

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional financial advice.

This notice should be read by all participating employers, employee members, self-employed persons, personal account members and SVC members of the Principal MPF – Smart Plan (collectively, “Scheme Participants”).

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

Terms used in this notice have the same meaning as in the latest version of the Offering Document of the Principal MPF – Smart Plan (the “Plan”), unless otherwise defined.

Dear Scheme Participants,

This box summarises the key change to the Plan, which are elaborated in the main body of this notice:

- **The Declared Crediting Rate, which accrues to the Guaranteed Balances in the Principal Guaranteed Fund Policy (the “Policy”), an underlying APIF in which the Principal Guaranteed Fund (the “Guaranteed Fund”) invests, will be changed from 1% p.a. to 0.25% p.a. (the “Change”) with effect from 1 April 2020 (the “Effective Date”).**
- **All costs and expenses associated with the Change will be borne by Principal Insurance Company (Hong Kong) Limited (“PIC”) and will not be borne by the Plan or the Scheme Participants.**
- **No particular action should be required of the Scheme Participants. However, if the Scheme Participants have benefits invested in the Guaranteed Fund and do not wish to retain those benefits in the Guaranteed Fund, please refer to section 3 of this notice for details as to the switching out arrangement.**

If you have any queries in relation to the Change, please contact our Customer Service Hotline at 2802 2812 or 2885 8011.

Thank you for your continuous support. We would like to inform you of the Change in the Offering Document of the Plan:

1. Change to the Declared Crediting Rate

- 1.1. The Guaranteed Fund invests in the Policy issued by PIC. As disclosed in the Offering Document, PIC, as the guarantor of the Policy, has absolute discretion to determine the Declared Crediting Rate, which accrues to the Guaranteed Balances in the Policy, and reviews the Declared Crediting Rate regularly having regard to various matters including the actual return, value and nature of assets of the Policy, level of guarantee being provided, investment and operating expenses, market conditions and taxes.
- 1.2. PIC has informed us that, given the persistent economic and political uncertainties across the world as well as the unpredictable global investment market, PIC envisages that it would not be sustainable for the Policy to continue to provide the Declared Crediting Rate at 1% p.a. and lowering the Declared Crediting Rate would help address the ongoing sustainability of the Policy. Accordingly, PIC has decided to exercise its discretion under clause 6.13.2 of the Policy so that, with effect from the Effective Date, the Declared Crediting Rate will be 0.25% p.a..

2. Impacts on the Guaranteed Fund

- 2.1. Because the Guaranteed Fund invests solely in the Policy, as a result of the Change at the Policy level, the value of the redemption proceeds of units in the Guaranteed Fund will be adjusted correspondingly. As such, once PIC informed us of its above decision, we have considered other alternatives, e.g. replacing the Policy with another APIF; or terminating the Guaranteed Fund.
- 2.2. Taking into account the availability of comparable APIF that offers similar guarantee features and their fee rates, the market risks and the potential impacts on the Scheme Participants upon the termination of the Guaranteed Fund (e.g. realizing investments in the Policy and subscribing into a new APIF thereby realizing investment losses (if any) upon termination, and removing one constituent fund for the Scheme Participants with relatively low risk appetite), we have decided to continue the Guaranteed Fund with the new Declared Crediting Rate. We also consider that this would comply with the applicable provisions of the governing rules of the Trust Deed of the Plan. We note PIC has absolute discretion to determine the Declared Crediting Rate and will continue to monitor the situation should there be any change to the Declared Crediting Rate in the future.

3. Actions required of the Affected Scheme Participants

- 3.1. No particular action is required of Scheme Participants who have benefits invested in the Guaranteed Fund if they wish to continue to invest in the Guaranteed Fund with the new Declared Crediting Rate. However, if the affected Scheme Participants do not wish to retain those benefits in the Guaranteed Fund, the affected Scheme Participants need to take action(s), free of charge or penalty, as set out more particularly in the following paragraphs.
- 3.2. Affected Scheme Participants who do not wish to be involved in the Change may (i) switch their existing investment in the Guaranteed Fund to other constituent fund(s) under the Plan, and/or (ii) change their investment mandates in respect of any new contributions and transfer-in benefits, by completing a "Change in Investment Form". The amount payable in respect of any switching out would be same as the Guaranteed Balance, as the rate of reduction applicable to the Adjusted Balance is 0%.
- 3.3. For any valid switching and/or change of investment mandate instruction to be effected before the Effective Date, they must be received by the Trustee by the following cut-off time:

Instruction	Cut-off time	
Switching/change of investment mandate instruction (whether by mail or electronic form)	via mail / e-mail / handing in:	31 March 2020, i.e. Effective Date - 1 business day
	via facsimile/internet:	4:00 pm on 31 March 2020, i.e. Effective Date - 1 business day

- 3.4. Switching/change of investment mandate instructions received by the Trustee after the respective cut-off time set out above will be processed by the Trustee in the normal business manner. However, if such instructions cannot be effected before the Effective Date, they will be carried out as soon as practicable after completion of the Change.
- 3.5. There will be no fees or penalty, bid/offer spread or transfer fee imposed on any switching/change of investment mandate instructions. The affected Scheme Participants should review all terms and conditions under the Plan and constituent funds before making any decision.
- 3.6. If, by the cut-off dates as set out above: (i) we do not receive valid switching instructions from the affected Scheme Participants; and (ii) the affected Scheme Participants do not take any action, then the affected Scheme Participants will continue to invest in the Guaranteed Fund and be subject to the Change.

The Offering Document of the Plan will be amended to reflect the Change. You may access the updated Offering Document on our website at www.principal.com.hk or request a copy of it by contacting our Customer Service Hotline at 2802 2812 or 2885 8011.

If you have any queries in relation to the Change, please contact our Customer Service Hotline at 2802 2812 or 2885 8011.

Principal Trust Company (Asia) Limited
26 February 2020