

Principal Trust Company (Asia) Limited  
Retirement Scheme



**Principal Trust  
Company (Asia) Limited  
Retirement Scheme**

**Principal Brochure**

## IMPORTANT:

1. Principal Trust Company (Asia) Limited Retirement Scheme (“Scheme”) is a master trust designed to comply with ORSO and the Exemption Regulation.
2. The Insurer is the Guarantor of the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund under the Scheme. Each of the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund invests solely in an underlying investment fund in the form of an insurance policy issued by the Insurer. Your investments in the Principal Long Term Guaranteed Fund and Principal Capital Guaranteed Fund, if any, are therefore subject to the credit risk of the Insurer. Please refer to the sections “What is the capital guarantee mechanism?” under the Investment Portfolio Fact Sheets for the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund for details on credit risk, guaranteed features and guarantee conditions.
3. Investment in the Principal Money Market Fund is different from placing deposits with a bank or deposit-taking company and is not protected by the Deposit Protection Scheme. Investment in this Investment Portfolio will be subject to investment risks.
4. You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of Investment Portfolios, you are in doubt as to whether a certain Investment Portfolio is suitable for you (including whether it is consistent with your investment objectives).
5. Important – if you are in any doubt about the contents of this offering document, you should seek independent professional financial advice. You should choose the Investment Portfolio(s) most suitable for you, taking into account your own circumstances.
6. In the event that you do not make any investment choices, please be reminded that your contributions made and/or benefits transferred into the Scheme will be invested into the Principal Money Market Fund (unless other arrangement has been made between the Trustee and the Employer), and such Investment Portfolio may not necessarily be suitable for you.
7. The Scheme has been authorized by the SFC, pursuant to section 104(1) of the SFO, as a pooled retirement fund. In giving this authorization, the SFC has made no assessment of, nor does it take responsibility for, the financial soundness or merits of the Scheme nor has it verified the accuracy or truthfulness of statements made or, opinions expressed herein. SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

# PRINCIPAL TRUST COMPANY (ASIA) LIMITED RETIREMENT SCHEME THIRD ADDENDUM

This Third Addendum forms part of the Principal Brochure of the Scheme dated 1 December 2022, as amended by the First Addendum dated 1 January 2023 and the Second Addendum dated 20 June 2024 (collectively, the “**Principal Brochure**”) and should be read in conjunction with the Principal Brochure. All capitalized terms used in this Third Addendum shall have the same meaning as given to them in the Principal Brochure, unless otherwise stated.

Principal Trust Company (Asia) Limited accepts full responsibility for the accuracy of the information contained in this Third Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other material facts the omission of which would make any statement herein misleading as at the date of issuance.

**If you are in any doubt about the contents of this document, you should seek independent professional financial advice.**

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By this Third Addendum, the Principal Brochure shall be amended as follows with effect from 19 July 2024, unless otherwise specified:

1. The paragraph headed “**Management Company**” under section 2 headed “**KEY OPERATORS**” on page 5 shall be deleted in its entirety and replaced with the following:

**“Management Company**

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

2. Section 4 headed “**RISK FACTORS**” on pages 7-13 shall be amended as follows:
  - (a) Section 4.33 headed “**Risk associated with investments utilizing Stock Connect**” on page 12 shall be deleted in its entirety and replaced by the following:

**“4.33 Risk associated with investments utilizing Stock Connect**

**(a) Legal and regulatory risk**

Some of the funds may invest in China A-Shares through Stock Connect programmes which aim to achieve mutual stock market access between Mainland China and Hong Kong such as Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

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

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

## **(b) Trading risks**

Trading in China A-Shares through Stock Connect programmes is subject to quota limitations, operational risks, risks arising from differences in trading days and restrictions on selling imposed by front-end monitoring and recalling of eligible stocks.

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

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

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

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

- (b) the following shall be inserted as Sections 4.34 and 4.35 immediately after Section 4.33 headed “**Risk associated with investments utilizing Stock Connect**” on page 12:

### **“4.34 Specific risks associated with investment in ChiNext market and/or STAR Board**

Certain funds may invest in ChiNext market and/or the Science and Technology Innovation Board (“**STAR Board**”) and may be subject to the following risks:

- (a) Higher fluctuation on stock prices and liquidity risk – Listed companies on ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. Listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards.
- (b) Over-valuation risk – Stocks listed on ChiNext and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.
- (c) Differences in regulation – The rules and regulations regarding companies listed on the ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those in the main boards.

- (d) Delisting risk – It may be more common and faster for companies listed on ChiNext market and/or STAR Board to delist. ChiNext market and STAR Board have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the relevant fund if the companies that it invests in are delisted.
- (e) Concentration risk (Applicable to STAR Board) – STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the relevant fund to higher concentration risk.

Investments in the ChiNext market and/or STAR Board may result in significant losses for the relevant fund and its investors.

#### 4.35 Risks associated with investment made through the QFI regime

Investment made through the QFI regime is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in Mainland China, which are subject to change and such change may have potential retrospective effect.

The relevant Sub-Funds may suffer substantial losses if the approval of the QFI status is being revoked/terminated or otherwise invalidated as the Sub-Funds may be prohibited from trading of relevant securities and repatriation of the Sub-Funds' monies, or if any of the key operators or parties (including QFI custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities)."

- 3. Section 8.3 headed "**Principal Asian Equity Fund**" on pages 35-37 shall be amended as follows:
  - (a) the paragraph under the heading "**Objectives**" in the sub-section headed "**Objectives and investment policy**" shall be deleted in its entirety and replaced by the following:

"The objective of the Principal Asian Equity Fund (the "**Investment Portfolio**") is to achieve capital growth over the long-term by investing primarily in Asia Pacific (ex-Japan) equities."
  - (b) the first paragraph under the heading "**Investment Policy**" in the sub-section headed "**Objectives and investment policy**" shall be deleted in its entirety and replaced by the following:

"The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Asian Equity Fund (the "**Underlying Fund**"). The Underlying Fund will primarily invest in the Principal Asian Equity Fund (the "**Ultimate Underlying Fund**") under the Principal Life Style Fund. The Investment Portfolio, the Underlying Fund and the Ultimate Underlying Fund share the same investment objective. The Investment Portfolio, via indirect investment in the Ultimate Underlying Fund, invests primarily in equity securities of companies in the Asia Pacific (ex-Japan) region. The Ultimate Underlying Fund may also hold cash and short-term investments such as bills and deposits. The Ultimate Underlying Fund will invest less than 30% of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges via the Stock Connect and/or the QFI regime. Investment markets of the Investment Portfolio, via indirect investment in the Ultimate Underlying Fund may include but are not limited to Greater China (including Mainland China, Hong Kong, Macau and Taiwan), Singapore, South Korea, Malaysia, Thailand, the Philippines, Indonesia, India, Australia and New Zealand. Investors in the Investment Portfolio share the foreign exchange gains and losses associated with funds owning securities denominated in various currencies of these countries. The risk profile of the Investment Portfolio is generally regarded as high."

- (c) the geographic allocation table under the third paragraph below the heading “**Investment Policy**” in the sub-section headed “**Objectives and investment policy**” shall be deleted in its entirety and replaced by the following:

<b>Geographic Allocation*</b>	<b>Range</b>
Asia Pacific (ex-Japan)	80 - 100%
Others	0 - 20%

- (d) the following shall be inserted immediately after “**Risks associated with investments utilizing Stock Connect**” in the sub-section headed “**What are the key risks?**”:

- Specific risks associated with investment in ChiNext market and/or STAR Board
- Risks associated with investment made through the QFI regime

4. Section 8.12 headed “**Principal China Equity Fund**” on pages 62-64 shall be amended as follows:

- (a) the first and second paragraphs under the heading “**Investment Policy**” in the sub-section headed “**Objectives and investment policy**” shall be deleted in their entirety and replaced by the following:

“The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Life Style Fund - Principal China Equity Fund (the “**Underlying Fund**”). Through the Underlying Fund, the Investment Portfolio will invest at least 70% of its assets in equities issued by companies with exposure to different sectors of the economy in the PRC (Mainland China) or in collective investment schemes as permitted under the Mandatory Provident Fund Schemes (General) Regulation, as amended from time to time, which primarily invest in such equity securities. Equity securities include but are not limited to equity shares, preference shares and depositary receipts.

Through the Underlying Fund, the Investment Portfolio may invest less than 70% of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges (including the ChiNext market and the Science and Technology Innovation Board (“**STAR Board**”)) via the Stock Connect and/or the QFI regime. The risk profile of the Investment Portfolio is generally regarded as high.”

- (b) the asset allocation and geographic allocation tables under the fourth paragraph below the heading “**Investment Policy**” in the sub-section headed “**Objectives and investment policy**” shall be deleted in their entirety and replaced by the following:

<b>Asset Allocation*</b>	<b>Range</b>
Equity Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

  

<b>Geographic Allocation*</b>	<b>Range</b>
PRC (Mainland China)	70 - 100%
Others	0 - 30%

- (c) the sub-section titled “**What are the key risks?**” shall be deleted in its entirety and replaced by the following:

**“What are the key risks?”**

Investment involves risks. Please refer to section 4 of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

<ul style="list-style-type: none"> <li>• Political, economic and social risks</li> <li>• Investment risk</li> <li>• Market risk</li> <li>• Equity market risks</li> <li>• Emerging market risks</li> <li>• Concentration risk</li> <li>• Accounting standards and disclosure</li> <li>• Foreign exchange risk</li> <li>• Currency risk</li> <li>• Security risk</li> <li>• Counterparty risk</li> <li>• Liquidity risk</li> <li>• Risks associated with small-capitalisation / mid-capitalisation companies</li> <li>• Risks associated with high volatility of the equity market in certain countries and regions</li> <li>• Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions</li> </ul>	<ul style="list-style-type: none"> <li>• Risks relating to investing solely in a single APIF or ITCIS</li> <li>• Risks relating to investing in an APIF or an ITCIS that invests in a single market</li> <li>• Valuation risks</li> <li>• Risks of investing in collective investment schemes</li> <li>• Risks associated with investments in the PRC</li> <li>• Custodial risk</li> <li>• Risks associated with investments utilizing Stock Connect</li> <li>• Specific risks associated with investment in ChiNext market and/or STAR Board</li> <li>• Risks associated with investment made through the QFI regime</li> </ul>
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5. Section 8.13 headed “**Principal Hong Kong Equity Fund**” on pages 65-67 shall be amended as follows:

(a) the first paragraph under the heading “**Investment Policy**” in the sub-section headed “**Objectives and investment policy**” shall be deleted in their entirety and replaced by the following:

“The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Life Style Fund - Principal Hong Kong Equity Fund (the “**Underlying Fund**”). Through the Underlying Fund, the Investment Portfolio will invest mainly in Hong Kong equity markets. The Underlying Fund will invest at least 70% of its assets in listed equities issued by companies established in Hong Kong or by companies whose shares are listed (including but not limited to H shares and shares of red-chip companies) on the Hong Kong Stock Exchange). The underlying investments of the Investment Portfolio may also include listed equities issued by companies which have business in Hong Kong. The Underlying Fund will invest less than 30% of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges via the Stock Connect and/or the QFI regime. The Underlying Fund may hold up to 30% of its assets in cash and time deposits on a temporary basis or for such longer period as the circumstances require to maintain liquidity.”

(b) the asset allocation and geographic allocation tables under the third paragraph below the heading “**Investment Policy**” in the sub-section headed “**Objectives and investment policy**” shall be deleted in their entirety and replaced by the following:

<b>Asset Allocation*</b>	<b>Range</b>
Equity Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%
<b>Geographic Allocation*</b>	<b>Range</b>
Hong Kong/China	70 - 100%
Others	0 - 30%

(c) the sub-section titled “**What are the key risks?**” shall be deleted in its entirety and replaced by the following:

**“What are the key risks?”**

Investment involves risks. Please refer to section 4 of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

<ul style="list-style-type: none"><li>• Political, economic and social risks</li><li>• Investment risk</li><li>• Market risk</li><li>• Equity market risks</li><li>• Emerging market risks</li><li>• Concentration risk</li><li>• Accounting standards and disclosure</li><li>• Foreign exchange risk</li><li>• Currency risk</li><li>• Security risk</li><li>• Counterparty risk</li><li>• Liquidity risk</li><li>• Risks associated with small-capitalisation / mid-capitalisation companies</li><li>• Risks associated with high volatility of the equity market in certain countries and regions</li><li>• Risks associated with regulatory or exchanges requirements of the equity market in certain countries and regions</li></ul>	<ul style="list-style-type: none"><li>• Risks relating to investing solely in a single APIF or ITCIS</li><li>• Risks relating to investing in an APIF or an ITCIS that invests in a single market</li><li>• Valuation risks</li><li>• Risks of investing in collective investment schemes</li><li>• Risks associated with investments in the PRC</li><li>• Custodial risk</li><li>• Risks associated with investments utilizing Stock Connect</li><li>• Specific risks associated with investment in ChiNext market and/or STAR Board</li><li>• Risks associated with investment made through the QFI regime</li></ul>
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6. Section 9 headed “**GLOSSARY**” on pages 68-69 shall be amended as follows:

(a) The following definitions shall be inserted immediately after the definition of “Product Provider” in the

“**QFI**” qualified foreign investor(s) approved by the China Securities Regulatory Commission to invest in Mainland China securities and futures markets

“**RMB**” and “**Renminbi**” the currency of the People’s Republic of China

Except as amended by this Third Addendum, the Principal Brochure remains in full force and effect.

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**Principal Trust Company (Asia) Limited**  
**19 July 2024**



This notice is important and requires your immediate attention. It should be read by all the principal employers, participating employers (together, “Employers”) and employee members (“Employees”) (collectively, “Scheme Participants”) of Principal Trust Company (Asia) Limited Retirement Scheme (“Scheme”). If you are in any doubt about the contents of this document, you should seek independent professional financial advice.

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

This notice only summarises the changes to the Scheme. Scheme Participants may obtain a copy of the latest Principal Trust Company (Asia) Limited Retirement Scheme Principal Brochure (“**Principal Brochure**”) from our website at [www.principal.com.hk](http://www.principal.com.hk)<sup>1</sup> or request for a copy through our customer service hotline at 2827 1233.

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Dear Scheme Participants,

Thank you for your continuous support of the Scheme. We would like to inform you of the following changes (“**Changes**”) in respect of the Scheme and its Investment Portfolios, which shall take effect on 19 July 2024 (“**Effective Date**”), unless otherwise specified.

### Summary of the Changes

This table summarises the Changes that will be made to the Scheme and its Investment Portfolios with effect from the Effective Date.

#### 1. Principal Asian Equity Fund – Expansion of geographical focus

The investment objective and policy of the Ultimate Underlying Fund of Principal Asian Equity Fund will be updated to reflect the expansion of its geographical focus from “Asia (ex-Japan)” to “Asia Pacific (ex-Japan)”. Corresponding updates will be made to the investment objective and policy of the Principal Asian Equity Fund.

#### 2. Principal China Equity Fund – Update to investment limit on China A-Shares and B-Shares

The investment objective and policy of the Underlying Fund of Principal China Equity Fund will be amended to provide that the Underlying Fund may invest less than 70% (currently less than 30%) of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges (including the ChiNext market and the Science and Technology Innovation Board (“**STAR Board**”)). Corresponding updates will be made to the investment policy of the Principal China Equity Fund. The

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<sup>1</sup> This website has not been reviewed by the SFC.

Principal China Equity Fund may be subject to increased “risks associated with investments in the PRC”, “risks associated with investment utilizing Stock Connect” and “specific risks associated with investment in ChiNext market and/or STAR Board”.

### **3. Principal Asian Equity Fund, Principal China Equity Fund and Principal Hong Kong Equity Fund – Investment through the qualified foreign investor (“QFI”) regime**

The investment policies of the respective underlying funds of Principal Asian Equity Fund, Principal China Equity Fund and Principal Hong Kong Equity Fund will be amended to provide that in addition to Stock Connect, the respective underlying funds may invest in eligible China A-Shares and B-Shares listed on Shanghai and Shenzhen stock exchanges via the QFI regime. Corresponding updates will be made to the investment policies of the Principal Asian Equity Fund, Principal China Equity Fund and Principal Hong Kong Equity Fund. The Investment Portfolios may be subject to “risks associated with investment made through the QFI regime”.

### **4. Other administrative or miscellaneous updates and changes**

Other amendments will be made to the Principal Brochure including general updates, alignment of disclosures and enhancement of risk disclosures.

The Changes above are elaborated in the main body of this Notice. The Changes will not have any adverse impact on Scheme Participants.

### **Queries**

If you have any questions or concerns about the Changes set out in this notice, please contact our customer service hotline at (852) 2827 1233.

## **1. Principal Asian Equity Fund – Expansion of geographical focus**

The Principal Asian Equity Fund invests solely in the Underlying Fund, which in turn primarily invests in the Ultimate Underlying Fund. The Investment Portfolio, via indirect investment in the Ultimate Underlying Fund, invests primarily in Asian equities.

With effect from the Effective Date, the investment objective and policy of the Ultimate Underlying Fund will be updated to reflect the expansion of its geographical focus from “Asia (ex-Japan)” to “Asia Pacific (ex-Japan)”. Consequently, the investment objective of the Principal Asian Equity Fund will be amended as follows:

“The objective of the Principal Asian Equity Fund is to achieve capital growth over the long term by investing primarily in Asia Pacific (ex-Japan) equities.”

The expansion of the Ultimate Underlying Fund’s investment universe to some of the largest markets in the Asia Pacific (ex-Japan) region, such as Australia and New Zealand, may allow the Ultimate Underlying Fund and hence, the Underlying Fund and the Investment Portfolio, to gain exposure to such markets and diversify its investments and achieve better performance outcomes for the Ultimate Underlying Fund, the Underlying Fund and the Investment Portfolio.

## **2. Principal China Equity Fund – Update to investment limit on China A-Shares and B-Shares**

Currently, the Underlying Fund of the Principal China Equity Fund will invest less than 30% of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges. As

weighting of China A-Shares in benchmark indexes formulated by international index providers continue to increase, in order to provide for flexibility in portfolio management and tap into the opportunities of investment in Mainland China, the investment policy of the Underlying Fund will be amended with effect from the Effective Date such that the Underlying Fund may invest less than 70% of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges (including the ChiNext market and the STAR Board).

Corresponding updates will be made to the investment policy of the Principal China Equity Fund to align with the investment policy of its Underlying Fund.

As a result, by its investment in its Underlying Fund, the Principal China Equity Fund may be subject to increased “risks associated with investments in the PRC” and “risks associated with investment utilizing Stock Connect” as currently set out in the Principal Brochure, and “specific risks associated with investment in ChiNext market and/or STAR Board” which will be included in the Principal Brochure.

### **3. Principal Asian Equity Fund, Principal China Equity Fund and Principal Hong Kong Equity Fund – Investment through the QFI regime**

In order to expand the scope and means of investment in Mainland China, the underlying funds of Principal Asian Equity Fund, Principal China Equity Fund and Principal Hong Kong Equity Fund may utilise the QFI regime in addition to the Stock Connect with effect from the Effective Date. The respective investment policies of the relevant Investment Portfolios will be updated to provide that their respective underlying funds may invest in eligible China A-Shares and B-Shares listed on Shanghai and Shenzhen stock exchanges via the Stock Connect and/or the QFI regime.

Consequently, the Principal Asian Equity Fund, Principal China Equity Fund and Principal Hong Kong Equity Fund, via investments in their respective underlying funds, may be subject to “risks associated with investment made through the QFI regime”. The risk disclosures in the Principal Brochure will be enhanced to include the “risks associated with investment made through the QFI regime”.

### **4. Other administrative or miscellaneous updates and changes**

Other amendments will also be made to the Principal Brochure, including but not limited to:-

- (i) Administrative updates to the address and biography of the Management Company;
- (ii) General updates and enhancement of risk disclosures in section 4 headed “**RISK FACTORS**”;
- (iii) Updates to the investment policies of Principal Asian Equity Fund, Principal China Equity Fund and Principal Hong Kong Equity Fund in section 8 headed “**INVESTMENT PORTFOLIO FACT SHEETS**” to better align with the investment policies of their underlying funds; and
- (iv) Other editorial amendments and administrative updates.

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

Save as disclosed above, there will be (i) no material change to the other features of the relevant Investment Portfolios and the operation and/or manner in which the relevant Investment Portfolios are being managed in practice; (ii) no increase in the overall risk profiles of the relevant Investment Portfolios; (iii) no change in the fee levels and fees and charges structure of the relevant Investment Portfolios. Based on the above, we are of the view that the Changes to the relevant Investment Portfolios would not have any adverse impact on Scheme Participants’ rights or interests.

No action is required of the Scheme Participants to effect the Changes.

## **6. Availability of documents**

The Principal Brochure will be amended by means of a third addendum to reflect the Changes and/or other administrative and miscellaneous updates and changes on or around the Effective Date. Scheme Participants may obtain a copy of the latest Principal Brochure from our website at [www.principal.com.hk](http://www.principal.com.hk)<sup>2</sup> or request for a copy through our customer service hotline at 2827 1233.

No amendment is required to be made to the Master Trust Deed in respect of the Changes. Copies of the Master Trust Deed are available for inspection free of charge at the office of the Management Company at 29/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. Copies of the Master Trust Deed can be purchased from the Administrator on payment of a reasonable fee.

If you have any queries relating to the above, please contact our customer service hotline at (852) 2827 1233.

### **Principal Asset Management Company (Asia) Limited**

19 June 2024

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<sup>2</sup> This website has not been reviewed by the SFC.

# PRINCIPAL TRUST COMPANY (ASIA) LIMITED RETIREMENT SCHEME SECOND ADDENDUM

This Second Addendum should be read in conjunction with and forms part of the Principal Brochure published on 1 December 2022 for the Principal Trust Company (Asia) Limited Retirement Scheme (the "**Principal Brochure**"), as amended by the First Addendum dated 1 January 2023. All capitalised terms in this Second Addendum have the same meaning as in the Principal Brochure, unless otherwise stated.

Principal Trust Company (Asia) Limited accepts full responsibility for the information contained in this Second Addendum as being accurate as at the date of publication.

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By this Second Addendum, the Principal Brochure shall be amended as follows with effect from 12 July 2024:

1. Each of the following shall be deleted in its entirety and removed from the Principal Brochure:
  - (i) Paragraph 2 of Important Notes on page 1;
  - (ii) The following references under section headed "**CONTENTS**" on page 3:
    - "Section 8.1 Principal Long Term Guaranteed Fund 22",
    - "Section 8.2 Principal Capital Guaranteed Fund 31", and
    - "APPENDIX – ILLUSTRATIONS OF THE GUARANTEE FEATURES OF THE PRINCIPAL LONG TERM GUARANTEED FUND 70";
  - (iii) Sub-section 3.3(b) headed "**Investment Portfolios that are guaranteed funds**" on page 7;
  - (iv) Section 8.1 headed "**Principal Long Term Guaranteed Fund**" on pages 22 to 30;
  - (v) Section 8.2 headed "**Principal Capital Guaranteed Fund**" on pages 31 to 34;
  - (vi) The definition for "Guarantor" under Section 9 headed "**GLOSSARY**";
  - (vii) The "**APPENDIX – ILLUSTRATIONS OF THE GUARANTEE FEATURES OF THE PRINCIPAL LONG TERM GUARANTEED FUND**" from pages 70 to 86.
2. Section 2 headed "**Key Operators**" on page 5 shall be amended as follows:
  - (i) The address of Principal Asset Management Company (Asia) Limited under the sub-section headed "**Management Company**" shall be deleted in its entirety and replaced by the following:
    - "29/F, Sun Hung Kai Centre
    - 30 Harbour Road
    - Wanchai, Hong Kong"; and
  - (ii) The address of Principal Investment & Retirement Services Limited under the sub-section headed "**Promoter**" shall be deleted in its entirety and replaced by the following:
    - "29/F, Sun Hung Kai Centre
    - 30 Harbour Road
    - Wanchai, Hong Kong"

3. Section 3.1 headed "**Investment Portfolios**" on page 6 shall be deleted in its entirety and replaced by the following:

### "3.1 Investment Portfolios

The Scheme has diverse selection of Investment Portfolios that will meet the needs of all Employers and all Employees whether they are savvy financial investors or conservative savers.

The Scheme currently offers 11 Investment Portfolios:

	<b>Investment Portfolio</b>	<b>Date of Establishment</b>
1.	Principal Asian Equity Fund	01/11/1996
2.	Principal International Bond Fund	01/11/1996
3.	Principal U.S. Equity Fund	01/11/1996
4.	Principal International Equity Fund	01/11/1996
5.	Principal Money Market Fund	01/11/1996
6.	Principal Asset Accumulation Fund	31/12/1998
7.	Principal Long Term Accumulation Fund	03/11/2006
8.	Principal Stable Yield Fund	03/11/2006
9.	Principal Global Growth Fund	03/11/2006
10.	Principal China Equity Fund	03/11/2006
11.	Principal Hong Kong Equity Fund	03/11/2006

The Investment Portfolios were established in Hong Kong.

To invest in the above Investment Portfolio(s) of the Scheme, subject to the rules of the relevant participating scheme, Employers/Employees may designate their choices of Investment Portfolios. Their contributions will be used to purchase units of the particular Investment Portfolio(s) they have chosen according to the choices made and percentage allocated."

4. The first paragraph under Section 3.3 headed "**Investment and borrowing restrictions**" on page 6 shall be deleted in its entirety and replaced by the following:

"The Investment Portfolios are funds investing in SFC-authorized funds(s). The Investment Portfolios are subject to the following investment requirements:"

5. The first two paragraphs under Sub-section 5.2(b) "**Other expenses**" on pages 14 and 15 shall be deleted in their entirety and replaced by the following:

"The Trustee and the Management Company will be entitled to charge any expenses incurred in the establishment, administration and management of the Investment Portfolios.

Subject to the provisions in relation to the Principal Asset Accumulation Fund, each of the Investment Portfolios is to bear the costs set out in the Master Trust Deed of the Scheme that are directly attributable to it. Any other costs of the Scheme which are not directly attributable to an Investment Portfolio will be allocated to all the Investment Portfolios in proportion to their respective net asset value. The costs that the Scheme may incur include but not limited to custodian fees, valuation fees, auditor's fees, legal fees, costs incurred in regulatory approval and the maintenance of the Scheme and the costs of preparation, distribution of the Principal Brochure. The Trustee has the discretion to waive part or all of the foregoing expenses, fees and charges."

6. Section 7.3 headed "**Unitization**" on page 19 shall be deleted in its entirety and replaced by the following:

"The unitholdings of the insurance policy funds held by the Trustee immediately preceding the establishment of the following Investment Portfolios shall, upon the establishment of such Investment Portfolios, be credited into the corresponding Investment Portfolios. The initial value of each unit of such Investment Portfolios was equal to the unit prices of the corresponding insurance policy funds held by the Trustee as at the date on which unitholdings of such insurance policy funds were credited into the corresponding Investment Portfolios.

- (i) Principal Asian Equity Fund;
- (ii) Principal International Bond Fund;
- (iii) Principal U.S. Equity Fund;
- (iv) Principal International Equity Fund;
- (v) Principal Money Market Fund; and
- (vi) Principal Asset Accumulation Fund.

The initial unit value of the other Investment Portfolios was HK\$10. For all Investment Portfolios, the unit value after the date of issue will be the unit value of the Investment Portfolio on the relevant Valuation Date. Contributions will be used to purchase units of the Investment Portfolios chosen by Employers/Employees on the Valuation Date as soon as reasonably practicable after the Trustee receives and verifies the contributions.

All Investment Portfolios will invest in SFC-authorized unit trust funds and none of them will invest in insurance policy funds."

Except as amended by this Second Addendum, the Principal Brochure as amended by the First Addendum dated 1 January 2023 remains in full force and effect.

\* \* \*

**Principal Trust Company (Asia) Limited**  
**12 July 2024**

This notice is important and requires your immediate attention. It should be read by all the principal employers, participating employers (together, “Employers”) and employee members (“Employees”) (collectively, “Scheme Participants”) of Principal Trust Company (Asia) Limited Retirement Scheme (“Scheme”). If you are in any doubt about the contents of this document, you should seek independent professional financial advice.

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

This notice only summarises the changes to the Scheme. Scheme Participants may obtain a copy of the latest Principal Trust Company (Asia) Limited Retirement Scheme Principal Brochure (“**Principal Brochure**”) from our website at [www.principal.com.hk](http://www.principal.com.hk) or request for a copy through our customer service hotline at 2827 1233.

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Dear Scheme Participants,

Thank you for your continued support of the Scheme.

We are writing to you of a change to the Scheme, which will take effect on 20 June 2024 (the “**Effective Date**”). Unless otherwise defined herein, capitalised terms in this notice have the same meanings as ascribed to them in the Principal Brochure.

**The table summarises the change to the Scheme, which is elaborated in the main body of this notice:**

***What is the Termination (as defined below)?***

**(a) Termination of the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund**

The Principal Long Term Guaranteed Fund (“LTGF”) and the Principal Capital Guaranteed Fund (“CGF”) (collectively, the “Terminating Investment Portfolios”), currently respectively invest into:

- the Principal Guaranteed ORSO Fund Policy – Principal Long Term Guaranteed Fund under the Principal Guaranteed ORSO Fund Policy dated 30 September 2004, as amended by three endorsements dated 30 September 2004, 2 January 2007 and 14 November 2008; and
- the Principal Guaranteed Umbrella Fund Policy – Principal Capital Guaranteed Fund under the Principal Guaranteed Umbrella Fund Policy dated 1 December 2000, as amended by two endorsements dated 23 May 2003 and 2 January 2007.

The aforesaid policies were issued by Principal Insurance Company (Hong Kong) Limited (“Insurer”) and will be referred to herein collectively as the “Policies”, and each a “Policy”.



The Trustee has been informed by the Insurer that it has decided to terminate the Policies as part of its internal restructuring to demise its guaranteed fund offerings. After being notified of the Insurer's decision to terminate the Policies, the Trustee has researched and tried to find other alternatives. Unfortunately, there are no similar insurance policies with guaranteed elements provided by other insurance companies in the market. The Trustee therefore has concluded that terminating the Terminating Investment Portfolios (the "Termination") is the only viable option.

The Termination is permitted under clause 11.1.7 of the restated master trust deed ("Master Trust Deed"). Pursuant to clause 11.1.7 of the Master Trust Deed, we are hereby giving three months' prior written notice in relation to the Termination, which will take effect on the Effective Date. If you do not switch out of the Terminating Investment Portfolio(s) at or before 4:00 p.m. (Hong Kong time) on or before 7 June 2024 ("Cut-off Deadline"), on the Effective Date the redemption proceeds of the Terminating Investment Portfolio(s) will be used to purchase units in the following Default Investment Portfolios (as defined below):

Terminating Investment Portfolio	Default Investment Portfolio
LTGF	Principal Stable Yield Fund
CGF	Principal Asset Accumulation Fund

For details of the Termination, please refer to paragraph 1.

#### *Scheme Participants' Options*

- (b) Before the Cut-off Deadline, you may (i) switch your existing investment in the Terminating Investment Portfolio(s) to other Investment Portfolios under the Scheme and/or (ii) change your investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) by submitting to us valid and duly completed instructions in paper form, by fax, by online service portal and by Interactive Voice Response System. Instructions by paper form or fax must be received by us at or before 4:00 p.m. (Hong Kong time) on the Cut-off Deadline.

For details of the Scheme Participants' Options in respect of their investments following the Termination, please refer to paragraph 2.

#### *One-off Arrangement - only applies to the LTGF\**

- (c) In relation to any Scheme Participant, if a Scheme Participant applies for switching or transfer out of ALL accrued benefits under the LTGF as at the time of such switching or transfer out to other Investment Portfolio(s) under the Scheme or to another registered scheme between 20 March 2024 and 7 June 2024 (both dates inclusive), or there are accrued benefits under the LTGF in the Scheme Participant's account on the Effective Date, the Scheme Participants will be entitled to the higher of the qualifying balance and the nominal account balance subject to the conditions set out in paragraph 3.2 below. This is a one-off arrangement specially offered by the Insurer in response to the Termination ("One-off Arrangement"). If, however, a Scheme Participant applies for partial switching of a portion of accrued benefits under the LTGF between 20 March 2024 and 7 June 2024 (both dates inclusive), the portion that is partially switched out will not be entitled to the higher of the qualifying balance and the nominal account balance, but such portion will be entitled to the nominal account balance only. The remaining portion of accrued benefits after the partial switch out (or if there are multiple partial switch out, after the last partial switch out) will be entitled to the higher of the qualifying balance and the nominal account balance when the remaining portion of the accrued benefits (i) stays until the Effective Date; or (ii) is switched out in full by the Cut-off Deadline, subject to the conditions set out in paragraph 3.2 below.

*\* Note: The guarantee of capital provided under the CGF applies in all circumstances. Accordingly, Scheme Participants will be entitled to the capital guarantee offered under the CGF even if they do fund switching or withdraw their accrued benefits prior to the Cut-off Deadline.*

For details, please refer to paragraph 3.

### *Default Investment Portfolio Arrangements*

- (d) If we do not receive instructions from you to switch your existing investment in the Terminating Investment Portfolio(s) to other Investment Portfolio(s) under the Scheme before 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, then on the Effective Date, your unitholdings in the Terminating Investment Portfolios will be redeemed and the redemption proceeds will be used to purchase units in the Default Investment Portfolios.
- (e) If we do not receive instructions from you to change your investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) before 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, then from the Effective Date, your existing accrued benefits and any future contributions payable that would have been invested in the Terminating Investment Portfolios will be invested in the Default Investment Portfolios.

The Default Investment Portfolios, which are not guaranteed funds, have similar investment objectives as the Terminating Investment Portfolios. For details of the Default Investment Portfolios, please refer to paragraph 4.

### *Liquidation of the LTGF*

- (f) As directed by the Management Company, the liquidation process of the LTGF will begin on 20 May 2024.
- (g) Scheme Participants' options and all arrangements described in this notice (including without limitation the One-off Arrangement and the default investment portfolio arrangement) will not be affected by the commencement of the liquidation of the LTGF. Scheme Participants with interests in the LTGF are entitled to exercise their options to make fund switching and/or to change investment mandate instructions by the relevant cut-off time on the Cut-off Deadline.

For details, please refer to paragraph 5.

### *How will the Termination impact Scheme Participants?*

- (h) Irrespective of whether the Scheme Participant has any interest in the Terminating Investment Portfolio(s) or not, all Scheme Participants will be subject to the transitional arrangement, suspension and checking as further elaborated in the body of this notice.
- (i) We are of the view that the Termination will not have an adverse impact on the Scheme Participants, and that the interests of the Scheme Participants will be adequately protected by investing in the Default Investment Portfolios or other Investment Portfolios under the Scheme.
- (j) The cost of the Termination will be borne by us. As such, no expenses relating to the Termination will be borne by the Scheme Participants or the Scheme. Upon the Termination, no guaranteed fund will be offered under the Scheme.

For details of the consequence of the Termination and impact on the Scheme Participants, please refer to paragraph 7.

### *Actions to be taken*

- (k) No action is required of the Scheme Participants to effect the Termination. However:
  - i. a Scheme Participant who does not wish to invest in the Default Investment Portfolios may (a) switch his/her existing investment in the Terminating Investment Portfolios to other Investment Portfolios under the Scheme, and/or (b) change his/her investment mandate in respect of new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) to another Investment Portfolio(s) designated by him/her;

- ii. a Scheme Participant other than Employees who does not wish to be involved in the Termination may transfer out of the Scheme in full. A Scheme Participant who is an Employee will not be entitled to transfer out of the Scheme unless his/her participating employer elects to do so; and
- iii. notwithstanding paragraph (k)ii. above, a Scheme Participant who is entitled to receive minimum MPF benefits<sup>1</sup> under the Scheme may also transfer out of the Scheme in full or withdraw his/her minimum MPF benefits in its entirety under the Scheme in accordance with the provisions of the Master Trust Deed.

(l) No fees, penalty, bid and offer spreads or other transaction fees will be imposed on any fund switching or change of investment mandate instructions or any transfer out of the Scheme or withdrawal of minimum MPF benefits (in the case of Scheme Participants who are entitled to receive minimum MPF benefits only) described under paragraph (k) above.

**Contact details**

(m) If you have any questions or concerns about the changes set out in this notice, please contact our customer service hotline at (852) 2827 1233.

## 1. The Termination

1.1 The LTGF and the CGF currently invest respectively into the Principal Guaranteed ORSO Fund Policy – Principal Long Term Guaranteed Fund and the Principal Guaranteed Umbrella Fund Policy – Principal Capital Guaranteed Fund under the Policies issued by the Insurer. Pursuant to clause 14.4 of each of the Policies, the Insurer may terminate the Policy by giving the policyholder (i.e., the Trustee) at least three months' prior notice in writing.

1.2 The Trustee has received a notice from the Insurer terminating the Policies. The Trustee has been informed that the Insurer has decided to terminate the Policies as part of its internal restructuring to demise its guaranteed fund offerings. As a result of the termination of the Policies, the Trustee has researched and tried to search for alternative arrangements for the Terminating Investment Portfolios, including (a) potential replacement funds for the Terminating Investment Portfolios; and (b) the Termination. After considering these alternatives from various angles and their potential impacts on the Scheme Participants, the Trustee has concluded that the Termination is the only viable option. Pursuant to clause 11.1.7 of the Master Trust Deed, the Trustee with the written consent of the Insurer, hereby gives not less than three months' prior notice to the Scheme Participants in relation to the Termination, which will take effect on the Effective Date.

## 2. Scheme Participants' Options

### Fund Switching

2.1 According to clause 11.2.3 (i) of the Master Trust Deed, an Employee or his Employer (as the case may be) may change the investments in the Investment Portfolios by submitting to the Trustee instruction to redeem all or part of the units of an Investment Portfolio standing to the credit of the accounts of the relevant Employee and to apply such redemption proceeds to acquire units in one or more Investment Portfolios as specified in the instruction.

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<sup>1</sup> Note 1 – This means the minimum MPF benefits as defined in the Mandatory Provident Fund Schemes (Exemption) Regulation (Cap. 485B of the Laws of Hong Kong), i.e. in relation to a member of a relevant scheme, the lesser of – (a) the member's benefits accrued and held under the scheme during the period when the exemption certificate applied to the scheme; (1 of 2015 s. 53); or (b)  $1.2 \times \text{final average monthly relevant income} \times \text{years of post-MPF service}$ .

2.2 Scheme Participants who wish to switch their existing investments in the Terminating Investment Portfolio(s) to other Investment Portfolios under the Scheme must submit to us valid and duly completed instructions (i) in paper form or by fax by 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, or (ii) by the online service portal or the Interactive Voice Response System by the Cut-off Deadline<sup>2</sup>.

#### Change of Investment Mandate

2.3 According to clause 11.2.1(i) of the Master Trust Deed, an Employee or his Employer (as the case may be) is entitled to specify the manner in which any subscription money (i.e. contributions made by or in respect of an Employee under the Scheme and any accrued benefits to be transferred from another retirement benefits scheme into the Scheme or any moneys received by the Trustee in relation to any other payments to be transferred into the Scheme) in respect of the Employee shall be invested by submitting a new election to the Trustee in a manner as prescribed by the Trustee.

2.4 Scheme Participants may change their investment mandate in respect of new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) to other Investment Portfolio(s) under the Scheme as designated by the Scheme Participants by submitting to us valid and duly completed instructions (i) in paper form or by fax by 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, or (ii) by the online service portal or the Interactive Voice Response System by the Cut-off Deadline.

### **3. One-off Arrangement – only applies to the LTGF**

#### LTGF

3.1 The LTGF offers the guarantee of capital and return (“GCR”), as detailed in section 8.1 and Appendix of the Principal Brochure. Under the current guarantee mechanism of the LTGF, the GCR will only be offered to Scheme Participants if the accrued benefits attributable to contributions in the LTGF are withdrawn upon the occurrence of one of the qualifying events. The qualifying events are:

- Attainment of the normal retirement age or retirement at or after the early retirement age but before the normal retirement age;
- Total incapacity;
- Terminal illness;
- Death;
- Termination of the member’s employment (regardless of the reason of termination) and the qualifying period is at least 36 complete months, provided that the qualifying period may be re-set to zero if the Scheme Participant effects a redemption, switching out or withdrawal of the units in the Investment Portfolio other than upon the occurrence of a qualifying event.

3.2 The Insurer has put in place a One-off Arrangement where Scheme Participants will remain entitled to the GCR offered (i.e. essentially this means the higher of the nominal account balance and the qualifying balance (for the illustration of the guarantee mechanism, please refer to Appendix to the Principal Brochure and Appendix I to this notice)), under the LTGF. Under the One-off Arrangement, Scheme Participants will be entitled to the GCR in the following situations:

- (a) If Scheme Participants’ accrued benefits investing in LTGF remain in full until the Effective Date, they will be entitled to GCR; or
- (b) If Scheme Participants apply for full fund switching of their accrued benefits investing in LTGF to other Investment Portfolios under the Scheme between 20 March 2024 and 7 June 2024 (both dates inclusive), they will be entitled to GCR; or

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<sup>2</sup> Note 2 – Notwithstanding that clause 11.1.9 of the Master Trust Deed provides that Employee or Employer has 1 month after notice of termination to notify the Trustee of new investment election before the default investment portfolio arrangement applies, Scheme Participants may notify us by the Cut-off Deadline.

- (c) If Scheme Participants effect partial fund switching to switch a portion of their accrued benefits investing in LTGF to other Investment Portfolios under the Scheme between 20 March 2024 and 7 June 2024 (both dates inclusive), then the portion that is partially switched out will not be entitled to GCR, but will be entitled to the nominal account balance only. Scheme Participants will be entitled to GCR in respect of the remaining portion of the accrued benefits (or if there are multiple partial switch out, the remaining portion of the accrued benefits after the last partial switch out) that has not been switched out when such remaining portion (i) stays until the Effective Date; or (ii) is switched out in full by the Cut-off Deadline; or
- (d) For Scheme Participants who have the right to transfer out of the Scheme (see details in paragraph 8 below), if they effect transfer out of the Scheme in full and as a result, their accrued benefits investing in LTGF are transferred out in full to other registered MPF schemes between 20 March 2024 and 7 June 2024 (both dates inclusive), they will be entitled to GCR.

#### CGF

- 3.3 The guarantee of capital provided under the CGF applies in all circumstances (i.e. the guarantee of capital is not subject to any guarantee conditions; hence, the One-off Arrangement is not applicable to the CGF). Accordingly, Scheme Participants will be entitled to the capital guarantee offered under the CGF even if they do fund switching or withdraw their accrued benefits prior to the Cut-off Deadline.

#### **4. Default Investment Portfolio Arrangements**

- 4.1 Taking into consideration (i) the investment objective and policies, (ii) the risk and return profiles and (iii) the management fees, the Trustee considers that the Default Investment Portfolios under the Scheme would offer comparable alternatives to the Scheme Participants. Please refer to **Appendix II** to this notice which sets out a more detailed comparison between the respective Terminating Investment Portfolio and the corresponding Default Investment Portfolio.
- 4.2 If we do not receive instructions from the Scheme Participant in respect of the fund switching pursuant to paragraph 2.2 above, then on the Effective Date, the Scheme Participant's unitholdings in the Terminating Investment Portfolios will be redeemed and the redemption proceeds will be used to purchase units in the Default Investment Portfolios.
- 4.3 If we do not receive instructions from the Scheme Participant to change his/her investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) pursuant to paragraph 2.4 above, then from the Effective Date, the Scheme Participant's existing accrued benefits and any future contribution payable that would have been invested in the Terminating Investment Portfolios will be invested in the Default Investment Portfolios.
- 4.4 Given the similarities of investment objectives between the Terminating Investment Portfolios and the Default Investment Portfolios, the Trustee is of the view that the Default Investment Portfolios are more suitable alternatives compared to the other Investment Portfolios under the Scheme in the context of the Termination.

#### **5. Liquidation of the LTGF**

- 5.1 As directed by the Management Company, the liquidation process of the LTGF will begin on 20 May 2024. The Trustee considers that commencing the liquidation of the LTGF 1 month prior to the Effective Date will facilitate an orderly wind-up of the LTGF, reduce impact of any adverse market conditions on the value and return of the LTGF and ensure a smooth transition in relation to the Termination. After the commencement of the liquidation of the LTGF, the objectives, investment policy and investment strategy of the LTGF may deviate from those as stated under the Investment Portfolio Fact Sheet in respect of the LTGF in the Principal Brochure.

5.2 Scheme Participants' options and all arrangements described here this notice (including without limitation the One-off Arrangement and the default investment portfolio arrangement) will not be affected by the commencement of the liquidation of the LTGF. Scheme Participants with interests in the LTGF are entitled to exercise their options to make fund switching and/or to change investment mandate instructions by the relevant cut-off time on the Cut-off Deadline.

## 6. Transitional Arrangement, Suspension and Checking

### Transitional Arrangement

6.1 The last dealing date of instructions related to the Terminating Investment Portfolios, including subscription, redemption, change of investment mandate and fund switching will be the Cut-off Deadline (i.e. 7 June 2024). The details of the transitional arrangement of instructions involving the Terminating Investment Portfolio(s) will be as follows:

Type of instructions that involve the Terminating Investment Portfolio(s)	Instructions received at or before the relevant cut-off time on the Cut-off Deadline	Instructions received after the relevant cut-off time on the Cut-off Deadline
Fund switching and change of investment mandate instructions that involve the Terminating Investment Portfolio(s)	<p><u>Fund switching</u> Should the relevant valid and duly completed fund switching instructions be received <b>(i) on or before the Cut-off Deadline at or before 4:00 p.m. (Hong Kong time) for paper and fax instructions, and (ii) for online service portal and Interactive Voice Response System instructions, by the Cut-off Deadline</b>, such instructions will be processed under the Trustee's normal service benchmark before the Effective Date.</p> <p><u>Change of investment mandate</u> Should the relevant valid and duly completed instructions for change of investment mandate in respect of new contributions and transfer-in benefits be received <b>(i) on or before the Cut-off Deadline at or before 4:00 p.m. (Hong Kong time) for paper and fax instructions, and (ii) for online service portal and Interactive Voice Response System instructions, by the Cut-off Deadline</b>, such instructions will be processed before the Effective Date under the Trustee's normal service benchmark.</p>	<p>Fund switching instructions involving the Terminating Investment Portfolio(s) will be rejected, except with respect to fund switching instruction not involving Terminating Investment Portfolio(s) which will be processed under the Trustee's normal service benchmark after the Effective Date.</p> <p>Change of investment mandate instructions involving the Terminating Investment Portfolio(s) will be rejected, except with respect to change of investment mandate instructions not involving the Terminating Investment Portfolios, which will be processed under the Trustee's normal service benchmark after the Effective Date.</p> <p>The Trustee will endeavour to call affected Scheme Participants or issue rejection letters/emails to the affected Scheme Participants, save for those untraceable Scheme Participants whom the Trustee is unable to contact.</p>

- 6.2 Paper submission of instructions should be posted to the Trustee at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong; instructions through fax can be submitted to (852) 2827 1707, where applicable.
- 6.3 For the avoidance of doubt, immediately after 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, the Terminating Investment Portfolios will cease to be available for investment by the Scheme Participants via online service portal and Interactive Voice Response System.

#### **Suspension Period**

- 6.4 Immediately prior to the Effective Date, fund switching and change of investment mandate for future assets for **ALL** Scheme Participants, irrespective of whether they have interest in the Terminating Investment Portfolio(s) or not, will not be available and will be suspended from 11 June 2024 to 19 June 2024 (both dates inclusive) (the “**Suspension Period**”). This Suspension Period is for the Trustee to process and settle all the fund switching and dealing instructions to the Terminating Investment Portfolios, as well as settle all liabilities and finalise the books of the Terminating Investment Portfolio(s) for the Termination. The determination of the net asset value of the Terminating Investment Portfolio(s) will continue and will not be affected by the suspension. The Trustee believes that the Suspension Period of seven business days is necessary and reasonable to ensure the transitional arrangements can be accurately and properly carried out in the Scheme Participants’ interests.

#### **Checking Period**

- 6.5 Following the completion of the Termination on the Effective Date, the Administrator will perform checking procedures (e.g. reconciliation of affected Scheme Participants' unitholdings) from the Effective Date to 24 June 2024 at 9:00 a.m. (Hong Kong time) (both dates inclusive) (the “**Checking Period**”) for the protection of Scheme Participants' interests.
- 6.6 During the Checking Period:
- (i) **ALL** Scheme Participants, irrespective of whether or not they have any interest in the Terminating Investment Portfolios, may access the online account and Interactive Voice Response System but only to enquire the total balance at Scheme Participant account level immediately prior to the Effective Date. The latest account balances during the Checking Period will not be reflected on the online account and the Interactive Voice Response System;
  - (ii) investment mandate forms to make fund switching or change of investment mandate requests may not be submitted online or via the Interactive Voice Response System by **ALL** Scheme Participants, irrespective of whether or not they have any interest in the Terminating Investment Portfolio(s);
  - (iii) Scheme Participants may submit investment mandate forms via mail/ e-mail/ handling in/ facsimile to make fund switching or change of investment mandate requests in respect of Investment Portfolio(s) other than the Terminating Investment Portfolio(s). Such requests received will be processed as per usual practice and free of charge.

## 7. Consequence of the Termination and Impact on the Scheme Participants

- 7.1 The Scheme Participants investing in the Terminating Investment Portfolio(s) immediately before the Effective Date (i.e., those who do not exercise their rights to switch out of the Terminating Investment Portfolio(s)) will become investing in the respective Default Investment Portfolio(s) on the Effective Date. The total value of holdings immediately before and after the switching will be unchanged.
- 7.2 In addition, if the Scheme Participants do not exercise their rights to change their investment mandate by the relevant cut-off time on the Cut-off Deadline under paragraph 6.1 above, any existing accrued benefits, future contributions payable and transfer-in benefits received in respect of such Scheme Participants that would have been invested in the Terminating Investment Portfolio(s) (had they not been transferred to the corresponding Default Investment Portfolio(s)) will be invested in the corresponding Default Investment Portfolio(s) from the Effective Date.
- 7.3 If the Scheme Participants exercise their rights to change their investment mandate instructions or submit fund switching instructions to other Investment Portfolios under the Scheme (the **“Transferee Investment Portfolios”**) at or before the relevant cut-off time on the Cut-off Deadline, such instructions will be processed under the Trustee's normal service benchmark, before the Effective Date.
- 7.4 We will liaise with all service providers such as the investment manager and custodian of the Scheme and the related Investment Portfolios to ensure proper arrangements (including but not limited to administrative and operational arrangements) are put in place for the transition and a smooth transfer of accrued benefits of the Scheme Participants from the Terminating Investment Portfolios to the Default Investment Portfolios or the Transferee Investment Portfolios (as the case may be) as the Scheme Participants may instruct. There will be no bid and offer spreads or other transaction costs in relation to the redemptions of the units of the Terminating Investment Portfolios and the subsequent subscriptions in the units of the Default Investment Portfolio or the Transferee Investment Portfolios (as the case may be).
- 7.5 The Principal Brochure will be amended to reflect the Termination with effect from the Effective Date. The revised Principal Brochure is expected to be available on or around the Effective Date.

## 8. Opt out of the Scheme

- 8.1 No action is required of the Scheme Participants to effect the Termination.
- 8.2 A Scheme Participant who does not wish to be involved in the Termination may (i) switch his/her existing investment in the Terminating Investment Portfolio(s) to other Investment Portfolios under the Scheme, and/or (ii) change his/her investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating Investment Portfolio(s) by submitting to us a validly completed instruction in accordance with paragraphs 2.2 and 2.4 above respectively.
- 8.3 Scheme Participants other than Employees who do not wish to be involved in the Termination may transfer out of the Scheme in full. A Scheme Participant who is an Employee will not be entitled to transfer out of the Scheme unless his/her participating employer elects to do so.
- 8.4 Notwithstanding paragraph 8.3 above, Scheme Participants who are entitled to receive minimum MPF benefits<sup>3</sup> under the Scheme may also transfer out of the Scheme in full or withdraw his/her minimum MPF benefits<sup>4</sup> in its entirety under the Scheme in accordance with the provisions of the Master Trust Deed. For the avoidance of doubt, any transfer out of the Scheme will be a full transfer out and there will be not be partial transfer out of the Scheme in any circumstances.

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<sup>3</sup> Note 3 – As defined under Note 1.

<sup>4</sup> Note 4 – As defined under Note 1.



8.5 No fees, penalty, bid and offer spreads or other transaction fees will be imposed on any fund switching or change of investment mandate instructions or transfer out of the Scheme or withdrawal of minimum MPF benefits<sup>5</sup> (in the case of Scheme Participants who are entitled to receive minimum MPF benefits<sup>6</sup> only) described in this notice. Scheme Participants should review all relevant terms and conditions of the Scheme and the relevant Investment Portfolios before making any decision.

\* \* \*

If you have any questions or concerns about the Termination set out in this notice, please contact our customer service hotline at (852) 2827 1233.

**Principal Trust Company (Asia) Limited**

20 March 2024

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<sup>5</sup> Note 5 – As defined under Note 1.

<sup>6</sup> Note 6 – As defined under Note 1.

## Appendix I

### Illustrative examples for One-off Arrangement

(i) Full fund switching / transfer out

**Assumptions:**

1. Scheme Participant makes full fund switching or transfer out of his/her investment in the LTGF between 20 March 2024 and 7 June 2024 (both dates inclusive), assumed the full switching or transfer out is made on 20 March 2024.

**Fund position before making any fund switching or transfer out:**

Date	Nominal Account Balance (“NB”) (reflects actual investments)	Qualifying Account Balance (“QB”)
20 March 2024	HKD5,000	HKD6,000

Example below illustrates how guarantee will apply under the One-off Arrangement when the Scheme Participant switches out or transfers out the full amount between 20 March 2024 and 7 June 2024 (both dates inclusive).

Since the One-off Arrangement applies to full fund switching or transfer out between 20 March 2024 and 7 June 2024 (both dates inclusive), the greater of the total QB or the NB will be paid.

QB = HKD6,000

NB = HKD5,000

Therefore, HKD6,000 will be paid.

(ii) Partial fund switching

**Assumptions:**

1. Scheme Participant makes partial fund switching of his/her investment in the LTGF between 20 March 2024 and 7 June 2024 (both dates inclusive), assumed the partial switching is made on 20 March 2024.

**Fund position before making any fund switching:**

Date	NB (reflects actual investments)	QB
20 March 2024	HKD5,000	HKD6,000

The example below illustrates how the guarantee will be applied when the Scheme Participant switches out the partial amount under the One-off Arrangement and how the remaining accrued benefit will be treated on the Effective Date.

Scheme Participant switches out 40% of his/her accrued benefit on 20 March 2024. Since partial switching is not a qualifying event, it will not be entitled to QB.

NB = HKD5,000 x 40% = HKD2,000

QB = HKD6,000 x 40% = HKD2,400 (not entitled)

Therefore, HKD2,000 will be paid.

Under the One-off Arrangement, the switch out amount will be deducted from the NB and QB as follows:

$$\begin{aligned} \text{NB after withdrawal} &= \text{HKD}5,000 - (\text{HKD}5,000 \times 40\%) \\ &= \text{HKD}3,000 \end{aligned}$$

$$\begin{aligned} \text{QB after withdrawal} &= \text{HKD}6,000 - (\text{HKD}6,000 \times 40\%) \\ &= \text{HKD}3,600 \end{aligned}$$

**Fund position after making the fund switching:**

Date	NB (reflects actual investments)	QB
20 March 2024	HKD3,000	HKD3,600

(A) The remaining balance remains in LTGF until the Effective Date

**Fund position as of 20 June 2024 (assume no further contribution or withdrawal after the partial fund switching)**

Date	NB (reflects actual investments)	QB
20 June 2024	HKD3,000	HKD3,609

The accrued balance will be switched to the Default Investment Portfolio on the Effective Date. The amount to be switched will be as follow:

$$\text{NB} = \text{HKD}3,000 \text{ (NB is subject to the market movement, assumed zero gain/loss in the above example)}$$

$$\begin{aligned} \text{QB} &= \text{Qualifying balance accrued at the guaranteed rate (assume that it is 1\% in this example) for 93 days} \\ &\quad \text{(i.e. from 20 March 2024 to 20 June 2024)} \\ &= \text{HKD}3,600 \times 101\% \wedge (93/366) \\ &= \text{HKD}3,609 \end{aligned}$$

Since  $\text{QB} > \text{NB}$ , the balance to be switched to the Default Investment Portfolio will be HKD3,609.

If the Scheme Participant decides to switch out all the remaining balance by the Cut-off Deadline, the greater of the total QB (i.e. HKD3,609) or the NB (i.e. HKD3,000) at the time of switching will be paid since the One-off Arrangement applies to full fund switching between 20 March 2024 and 7 June 2024 (both dates inclusive).

(B) Scheme Participant further switches out 20% of his/her remaining accrued benefit on 20 May 2024. The remaining balance remains until the Effective Date.

**Fund position as of 20 May 2024 before making 20% partial switching**

Date	NB (reflects actual investments)	QB
20 May 2024	HKD3,000	HKD3,606

$$\text{NB} = \text{HKD}3,000 \text{ (NB is subject to the market movement, assumed zero gain/loss in the above example)}$$

$$\begin{aligned} \text{QB} &= \text{Qualifying Balance accrued at the guaranteed rate (assume that it is 1\% in this example) for 61 days} \\ &\quad \text{(i.e. from 20 March 2024 to 20 May 2024)} \\ &= \text{HKD}3,600 \times 101\% \wedge (61/366) \\ &= \text{HKD}3,606 \end{aligned}$$

Since partial switching out is not a qualifying event, it will not be entitled to QB.

$$\begin{aligned} \text{NB} &= \text{HKD}3,000 \times 20\% = \text{HKD}600 \\ \text{QB} &= \text{HKD}3,606 \times 20\% = \text{HKD}721 \text{ (not entitled)} \end{aligned}$$

Therefore, HKD600 will be paid.

Under the One-off Arrangement, the switch out amount will be deducted from the NB and QB as follows:

$$\begin{aligned} \text{NB after withdrawal} &= \text{HKD}3,000 - (\text{HKD}3,000 \times 20\%) \\ &= \text{HKD}2,400 \end{aligned}$$

$$\begin{aligned} \text{QB after withdrawal} &= \text{HKD}3,606 - (\text{HKD}3,606 \times 20\%) \\ &= \text{HKD}2,885 \end{aligned}$$

**Fund position as of 20 June 2024 (assume no further contribution or withdrawal after the partial fund switching)**

Date	NB (reflects actual investments)	QB
20 June 2024	HKD2,400	HKD2,887

The remaining balance remains in LTGF until the Effective Date. The accrued balance will be switched to the Default Investment Portfolio on the Effective Date. The amount to be switched will be as follow:

$$\text{NB} = \text{HKD}2,400 \text{ (NB is subject to the market movement, assumed zero gain/loss in the above example)}$$

$$\begin{aligned} \text{QB} &= \text{Qualifying balance accrued at the guaranteed rate (assume that it is 1\% in this example) for 31 days} \\ &\quad \text{(i.e. from 20 May 2024 to 20 June 2024)} \\ &= \text{HKD}2,885 \times 101\% \wedge (31/366) \\ &= \text{HKD}2,887 \end{aligned}$$

Since  $\text{QB} > \text{NB}$ , the balance to be switched to the Default Investment Portfolio will be HKD2,887.

If the Scheme Participant decides to switch out all the remaining balance by the Cut-off Deadline, the greater of the total QB (i.e. HKD2,887) or the NB (i.e. HKD2,400) at the time of switching out will be paid since the One-off Arrangement applies to full fund switching between 20 March 2024 and 7 June 2024 (both dates inclusive).

## Appendix II

### LTGF

	LTGF	Principal Stable Yield Fund
<b>Fund type</b>	Guaranteed fund	Mixed Asset Fund
<b>Fund structure</b>	Feeder fund	Feeder fund
<b>Investment objective</b>	The objective of the LTGF is to provide a competitive long-term total rate of return, while also providing a minimum guaranteed average annual return over the career of the members. This type of guarantee is called a long term guarantee, which adopts a longer-term investment philosophy.	The objective of the Principal Stable Yield Fund is to seek long-term growth of capital through investing in an investment fund.
<b>Investment policy</b>	<p>The LTGF is constituted under an insurance policy issued by the Insurer. The Trustee is the holder of the policy. The policy will provide a guaranteed return to the Trustee. The Trustee will then make use of the guaranteed return available under the insurance policy to provide the guarantee to the members. The Insurer is the Guarantor of the insurance policy and is an authorized insurer regulated by the Insurance Authority in Hong Kong. In providing the guarantee to the Trustee under the insurance policy, the Insurer will ensure that adequate reserves and solvency margins will be maintained in accordance with the applicable insurance regulations and any other requirements imposed by the Insurance Authority.</p> <p>The LTGF invests solely in a guaranteed fund, namely the Principal Guaranteed ORSO Fund - Principal Long Term Guaranteed Fund.</p>	The Principal Stable Yield Fund will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Stable Yield Fund. The Principal Unit Trust Umbrella Fund - Principal Stable Yield Fund and the Principal Stable Yield Fund share the same investment objective. The Principal Unit Trust Umbrella Fund - Principal Stable Yield Fund will invest in two or more APIFs and/or ITCIS, and through these underlying investments will invest primarily in equities and debt securities of different countries. The Principal Stable Yield Fund will provide an international exposure for investors' monies, with relatively more emphasis on debt investments.
<b>Asset allocation</b>	<p>10 - 55% in equity securities</p> <p>25 - 90% in debt securities</p> <p>0 - 20% in cash and short-term investments</p>	<p>0 - 60% in equity securities</p> <p>20 - 90% in debt securities</p> <p>0 - 30% in cash and short-term investments</p>
<b>Risk profile</b>	Moderate	Moderate
<b>Management fees</b>	1.5% p.a.	Not exceeding 1.0% p.a
<b>Asset under management (as of 31 January 2024)</b>	HK\$499,266,701.95	HK\$49,196,084.41

**CGF**

	<b>CGF</b>	<b>Principal Asset Accumulation Fund</b>
<b>Fund type</b>	Guaranteed fund	Money Market Fund
<b>Fund structure</b>	Feeder fund	Feeder fund
<b>Investment objective</b>	The objective of the CGF is to guarantee the capital value of the contributions, and to earn a competitive short-term rate of return.	The objective of the Principal Asset Accumulation Fund 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.
<b>Investment policy</b>	The CGF invests solely in a guaranteed fund, which bears the same name as that of CGF, under the Principal Guaranteed Umbrella Fund Policy. The Principal Guaranteed Umbrella Fund - Principal Capital Guaranteed Fund will in turn invest in a portfolio of short duration securities. CGF’s exposure to capital gains and losses associated with interest rate fluctuations is mitigated because the Principal Guaranteed Umbrella Fund - Principal Capital Guaranteed Fund will invest mainly in a variety of relatively short duration securities and bank deposits.	The Principal Asset Accumulation Fund will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund. The Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund and the Principal Asset Accumulation Fund share the same investment objective. The Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund will invest in a portfolio of bank deposits, short duration securities and high quality money market instruments denominated in Hong Kong dollars. The Principal Asset Accumulation Fund’s exposure to capital gains and losses associated with interest rate fluctuations is mitigated because the Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund will invest, directly or indirectly, mainly in a variety of relatively short duration securities and bank deposits.
<b>Asset allocation</b>	0 - 100% in debt securities  0 - 100% in cash and short-term investments	0 - 95% in Certificates of Deposit  0 - 95% in Debt Securities  0 - 100% in cash & short-term Investments (e.g. bills and deposits)
<b>Risk profile</b>	Low	Low
<b>Management fees</b>	Not exceeding 1.0% p.a.	Not exceeding 0.75% p.a.
<b>Asset under management (as of 31 January 2024)</b>	HK\$79,354,516.98	HK\$5,864,372.08

# PRINCIPAL TRUST COMPANY (ASIA) LIMITED RETIREMENT SCHEME FIRST ADDENDUM

This First Addendum should be read in conjunction with and forms part of the Principal Brochure published on 1 December 2022 for the Principal Trust Company (Asia) Limited Retirement Scheme (the “**Principal Brochure**”). All capitalised terms in this First Addendum have the same meaning as in the Principal Brochure, unless otherwise stated.

Principal Trust Company (Asia) Limited accepts full responsibility for the information contained in this First Addendum as being accurate as at the date of publication.

---

By this First Addendum, the Principal Brochure shall be amended as follows with effect from 1 January 2023:

1. Section 2 of the Principal Brochure headed “**KEY OPERATORS**” on page 5 shall be amended as follows:

(i) the address of Principal Asset Management Company (Asia) Limited under the sub-section headed “**Management Company**” shall be deleted in its entirety and replaced by the following:

“Unit 1001-1002, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong”;

(ii) the address of Citibank, N.A. under the sub-section headed “**Custodian**” shall be deleted in its entirety and replaced by the following:

“50/F, Champion Tower, 3 Garden Road, Central, Hong Kong”; and

(iii) the address of Ernst & Young under the sub-section headed “**Scheme Auditor**” shall be deleted in its entirety and replaced by the following:

“27/F, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong”.

Except as amended by this First Addendum, the Principal Brochure remains in full force and effect.

\* \* \*

**Principal Trust Company (Asia) Limited**  
**1 January 2023**

**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 the participating employers and employee members of Principal Trust Company (Asia) Limited Retirement Scheme. Participating employers should notify their employees of the content of this notice upon receipt.**

---

Dear participating employers and members,

**Re: Principal Trust Company (Asia) Limited Retirement Scheme (the “Scheme”)**

Thank you for your continual support to the Scheme. We would like to inform you that the following changes will be made to the Scheme with effect from 1 January 2023. Terms not defined in this notice shall have the same meanings as in the Principal Brochure published on 1 December 2022 for the Scheme (the “**Principal Brochure**”) unless otherwise specified herein.

**(i) Change in registered office of the Management Company**

The registered office of Principal Asset Management Company (Asia) Limited (Management Company) will be changed to Unit 1001-1002, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The current office of the Management Company at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong will remain as a branch office of the Management Company.

**(ii) Change in address of the Custodian**

The address of Citibank, N.A. (Custodian) has been changed to 50/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

**(iii) Change in address of the Scheme Auditor**

The address of Ernst & Young (Scheme Auditor) has been changed to 27/F, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong.

**(iv) Place for inspection of the offering documents of the Ultimate Underlying Funds of certain Investment Portfolios**

The place for inspection of the offering documents of the Ultimate Underlying Funds of certain Investment Portfolios will remain at the current office of the Management Company at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong, which will become a branch office of the Management Company.



The above changes will be fully set out in the First Addendum to be issued on 1 January 2023, which will form part of the Principal Brochure and should be read in conjunction with the Principal Brochure.

From 1 January 2023, participating employers and members may obtain a copy of the First Addendum and the latest Principal Brochure from our website at [www.principal.com.hk](http://www.principal.com.hk) or request for a copy through our customer service hotline at 2827 1233.

If you have any queries on the changes made to the Scheme, please contact the above customer service hotline or email to [hkinfo@principal.com](mailto:hkinfo@principal.com).

Yours faithfully,

For and on behalf of  
**Principal Trust Company (Asia) Limited**  
1 December 2022

**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 the participating employers and employee members of Principal Trust Company (Asia) Limited Retirement Scheme. Participating employers should notify their employees of the content of this notice upon receipt.**

---

Dear Participating Employers and Scheme Members,

**Re: Principal Trust Company (Asia) Limited Retirement Scheme (the “Scheme”)**

Thank you for your continual support to the Principal Trust Company (Asia) Limited Retirement Scheme.

#### **1. Revision of the Code on Pooled Retirement Funds**

The Securities and Futures Commission (“SFC”) has revised the Code on Pooled Retirement Funds (“**Revised PRF Code**”) with an aim to update the regulatory regime for SFC authorised pooled retirement funds. The offering document of the Scheme (“**Principal Brochure**”) will be revised to reflect the requirements of the Revised PRF Code (“**PB Revamp**”) with effect from 1 December 2022 (“**Effective Date**”).

##### *Changes to the Principal Brochure*

The Principal Brochure will be revised to reflect the requirements of the Revised PRF Code. In particular:

- (a) the risk factors associated with each investment portfolio under the Scheme have been revisited and will be revised, taking into account the latest requirements of the Revised PRF Code; and
- (b) certain cosmetics and stylistic changes will be made to the Principal Brochure, and the sequence of the contents of the Principal Brochure will be re-jigged, to enhance clarity and readability.

##### *Changes to the Trust Deed*

In addition, we have taken this opportunity to revise the Scheme’s trust deed (“**Trust Deed**”) to ensure its compliance with Appendix B to the Revised PRF Code. In particular, the Trust Deed will be revised to:

- (c) specify that the functions, duties and obligations of the key operators of the Scheme are as set out in the Principal Brochure;
- (d) specify that any taxes and expenses charged to or levied against the Scheme or any investment portfolio under the Scheme shall be on a basis deemed fair and reasonable by an actuary or other person of professional standing;
- (e) specify that where an investment portfolio under the Scheme is a guaranteed fund, the guaranteed mechanism and the terms and conditions of the guarantee are set out in the Principal Brochure;

- (f) reflect the existing practice that the Trustee may accept contribution payments on such terms, time and conditions at it may determine; and
- (g) reflect the existing arrangement that benefits will be normally paid in Hong Kong dollars in Hong Kong.

## 2. Availability of documents

On or around the Effective Date, Participating Employers and Scheme Members may obtain a copy of the revised Principal Brochure from our website at [www.principal.com.hk](http://www.principal.com.hk) or request for a copy through our customer service hotline at 2827 1233.

Copies of the Trust Deed are available for inspection free of charge at the office of the Administrator at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon. Copies of the Trust Deed can be purchased from the Administrator on payment of a reasonable fee.

If you have any queries on the changes made to the Scheme, please contact the above customer service hotline or email to [hkinfo@principal.com](mailto:hkinfo@principal.com).

Thank you for your continuous support.

\* \* \*

Yours faithfully,

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

1 December 2022

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Date of publication: 1 December 2022

## 1. INTRODUCTION

Principal Trust Company (Asia) Limited is pleased to bring a retirement scheme alternative that is designed with the flexibility to meet the retirement needs of both employers and employees. Established in 1997, Principal Trust Company (Asia) Limited is a member of the Principal Financial Group® with its flagship company, Principal Life Insurance Company, founded in the United States in 1879.

As members of the Principal Financial Group, Principal Insurance Company (Hong Kong) Limited, Principal Trust Company (Asia) Limited, Principal Investment & Retirement Services Limited and Principal Asset Management Company (Asia) Limited have access to a wide range of financial products and services, including, but not limited to, retirement and investment services, life and health insurance and investment management through its diverse family of financial services companies.

As a member of the Fortune 500, the Principal Financial Group serves over 53 million customers worldwide from over 25 global nations and territories (data as of 31 March 2022).

With the Scheme, employers and employees can secure a comprehensive retirement plan through prudent, systematic savings and astute investment portfolios.

### Structure - The Master Trust

The Scheme is a master trust established by the Principal Insurance Company (Hong Kong) Limited and the Trustee. The Scheme was established on 7 January 1988 in Hong Kong. The Trustee acts as trustee of the participating schemes established within the master trust by the employers. The Trustee collects contributions in accordance with the rules of each participating scheme established under the master trust, and invests them in the Investment Portfolios under the Scheme as set out in Section 3 below. All Investment Portfolios are managed by Principal Asset Management Company (Asia) Limited as the Management Company and administered by the Trustee. Principal Asset Management Company (Asia) Limited is licensed in respect of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

The Scheme's participants benefit from the vast administrative and record keeping experience shared by the member companies of the Principal Financial Group. As a member of Principal Financial Group, the Trustee offers customers accurate and timely accounting of all transactions as well as access to investment management expertise of its sister companies.

The Scheme is designed to pool assets of similar companies. In this way, the assets of small, medium and large employers can be segmented into various investment funds offering potential stability, more diversification and more competitive returns.

## 2. KEY OPERATORS

### ***Sponsor and Product Provider***

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

Principal Insurance Company (Hong Kong) Limited, also being the Product Provider, is an authorized insurer under the Insurance Ordinance (Cap. 41 of the laws of Hong Kong). Principal Insurance Company (Hong Kong) Limited will carry out its responsibilities as a Product Provider as provided under the PRF Code.

### ***Trustee and Administrator***

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

### ***Management Company***

Principal Asset Management Company (Asia) Limited  
30/F Millennium City 6  
392 Kwun Tong Road, Kwun Tong, Kowloon

### ***Promoter***

Principal Investment & Retirement Services Limited  
30/F Millennium City 6  
392 Kwun Tong Road, Kwun Tong, Kowloon

### ***Custodian***

Citibank, N.A.  
50/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong

### ***Scheme Auditor***

Ernst & Young  
22/F., CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

For further information and a personalized proposal, please contact Principal Trust Company (Asia) Limited at 2827 1234 or see your professional advisor or consultant.

### **Principal TeleTouch®**

Our Principal TeleTouch® provides customer hotlines services to the members. Member may call at 2827 1233.

### **Internet Website**

Information about Principal and the Scheme can be found on our Internet website:  
<http://www.principal.com.hk>. Please note that the website has not been reviewed by the SFC.

### 3. INVESTMENT PORTFOLIOS

#### 3.1 Investment Portfolios

The Scheme has diverse selection of Investment Portfolios that will meet the needs of all Employers and all Employees whether they are savvy financial investors or conservative savers.

The Scheme currently offers 13 Investment Portfolios - 2 guaranteed Investment Portfolios and 11 other Investment Portfolios:

Investment Portfolio	Date of Establishment
1. Principal Long Term Guaranteed Fund	01/11/1996
2. Principal Capital Guaranteed Fund	31/12/1998
3. Principal Asian Equity Fund	01/11/1996
4. Principal International Bond Fund	01/11/1996
5. Principal U.S. Equity Fund	01/11/1996
6. Principal International Equity Fund	01/11/1996
7. Principal Money Market Fund	01/11/1996
8. Principal Asset Accumulation Fund	31/12/1998
9. Principal Long Term Accumulation Fund	03/11/2006
10. Principal Stable Yield Fund	03/11/2006
11. Principal Global Growth Fund	03/11/2006
12. Principal China Equity Fund	03/11/2006
13. Principal Hong Kong Equity Fund	03/11/2006

The Investment Portfolios were established in Hong Kong.

To invest in the above Investment Portfolio(s) of the Scheme, subject to the rules of the relevant participating scheme, Employers/Employees may designate their choices of Investment Portfolios. Their contributions will be used to purchase units of the particular Investment Portfolio(s) they have chosen according to the choices made and percentage allocated.

#### 3.2 Changes of percentage or choice of Investment Portfolio for new contributions/switching units of existing Investment Portfolios

The Scheme allows either Employers or Employees to decide the investment choices for all the Employers' contributions and Employees' contributions. Alternatively, Employers and Employees are allowed to decide the investment choices for Employers' contributions and Employees' contributions respectively.

Employers and Employees are also entitled to change the percentage allocation or choice of Investment Portfolios by switching all or part of the units in an Investment Portfolios (acquired by using the Employers' contributions and Employees' contributions) into units of another Investment Portfolio(s).

#### 3.3 Investment and borrowing restrictions

Except for the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund which are guaranteed funds, the other Investment Portfolios are funds investing in SFC-authorized funds(s). The Investment Portfolios are subject to the following investment requirements:

##### (a) Investment Portfolios investing in SFC-authorized fund(s)

An Investment Portfolio that is a fund investing in SFC-authorized fund(s) may normally invest 90% or more of its total net asset value in one or more SFC-authorized fund(s) falling under Chapter 7, 8.2, 8.6 or 8.10 of the UT Code, or APIF(s). The remaining assets of such an Investment Portfolio shall be held in cash or cash equivalents. Any underlying fund must be a non-derivative fund.



Moreover, to the extent applicable, where an Investment Portfolio that is a fund investing in SFC-authorized fund(s) invests in any SFC-authorized fund(s) issued by the Product Provider or its Connected Persons(s) or delegate(s), all initial charges and redemption charges on such underlying fund(s) must be waived.

In addition, the Product Provider or its delegate(s) may not obtain a rebate on any fees or charges levied by the underlying fund(s) (or their management companies), or any quantifiable monetary benefits in connection with investments in the underlying fund(s), of an Investment Portfolio investing in SFC-authorized fund(s).

#### **(b) Investment Portfolios that are guaranteed funds**

The structure of the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund, both being guarantee funds, must comply with the requirements under Chapter 9 of the PRF Code.

In addition, no money of an Investment Portfolio may be invested in the securities of, or lent to, as applicable, the Product Provider, the Management Company, the Guarantor, the Trustee, or any of their respective Connected Persons except where any of these parties is a substantial financial institution or an insurance company. For these purposes, securities do not include interests in collective investment schemes, either authorized under section 104 of the SFO or recognized jurisdiction schemes pursuant to section 1.2 of the UT Code.

For details of each Investment Portfolio's investment restrictions, please refer to the Investment Portfolio Fact Sheets.

### **3.4 Investment Portfolio termination**

We may terminate an Investment Portfolio by giving not less than 3 months prior notice in writing to the Employers and Employee.

## **4. RISK FACTORS**

Investments involve risks. Each Investment Portfolio is subject to market fluctuations and to the risks inherent in all investments. The price of units of any Investment Portfolio and the income from them may go down as well as up. In this section, the term “fund” is used to describe, as the case may be, any Investment Portfolio and/or its respective underlying unit trust(s), mutual fund(s), insurance policy(ies), APIF(s), ITCIS(s), internal fund(s) and/or other permissible investment product(s) (collectively, the “underlying investment vehicles”). The performance of the underlying investment vehicles, and therefore, the Investment Portfolios may be subject to a number of risk factors which apply to both the Investment Portfolios and the underlying investment vehicles, unless expressly provided otherwise. The key risks include:

### **4.1 Political, economic and social risks**

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

### **4.2 Investment risk**

The funds' investment portfolio may fall in value due to any of the key risk factors below and therefore investment in the funds may suffer losses.

### **4.3 Interest rate risk**

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

#### **4.4 Market risk**

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

#### **4.5 Equity market risk**

The fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors, which may affect the net asset value of the fund.

#### **4.6 Emerging market risks**

Some funds may invest in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

#### **4.7 Concentration risk**

Some of the funds' investments may be concentrated in specific geographic locations. The value of such funds whose investments are consequently concentrated may be more volatile than funds having a more diverse portfolio of investments. Additionally, the value of such funds may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the single country or regional markets.

#### **4.8 Accounting standards and disclosure**

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

#### **4.9 Foreign exchange risk**

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

#### **4.10 Currency risk**

Underlying investments of the funds may be denominated in currencies other than the base currency of the funds. Also, a class of units may be designated in a currency other than the base currency of the fund. The net asset value of the funds may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

#### **4.11 Security risk**

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

#### **4.12 Credit risk**

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

#### **4.13 Counterparty risk**

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

#### **4.14 Credit/counterparty risk**

The funds may be exposed to credit and counterparty risk of issuers of the debt securities that the funds may invest in. If the issuer of debt securities in which the funds invested in defaults or suffers insolvency, such securities may become worthless and the performance of the funds will be adversely affected. Further, investments in debt securities which involve a counterparty are subject to the credit risk or default risk of the counterparty. This may adversely affect the net asset value of the funds and investors may as a result suffer loss.

#### **4.15 Investment grade bond risk**

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

#### **4.16 Risk associated with debt securities rated below investment grade or unrated**

The funds may invest in debt securities rated below investment grade (as determined by credit rating agency(ies) approved by the MPFA or unrated, as may be allowed under the General Regulation. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities, which may adversely impact the returns of the securities and in turn the net asset value of the funds.

#### **4.17 Liquidity risk**

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

#### **4.18 Volatility and liquidity risks associated with debt securities**

Debt securities in less developed markets may be subject to higher volatility and lower liquidity. The prices of debt securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Investment Portfolios investing in such markets may incur significant trading costs.

#### **4.19 Risks associated with small-capitalisation/mid-capitalisation companies**

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

#### **4.20 Risks associated with high volatility of the equity market in certain countries and regions**

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

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

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

#### **4.22 Risks relating to investing solely in a single APIF or ITCIS**

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

#### **4.23 Risks relating to investing in an APIF or an ITCIS that invests in a single market**

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

#### **4.24 Sovereign debt risks**

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

#### **4.25 Valuation risks**

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

#### **4.26 Credit rating risk**

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

#### **4.27 Eurozone risks**

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

## 4.28 Risks of investing in collective investment schemes

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

## 4.29 Risks associated with investments in the PRC

### (a) RMB currency and conversion risks

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

### (b) PRC investment risk

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

### (c) PRC tax risk with respect to capital gains

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

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

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

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

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

#### 4.30 Risk of investing in CIBM and/or Bond Connect

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

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

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

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

#### 4.31 Custodial risk

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

#### 4.32 Hedging risk

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

#### 4.33 Risk associated with investments utilizing Stock Connect

##### (a) Legal and regulatory risk

Underlying APIFs may invest in China A-Shares through Stock Connect programmes which aim to achieve mutual stock market access between Mainland China and Hong Kong such as Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. Stock Connect programmes are novel in nature and the relevant rules and regulations will be subject to change which may have potential retrospective effect.

## (b) Trading risks

Trading in China A-Shares through Stock Connect programmes is subject to quota limitations, operational risks, risks arising from differences in trading days and restrictions on selling imposed by front-end monitoring and recalling of eligible stocks. Further, investments through such programmes are not covered by Hong Kong's Investor Compensation Fund. Where a suspension in the trading through a programme is effected, the relevant underlying APIF's ability to invest in China A-Shares or access the PRC market through such programme will be adversely affected. In such events, the relevant underlying APIF's ability to achieve its investment objective could be negatively affected, which may adversely affect the net asset value of the relevant fund and investors may as a result suffer loss.

## 5. FEES AND CHARGES

There are three levels of fees and charges: Scheme level, the Investment Portfolio level and underlying fund level.

### 5.1 Charges which may be payable by you

The Trustee will be entitled to receive a trustee fee set out in the Application Form for its services rendered to the Scheme. The trustee fee will include a one-time participation fee and an annual trustee fee according to the size of the account value, according to the table below.

	TRUSTEE FEE											
<b>Trustee Fee</b>	One time participation fee of up to HK\$4,000, and an annual trustee fee of up to the following percentages: <table border="1"><thead><tr><th>Total Account Value</th><th>Percentage Charge</th></tr></thead><tbody><tr><td>First HK\$25 million</td><td>0.20%</td></tr><tr><td>Next HK\$25 million</td><td>0.15%</td></tr><tr><td>Excess</td><td>0.10%</td></tr></tbody></table>		Total Account Value	Percentage Charge	First HK\$25 million	0.20%	Next HK\$25 million	0.15%	Excess	0.10%		
Total Account Value	Percentage Charge											
First HK\$25 million	0.20%											
Next HK\$25 million	0.15%											
Excess	0.10%											
	ADMINISTRATION CHARGES											
Items	Option 1*	Option 2#										
<b>Annual Administration Fee</b>	HK\$1,000	Nil										
<b>Annual Member Fee</b>	First 100 members, HK\$20 each Additional members, HK\$10 each For future enrollment of new members, it will be charged immediately after their enrollment.	Nil										
<b>Contribution Fee</b> (The scale is applied to all future contributions made under a new participating scheme.)	<table border="1"><thead><tr><th>Annual Contribution</th><th>Percentage Charge</th></tr></thead><tbody><tr><td>First HK\$200,000</td><td>3.50%</td></tr><tr><td>Next HK\$200,000</td><td>2.75%</td></tr><tr><td>Next HK\$100,000</td><td>2.00%</td></tr><tr><td>Excess</td><td>1.00%</td></tr></tbody></table>	Annual Contribution	Percentage Charge	First HK\$200,000	3.50%	Next HK\$200,000	2.75%	Next HK\$100,000	2.00%	Excess	1.00%	Nil
Annual Contribution	Percentage Charge											
First HK\$200,000	3.50%											
Next HK\$200,000	2.75%											
Next HK\$100,000	2.00%											
Excess	1.00%											
<b>Switching Fee</b>	<ul style="list-style-type: none"><li>• HK\$75 for each request to change the percentage allocation or choice of Investment Portfolios in respect of their new contributions in excess of the first 12 times of such request for each financial year of the Scheme which will be free of charge.</li><li>• HK\$75 for each switching request except for first four times of such request, one for each quarter, which will be free of charge.</li></ul>											

<b>Administration Fee</b> (At the end of the participating scheme's financial year a percentage of the total account value will be deducted according to the scale.)	Nil		<b>Total Employees</b>	<b>Percentage Charge</b>
			Up to 30	1.2%
			31 to 50	1.0%
			51 to 100	0.8%
			101 to 250	0.6%
			251 +	0.5%
<b>Termination Charge</b> (Upon termination by the Employer according to the scale will be assessed.)	<b>Completed Financial years of the Scheme as of Date of Termination</b>	<b>Termination Charge Percentage</b>	<b>Completed Financial years of the Scheme as of Date of Termination</b>	<b>Termination Charge Percentage</b>
	Less than 1 year	4.5%	Less than 1 year	6.5%
	1 to 2 years	3.5%	1 to 2 years	5.5%
	2 to 3 years	2.5%	2 to 3 years	4.5%
	3 to 4 years	1.5%	3 to 4 years	3.5%
	4 to 5 years	0.5%	4 to 5 years	2.5%
	After 5 years	Nil	5 to 6 years	1.5%
			6 to 7 years	0.5%
			After 7 years	Nil
<b>ORSO FEES</b>				
<b>Optional Initial ORSO Registration Fee</b>	This includes the fees for Appointed Solicitor's Statement of the Scheme and the registration fee payable to the Registrar. Please refer to the MPFA website for the latest applicable fees payable to the Registrar. This is paid by the Employer.			
<b>ORSO Annual Filing Service Fee</b>	<b>HK\$1,300</b>			
	In addition, please refer to the MPFA website for the latest applicable fees payable to the Registrar. This fee would include the fees for Certification of Scheme Assets by appointed Auditor of Principal Trust Company (Asia) Limited. (NOTE: The Registrar will send the Notice of Periodic Fee to the Employer directly for settlement on an annual basis after the first financial year of the participating scheme.)			

\* **Option 1:** Under this option all fees are billed directly to the Employer on a monthly basis except the annual administration fee which is assessed at participating scheme effective date and thereafter at the beginning of each financial year. The amount of such fees are shown below. For Employers who join the Scheme on or after 1 October 2004, Option 1 will not be available unless otherwise determined by the Trustee in its sole discretion.

# **Option 2:** Under this option, all fees and charges are charged directly to and deducted from the member accounts of the Employees, except termination charge which is borne by the Employer. The amount of such fees are shown below.

## 5.2 Ongoing fees payable by each Investment Portfolio

### (a) Fees and charges

Please refer to the "What are the fees and charges?" section under each Investment Portfolio Fact Sheet.

### (b) Other expenses

The Trustee and the Management Company (in respect of all Investment Portfolios other than the Principal Long Term Guaranteed Fund), and the Insurer (in respect of the Principal Long Term Guaranteed Fund) will be entitled to charge any expenses incurred in the establishment, administration and management of the corresponding Investment Portfolios.



Subject to the provisions in relation to the Principal Asset Accumulation Fund, each of the Investment Portfolios is to bear the costs set out in the Master Trust Deed of the Scheme that are directly attributable to it. Any costs incurred by the Scheme which are attributable to the Principal Long Term Guaranteed Fund shall be charged to it and reflected in its unit price. Any other costs of the Scheme which are not directly attributable to an Investment Portfolio will be allocated to all the Investment Portfolios in proportion to their respective net asset value. The costs that the Scheme may incur include but not limited to custodian fees, valuation fees, auditor's fees, legal fees, costs incurred in regulatory approval and the maintenance of the Scheme and the costs of preparation, distribution of the Principal Brochure. The Trustee has the discretion to waive part or all of the foregoing expenses, fees and charges.

Each of the underlying funds in which the Investment Portfolios invest will bear the costs as set out in their respective constitutive documents, including, but not limited to, custodian and sub-custodian fees, valuation fees, auditors' fees, legal fees, indemnity insurances, costs incurred in regulatory approval and maintenance of the underlying funds, costs of preparation and distribution of the relevant offering documents and annual registration fees.

**The above fees and charges under this Section 5, including the management fees as specified in each Investment Portfolio Fact Sheet, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months' prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.**

## 6. ADMINISTRATIVE MATTERS

### 6.1 OUR PLAN. YOUR FUTURE. MANY PEOPLE. ONE SOLUTION.

As a basic level the Scheme is a defined contribution scheme established under a master trust where an Employer and/or his or her Employees (if so desired) may contribute a percentage of salary or a flat amount to a participating scheme.

The contributions are made periodically, through payroll deduction and systematically transferred to the Trustee. Using our state-of-the-art administration system, contributions are recorded in individually allocated accounts and then invested in the Investment Portfolios under the Scheme.

Depending on the rules of a participating scheme, Employers/Employees participating in that scheme can choose the Investment Portfolios in which their contributions should be invested.

Our Master Trust Deed provisions are flexible and specific rules of the participating scheme may be proposed by each Employer in the Application Form. Here are just some of the ways you may adjust the design to meet your objectives:

- **Definition of "Eligible Employee":** by service, class or location.
- **Contribution formula:** percentage or flat amount by service, class or location.
- **Definition of "Salary":** basic monthly salary only or including other remuneration.
- **Normal retirement age:** from 50 onwards.
- **Vesting schedule**
- **Available Investment Portfolios**
- **Determination of investment mix:** Employer choice, Employee choice or, a combination.
- **Past service contributions:** when made, at what level and for whom.

### 6.2 Flexible administration and services

The Trustee has access to a highly sophisticated and state-of-the-art record keeping and administration system. This system, Principal International System (PISYS), was developed in-house and is proprietary computer software technology that was customized specifically for use in Hong Kong.

More importantly, our network of trained sales representatives and independent advisors and consultants are able to provide guidance and assistance in assuring that your retirement plan needs are met.

### **(a) Establishing a participating scheme**

Complete the Application Form to establish your own participating scheme under the master trust. Return the Application Form to your sales representative or directly to the head office of the Insurer.

After reviewing our Application Form, you can see that you have the ability to create a customized set of scheme rules simply by checking the appropriate box on the Application Form.

Since the participating scheme must be established under trust, legally a deed of adherence must be completed. In order to simplify this process, the deed of adherence has been prepared to form part of the same document as is the Application Form.

The Government of Hong Kong, through enabling legislation, regulates retirement schemes. Each Employer will need to register his or her own participating scheme with the relevant authorities. The Trustee and Insurer can assist in this process.

### **(b) Transferring an existing scheme**

It is easy to move the administration of your existing scheme and the investment of the assets to our master trust. Inform your sales representative about your prior scheme and we will work with you and the past administrator and investment manager to arrange for a transfer.

### **(c) Services provided by the Trustee**

The Trustee always stands ready to provide the following services:

- Scheme design assistance and consultation.
- Assistance in preparing the document for registration of the participating schemes by the Registrar.
- Preparation of a sample announcement of the participating scheme to Employees.
- Assistance in holding enrollment meetings for participating Employees.
- Periodic statements of account for Employers and Employees to be prepared not less than annually.
- Calculation and payment of benefits.
- General administration and record keeping.

## **6.3 Contributions**

### **(a) Employer and Employee contributions**

An Employer participating in the Scheme may set out a formula to determine the amount of contribution on behalf of its Employees covered by the Scheme. The contribution may be a percentage of an Employee's salary, say 5%, may be a flat dollar amount say, \$300 per month or, it may be varied according to the class of Employee or, based on years of service.

In some plans, Employees may also make voluntary contributions. This would further increase the size of the benefit at retirement.

### **(b) Past service contributions**

Some Employers want to establish retirement plans as soon as they start business. Others need to wait until they can afford the cost. In such cases, these Employers may want to reward their long service employees who have worked for them today and before the retirement scheme was adopted. To do this, the Employer can make what is called a "Past Service Contribution". These contributions will be in an amount specified in the Application Form and will be credited to eligible Employees as defined in the same application.

### **(c) Member account**

Each Employee of the Scheme has a separately maintained and individually allocated account into which contributions made on his or her behalf are deposited in accordance with the terms of his or her Employer's participating scheme.

### **(d) Payment of contributions**

All contributions shall be made in Hong Kong and in Hong Kong dollars, unless the Trustee and the Employer otherwise agree in writing. Contributions should be paid to the Trustee on a monthly basis or any other basis as agreed with the Trustee and the Employee, by cheque or by bank transfer, unless the Trustee otherwise agrees.

Employers may at any time discontinue both Employer's and Employee's contributions to the Scheme by giving the Trustee and to each member not less than 3 months prior notice in writing. Upon such notice taking effect, the liability of such Employer and Employees to contribute shall cease to the extent specified in the notice except in respect of any contributions due on or before the date upon which the notice takes effect.

## **6.4 Benefits**

### **(a) Normal retirement benefit**

This is the amount that is paid to an Employee upon attainment of the normal retirement age. Usually, the normal retirement age is between 50 and 70. The benefit is equal to the total amount of all contributions made in respect of the Employee and any interest and investment earnings thereon.

The benefit may be taken in a lump sum or may be paid out by periodic instalments ensuring a steady income after retirement. This choice will be up to the Employee.

### **(b) Early retirement benefit**

If the Employer allows and if, it is set out in the Application Form, an Employee may retire early, that is, before the Normal Retirement Date provided that the Employee has met all the qualifications of early retirement. The full benefit will be paid out equal to all contributions made in respect of the Employee plus interest and investment earnings. The benefit may be paid in a lump sum or by periodic instalments. This choice will be up to the Employee.

### **(c) Late retirement benefit**

With the consent of the Employer, and if it has been spelled out in the Application Form, a member may retire later than attaining the normal retirement age. Contributions may or may not continue on behalf of the Employee. This will depend on what is spelled out in the Application Form. The benefit may be paid out in a lump sum or by periodic installments. This choice will be up to the Employee.

### **(d) Permanent total disability or death**

In the unlikely event of permanent total disability, or in the event of death, the total amount of all contributions made in respect of the Employee plus interest and investment earnings will be paid out in full. The payment may be in a lump sum or by periodic instalments, depending on the choice of the Employee. In case of death, the payment will be paid in a lump sum to the beneficiary of the Employee.

### **(e) MMB**

This is the amount that is paid to an Employee upon fulfillment of one of the withdrawal requirements as set out in the scheme rules and Application Form which include but are not limited to Employee who has an illness that is likely to reduce the life expectancy of the member to 12 months or less.

## (f) Resignation or termination before retirement age

If an Employee leaves the service of the Employer before retirement age or, for reasons other than death or permanent total disability, he or she will receive the total accumulated benefit resulting from his or her own contributions made and any interest and investment earnings. He or she will also be entitled to his or her vested portion of Employer's contributions made on his or her behalf and associated investment earnings based on the vesting schedule outlined and specified in the scheme rules and Application Form.

For example the vesting might be:

Completed Years of Service	Vesting Percentage
Less than 3	0%
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

In the event of dismissal for fraud, dishonesty, habitual neglect of duties or other grounds on which the Employer is entitled to summarily dismiss, the Employee will only be entitled to his or her contributions made plus accumulated interest and investment earnings.

Any amounts of unvested contributions that result from applying the above scale or forfeited benefits resulting from a dismissal in the preceding paragraph will be reverted back to the Employer and be used in accordance with the terms set out in the Application Form. For example, they can be used to pay expenses, offset future contributions or reallocated to all remaining Employees.

## (g) Payment of benefit

Benefit payments can be made in a variety of formats, including by posting a cheque, posting a bankers draft, or by bank transfer. Benefits shall be paid in Hong Kong and in Hong Kong dollars, unless the Trustee otherwise determines. As the Trustee will only proceed with processing the withdrawal request from the Employer/Employee upon (1) the complete receipt of all required documents for completing the process or the last contributions and/or contribution surcharge; or (2) the last date of employment of the relevant Employee, whichever is later, the interval between the Trustee commencing to process the withdrawal request and date of payment of benefit will not exceed one month under normal circumstances and will be subject to 8.18 of the PRF Code. Any benefits which are not claimed within two years after the date on which it becomes payable may be forfeited.

## 7. OTHER INFORMATION

### 7.1 Governing law

The master trust is designed to comply with ORSO and constitutes a pooling agreement under its provisions. It applies to all participating schemes. As such, the master trust and participating schemes are governed by the laws of Hong Kong, and the parties can enforce their rights through the courts of Hong Kong.

### 7.2 Liquidity risk management policy

The Management Company has established a liquidity risk management policy with the aim of enabling it to identify, monitor, manage and mitigate the liquidity risk of the Investment Portfolios and seeking to ensure that the liquidity profile of the investments of the Investment Portfolios will facilitate compliance with the Investment Portfolios' obligation to meet withdrawal requests and the fair treatment of members.

The Management Company's liquidity risk management policy takes account of the investment strategy, the dealing frequency, the expected redemption patterns and the liquidity profile of the underlying assets of the Investment Portfolios and the overall liquidity of the market, as well as the ability to enforce redemption limitations of the Investment Portfolios.

Before investments are made in the underlying securities of an Investment Portfolio, the Management Company will consider the size of the issue or the issuer of the relevant underlying securities and the proportion of the intended investment. The liquidity risk management policy involves monitoring the profile of investments held by the Investment Portfolios and analyzing the liquidity in the underlying securities on an on-going basis and will facilitate compliance with the Investment Portfolios' obligation to meet redemption requests. The liquidity risk management policy also provides for periodic stress testing on the liquidity risk of the Investment Portfolios. The Management Company may also seek to utilize one or more liquidity risk management tools on an ongoing basis.

The Management Company's liquidity risk management function is independent from the investment portfolio management function and is responsible for monitoring of the Investment Portfolios' liquidity risk in accordance with the Management Company's liquidity risk management policy. The liquidity risk management function is overseen by senior management who are responsible for liquidity risk management.

### 7.3 Unitization

The unitholdings of the insurance policy funds held by the Trustee immediately preceding the establishment of the following Investment Portfolios shall, upon the establishment of such Investment Portfolios, be credited into the corresponding Investment Portfolios. The initial value of each unit of such Investment Portfolios was equal to the unit prices of the corresponding insurance policy funds held by the Trustee as at the date on which unitholdings of such insurance policy funds were credited into the corresponding Investment Portfolios.

- (i) Principal Capital Guaranteed Fund;
- (ii) Principal Asian Equity Fund;
- (iii) Principal International Bond Fund;
- (iv) Principal U.S. Equity Fund;
- (v) Principal International Equity Fund;
- (vi) Principal Money Market Fund; and
- (vii) Principal Asset Accumulation Fund.

The initial unit value of the other Investment Portfolios was HK\$10. For all Investment Portfolios, the unit value after the date of issue will be the unit value of the Investment Portfolio on the relevant Valuation Date. Contributions will be used to purchase units of the Investment Portfolios chosen by Employers/Employees on the Valuation Date as soon as reasonably practicable after the Trustee receives and verifies the contributions.

Except for the Principal Long Term Guaranteed Fund, and the Principal Capital Guaranteed Fund, all other Investment Portfolios will invest in SFC-authorized unit trust funds and none of them will invest in insurance policy funds.

### 7.4 Valuation

The Trustee will ascertain the value of a unit of each Investment Portfolio in accordance with a policy established by the Trustee and at such time on each Dealing Day as determined from time to time by the Trustee (except when dealing is suspended).

The unit value for each Investment Portfolio will be equal to the net asset value of the Investment Portfolio, divided by the number of units outstanding, before taking into account any contributions, transfers and/or withdrawals made on the date of valuation. The net asset value of the Investment Portfolio will be calculated by valuing the assets of the Investment Portfolio and deducting the liabilities attributable to the Investment Portfolio. Liabilities of an Investment Portfolio include, but are not limited to, custodial fees, investment transaction fees, transfer taxes and other taxes imposed by

the country of origin and such other fees and charges as may be incurred in the course of managing and administering the Investment Portfolio. Any value or amount which is denominated in a currency other than Hong Kong dollars shall be converted into Hong Kong dollars at the rate (whether official or otherwise) which the Trustee deems appropriate in the circumstances having regard to any premium or discount which may be relevant to any costs of exchange.

**Subject to any applicable laws and regulations, the Trustee may change the valuation and pricing methodology by giving 3 months prior notice (or such other notice period as the SFC may approve) to the Employers.**

## 7.5 Deferral or suspension of dealings

Dealing of Investment Portfolios will take place on each Dealing Day. However, having regard to the interests of the members, the Trustee may suspend or defer dealing of the units of any Investment Portfolios in exceptional circumstances, which include, but not limited to:

- (a) a closure, restriction or suspension of trading on any securities market on which substantial part of the investments of any Investment Portfolios is traded, or a breakdown of the means normally employed by the Trustee to ascertain the prices of investments;
- (b) in the opinion of the Trustee, the prices of investments of the Investment Portfolios cannot be reasonably ascertained;
- (c) in the opinion of the Trustee, realization of investments of the Investment Portfolios becomes not reasonably practicable, or becomes prejudicial to the interests of the members;
- (d) remittance, repatriation of Investment Portfolios involved in the realization of or in the payment for investments of the Investment Portfolios, or subscription or redemption of any unit of the Investment Portfolios is delayed, or cannot, in the opinion of the Trustee, be carried out promptly at normal rates of exchange.

The Trustee must notify the Employers as soon as practicable after it has declared suspension of dealing and determination of the net asset value of any Investment Portfolio.

## 7.6 Rebates

Neither Principal Asset Management Company (Asia) Limited 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 Investment Portfolio(s) to the broker or dealer, save that goods and services (“soft dollars”) may be retained within the limitations set out by the SFC. Those permissible goods and services must be, among other things, of demonstrable benefit to the investors 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.

## 7.7 Termination of participating schemes and the Scheme

Although we hope to have you as a customer for many years, we do recognize that things can change. You are able to terminate your participating scheme by giving written notice to the Trustee at least 3 months in advance of the actual termination date.

Likewise, we may terminate a participating scheme by giving 3 months’ written notice to the Employers and Employees. A participating scheme will also be terminated upon the expiry of 80 years from the date of execution of the Master Trust Deed (unless the Insurer and the Trustee by deed agree to continue the master trust and such continuation is then lawful). On the termination of the master trust, each participating scheme under the master trust shall be terminated and wound up in accordance with the scheme rules.

On the winding up or termination of a participating scheme, the Trustee shall apply the assets of the participating scheme in the following manner:

- Upon the winding-up of a participating scheme, the Trustee shall, after paying all outstanding expenses and all expenses incidental to the winding-up, apply the assets of the participating scheme to provide benefits for the members under the provisions of the scheme rules.
- Any assets remaining after provision of benefits be applied (as determined by the Trustee) for any or all of the following purposes:
  - (a) payment of expenses;
  - (b) in satisfaction of contributions due but unpaid by the Employers;
  - (c) augmentation of the benefits of all or any of the members;
  - (d) payment out of the participating scheme to the Employers.

Upon the Scheme being terminated, any unclaimed proceeds or other cash held by the Trustee may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

## 7.8 Notices

If the Trustee or any other party is required to give a notice to members who are in the employment of an Employer, unless the Trustee otherwise determines, the Trustee or that other party (as the case may be) will only send a copy of the relevant notice to the Employer who should then notify all of its Employee members.

## 7.9 Tax advantages

The participating schemes provide a tax advantage to participating Employers. The contributions made by an Employer, up to 15% of the relevant Employee's total annual emoluments (total compensation), can be considered as a business expense, thus saving profits tax on such contributions.

This section is prepared according to the Product Provider's understanding of the tax implications for Hong Kong Employers and Employees based on advice from our advisors. We recommend that Employers and Employees seek independent professional advice regarding their own circumstances.

## 7.10 Documents available for inspection

Copies of the Master Trust Deed are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Administrator at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon.

Copies of the Master Trust Deed can be purchased from the Administrator on payment of a reasonable fee.

## 7.11 Our responsibility

The Product Provider accepts responsibility for the accuracy of the information contained in this Principal Brochure at the time of its issue, and confirms, having made all reasonable enquires, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. As this is meant to be a brief description of the terms and conditions of the policy, please see the actual Master Trust Deed and your personalized proposal for further and complete information.

## 8. INVESTMENT PORTFOLIO FACT SHEETS

### 8.1 Principal Long Term Guaranteed Fund

#### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management Company:</b>	Principal Asset Management Company (Asia) Limited
<b>Guarantor:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

#### Objectives and investment policy

##### Objectives

The objective of the Principal Long Term Guaranteed Fund (the “**Investment Portfolio**”) is to provide a competitive long-term total rate of return, while also providing a minimum guaranteed average annual return over the career of the members. This type of guarantee is called a long term guarantee, which adopts a longer-term investment philosophy.

##### Investment policy

The assets of the Investment Portfolio are managed by the Management Company.

The Investment Portfolio is constituted under an insurance policy issued by the Insurer. The Trustee is the holder of the policy. The policy will provide a guaranteed return to the Trustee, with the guarantee features as set out below. The Trustee will then make use of the guaranteed return available under the insurance policy to provide the guarantee to the members. The Insurer is the Guarantor of the insurance policy and is an authorized insurer regulated by the Insurance Authority in Hong Kong. In providing the guarantee to the Trustee under the insurance policy, the Insurer will ensure that adequate reserves and solvency margins will be maintained in accordance with the applicable insurance regulations and any other requirements imposed by the Insurance Authority.

The Investment Portfolio will invest solely in a guaranteed fund, namely the Principal Guaranteed ORSO Fund Policy - Principal Long Term Guaranteed Fund (the “**Underlying Fund**”).

The Underlying Fund is expected to use an investment strategy which focuses, among others, on fundamental analysis in order to identify the assets and the markets which are likely to offer good investment value. Such analysis should focus on economic issues such as GDP growth, inflation, monetary policy, currency analysis, valuations etc. At the security selection level, analysis would focus on both micro and macro factors. These factors include margins, revenues, earnings expectations etc.

The underlying investments will consist of debt and equity securities. Such securities may be denominated in HK dollars, US dollars or other currencies, and consistent with the overall risk-return objectives and permissible geographical allocation (as set out below) of the Investment Portfolio. Currently, the Hong Kong dollar is pegged to the US dollar but the Investment Portfolio makes no assurance that this relationship will continue, necessitating flexibility for the Management Company to choose assets in other currencies. Exposure to assets denominated in any currency other than the Hong Kong dollar can bring potential gains or losses to the Investment Portfolio as the Investment Portfolio itself is denominated in Hong Kong dollars. As the Investment Portfolio indirectly owns debt and equity securities, investors investing in the Investment Portfolio will experience gains and losses on these securities as markets fluctuate.



The Investment Portfolio may acquire or hold financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	10 - 55%
Debt Securities	25 - 90%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 20%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
United States and Greater China	40 - 100%
Other Asia	0 - 50%
Europe	0 - 50%
Other Countries	0 - 50%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

The Investment Portfolio is categorized as a guaranteed fund. The level of risk is higher than a money market fund, however with a guarantee of capital and return subject to the occurrence of qualifying events.

In the long term, the return of the Investment Portfolio is expected to be no less than the inflation rates in Hong Kong.

### **Investment and borrowing restrictions**

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

## **What is the capital guarantee mechanism?**

### **1. Key terms and conditions of the guarantee**

For the purposes of this Investment Portfolio Fact Sheet, the below terms have the following meaning:

- “intra-group transfer”** means any intra-group transfer of an employee member and the accrued benefits of the member to the new employer’s participating scheme under the Scheme or another scheme under the trusteeship of the Trustee and the management of the Management Company, whereby the accrued benefits of the member (without the application of the guarantee) will be transferred to his new scheme accounts under that scheme of his new employer.
- “nominal account balance”** means the net asset value in the units of the Investment Portfolio (without the application of the guarantee and before the deduction of the applicable bid spread, if any).

- “prevailing applicable rate”** means 1% per annum, such other rate as may be adjusted by Principal, as the Insurer of the Underlying Fund, at a frequency of not more than once every three years, with at least three months prior notice from the Trustee to the employers and members concerned before the effective date of the adjustment. Any adjustment to the prevailing applicable rate will be applicable to the qualifying balance from the date of adjustment and shall not affect the application of the relevant guaranteed rate(s) prior to the adjustment.
- “qualifying event”** means in relation to a member, the receipt by the Trustee of a Valid Claim upon the occurrence of one of the following events:
- (i) Attainment of the normal retirement age or retirement at or after the early retirement age but before the normal retirement age;
  - (ii) Total incapacity;
  - (iii) Terminal illness;
  - (iv) Death;
  - (v) Termination of the member’s employment (regardless of the reason of termination) and the qualifying period is at least 36 complete months, provided that the qualifying period may be re-set to zero if the member effects a redemption, switching out or withdrawal of the units in the Investment Portfolio other than upon the occurrence of a qualifying event. For illustrations, please refer to Scenario 3 - Example 6 set out in ***the Appendix (Illustrations of the Guarantee Features of the Principal Long Term Guaranteed Fund)***.
- “qualifying period”** means the continuous period for which the member has been investing in the Investment Portfolio up to and including the last date of his employment and during which no withdrawal has ever been made.
- “Valid Claim”** means a claim of all the accrued benefits (except for qualifying event (iii) where the member is still under employment, the member would only be entitled to claim the MMB and such claim would be considered as a Valid Claim) submitted by the relevant member (or his personal representative) or his employer pursuant to, and with all the necessary supporting documentation as prescribed by the rules of the Scheme. Such claim must be received by the Trustee. For the avoidance of doubt, in case a member invests in the Investment Portfolio in his capacity of an employee of more than one employment, a Valid Claim made by the member (or his employer) in respect of one employment shall mean a claim submitted by him (or his employer) of his accrued benefits under that (but not any other) employment.

#### *General*

The Investment Portfolio is a fund investing under the Underlying Fund issued to the Trustee by the Insurer. Units of the Investment Portfolio are divided into the following three classes of units:

- (a) 4.0% guarantee class;
- (b) 5.0% guarantee class; and

- (c) 1.0% guarantee class.

*What classes of units will be made available to a member?*

Contributions made by or in respect of members who on 30 September 2004 hold units of the 4.0% guarantee class or 5.0% guarantee class will continue to remain in their respective classes after 30 September 2004.

If an Employer chooses Option 2<sup>1</sup> for fees payment, the 4% guarantee class of units will be applicable to their Employees who invest in the Investment Portfolio prior to 1 October 2004 and will continue to apply to such Employees on or after 1 October 2004 provided they hold units of such class on 30 September 2004. If an Employer chooses Option 1<sup>2</sup> for fees payment, the 5% guarantee class of units will be applicable to their Employees who invest in the Investment Portfolio prior to 1 October 2004 and will continue to apply to such Employees on or after 1 October 2004 provided they hold units of such class on 30 September 2004. Once an option is chosen by an Employer, the relevant charges will apply to all of its Employees including those who may only invest in the 1% guarantee class of units.

Contributions made by or in respect of members who do not hold units of the 4.0% guarantee class or 5.0% guarantee class on 30 September 2004 will be invested in the 1.0% guarantee class of units. The 1.0% guarantee class of units is available for investment with effect from 1 October 2004.

*Crediting of interest and qualifying balance*

Interest will be credited to the qualifying balance of the relevant member attributable to such class of units at the rate of 1% per annum (i.e. the prevailing applicable rate).

For the 4.0% (or 5.0%) guarantee class of units, in respect of contributions made on or before 30 September 2004, interest would be credited to the qualifying balance of the relevant member at the rate of 4% per annum (or 5% per annum, as the case may be), and in respect of contributions made after 30 September 2004, interest will be credited to the qualifying balance at the rate of 1% per annum (i.e. the prevailing applicable rate). If the member effects a redemption, switching out or withdrawal of the units of the Investment Portfolio after 30 September 2004 other than the occurrence of a qualifying event, the remaining qualifying balance (regardless of whether it includes contributions made on or before 30 September 2004) will only be credited with interest at the prevailing applicable rate. Members should therefore note that investing contributions in the 4.0% or 5.0% guarantee class does not mean that the members will be entitled to a 4% or 5% guaranteed rate of return in respect of all of their contributions.

Under the guarantee mechanism, a qualifying balance will be maintained in respect of all the scheme accounts of a member. When a contribution by or in respect of a member is made to the Investment Portfolio in respect of any scheme account, an amount equal to such contribution will be credited to the qualifying balance of the member. Interest will then be credited to the qualifying balance as follows.

In crediting interest to the qualifying balance(s) of the members, the following will apply:

- (i) interest shall be accrued to the relevant qualifying balance in respect of a contribution made by or in respect of a member and invested in the Investment Portfolio from (and including) the Dealing Day on which it is invested in the Investment Portfolio up to (and excluding) the Dealing Day on which the relevant units attributable to such contribution are redeemed by the member (or his personal representative) upon the occurrence of a qualifying event; and

<sup>1</sup> **Option 2:** Under this option, all fees and charges are charged directly to and deducted from the member accounts of the Employees, except termination charge which is borne by the Employer.

<sup>2</sup> **Option 1:** Under this option all fees are billed directly to the Employer on a monthly basis except the annual administration fee which is assessed at scheme effective date and thereafter at the beginning of each financial year. The amount of such fees are shown below. For Employers who join the Scheme on or after 1 October 2004, Option 1 will not be available unless otherwise determined by the Trustee in its sole discretion.

- (ii) if there is a redemption, switching out or withdrawal by the member from the Investment Portfolio other than the occurrence of a qualifying event, interest shall be accrued to the adjusted qualifying balance (provided that it is greater than zero) from (and including) the Dealing Day on which such adjustment is made up to (and excluding) the Dealing Day on which the relevant units are redeemed by the member (or his personal representative) upon the occurrence of a qualifying event.

The qualifying balance is only an accounting record and any amount credited (or debited) to the qualifying balance means that such amount is recorded as a credit (or debit) to the qualifying balance.

For the avoidance of doubt:

- A. no interest will be credited if the remaining qualifying balance is not greater than zero; and
- B. in case a member invests in the Investment Portfolio in his capacity of an employee of more than one employment, the guarantee offered under the Investment Portfolio will be applicable to each such employment (and will not be affected by the other employment), and a qualifying balance and qualifying period will be maintained by the Trustee in respect of each such employment.

#### *Termination of the Underlying Fund by the Guarantor*

Under the terms of the Underlying Fund, the Guarantor has the right to terminate the Underlying Fund by giving the Trustee three months' written notice. If the Guarantor terminates the Underlying Fund by giving such a notice, the Guarantor will, in respect of each member, pay the Trustee an amount as if the member were withdrawing all the units in the Investment Portfolio upon occurrence of a qualifying event (i.e. with the application of the guarantee). The Trustee will in turn adjust the unitholdings of the members to reflect the effect of the guarantee. Thereafter, the guarantee will cease to apply under the Investment Portfolio. The Trustee will then make such other investments as it may consider appropriate, taking into account the prevailing market conditions. The Trustee will also notify the members of any such investment decisions accordingly.

## **2. Entitlement of scheme participants**

#### *Provision of Guarantee*

Contributions made by or on behalf of a member for the subscription of units in the Investment Portfolio will receive a guarantee of capital as well as a prescribed guarantee rate of return over the entire period such contributions are invested in the Investment Portfolio in the manner described below. Members should note that the guarantee of capital and return may be subject to the imposition of a bid spread in the future in relation to the redemption of the relevant units.

The guarantee of capital and return will only be offered if the accrued benefits attributable to contributions in the Investment Portfolio are withdrawn upon the occurrence of a qualifying event.

In addition, the guarantee will apply in the following circumstances in the manner described.

If there is an intra-group transfer in respect of a member, such new scheme accounts will, for the purpose of the guarantee, be treated as a continuation of his original scheme accounts and all the guarantee entitlements which he had accrued under the old scheme accounts will continue under his new scheme accounts as if there had never been any transfer. Accordingly, any continuous period for which the member had been investing in the Investment Portfolio under the original participating employer immediately preceding such transfer will also be taken into account in determining the qualifying period of that member under his employment with the new employer. The guaranteed rate of return which is applicable to the old scheme accounts will also be applicable to the new scheme accounts unless there is a redemption, switching out or withdrawal of the units in the Investment Portfolio other than upon the occurrence of a qualifying event. If the member subsequently files a Valid Claim of his accrued benefits from the new scheme accounts upon the occurrence of a qualifying event, the guarantee will be applied as at the date of withdrawal.

However, if a member effects a redemption, switching out or withdrawal of units of the Investment Portfolio at any time after 30 September 2004 other than the occurrence of a qualifying event, the remaining qualifying balance (regardless of whether it includes contributions made on or before 30 September 2004) will only be credited with 1.0% interest (i.e. the prevailing applicable rate).

Investments in the Underlying Fund are held as the assets of Principal. Where Principal is liquidated, you may not have access to your investments temporarily, or their value may be reduced. Before you invest in the Investment Portfolio, you should consider the credit risk posed by Principal, the Insurer of the Underlying Fund and, if necessary, seek additional information or advice.

#### *Guarantee Mechanism*

Where the guarantee applies in respect of a member, if the nominal account balance is smaller than the qualifying balance maintained for that member, the qualifying balance (less the applicable bid spread, if any) will be paid and the shortfall will be made up by Principal, as the Insurer of the Investment Portfolio. On the other hand, if the nominal account balance is equal to or greater than the qualifying balance, the member will be entitled to the nominal account balance, instead of the qualifying balance. For illustrations, please refer to Scenarios 1 and 2 - Examples 1 to 5 set out in the **Appendix** (*Illustrations of the Guarantee Features of the Principal Long Term Guaranteed Fund*).

If a redemption, switching out or withdrawal of the units in the Investment Portfolio is effected other than the occurrence of a qualifying event (except in the case of a Valid Claim under qualifying event (iii)), the guarantee will be affected and:

- (i) the qualifying balance of the member will be adjusted downward to reflect the effect of the redemption, switching or withdrawal of such units - in such case, the qualifying balance may become negative if the amount redeemed, switched out or withdrawn is greater than the qualifying balance. For illustrations, please refer to Scenarios 4 and 5 - Examples 7 to 9 set out in **the Appendix** (*Illustrations of the Guarantee Features of the Principal Long Term Guaranteed Fund*); and
- (ii) the qualifying period of the member will be re-set to zero and recommence from the date of such adjustment unless at such time no balance remained in the Investment Portfolio - then the qualifying period will only recommence from the date on which new contribution is made to the Investment Portfolio. For illustrations, please refer to Scenarios 6 and 7 - Examples 10 to 12 set out in **the Appendix** (*Illustrations of the Guarantee Features of the Principal Long Term Guaranteed Fund*).

Due to the nature of the guarantee, the Investment Portfolio is expected to be a long term investment for the members. Members should note that any redemption, switching out or withdrawal of part or all of their units in the Investment Portfolio may have an adverse effect on their qualifying balance(s) and guarantee entitlement under the Investment Portfolio. **Hence, members are strongly advised not to redeem, switch out or withdraw part or all of their unitholdings in the Investment Portfolio other than upon cessation of employment or the occurrence of a qualifying event.**

#### *Pro-rata calculation of qualifying balance*

Upon the occurrence of a qualifying event, if the qualifying balance (regardless whether it is related to the employer's or employee's contributions) is partly payable to the member concerned and partly payable to certain other person(s), the amount of such partial payments will be calculated on a pro-rata basis according to the respective entitlements of the member and that other person(s) to the qualifying balance. An example of such situation is where a vesting scale is applicable to the employer's contributions to be paid to the member, in which case, the member will only be entitled to a pro-rated value of the qualifying balance which is attributable to the vested benefits of the member, and the remaining qualifying balance representing the unvested portion will be paid to the employer. For illustration, please refer to Scenario 8 - Example 13 set out in the **Appendix** (*Illustrations of the Guarantee Features of the Principal Long Term Guaranteed Fund*).

### *Operation of the guarantee if the employer makes a claim for severance or long service payment*

If an employer submits a claim under the Employment Ordinance for a payment from the leaving employee member's accrued benefits for the purpose of offsetting the severance payment or long service payment made to the leaving employee member, the **Trustee will only process the claim after it has received the relevant claim form from the employee member (or his employer) in respect of his accrued benefits.** The purpose of so doing is to ensure that any guarantee entitlement of the leaving employee member will not be adversely affected by reason of the set-off claim made by the employer. **Members are advised that their claims of accrued benefits or transfer of such accrued benefits should be submitted as soon as practicable if a severance payment or long service payment has been made to them by their employers.**

If a qualifying event occurs, the qualifying balance of the leaving employee member will be calculated in order to determine the amount of accrued benefits payable to the leaving employee member. If the qualifying balance is greater than the nominal account balance, the qualifying balance will be payable. Out of such a qualifying balance, both the portion attributable to the employer's contribution (the "**employer's portion**") and the portion attributable to the employee's contribution (the "**employee's portion**") will be ascertained. The employer's claim of severance payment or long service payment will be paid from the employer's portion. Any amount remaining in the employer's portion will be paid to the leaving employee, together with the employee's portion. For illustrations, please refer to Scenario 9 - Examples 14 set out in the **Appendix** (*Illustrations of the Guarantee Features of the Principal Long Term Guaranteed Fund*).

### *Operation of the guarantee if the member makes a claim for terminal illness without termination of employment*

Members should take note that, upon a claim of terminal illness, when and if they are still remained under employment, they will be entitled to withdraw the MMB. The qualifying balance attributable to the MMB will be calculated in a pro-rata basis and their qualifying balance immediately after the claim will be subject to the following:

- (i) If the qualifying balance is equal to or greater than the nominal account balance, the qualifying balance attributable to the MMB will be pro-rated and paid to the members; and remaining qualifying balance attributable to the non-MMB portion with the entitlement of the 4% (or 5% per annum as the case may be) guarantee rate and, where applicable, the prevailing applicable rate will remain in members' account and the qualifying period will not be changed.
- (ii) If the qualifying balance is smaller than the nominal account balance, the qualifying balance after having deducted the entitlement of the MMB, i.e. the remaining qualifying balance attributable to the non-MMB portion, will be subject to the prevailing applicable rate prospectively while qualifying period will not be changed.
- (iii) If the nominal account balance attributable to the MMB withdrawn is larger than the qualifying balance, the remaining qualifying balance attributable to the non-MMB portion will result in negative and will be subject to the prevailing applicable rate prospectively while qualifying period will not be changed.

### **3. Reserve mechanism**

In order to assure proper functioning of the Underlying Fund, a reserve for contingency has been established by the Guarantor of the Underlying Fund. A guarantee charge will be deducted from the asset value of the Underlying Fund and placed in the reserve established by the Guarantor. There will be a dilution of performance due to the guarantee structure in place. No part of the reserve will form part of the scheme assets or the assets of the Underlying Fund. If the reserve is insufficient to meet the guarantees of the Underlying Fund, the guarantees will be met with assets of the Guarantor. Upon termination of the Underlying Fund, the Guarantor shall distribute to the Trustee and the then existing investors of the Underlying Fund an amount equal to (i)

the aggregate guarantee charges deducted from the asset value of each guarantee class of the Underlying Fund after 30 September 2004, less (ii) the aggregate amount of shortfalls paid or payable by the Guarantor out of the reserve after 30 September 2004. Upon receipt of any distribution from the Guarantor, the Trustee will in turn distribute it to the then existing members of the Investment Portfolio in accordance with their respective amounts of investments in the Investment Portfolio. However, if the Trustee considers that such allocation is not fair and equitable, the Trustee may distribute the amount in such other manner, taking into account the prevailing circumstances at the time of distribution.

Past performance should not be taken as an indication of future performance.

## What are the key risks?

Investment involves risks. Please refer to section 4 of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- 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
- Risks relating to investing solely in a single APIF or ITCIS
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Risks of investing in collective investment schemes
- RMB currency and conversion risks
- PRC investment risk
- PRC tax risk with respect to capital gains
- Risk of investing in CIBM and/or Bond Connect
- Custodial risk
- Hedging risk
- Legal and regulatory risk
- Trading risks

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section 5.1 of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	1.5% p.a. of the value of the Investment Portfolio
<b>Guarantee charge</b>	1% p.a. of the value of the Investment Portfolio

\* Fees inclusive of the management fee at the Underlying Fund level.

For other expenses which may be paid out of the Investment Portfolio, please refer to section 5.2 of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months' prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

The unit price of the Investment Portfolio will be published on <http://www.principal.com.hk>. Please note that the website has not been reviewed by the SFC.

## Important

If you are in doubt, you should seek professional advice.



## 8.2 Principal Capital Guaranteed Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management Company:</b>	Principal Asset Management Company (Asia) Limited
<b>Guarantor:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Capital Guaranteed Fund (the “**Investment Portfolio**”) is to guarantee the capital value of the contributions, and to earn a competitive short-term rate of return.

#### Investment policy

The Investment Portfolio will invest solely in a guaranteed fund, which bears the same name as that of the Investment Portfolio, under the Principal Guaranteed Umbrella Fund Policy (the “**Underlying Fund**”). The Underlying Fund will in turn invest in a portfolio of short duration securities. The Investment Portfolio’s exposure to capital gains and losses associated with interest rate fluctuations is mitigated because the Underlying Fund will invest mainly in a variety of relatively short duration securities and bank deposits.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts. The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Debt Securities	0 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 100%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
Hong Kong	60 - 100%
United States	0 - 40%
Europe	0 - 40%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

As the Investment Portfolio is guaranteed against negative unit value movements, the level of risk is minimal. On the other hand, lower risk may mean lower return of the Investment Portfolio. The investment in the Investment Portfolio is different from placing funds on deposit with a bank or deposit-taking company, although the Investment Portfolio provides a guarantee on capital value. The Investment Portfolio is not subject to the supervision of the Hong Kong Monetary Authority.

In the long term, the return of the Investment Portfolio is expected to exceed the bank saving rates in Hong Kong.

### **Investment and borrowing restrictions**

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

## **What is the capital guarantee mechanism?**

### **1. Key terms and conditions of the guarantee**

Contributions entering the Investment Portfolio will receive a guarantee of capital over the period deposited in the Investment Portfolio. The actual return of the Investment Portfolio will vary from year to year and will be based on the unit value of the Investment Portfolio, which is calculated based on the approximated net asset value of the underlying assets of the Investment Portfolio valued on an amortized cost basis as declared by the Insurer. The guarantee will ensure that the unit value of the Investment Portfolio will never decrease. The capital value will be guaranteed for initial and subsequent contributions.

This type of guarantee is called a capital guarantee.

### **2. Entitlement of scheme participants**

#### *How the guarantee works*

The account balance is determined by multiplying the number of units by a unit value. Since the unit value of the Investment Portfolio is never to decrease, and in the event that if the Investment Portfolio should have insufficient funds to produce a non-decreasing unit value, the Guarantor will inject capital into the guaranteed fund under the Underlying Fund to increase the unit value to the same previous level. In other words, the guarantee will apply in all circumstances. Thus, by investing in the Underlying Fund, the Trustee will make use of the guaranteed return available under the Underlying Fund to provide the guarantee to the members investing in the Investment Portfolio.

As the unit value of the Underlying Fund is calculated based on the unit value as declared by the Insurer on each Valuation Date, the value of the underlying assets of the units of the Investment Portfolio is therefore not based on the market value of the assets but the approximated net asset value of the underlying assets of the Underlying Fund valued on an amortized cost basis as declared by the Insurer on a daily basis.

Principal Insurance Company (Hong Kong) Limited, the Insurer of the Underlying Fund, is also the Guarantor of the Underlying Fund.

Investments in the insurance policy are held as the assets of Principal. In the event where Principal is liquidated, you may not have access to your investments temporarily, or their value may be reduced.

Before you invest in the Investment Portfolio, you should consider the risk posed by the Insurer (referred to as “credit risk”) under the circumstances set out above and, if necessary, seek additional information or advice.

### **3. Reserve mechanism**

At the Underlying Fund level, Principal Insurance Company (Hong Kong) Limited, as the Guarantor of the Underlying Fund, holds an investment reserve to ensure non-decreasing unit values. The reserve is backed by the assets of the Guarantor. No part of the investment reserve will form part of the assets of the Underlying Fund or the Investment Portfolio. There is no additional charge for this reserve. The assets of the Guarantor are set in accordance with whatever requirement promulgated by the relevant authority.

## What are the key risks?

Investment involves risks. Please refer to section 4 of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- 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 relating to investing solely in a single APIF or ITCIS
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Risks of investing in collective investment schemes
- Custodial risk
- Hedging risk

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section 5.1 of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

\* Fees inclusive of the management fee at the Underlying Fund level.

For other expenses which may be paid out of the Investment Portfolio, please refer to section 5.2 of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section 7.4 of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section 7.5 of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

### **Additional information**

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

### **Important**

If you are in doubt, you should seek professional advice.

## 8.3 Principal Asian Equity Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Asian Equity Fund (the “**Investment Portfolio**”) is to achieve capital growth over the long-term by investing in Asian equity markets.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Asian Equity Fund (the “**Underlying Fund**”). The Underlying Fund will primarily invest in the Principal Asian Equity Fund (the “**Ultimate Underlying Fund**”) under the Principal Life Style Fund. The Investment Portfolio, the Underlying Fund and the Ultimate Underlying Fund share the same investment objective. The Investment Portfolio, via indirect investment in the Ultimate Underlying Fund, invest primarily in Asian equities and may include exposure to cash and short-term investments. Investment markets of the Investment Portfolio, via indirect investment in the Ultimate Underlying Fund may include but are not limited to Hong Kong, Singapore, South Korea, Malaysia, Taiwan, Thailand, the Philippines, Indonesia, India and China. Investors in the Investment Portfolio share the foreign exchange gains and losses associated with funds owning securities denominated in various currencies of these countries. The risk profile of the Investment Portfolio is generally regarded as high.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
Hong Kong	0 - 65%
South Korea	0 - 65%
Malaysia	0 - 40%
Singapore	0 - 40%
Taiwan	0 - 40%
China	0 - 40%
Indonesia	0 - 40%
Philippines	0 - 40%
Thailand	0 - 40%
India	0 - 40%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to exceed inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk/products/orso-schemes/daily-fund-prices>.

### Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

### What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Liquidity risk
- Risks relating to investing solely in a single APIF or ITCIS
- 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
- Credit rating risk
- Risks of investing in collective investment schemes
- RMB currency and conversion risks
- PRC investment risk
- PRC tax risk with respect to capital gains
- Custodial risk
- Hedging risk
- Legal and regulatory risk
- Trading risks
- Investment risk
- Concentration risk
- Equity market risks
- Emerging market risks
- Currency risk
- Risks associated with investments utilizing Stock Connect

### What are the fees and charges?

#### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

#### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

\* Fees inclusive of the management fee at the Underlying Fund level.

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

Further details of the investment objectives and policies and the risk factors of the Ultimate Underlying Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by accessing the below links:

Offering document: [https://www.principal.com.hk/sites/default/files/general-files/Explanatory\\_Memorandum-Principal\\_Life\\_Style\\_Fund\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Explanatory_Memorandum-Principal_Life_Style_Fund_E.pdf)

Product Key Facts Statement: [https://www.principal.com.hk/sites/default/files/general-files/Product\\_Key\\_Facts\\_PLSF\\_AEF\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Product_Key_Facts_PLSF_AEF_E.pdf)

If you are in doubt, you should seek professional advice.

## 8.4 Principal International Bond Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal International Bond Fund (the “**Investment Portfolio**”) is to protect and maximise real asset value in terms of international purchasing power.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal International Bond Fund (the “**Underlying Fund**”). The Underlying Fund will primarily invest in the Principal International Bond Fund (the “**Ultimate Underlying Fund**”) under the Principal Life Style Fund. The Investment Portfolio, the Underlying Fund and the Ultimate Underlying Fund share the same investment objective. The Investment Portfolio, via indirect investment in the Ultimate Underlying Fund, invest primarily in a portfolio of debt securities, both sovereign and non-sovereign, of varying maturities and denominated in the world’s major currencies. As the Investment Portfolio takes exposure to various currencies at any given time, investors in the Investment Portfolio share the foreign exchange gains and losses associated with funds owning these currencies. The risk profile of the Investment Portfolio is generally regarded as moderate.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Debt Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
United States	15 - 65%
France	0 - 50%
Germany	0 - 50%
Hong Kong	0 - 50%
Italy	0 - 50%
Japan	0 - 50%
Canada	0 - 20%
Other countries (each)	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and



- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to be comparable to the inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

### Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

### What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- 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 relating to investing solely in a single APIF or ITCIS
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Risks of investing in collective investment schemes
- RMB currency and conversion risks
- PRC investment risk
- PRC tax risk with respect to capital gains
- Risk of investing in CIBM and/or Bond Connect
- Custodial risk
- Hedging risk
- Investment risk
- Currency risk
- Credit/counterparty risk
- Volatility and liquidity risk associated with debt securities
- Concentration risk

### What are the fees and charges?

#### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

#### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

\* Fees inclusive of the management fee at the Underlying Fund level.

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

Further details of the investment objectives and policies and the risk factors of the Ultimate Underlying Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by accessing the below links:

Offering document: [https://www.principal.com.hk/sites/default/files/general-files/Explanatory\\_Memorandum-Principal\\_Life\\_Style\\_Fund\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Explanatory_Memorandum-Principal_Life_Style_Fund_E.pdf)

Product Key Facts Statement: [https://www.principal.com.hk/sites/default/files/general-files/Product\\_Key\\_Facts\\_PLSF\\_IBF\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Product_Key_Facts_PLSF_IBF_E.pdf)

If you are in doubt, you should seek professional advice.

## 8.5 Principal U.S. Equity Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal U.S. Equity Fund (the “**Investment Portfolio**”) is to achieve capital growth over the long term by investing in US equity markets.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal U.S. Equity Fund (the “**Underlying Fund**”). The Underlying Fund will primarily invest in the Principal U.S. Equity Fund (the “**Ultimate Underlying Fund**”) under the Principal Life Style Fund. The Investment Portfolio, the Underlying Fund and the Ultimate Underlying Fund share the same investment objective. The Investment Portfolio, via indirect investment in the Ultimate Underlying Fund, invest primarily in US equities and can include exposure to cash and short-term investments. Investors in the Investment Portfolio share the foreign exchange gains and losses associated with funds owning securities denominated in US dollars and other currencies. The risk profile of the Investment Portfolio is generally regarded as high.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
United States	70 - 100%
Hong Kong	0 - 30%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to exceed the inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

## Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

## What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Liquidity 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 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
- Credit rating risk
- Risks of investing in collective investment schemes
- Custodial risk
- Hedging risk
- Investment risk
- Concentration risk
- Equity market risks
- Currency risk

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

*\* Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

## 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months' prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

## 3. Dealing arrangement

Please refer to section 7.5 of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section 3.2 of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

Further details of the investment objectives and policies and the risk factors of the Ultimate Underlying Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by accessing the below links:

Offering document: [https://www.principal.com.hk/sites/default/files/general-files/Explanatory\\_Memorandum-Principal\\_Life\\_Style\\_Fund\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Explanatory_Memorandum-Principal_Life_Style_Fund_E.pdf)

Product Key Facts Statement: [https://www.principal.com.hk/sites/default/files/general-files/Product\\_Key\\_Facts\\_PLSF\\_USEF\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Product_Key_Facts_PLSF_USEF_E.pdf)

If you are in doubt, you should seek professional advice.

## 8.6 Principal International Equity Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal International Equity Fund (the “**Investment Portfolio**”) is to seek capital growth over the long-term through investing solely in an investment fund.

#### Investment policy

The investment fund in which the Investment Portfolio invests in, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal International Equity Fund (the “**Underlying Fund**”). The Underlying Fund will primarily invest in the Principal International Equity Fund (the “**Ultimate Underlying Fund**”) under the Principal Life Style Fund. The Investment Portfolio, the Underlying Fund and the Ultimate Underlying Fund share the same investment objective. The Investment Portfolio, via indirect investment in the Ultimate Underlying Fund, invest primarily in equity securities selected from investment markets around the world and can include exposures to cash and short-term investments. As the Investment Portfolio takes exposure to various currencies at any given time, investors in the Investment Portfolio share the foreign exchange gains and losses associated with funds owning these currencies. The risk profile of the Investment Portfolio is generally regarded as high.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
North America	0 - 65%
Europe	0 - 60%
Asia	0 - 50%
South America	0 - 50%
Middle East	0 - 20%
Africa	0 - 20%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to exceed inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

### Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

### What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- Interest rate risk
- Market risk
- Accounting standards and disclosure
- Foreign exchange risk
- Security risk
- Credit risk
- Counterparty risk
- Liquidity risk
- Risks relating to investing solely in a single APIF or ITCIS
- 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
- Credit rating risk
- Eurozone risks
- Risks of investing in collective investment schemes
- RMB currency and conversion risks
- PRC investment risk
- PRC tax risk with respect to capital gains
- Custodial risk
- Hedging risk
- Legal and regulatory risk
- Trading risks
- Investment risk
- Equity market risks
- Emerging market risks
- Currency risk
- Concentration risk

### What are the fees and charges?

#### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

#### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

\* Fees inclusive of the management fee at the Underlying Fund level.

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months' prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

Further details of the investment objectives and policies and the risk factors of the Ultimate Underlying Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by accessing the below links:

Offering document: [https://www.principal.com.hk/sites/default/files/general-files/Explanatory\\_Memorandum-Principal\\_Life\\_Style\\_Fund\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Explanatory_Memorandum-Principal_Life_Style_Fund_E.pdf)

Product Key Facts Statement: [https://www.principal.com.hk/sites/default/files/general-files/Product\\_Key\\_Facts\\_PLSF\\_IEF\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Product_Key_Facts_PLSF_IEF_E.pdf)

If you are in doubt, you should seek professional advice.



## 8.7 Principal Money Market Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Money Market Fund (the “**Investment Portfolio**”) is to earn a competitive short-to-medium term rate of return.

#### Investment policy

This objective will be accomplished by investing solely in an investment fund, namely the Principal Life Style Fund - Principal Hong Kong Dollar Savings Fund (the “**Underlying Fund**”), which is in the form of a unit trust. The Underlying Fund will invest, directly or indirectly, primarily in a portfolio of high quality Hong Kong dollar short to medium duration debt securities. The Underlying Fund will also invest in US dollar short-to-medium duration debt securities. The risk profile of the Investment Portfolio is generally regarded as low. The Underlying Fund will hold assets denominated in Hong Kong dollars and may also hold assets denominated in US dollars or other currencies.

The Investment Portfolio may not enter into financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Short-to-medium duration Debt Securities	60 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 40%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
Hong Kong	70 - 100%
United States	0 - 30%
Europe	0 - 30%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to exceed the Hong Kong dollar bank saving rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

## Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

## What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Investment risk
- Interest rate risk
- Credit/counterparty risk
- Risk associated with debt securities rated below investment grade or unrated

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 0.75% p.a. of the value of the Investment Portfolio

*\*Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

Further details of the investment objectives and policies and the risk factors of the Underlying Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by accessing the below links:

Offering document: [https://www.principal.com.hk/sites/default/files/general-files/Explanatory\\_Memorandum-Principal\\_Life\\_Style\\_Fund\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Explanatory_Memorandum-Principal_Life_Style_Fund_E.pdf)

Product Key Facts Statement: [https://www.principal.com.hk/sites/default/files/general-files/Product\\_Key\\_Facts\\_PLSF\\_HKDSF\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Product_Key_Facts_PLSF_HKDSF_E.pdf)

If you are in doubt, you should seek professional advice.

## 8.8 Principal Asset Accumulation Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Asset Accumulation Fund (the “**Investment Portfolio**”) 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.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Asset Accumulation Fund (the “**Underlying Fund**”). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund will invest in a portfolio of bank deposits, short duration securities and high quality money market instruments denominated in Hong Kong dollars. The Investment Portfolio’s exposure to capital gains and losses associated with interest rate fluctuations is mitigated because the Underlying Fund will invest, directly or indirectly, mainly in a variety of relatively short duration securities and bank deposits. The risk profile of the Investment Portfolio is generally regarded as low.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Certificates of Deposit	0 - 95%
Debt Securities	0 - 95%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 100%

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
Hong Kong	100%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to be similar to the bank saving rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

## Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

## What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

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

## What are the fees and charges?

### Charges which may be payable by you

*Discretionary management fee and/or administrative expenses applicable to the Investment Portfolio*

(The following figures are for illustration purpose only, and should not be viewed as an indication of future returns. Investment earnings may go down as well as up.)

If the amount of income and profits derived from the investment of the Investment Portfolio prior to the deduction of management fee and administrative expenses for a particular month exceeds the amount of interest that would be earned under the “prescribed savings rate”, a portion of the management fee and/or administrative expenses not exceeding the excess may be deducted from the accrued benefits of the member.

However, if for any particular month no portion of management fee or administrative expenses is deducted resulting from being unable to meet the prescribed savings rate, or the amount deducted is less than the actual amount required, the deficiency may be “rolled forward” and deducted from the amount of any excess that may remain from any of the following 12 months after deducting the required management fee and/or administrative expenses of that month. If the deficiency still remains after the 12-month period, no additional deduction will be allowed thereafter.

For example, suppose the return before deducting the management fee and administrative expenses is 6.3% of the net asset value of the Investment Portfolio, and the prescribed savings rate for the period is 5.0%, then an amount of management fee and administrative expenses of not more than 1.3% of the net asset value of the Investment Portfolio may be deducted. If the return before deducting the management fee and administrative expenses is 4.8%, and the prescribed savings rate for the period is 5.0%, then no management fee or administrative expenses will be deducted during that month.

Subject to the above provisions, all income and profits derived from the investment of the Investment Portfolio net of management fee and administrative expenses after taking into account any losses arising from the investment of the Investment Portfolio will be credited to the scheme members who have invested in the Investment Portfolio.

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the other fees and charges which you may have to pay when dealing in the Investment Portfolio.

## Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 0.75% p.a. of the value of the Investment Portfolio

*\*Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months' prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

If you are in doubt, you should seek professional advice.

## 8.9 Principal Long Term Accumulation Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Long Term Accumulation Fund (the “**Investment Portfolio**”) is to earn a competitive long-term rate of return through investing in a balanced portfolio.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Long Term Accumulation Fund (the “**Underlying Fund**”). The Underlying Fund and the Investment Portfolio share the same investment objective. Through the Underlying Fund, the Investment Portfolio has a balanced investment philosophy and will invest in a portfolio of fixed income and equity securities denominated in the world’s major currencies. The Underlying Fund will invest in two or more APIFs and/or ITCIS. As the Underlying Fund takes exposure to various currencies at any given time, investors in the Underlying Fund share the foreign exchange gains and losses associated with funds owning these currencies. Because the Underlying Fund indirectly owns fixed income securities, investors in the Investment Portfolio will experience gains and losses on these securities as interest rates fluctuate. The risk profile of the Underlying Fund is generally regarded as moderate to high.

The Underlying Fund will use an investment strategy which focuses on fundamental analysis in order to identify countries offering good relative value. Country research will focus on economic data such as GDP growth, inflation, monetary policy, etc. The global economic and individual countries’ macroeconomics environment will be assessed before conducting the country asset allocation process.

Selection of fixed income securities is based on long-term, fundamental analysis. Through the Underlying Fund, the Investment Portfolio will invest in the global bond markets of a broad array of governments, provinces, government-supported entities as well as corporate issues. Equity investments will be made in securities which as a group, appear to possess potential for appreciation in market value. Common stocks chosen for investment may include those of companies with above average sales and earnings growth. The policy of investing in securities which have a high potential for capital growth can mean that the assets of the Investment Portfolio may be subject to greater risk than securities which do not have such potential.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	20 - 80%
Fixed Income Securities	15 - 75%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 20%

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
United States	15 - 100%
Asia	0 - 85%
Europe	0 - 30%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

The Investment Portfolio is categorised as a balanced fund. While the short-term return may be volatile due to the risk inherent in its investments, the long-term rate of return is expected to be higher than that of a money market or bond fund.

In the long term, the return of the Investment Portfolio is expected to be no less than the inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

### **Investment and borrowing restrictions**

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

### **What are the key risks?**

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- 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
- Risks relating to investing solely in a single APIF or ITCIS
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Risks of investing in collective investment schemes
- RMB currency and conversion risks
- PRC investment risk
- PRC tax risk with respect to capital gains
- Risk of investing in CIBM and/or Bond Connect
- Custodial risk
- Hedging risk
- Legal and regulatory risk
- Trading risks

### **What are the fees and charges?**

#### **Charges which may be payable by you**

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.



## Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

*\*Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section 5.2 of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section 7.4 of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section 7.5 of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section 3.2 of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

If you are in doubt, you should seek professional advice.

## 8.10 Principal Stable Yield Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Stable Yield Fund (the “**Investment Portfolio**”) is to seek long-term growth of capital through investing in an investment fund.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Stable Yield Fund (the “**Underlying Fund**”). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund will invest in two or more APIFs and/or ITCIS, and through these underlying investments will invest primarily in equities and debt securities of different countries. The Investment Portfolio will provide an international exposure for investors’ monies, with relatively more emphasis on debt investments. Investors in the Investment Portfolio share the foreign exchange gains and losses associated with funds owning securities denominated in US dollars and other currencies. The risk profile of the Investment Portfolio is generally regarded as moderate.

The Investment Portfolio may acquire or hold financial futures contracts or financial options contracts, but only for the purpose of hedging.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	0 - 60%
Debt Securities	20 - 90%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
Asia	0 - 75%
Europe	0 - 75%
North America	0 - 80%
South America	0 - 10%
Africa/Middle East	0 - 10%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to exceed the inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

### Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

### What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- 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
- Risks relating to investing solely in a single APIF or ITCIS
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Risks of investing in collective investment schemes
- RMB currency and conversion risks
- PRC investment risk
- PRC tax risk with respect to capital gains
- Risk of investing in CIBM and/or Bond Connect
- Custodial risk
- Hedging risk
- Legal and regulatory risk
- Trading risks

### What are the fees and charges?

#### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

#### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

*\*Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

If you are in doubt, you should seek professional advice.

## 8.11 Principal Global Growth Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Global Growth Fund (the “**Investment Portfolio**”) is to seek long-term growth of capital through investing in an investment fund.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Unit Trust Umbrella Fund - Principal Global Growth Fund (the “**Underlying Fund**”). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund will invest in two or more APIFs and/or ITCIS, and through these underlying investments will invest primarily in equities and debt securities of different countries. The Investment Portfolio will provide an international exposure for investors’ monies using a balanced investment philosophy. It will normally target a larger allocation to equity investments than debt securities. Investors in the Investment Portfolio share the foreign exchange gains and losses associated with funds owning securities denominated in US dollars and other currencies. The risk profile of the Investment Portfolio is generally regarded as moderate to high.

The Investment Portfolio may acquire or hold financial futures contracts or financial options contracts, but only for the purpose of hedging.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	30 - 90%
Debt Securities	10 - 70%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
Asia	0 - 75%
Europe	0 - 75%
North America	0 - 80%
South America	0 - 10%
Africa/Middle East	0 - 10%
Others	0 - 20%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

In the long term, the return of the Investment Portfolio is expected to exceed the inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

### Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

### What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Political, economic and social risks
- 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
- Risks relating to investing solely in a single APIF or ITCIS
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Risks of investing in collective investment schemes
- RMB currency and conversion risks
- PRC investment risk
- PRC tax risk with respect to capital gains
- Risk of investing in CIBM and/or Bond Connect
- Custodial risk
- Hedging risk
- Legal and regulatory risk
- Trading risks

### What are the fees and charges?

#### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

#### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

*\*Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

If you are in doubt, you should seek professional advice.

## 8.12 Principal China Equity Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The Principal China Equity Fund (the “**Investment Portfolio**”) seeks to provide investors with long-term capital growth through investing in an investment fund.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Life Style Fund - Principal China Equity Fund (the “**Underlying Fund**”). Through the Underlying Fund, the Investment Portfolio will invest primarily in equity securities of companies conducting a majority of their business in the PRC or whose business operation is based in or relates to the PRC, and the Investment Portfolio will invest at least 70 per cent of the non-cash assets of the fund in securities and other investments based in or related to the PRC.

Through the Underlying Fund, the Investment Portfolio intends to invest its assets primarily in quoted securities of PRC companies; those securities will normally be listed on a stock exchange in the PRC. Equity allocations to the PRC will include shares or depositary receipts of the PRC companies or companies deriving substantial revenue from the PRC but listed outside the PRC and other shares listed in Shanghai or Shenzhen or any other exchanges that may be established in the PRC. The risk profile of the Investment Portfolio is generally regarded as high.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity & Quasi-Equity Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
PRC (including Hong Kong and Macau)	70 - 100%
Others	0 - 30%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.



Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

### Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

### What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Investment risk
- Currency risk
- Concentration risk
- Equity market risk
- Emerging market risks
- Risks associated with investments utilizing Stock Connect

### What are the fees and charges?

#### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

#### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

*\*Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

### Valuation, pricing and dealing arrangements

#### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

#### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

#### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

### Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

### Important

Further details of the investment objectives and policies and the risk factors of the Underlying Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by accessing the below links:

Offering document: [https://www.principal.com.hk/sites/default/files/general-files/Explanatory\\_Memorandum-Principal\\_Life\\_Style\\_Fund\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Explanatory_Memorandum-Principal_Life_Style_Fund_E.pdf)

Product Key Facts Statement: [https://www.principal.com.hk/sites/default/files/general-files/Product\\_Key\\_Facts\\_PLSF\\_CEF\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Product_Key_Facts_PLSF_CEF_E.pdf)

If you are in doubt, you should seek professional advice.

## 8.13 Principal Hong Kong Equity Fund

### Quick facts

<b>Product provider:</b>	Principal Insurance Company (Hong Kong) Limited
<b>Trustee:</b>	Principal Trust Company (Asia) Limited
<b>Management company:</b>	Principal Asset Management Company (Asia) Limited
<b>Base currency:</b>	HKD
<b>Dealing frequency:</b>	Daily (on any Dealing Day)

### Objectives and investment policy

#### Objectives

The objective of the Principal Hong Kong Equity Fund (the “**Investment Portfolio**”) is to achieve capital growth over the long-term by investing in an investment fund.

#### Investment policy

The Investment Portfolio will invest solely in an investment fund, which is in the form of a unit trust, namely the Principal Life Style Fund - Principal Hong Kong Equity Fund (the “**Underlying Fund**”). Through the Underlying Fund, the Investment Portfolio will invest mainly in Hong Kong equity markets, primarily in listed equities issued by companies established in Hong Kong or by companies whose shares are listed in Hong Kong (including but not limited to H shares and shares of red-chip companies listed on the Hong Kong Stock Exchange). The underlying investments of the Investment Portfolio may also include listed equities issued by companies which have business in Hong Kong and hold cash and short-term investments.

The Investment Portfolio may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of the Investment Portfolio are as follows:

<b><u>Asset Allocation*</u></b>	<b><u>Range</u></b>
Equity Securities	70 - 100%
Cash & Debt Instruments (e.g. bills and deposits)	0 - 30%

  

<b><u>Geographic Allocation*</u></b>	<b><u>Range</u></b>
Hong Kong	30 - 100%
PRC	0 - 50%
Others	0 - 30%

\* Investors should note that:

- (i) the above ranges of asset and geographical allocations are for indication only and long term allocations may vary with changing market conditions; and
- (ii) the geographical allocation for equity investments is classified by the principal place of business of the issuers and the geographical allocation for debt investments is classified by their currency denomination.

The risk profile of the fund is generally regarded as high. In the long term, the return of the Investment Portfolio is expected to exceed the inflation rates in Hong Kong.

Scheme participants can obtain information on the latest composition of the Investment Portfolio at <https://www.principal.com.hk>.

## Investment and borrowing restrictions

Please refer to sections **3.3** of the Principal Brochure headed “**Investment and Borrowing Restrictions**” for details relating to the investment and borrowing restrictions of the Investment Portfolio.

## What are the key risks?

Investment involves risks. Please refer to section **4** of the Principal Brochure headed “**Risk Factors**” for details including the risk factors.

- Investment risk
- Concentration risk
- Equity market risk
- Risks associated with investments utilizing Stock Connect

## What are the fees and charges?

### Charges which may be payable by you

Please refer to section **5.1** of the Principal Brochure headed “**Charges which may be payable by you**” for details of the fees and charges which you may have to pay when dealing in the Investment Portfolio.

### Ongoing fees payable by the Investment Portfolio

The following expenses will be paid out of the Investment Portfolio. They affect you because they reduce the return you get on your investments.

Fee	Annual rate
<b>Management fees*</b>	Not exceeding 1.0% p.a. of the value of the Investment Portfolio

*\*Fees inclusive of the management fee at the Underlying Fund level.*

For other expenses which may be paid out of the Investment Portfolio, please refer to section **5.2** of the Principal Brochure headed “**Ongoing fees payable by each Investment Portfolio**” for details.

## Valuation, pricing and dealing arrangements

### 1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.4** of the Principal Brochure headed “**Valuation**” for details relating to valuation of the Investment Portfolio.

### 2. Pricing arrangement

The above fees and charges, including the management fees of the Investment Portfolio, may be increased up to the maximum level permitted, subject to the approval of the SFC and 3 months’ prior notice (or such other notice period the SFC may approve) has been given to participants of the Scheme. The Trustee will give the participants a prior notice of any decrease in such fees and charges.

### 3. Dealing arrangement

Please refer to section **7.5** of the Principal Brochure headed “**Deferral or Suspension of Dealings**” for details in relation to arrangements for dealing and its suspension.

Please refer to section **3.2** of the Principal Brochure headed “**Changes of Percentage or Choice of Investment Portfolio for New Contributions/Switching Units of Existing Investment Portfolios**” for details regarding changes of future investment allocations and switching of existing investments.

## Additional information

- The unit price of the Investment Portfolio will be published on [www.principal.com.hk](http://www.principal.com.hk). Please note that the website has not been reviewed by the SFC.

## Important

Further details of the investment objectives and policies and the risk factors of the Underlying Fund are set out in its offering document (including the Product Key Facts Statement), which can be obtained free of charge by accessing the below links:

Offering document: [https://www.principal.com.hk/sites/default/files/general-files/Explanatory\\_Memorandum-Principal\\_Life\\_Style\\_Fund\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Explanatory_Memorandum-Principal_Life_Style_Fund_E.pdf)

Product Key Facts Statement: [https://www.principal.com.hk/sites/default/files/general-files/Product\\_Key\\_Facts\\_PLSF\\_HKEF\\_E.pdf](https://www.principal.com.hk/sites/default/files/general-files/Product_Key_Facts_PLSF_HKEF_E.pdf)

If you are in doubt, you should seek professional advice.

## 9. GLOSSARY

“Administrator”	means Principal Trust Company (Asia) Limited.
“APIF(s)”	means approved pooled investment fund(s) as defined under the General Regulation.
“Application Form”	means a form completed by the Employer for the purposes of adhering to the Scheme.
“China A-Shares”	are the stock shares of PRC-based companies that trade on the Shanghai Stock Exchange or the Shenzhen Stock Exchange.
“CIBM”	means the China Interbank Bond Market.
“Connected Person”	has the same meaning ascribed to it in the PRF Code.
“Dealing Day”	means any day (other than a Saturday or Sunday) on which the banks are open for business in Hong Kong, or such other day or days as the Trustee may from time to time determine to be a Dealing Day either generally or in respect of a particular Investment Portfolio.
“Employee” or “member”	means an employee under a Participating Scheme.
“Employer”	means an employer under a Participating Scheme.
“Exemption Regulation”	means the Mandatory Provident Fund Schemes (Exemption) Regulation (Cap. 485B of the Laws of Hong Kong).
“financial year”	means each 12 month period commencing from 1 January or such other period as may be agreed between the Insurer and the Trustee.
“General Regulation”	means the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485A of the laws of Hong Kong).
“Guarantor”	means Principal Insurance Company (Hong Kong) Limited, the guarantor of the Principal Long Term Guaranteed Fund and Principal Capital Guaranteed Fund.
“HK\$” and “HK dollars”	mean Hong Kong dollars.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“Insurer” and “Principal”	mean Principal Insurance Company (Hong Kong) Limited.
“Investment Portfolio Fact Sheet”	means an investment portfolio fact sheet containing the relevant information of an Investment Portfolio.
“Investment Portfolio”	means an investment portfolio under the Scheme.
“ITCIS”	means index-tracking collective investment scheme as defined under the General Regulation.
“Management Company”	means Principal Asset Management Company (Asia) Limited.
“Master Trust Deed”	means the master trust deed constituting the Scheme, as amended from time to time.
“MMB”	means minimum MPF benefits as defined in the Exemption Regulation.
“MPF Ordinance”	means the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong).

<b>“MPF”</b>	means Mandatory Provident Fund.
<b>“MPFA”</b>	means the Mandatory Provident Fund Schemes Authority.
<b>“normal retirement age”</b>	means the age qualified for normal retirement as specified in the scheme rules.
<b>“ORSO”</b>	means the Occupational Retirement Schemes Ordinance (Cap. 426 of the laws of Hong Kong).
<b>“participating scheme”</b>	means an individual scheme established under the Scheme.
<b>“permanent total disability”</b>	is defined in the Master Trust Deed to mean physical or mental deterioration which has been certified by a medical practitioner that such physical or mental deterioration is serious enough to cause the person being permanently, mentally, or physically disabled so as to be wholly unable to work at the person's customary occupation for the remainder of the person's life.
<b>“PRC”</b>	means the People's Republic of China.
<b>“PRF Code”</b>	means the Code on Pooled Retirement Funds issued by the SFC.
<b>“Principal Brochure”</b>	means the principal brochure of the Scheme.
<b>“Product Key Facts Statement”</b>	means a product key fact statement of an SFC authorized scheme prepared pursuant to paragraph 6.2A of the UT Code.
<b>“Product Provider”</b>	has the same meaning ascribed to it in the PRF Code.
<b>“Registrar”</b>	means the ORSO Registrar.
<b>“Scheme” or “master trust”</b>	means the Principal Trust Company (Asia) Limited Retirement Scheme.
<b>“scheme rules”</b>	means the rules of each participating scheme under the Scheme.
<b>“SFC”</b>	means the Securities and Futures Commission.
<b>“SFO”</b>	means the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).
<b>“Stock Connect”</b>	means the cross-boundary investment channel that connects the PRC markets and the Hong Kong Stock Exchange.
<b>“Trustee”</b>	means Principal Trust Company (Asia) Limited.
<b>“UT Code”</b>	means the Code on Unit Trusts and Mutual Funds issued by the SFC.
<b>“Valuation Date”</b>	means a date where the Trustee shall ascertain the net asset value of an Investment Portfolio in accordance with a policy established by the Trustee and at such time on each Dealing Day as determined from time to time by the Trustee

## APPENDIX – ILLUSTRATIONS OF THE GUARANTEE FEATURES OF THE PRINCIPAL LONG TERM GUARANTEED FUND

### Introductory Notes:

#### A. Illustration of the Guarantee Mechanism

##### Warnings:

1. The illustrations in this section are subject to the detailed descriptions in the preceding part of this Principal Brochure. Members are encouraged to refer to the relevant sections of those descriptions when reviewing the illustrations.
2. The following figures are for illustration purpose only, and should not be viewed as an indication of future returns. Actual investment earnings may go down as well as up.

#### B. Assumptions relating to Illustrations

3. The following illustrative examples (other than Scenario 8 - example 13) assume that \$5,000 is contributed at the beginning of each year in the Principal Long Term Guaranteed Fund. For each member participating in this fund, we will maintain a normal account balance (“NB”) and a qualifying account balance (“QB”). The QB is merely an accounting record and any amount credited (or debited) to the QB means that such an amount is recorded as a credit (or debit) to the QB. For the purpose of the fund, QB indicates the guaranteed amount offered to the member under the fund upon the occurrence of a qualifying event.
4. The NB is the net asset value of the relevant units of the fund, and may go down as well as up. In other words, the NB will reflect the actual performance of the units held by the member.
5. For the 4% or 5% guarantee class of units, the QB is determined based on an annually compounded rate of return of (i) 4% or 5%, where applicable, for contributions made on or before 30 September 2004 and (ii) 1% for contributions made after 30 September 2004. For the 1% guarantee class of units, the QB is determined based on an annually compounded rate of return of 1% for all contributions made. For the purpose of illustrations, it is assumed that units invested belong to the 5% guarantee class.
6. In the illustrations, QB1 is the QB for contributions made on or before 30 September 2004, and QB2 is the QB for contributions made after 30 September 2004. For illustration purposes, it is assumed that there are employer’s and employee’s contributions and both contributions are fully vested in the employee member (except in scenario 8 - example 13 where the application of the guarantee on vested and unvested benefits is illustrated).
7. Both NB and QB are net of all fees and charges.
8. If a qualifying event takes place, the greater of the NB and the QB will be paid. In determining the amount of QB, interest will only be accrued to the QB up to (but excluding) the dealing day on which the actual redemption takes place.
9. In the illustration, “qualifying period” means the period for which the member has invested in the fund and during which no withdrawal has ever been made.
10. If a scheme member wishes to effect a redemption, switching out or withdrawal of the units of the fund other than occurrence of a qualifying event, such transaction will be effected as if all units of the fund will be redeemed and the units which are not requested to be redeemed, switched out or withdrawn, if any, will be re-invested in the fund. In such circumstances, the following will apply:
  - (i) the NB in respect of the withdrawn units will be paid;



- (ii) the qualifying period will be reset to zero and re-commence from the date on which the QB is adjusted (as stated in (iii) below) provided that if at such time there is no longer any contribution remained in the fund, the qualifying period will only re-commence on the date on which new contribution is made to the fund;
  - (iii) the QB of the re-invested units will be adjusted based on the amount of NB and QB at the time immediately prior to such withdrawal:
    - (a) if QB is less than or equal to NB, the QB will be reduced by the amount by which the NB has decreased as a result of the redemption, switching out or withdrawal (and may become negative if the amount redeemed, switched out or withdrawn is greater than the QB);
    - (b) if QB is greater than NB, the QB will be reset to an amount equal to the NB (after the redemption, switching out or withdrawal); and
  - (iv) the adjusted QB (together with any future contributions credited thereto) will be credited with interest at an annually compounded rate of return of 1% after the withdrawal (provided the balance is positive).
11. For the avoidance of doubt, paragraphs 10 (i) to (iv) will also be applicable in case where units of the fund are fully withdrawn other than the occurrence of a qualifying event.
12. Members should note that the QB of a scheme member will be determined independent of any of his former employment (other than in the case of “intra-group transfer” as set out in the section headed “Provision of Guarantee”).

## Scenario 1:

### Assumptions:

- (a) A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- (b) No redemption, switching or withdrawal has been made.

### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	End of Year QB1 (5%) (contributions made on or before 30 September 2004 – subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 – subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$5,050.00	12 months	\$5,250.00	\$–	\$5,250.00
2003	2.00%	\$10,251.00	24 months	\$10,762.50	\$–	\$10,762.50
2004	9.00%	\$16,623.59	36 months	\$16,550.63	\$–	\$16,550.63
2005	7.00%	\$23,137.24	48 months	\$17,378.16	\$5,050.00	\$22,428.16

Examples 1 to 3 below illustrate the different amounts which the member may receive when his accrued benefits are withdrawn in different cases of termination of employment.

Example 1 illustrates how the guarantee will be applied when the member retires at the normal retirement age.

Example 2 illustrates the amounts which the member will receive upon termination of employment other than the occurrence of a qualifying event.

Example 3 illustrates the amounts which the member will receive upon termination of employment, where the qualifying period is more than 36 months.

**Illustrative Example 1:** As of 31 December 2003, member retires after attaining the normal retirement age of 65. All relevant contributions were made before 30 September 2004. Member then makes a claim for his accrued benefits. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

Since retirement at normal retirement age is a qualifying event, the greater of the QB (for End of Year 2003) and the NB (for End of Year 2003) will be paid.

$$\text{QB} = \$10,762.50 (\$5,000 \times 1.05 \times 1.05 + \$5,000 \times 1.05)$$

$$\text{NB} = \$10,251.00 (\$5,000 \times 1.01 \times 1.02 + \$5,000 \times 1.02)$$

Therefore, \$10,762.50 will be paid.

**Illustrative Example 2:** As of 31 December 2003, member's employment is terminated. The qualifying period is 24 months. All contributions were made before 30 September 2004. Member then makes a claim for his accrued benefits. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

Since the qualifying period is less than 36 months, there is no qualifying event. The NB (for End of Year 2003) at the sum of \$10,251.00 will be paid.

**Illustrative Example 3:** As of 31 December 2005, member's employment is terminated. The qualifying period is 48 months. Some contributions were made before 30 September 2004 and some were made after 30 September 2004. Member then makes a claim for his accrued benefits. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

Since the qualifying period is more than 36 months, a qualifying event has occurred. The greater of (i) the total QB (i.e. QB1 + QB2, both for End of Year 2005) and (ii) the NB (for End of Year 2005) will be paid.

$$\begin{aligned} \text{QB1} + \text{QB2} &= \$22,428.16 (\$5,000 \times 1.05 \times 1.05 \times 1.05 \times 1.05 + \$5,000 \times 1.05 \times 1.05 \times 1.05 + \\ &\quad \$5,000 \times 1.05 \times 1.05 + \$5,000 \times 1.01) \\ \text{NB} &= \$23,137.24 (\$5,000 \times 1.01 \times 1.02 \times 1.09 \times 1.07 + \$5,000 \times 1.02 \times 1.09 \times 1.07 + \\ &\quad \$5,000 \times 1.09 \times 1.07 + \$5,000 \times 1.07) \end{aligned}$$

Therefore, \$23,137.24 will be paid.

## Scenario 2:

### Assumptions:

- (a) A member first invested in the fund on 1 January 2005 and therefore the guaranteed rate of return of 1% applies to all his contributions.
- (b) No redemption, switching or withdrawal has been made.

### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	End of Year QB1 (5%) (contributions made on or before 30 September 2004 – subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 – subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2005	0.00%	\$5,000.00	12 months	\$–	\$5,050.00	\$5,050.00
2006	-3.00%	\$9,700.00	24 months	\$–	\$10,150.50	\$10,150.50

Examples 4 to 5 below illustrate the different amounts which the member may receive when his accrued benefits are withdrawn in different cases of termination of employment.

Example 4 illustrates how the guarantee will be applied when the member retires at the normal retirement age.

Example 5 illustrates the amounts which the member will receive upon termination of employment other than the occurrence of a qualifying event.

**Illustrative Example 4:** As of 31 December 2005, member retires after attaining the normal retirement age of 65. All relevant contributions were made after 30 September 2004. Member then makes a claim for his accrued benefits. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day. Since retirement at normal retirement age is a qualifying event, the greater of (i) the total QB (i.e. QB1 + QB2, both for End of Year 2005) and the NB (for End of Year 2005) will be paid.

$$\text{QB1} + \text{QB2} = \$5,050.00 (\$5,000 \times 1.01)$$

$$\text{NB} = \$5,000.00$$

Therefore, \$5,050.00 will be paid.

**Illustrative Example 5:** As of 31 December 2006, member's employment is terminated. The qualifying period is 24 months. All contributions were made after 30 September 2004. Member then makes a claim for his accrued benefits. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

Since the qualifying period is less than 36 months, there is no qualifying event. The NB (for End of Year 2006) at the sum of \$9,700.00 will be paid.

### Scenario 3:

#### Assumptions:

- (a) A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- (b) Partial Withdrawal is effected with the QB less than the NB (QB<NB) at the time of withdrawal and the withdrawal amount is less than the total QB.

#### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	Withdrawal made by member	End of Year QB1 (5%) (contributions made on or before 30 September 2004 – subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 – subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$5,050.00	12 months	\$–	\$5,250.00	\$–	\$5,250.00
2003	2.00%	\$10,251.00	24 months	\$–	\$10,762.50	\$–	\$10,762.50
2004	9.00%	\$16,623.59	36 months	\$–	\$16,550.63	\$–	\$16,550.63
#2005	7.00%	\$13,137.24	0 months	\$10,000	\$–	\$12,428.16	\$12,428.16

# This illustrates the position after a withdrawal.

*Example 6 illustrates how a partial withdrawal from the fund (where QB<NB) will affect the QB, NB, qualifying period of the member and the guaranteed rate of return which will be applicable to the remaining balance.*

**Illustrative Example 6:** As of 31 December 2005, member requests to withdraw \$10,000 and transfer it to another fund option. Some contributions were made before 30 September 2004 and some were made after 30 September 2004. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

NB (for End of Year 2005) before withdrawal was \$23,137.24 (\$16,623.59 x 1.07 + \$5,000 x 1.07, i.e. \$16,623.59 was increased at 7% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000.00 was also increased at 7%).

NB (for End of Year 2005) after the withdrawal was \$13,137.24 (\$23,137.24 - \$10,000).

Total QB (i.e. QB1 + QB2, both for End of Year 2005) before withdrawal was \$22,428.16 (\$16,550.63 x 1.05 + \$5,000 x 1.01, i.e. \$16,550.63 was increased at 5% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000 was increased at 1%).

Since the total QB (for End of Year 2005) is less than the NB (for End of Year 2005) immediately before the withdrawal (\$22,428.16 < \$23,137.24), the total QB (for End of Year 2005) will be reduced by the amount withdrawn (\$10,000).

$$\begin{aligned} \text{Total QB after withdrawal} &= \$22,428.16 - \$10,000 \\ &= \$12,428.16 \end{aligned}$$

New guaranteed rate of 1% per annum will be applied to the total QB and any new contributions after the withdrawal. Qualifying period will be reset to zero and the counting of the new qualifying period shall recommence immediately as from 31 December 2005.

## Scenario 4:

### Assumptions:

- (a) A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- (b) Partial Withdrawal is effected with the QB less than the NB (QB<NB) at the time of withdrawal and the withdrawal amount is greater than the total QB.
- (c) No contribution is made in 2006 and contribution only resumes in 2007.

### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	Withdrawal made by member	End of Year QB1 (5%) (contributions made on or before 30 September 2004 – subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 – subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$5,050.00	12 months	\$–	\$5,250.00	\$–	\$5,250.00
2003	2.00%	\$10,251.00	24 months	\$–	\$10,762.50	\$–	\$10,762.50
2004	9.00%	\$16,623.59	36 months	\$–	\$16,550.63	\$–	\$16,550.63
#2005	7.00%	\$137.24	0 months	\$23,000	\$–	-\$571.84	-\$571.84
#2006	-12.00%	\$120.77	12 months	\$–	\$–	-\$571.84	-\$571.84
#2007	10.00%	\$5,632.85	24 months	\$–	\$–	\$4,472.44	\$4,472.44

# These illustrate the position after a withdrawal.

*Example 7 illustrates how a partial withdrawal from the fund (where QB<NB) may render the QB to become “negative”.*

*Example 8 is a continuation of Example 7 and illustrates the reset of the qualifying period and how interest will subsequently be accrued to the QB.*

**Illustrative Example 7:** As of 31 December 2005, member requests to withdraw \$23,000 and transfer it to another fund option. Some contributions were made before 30 September 2004 and some were made after 30 September 2004. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

NB (for End of Year 2005) before withdrawal was \$23,137.24 ( $\$16,623.59 \times 1.07 + 5,000 \times 1.07$ , i.e. \$16,623.59 was increased at 7% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000.00 was also increased at 7%).

NB (for End of Year 2005) after the withdrawal was \$137.24 ( $\$23,137.24 - \$23,000$ ).

Total QB (i.e. QB1 + QB2, for End of Year 2005) before withdrawal was \$22,428.16 ( $\$16,550.63 \times 1.05 + 5,000 \times 1.01$ , i.e. \$16,550.63 was increased at 5% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000 was increased at 1%).

Since the total QB (for End of Year 2005) is less than the NB (for End of Year 2005) immediately before the withdrawal (\$22,428.16 < \$23,137.24), the total QB (for End of Year 2005) will be reduced by the amount withdrawn (\$23,000).

$$\begin{aligned} \text{Total QB after withdrawal} &= \$22,428.16 - \$23,000 \\ &= -\$571.84 \text{ (A negative QB does not mean that the member owes} \\ &\quad \text{Principal money, rather it simply denotes that benefit exceeding} \\ &\quad \text{the guaranteed amount has already been paid out.)} \end{aligned}$$

New guaranteed rate of 1% per annum will be applied to the total QB and any new contributions after the withdrawal. Qualifying period will be reset to zero and the counting of the new qualifying period shall recommence immediately as from 31 December 2005. During the Year 2006, no new contribution is received and the total QB remains at -\$571.84 (i.e. the total QB (for End of Year 2005) and the total QB (for End of Year 2006) are the same). No interest is accrued to the QB during the Year 2006 as the total QB is negative. As of beginning of Year 2007, new contributions of \$5,000 have been made. The total QB becomes positive at the beginning of Year 2007 and interest is accrued to the QB for the Year 2007.

**Illustrative Example 8:** As of 31 December 2007, member's employment is terminated. The qualifying period has been reset to zero as of 31 December 2005. The NB (for End of Year 2005) after withdrawal was \$137.24 but there was no contribution in 2006. New contribution of \$5,000 was made at the beginning of 2007. The qualifying period as of 31 December 2007 is 24 months. Member then makes a claim for his accrued benefits. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day. Since the qualifying period is less than 36 months, there is no qualifying event. NB (for End of Year 2007) at the sum of HK\$5,632.85 will be paid.

## Scenario 5:

### Assumptions:

- (a) A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- (b) Partial Withdrawal is effected with the QB greater than the NB (QB>NB) at the time of withdrawal.

### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	Withdrawal made by member	End of Year QB1 (5%) (contributions made on or before 30 September 2004 - subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 - subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$5,050.00	12 months	\$-	\$5,250.00	\$-	\$5,250.00
2003	2.00%	\$10,251.00	24 months	\$-	\$10,762.50	\$-	\$10,762.50
2004	3.00%	\$15,708.53	36 months	\$-	\$16,550.63	\$-	\$16,550.63
#2005	7.00%	\$158.13	0 months	\$22,000	\$-	\$158.13	\$158.13

# This illustrates the position after a withdrawal.

*Example 9 illustrates how a partial withdrawal from the fund (where QB>NB) will affect the QB, NB, qualifying period of the member and the guaranteed rate of return which will be applicable to the remaining balance.*

**Illustrative Example 9:** As of 31 December 2005, member requests to withdraw \$22,000 and transfer it to another fund option. Some contributions were made before 30 September 2004 and some were made after 30 September 2004. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

NB (for End of Year 2005) before withdrawal was \$22,158.13 ( $\$15,708.53 \times 1.07 + 5,000 \times 1.07$ , i.e.  $\$15,708.53$  was increased at 7% until the withdrawal is made and new contribution at the beginning of 2005 of  $\$5,000.00$  was also increased at 7%).

Total QB (i.e. QB1 + QB2, both for End of Year 2005) before withdrawal was \$22,428.16 ( $\$16,550.63 \times 1.05 + 5,000 \times 1.01$ , i.e.  $\$16,550.63$  was increased at 5% until the withdrawal is made and new contribution at the beginning of 2005 of  $\$5,000$  was increased at 1%).

$$\begin{aligned} \text{NB (for End of Year 2005) after withdrawal} &= \$22,158.13 - \$22,000 \\ &= \$158.13 \end{aligned}$$

Since the total QB (for End of Year 2005) is greater than the NB (for End of Year 2005) immediately before the withdrawal ( $\$22,428.16 > \$22,158.13$ ), the total QB (for End of Year 2005) after withdrawal will be reset to an amount equal to the NB (for End of Year 2005) after withdrawal.

$$\begin{aligned} \text{Total QB after withdrawal} &= \text{NB after withdrawal} \\ &= \$158.13 \end{aligned}$$

New guaranteed rate of 1% per annum will be applied to the total QB and any new contributions after the withdrawal. Qualifying period will be reset to zero and the counting of new qualifying period shall recommence immediately as from 31 December 2005.



## Scenario 6:

### Assumptions:

- (a) A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- (b) Full Withdrawal is effected with the QB less than the NB (QB<NB) at the time of withdrawal.
- (c) No contribution is made in 2006 and contribution only resumes in 2007.

### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	Withdrawal made by member	End of Year QB1 (5%) (contributions made on or before 30 September 2004 - subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 - subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$5,050.00	12 months	\$-	\$5,250.00	\$-	\$5,250.00
2003	2.00%	\$10,251.00	24 months	\$-	\$10,762.50	\$-	\$10,762.50
2004	9.00%	\$16,623.59	36 months	\$-	\$16,550.63	\$-	\$16,550.63
#2005	7.00%	\$-	0* months	\$23,137.24 (full withdrawal)	\$-	-\$709.08	-\$709.08
#2006	-12.00%	\$-	0* months	\$-	\$-	-\$709.08	-\$709.08
#2007	10.00%	\$5,500.00	12 months	\$-	\$-	\$4,333.83	\$4,333.83

# These illustrate the position after a withdrawal.

\* There is no qualifying period when the NB is zero.

*Example 10 illustrates how a full withdrawal from the fund (where QB<NB) may render the QB to become "negative".*

*Example 11 is a continuation of Example 10 and illustrates the suspension of the qualifying period when the NB is zero.*

**Illustrative Example 10:** As of 31 December 2005, member requests full withdrawal (i.e. \$23,137.24) and transfer the amount to another fund option. Some contributions were made before 30 September 2004 and some were made after 30 September 2004. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

NB (for End of Year 2005) before withdrawal was \$23,137.24 ( $\$16,623.59 \times 1.07 + 5,000 \times 1.07$ , i.e. \$16,623.59 was increased at 7% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000.00 was also increased at 7%).

NB (for End of Year 2005) after the withdrawal was \$0 (since it is a full withdrawal).

Total QB (i.e. QB1 + QB2, both for End of Year 2005) before withdrawal was \$22,428.16 ( $\$16,550.63 \times 1.05 + 5,000 \times 1.01$ , i.e. \$16,550.63 was increased at 5% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000 was increased at 1%).

Since the total QB (for End of Year 2005) is less than the NB (for End of Year 2005) immediately before the withdrawal (\$22,428.16 < \$23,137.24), the total QB (for End of Year 2005) will be reduced by the amount withdrawn (\$23,137.24).

$$\begin{aligned} \text{Total QB after withdrawal} &= \$22,428.16 - \$23,137.24 \\ &= -\$709.08 \text{ (A negative QB does not mean that the member owes} \\ &\quad \text{Principal money, rather it simply denotes that benefit exceeding} \\ &\quad \text{the guaranteed amount has already been paid out.)} \end{aligned}$$

New guaranteed rate of 1% per annum will be applied to the total QB and any new contributions after the withdrawal. Qualifying period will be reset to zero and the counting of the qualifying period shall only recommence when new contributions are made so that NB is greater than zero. During the Year 2006, no new contribution is received and the total QB remains at -\$709.08 (i.e. the total QB (for End of Year 2005) and the total QB (for End of Year 2006) are the same). No interest is accrued to the QB during the Year 2006 as the total QB is negative. As of beginning of Year 2007, new contributions of \$5,000 have been made. The total QB become positive at the beginning of Year 2007 and interest is accrued to the QB for the Year 2007.

**Illustrative Example 11:** The qualifying period is reset to zero as of 31 December 2005 upon full withdrawal from the fund and is suspended when the NB remains at zero. The qualifying period will only recommence when new contributions of \$5,000 are made on 1 January 2007.

As of 31 December 2007 - member's employment is terminated. As the QB only becomes positive when new contributions of \$5,000 are made on 1 January 2007, the qualifying period as at 31 December 2007 is 12 months. Member then makes a claim for his accrued benefits. Since the qualifying period is less than 36 months, there is no qualifying event. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day. The NB (for End of Year 2007) at the sum of \$5,500 will be paid.

## Scenario 7:

### Assumptions:

- (a) A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- (b) Full Withdrawal is effected with the QB greater than the NB (QB>NB) at the time of withdrawal.

### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	Withdrawal made by member	End of Year QB1 (5%) (contributions made on or before 30 September 2004 - subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 - subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$5,050.00	12 months	\$-	\$5,250.00	\$-	\$5,250.00
2003	2.00%	\$10,251.00	24 months	\$-	\$10,762.50	\$-	\$10,762.50
2004	3.00%	\$15,708.53	36 months	\$-	\$16,550.63	\$-	\$16,550.63
#2005	7.00%	\$-	0* months	\$22,158.13 (full withdrawal)	\$-	\$-	\$-

# This illustrates the position after a withdrawal.

\* There is no qualifying period when the NB is zero.

*Example 12 illustrates how a full withdrawal from the fund (where QB>NB) will affect the QB, NB and the qualifying period of the member.*

**Illustrative Example 12:** As of 31 December 2005, member requests full withdrawal (i.e. \$22,158.13) and transfer the amount to another fund option. Some contributions were made before 30 September 2004 and some were made after 30 September 2004. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

NB (for End of Year 2005) before withdrawal was \$22,158.13 ( $\$15,708.53 \times 1.07 + 5,000 \times 1.07$ , i.e. \$15,708.53 was increased at 7% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000.00 was also increased at 7%).

Total QB (i.e. QB1 + QB2, both for End of Year 2005) before withdrawal was \$22,428.16 ( $\$16,550.63 \times 1.05 + 5,000 \times 1.01$ , i.e. \$16,550.63 was increased at 5% until the withdrawal is made and new contribution at the beginning of 2005 of \$5,000 was increased at 1%).

$$\begin{aligned} \text{NB (for End of Year 2005) after withdrawal} &= \$22,158.13 - \$22,158.13 \\ &= \$0 \text{ (since it is a full withdrawal)} \end{aligned}$$

Since the total QB (for End of Year 2005) is greater than the NB (for End of Year 2005) immediately before the withdrawal ( $\$22,428.16 > \$22,158.13$ ), the total QB (for End of Year 2005) after withdrawal will be reset to an amount equal to the NB (for End of Year 2005) after withdrawal.

$$\begin{aligned} \text{Total QB after withdrawal} &= \text{NB after withdrawal} \\ &= \$0 \end{aligned}$$

New guaranteed rate of 1% per annum will be applied to the total QB and any subsequent contributions after the withdrawal. Qualifying period will be reset to zero and the counting of the qualifying period shall only recommence when new contributions are made so that NB is greater than zero.

## Scenario 8:

### Pro-rata Calculation of Qualifying Balance

#### Assumptions:

- (a) A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- (b) No redemption, switching or withdrawal has been made.

#### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	End of Year QB1 (5%) (contributions made on or before 30 September 2004 – subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 – subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$2,525.00	12 months	\$2,625.00	\$–	\$2,625.00
2003	2.00%	\$7,675.50	24 months	\$8,006.25	\$–	\$8,006.25

*Example 13 illustrates how the guarantee is applied to the employee's and employer's contributions, where the member's entitlement to the employer's contribution is subject to the application of a vesting scale.*

Employer makes a contribution of \$2,500 at the beginning of each year starting from 1 January 2002.

Member makes a contribution of \$2,500 at the beginning of each year starting from 1 January 2003.

Member was employed since 1 January 2002. The vesting scale of the employer's contributions is as follows:

Number of Year of Service	Vesting Scale
1	0%
2	10%
3	30%
4	50%
5 or above	100%

**Illustrative Example 13:** As of 31 December 2003, member retires after attaining the normal retirement age of 65. Member then makes a claim for his accrued benefits. All relevant contributions were made before 30 September 2004. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

Since retirement at normal retirement age is a qualifying event, the greater of the (i) total QB (i.e. QB1 + QB2, both for End of Year 2003) and (ii) the NB (for End of Year 2003) will be paid. However, member will only be entitled to a pro-rata value of the total QB which is attributable to the

vested benefits of the member, and the remaining balance of the total QB representing the unvested portion will be paid to employer. In this example, this means the pro-rata value of the total QB (for End of Year 2003) in respect of the employer's contributions will be determined based on the NBs (for End of Year 2003) of the employer's and member's contributions.

NB of member's contributions	=	\$2,550.00 ( $\$2,500 \times (1 + 2\%)$ )
NB of employer's contributions	=	\$5,125.50 ( $\$2,500 \times (1 + 1\%) \times (1 + 2\%) + \$2,500 \times (1 + 2\%)$ )
Total QB of member's contributions	=	\$2,659.88 ( $\$8,006.25 \times (\$2,550.00 / \$7,675.50)$ ) (where \$7,675.50 is the sum of \$2,550 and \$5,125.50)
Total QB of employer's contributions	=	\$5,346.37 ( $\$8,006.25 \times (\$5,125.50 / \$7,675.50)$ )

As the respective total QB is greater than the relevant NB, the respective total QB will be payable subject to the vesting scale above. Member is entitled to 100% of his own contributions and 10% of employer contributions since member has only completed 2 years of service.

Therefore, \$3,194.52 will be paid to member ( $\$2,659.88 + 10\% \times \$5,346.37$ ) and \$4,811.73 ( $90\% \times \$5,346.37$ ) will be paid to employer.

## Scenario 9:

### Employer makes a claim for Severance Payment

#### Assumptions:

- A member first invested in the fund on 1 January 2002 and therefore the guaranteed rate of return of 5% applies to his contributions made on or before 30 September 2004 and 1% applies to any of his contributions made after 30 September 2004.
- Out of the annual contribution of \$5,000, \$2,500 is contributed by the employer and \$2,500 is contributed by the employee. All contributions are fully vested in the employee.
- No redemption, switching or withdrawal has been made.
- Member's employment is terminated at End of Year 2005. Employer makes a claim for severance payment paid.

#### Illustrations:

End of Year	Actual Annualised Return of the Fund	End of Year NB (reflects actual investments)	Qualifying Period (reflects period of investment)	End of Year QB1 (5%) (contributions made on or before 30 September 2004 – subject to 5% rate of return)	End of Year QB2 (1%) (contributions made after 30 September 2004 – subject to 1% rate of return)	End of Year Total QB (QB1 + QB2)
2002	1.00%	\$5,050.00	12 months	\$5,250.00	\$–	\$5,250.00
2003	2.00%	\$10,251.00	24 months	\$10,762.50	\$–	\$10,762.50
2004	9.00%	\$16,623.59	36 months	\$16,550.63	\$–	\$16,550.63
2005	1.00%	\$21,839.83	48 months	\$17,378.16	\$5,050.00	\$22,428.16

Example 14 illustrates how the guarantee is applied when the employer makes a claim for severance payment paid.

**Illustrative Example 14:** As of 31 December 2005, member's employment is terminated. Employer pays a severance payment of \$5,000 to employee and claims a set off payment from the Trustee. Member then makes a claim for his accrued benefits. Actual redemption takes place on the first day of the following year and the NB for that day is the same as the NB for the previous day.

Since the qualifying period of the employee is 48 months, there is a qualifying event. The employee will be entitled to the greater of (i) the total QB (i.e. QB1 + QB2, both for End of Year 2005) and (ii) the NB (for End of Year 2005).

$$\begin{aligned}
 \text{QB1 + QB2} &= \$22,428.16 \\
 &(\$5,000 \times 1.05 \times 1.05 \times 1.05 \times 1.05 + \$5,000 \times 1.05 \times 1.05 \times 1.05 + \$5,000 \times 1.05 \times 1.05 + \$5,000 \times 1.01) \\
 \text{NB} &= \$21,839.83 \\
 &(\$5,000 \times 1.01 \times 1.02 \times 1.09 \times 1.01 + \$5,000 \times 1.02 \times 1.09 \times 1.01 + \$5,000 \times 1.09 \times 1.01 + \$5,000 \times 1.01)
 \end{aligned}$$

Therefore, the employee will be entitled to \$22,428.16. However, the employer has made a claim of \$5,000 and such an amount shall be paid to the employer from the pro-rata value of the total QB which is attributable to the employer's contributions.

The pro-rata value of the total QB (for End of Year 2005) in respect of the employer's contributions will be determined based on the NBs (for End of Year 2005) of the employer's and member's contributions.

NB of member's contributions	=	\$10,919.92 (\$2,500 x 1.01 x 1.02 x 1.09 x 1.01 + \$2,500 x 1.02 x 1.09 x 1.01 + \$2,500 x 1.09 x 1.01 + \$2,500 x 1.01)
NB of employer's contributions	=	\$10,919.92 (\$2,500 x 1.01 x 1.02 x 1.09 x 1.01 + \$2,500 x 1.02 x 1.09 x 1.01 + \$2,500 x 1.09 x 1.01 + \$2,500 x 1.01)
Total QB of member's contributions	=	\$11,214.08 (\$22,428.16 x (10,919.92/21,839.83))
Total QB of employer's contributions	=	\$11,214.08 (\$22,428.16 x (10,919.92/21,839.83))

The employer's claim of \$5,000 will be paid to the employer from the total QB of employer's contributions (i.e. \$11,214.08). As a result, the employee will only receive an amount of \$17,428.16 (i.e. \$11,214.08 + (\$11,214.08 - \$5,000)) and the employer will receive the set-off payment of \$5,000.





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