
Accrued expenses and other payables	-	14,402,084
Net assets available for benefits	<u>102,503,295</u>	<u>-</u>
	<u>102,503,295</u>	<u>51,218,584</u>
	Repayable <u>on demand</u> HK\$	Less than <u>1 month</u> HK\$
At 31 December 2023		
Amounts pending for allocation	-	55,762,461
Amounts payable on redemptions	-	24,764,845
Accrued expenses and other payables	-	10,632,558
Net assets available for benefits	<u>107,466,828</u>	<u>-</u>
	<u>107,466,828</u>	<u>91,159,864</u>

(d) Specific instruments

Derivatives

The Investment Manager does not intend to enter into any financial futures contracts, financial options contracts nor derivatives transactions at the Constituent Fund level. The underlying Investment Funds may trade in forward contracts for hedging purpose, currency forwards to settle transactions and exposure to warrants arising mainly from corporate actions relating to underlying securities.

31 December 2024

24. EVENT AFTER REPORTING PERIOD

On 16 January 2025, BCT Group, comprising BCT Financial Limited (“BCTF”) and Bank Consortium Trust Company Limited (“BCTC”), and Principal Financial Group® (“Principal®”), announced a strategic relationship. Under this agreement, BCTF will become the sponsor and BCTC will become the trustee of the Principal Mandatory Provident Fund (MPF) Schemes (the “Schemes”). Principal Insurance Company (Hong Kong) Limited and Principal Trust Company (Asia) Limited are the current sponsor and trustee of the Scheme respectively. Principal Asset Management Company (Asia) Limited will continue as the investment manager of the Scheme. The transition is expected to take place in the first quarter of 2026, subject to the required regulatory approvals from the Mandatory Provident Fund Schemes Authority and the Securities and Futures Commission.

With effect from 7 May 2025, the Scheme has gone onboard to the eMPF Platform. The relevant administrative services of the Scheme provided by the Trustee have ceased and the eMPF Platform Company Limited (the "eMPF Company") have taken up the administration of the Scheme and provides scheme administration services to handle instructions from Scheme Participants directly through the eMPF Platform.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee on 30 June 2025.

Independent auditor's assurance report To the Trustee of Principal MPF - Smart Plan

We have audited the financial statements of Principal MPF - Smart Plan (the "Scheme") for the year ended 31 December 2024 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1(Revised), *The Audit of Retirement Schemes* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unqualified auditor's report thereon dated 30 June 2025.

Pursuant to section 102 of the Mandatory Provident Fund Schemes (General) Regulation ("General Regulation"), we are required to report whether the Scheme complied with certain requirements of the Mandatory Provident Fund Schemes Ordinance ("MPFSO") and the General Regulation.

Trustee's Responsibility

The General Regulation requires the trustee to ensure that:

- (a) proper accounting and other records are kept in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme;
- (b) the requirements specified in the guidelines made by the Mandatory Provident Fund Schemes Authority under section 28 of the MPFSO with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part 10 of, and Schedule 1 to, the General Regulation are complied with;
- (c) the requirements under sections 34DB(1)(a), (b), (c) and (d), 34DC(1), 34DD(1) and (4) of the MPFSO are complied with; and
- (d) the Scheme assets are not subject to any encumbrance, otherwise than as permitted by the General Regulation.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Independent auditor's assurance report (continued)
To the Trustee of Principal MPF - Smart Plan

Auditor's Responsibility

Our responsibility is to report on the Scheme's compliance with the above requirements based on the results of the procedures performed by us.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *"Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance on whether the Scheme has complied with the above requirements.

We have planned and performed such procedures as we considered necessary with reference to the procedures recommended on PN 860.1 (Revised), which included reviewing, on a test basis, evidence obtained from the Administrator regarding the Scheme's compliance with the above requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Based on the foregoing:

1. in our opinion:
 - (a) proper accounting and other records have been kept during the year ended 31 December 2024 in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme; and
 - (b) the requirements specified in the guidelines made by the Mandatory Provident Fund Schemes Authority under section 28 of the MPFSO with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part 10 of, and Schedule 1 to, the General Regulation have been complied with, in all material respects, as at 31 December 2024, 30 June 2024 and 31 March 2024; and
 - (c) the requirements specified in the MPFSO under sections 34DB(1)(a), (b), (c) and (d) 34DC(1) and 34DD(1) and (4)(a) with respect to the investment of accrued benefits and control of payment for services relating to Principal Core Accumulation Fund and Principal Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2024, 30 June 2024 and 31 March 2024; and
 - (d) the requirements specified in section 34DD(4)(b) of the MPFSO with respect to the controls of out-of-pocket expenses of the Principal Core Accumulation Fund and Principal Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2024.
2. as at 31 December 2024, the Scheme assets were not subject to any encumbrance, otherwise than as permitted by the General Regulation.



Independent auditor's assurance report (continued)
To the Trustee of Principal MPF - Smart Plan

Other Matter

The requirements specified in the MPFSO under sections 34DI(1) and (2) and 34DK(2) with respect to the transfer of accrued benefits to an account and specified notice, and 34DJ(2), (3), (4) and (5) with respect to locating scheme members relating to Principal Core Accumulation Fund and Principal Age 65 Plus Fund are not applicable to the trustee during the year ended 31 December 2024 as the trustee has completed the relevant transitional provisions. Accordingly, there is no reporting on these sections.

Intended Users and Purpose

This report is intended solely for submission by the Trustee to the Mandatory Provident Fund Schemes Authority pursuant to section 102 of the General Regulation, and is not intended to be, and should not be, used by anyone for any other purpose.

Certified Public Accountants
Hong Kong
30 June 2025