

Principal MPF Scheme Series 600 ("S600")

Notice to Participating Employers and Members ("scheme participants" or "you")

Restructuring of S600 and the Principal MPF Scheme Series 800 ("S800") (each, a "Scheme" and collectively, the "Schemes")

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

Principal Trust Company (Asia) Limited ("PTCA", "Trustee", "we" or "us") accepts responsibility for the information contained in this notice. It should be read by the scheme participants of S600.

- This notice is in relation to the restructuring of the Schemes whereby S600 is to be merged with S800 (the "Merger") with effect from 22 October 2020 (the "Effective Date"), subject to the relevant regulatory approval.
- For the purpose of this notice, unless this notice otherwise specifies, a scheme participant immediately before the Merger and whose benefits and membership will be automatically transferred to S800 is referred to as a "Transferring Participant".

About the Merger

- With effect from the Effective Date, you, a scheme participant of S600, will automatically become a scheme participant of S800. As part of the Merger, the assets of each constituent fund ("CF") under S600 will be transferred to the corresponding CF under S800. Each corresponding CF under S800 shares the same name, investment objective and policy, and fee structure with the relevant CF under S600, other than the Principal Asian Bond Fund, whose investment policy under S800 will differ from that under S600 (please refer to section 2.3 for details).
- The value of a Transferring Participant's holding in respect of an S600 CF immediately before the Merger will be the same as that under a Matching S800 CF or Parallel S800 CF (as the case may be) immediately after the Merger (please refer to section 2.4(c) for details).
- S600 and S800 have the same key operators, that is PTCA being the Trustee and Administrator and Principal Insurance Company (Hong Kong) Limited ("PIC") being the Sponsor.
- You need not undergo any formality for completing such transfer. However, if you wish to opt out from the Merger, you must submit a valid transfer instruction through the transferee trustee (i.e. the trustee of the registered scheme which you wish to transfer to) and such instruction must reach PTCA. Please refer to section 2.5(c) for details.

Benefits of the Merger

- The Merger will enable you to enjoy the economies of scale that will allow fixed costs associated with the CFs to spread over a larger asset base, with an aim that the fund expense ratio could be lower in the long run. In addition, while the fee structure of the CFs is the same as that under S800, the management fee of certain CFs will be reduced. As such, after the Merger, the management fee of CFs will be either the same as or lower than the existing rates under S600 and/or S800. For completeness, there will be no change to the guarantee charge (which in any case is zero) and the types of out-of-pocket expenses associated with the CFs (please refer to section 2.1 for details).
- A wider and more diversified choice of funds will be offered to you. For details, please refer to section 2 of this notice.
- The Merger will be in your interests and there will be no adverse impact on your accrued benefits. Also, after the Merger, you will be able to continue to enjoy the services you currently enjoy under S600.

Quick facts of the Merger

- The board of directors of PTCA has endorsed the Merger. Also, the Merger has met the requirements of the Master Trust Deeds of each of S600 and S800. In particular, the Master Trust Deed of S600 confers on PTCA the authority to undergo the Merger without the need to obtain members' consent.
- The costs of the Merger will be borne by PIC (as defined in section 1 of this notice) and PTCA, as agreed between themselves. No costs of the Merger will be borne by you.
- There will be suspension of dealing and services due to the Merger. Please refer to section 2.5 of this notice for details. Also, if you wish to have your relevant valid instructions effective under S600 before the Merger, please observe the cut-off dates/time for certain instructions, as set out in section 2.5(c) of this notice.
- On and with effect from the Effective Date, all payments formerly made to S600 should be made payable to "Principal MPF Scheme Series 800" or "Principal Trust Company (Asia) Limited - MPF S800".

How to know more about the Merger

- Seminars will be held to brief you on the Merger. Further details of the seminars will be available on Principal's website www.principal.com.hk from 22 August 2020.
- If you have any questions or concerns about the Merger, please contact our customer service hotline at (852) 2827 1233.

We, PTCA, are the trustee of the Schemes. The information accompanying this notice contains details of the restructuring of the Schemes that is the Merger, pursuant to clause 6.24 of the Master Trust Deed of S600. The Merger is scheduled to take effect on the Effective Date, subject to the relevant regulatory approval. Terms not defined in this notice have the same meaning as in the MPF scheme brochures of the Schemes.

As your accrued benefits under S600 will be automatically transferred to S800 as a result of the Merger, you must read this notice carefully. **Any valid request to transfer out of S600 by a scheme participant who does not wish to be transferred to S800 under the Merger must be submitted through the transferee trustee and reach PTCA by the Transfer-Out Date (as defined in section 2.5(c) of this notice).** Any such transfer-out, as with the usual transfer-out, will not be subject to any withdrawal conditions, limitations, charges or penalties.

For the purpose of this notice, unless this notice otherwise specifies, a scheme participant immediately before the Merger and whose benefits and membership will be automatically transferred to S800 is referred to as a "Transferring Participant".

1. Key operators and financial year

S600 and S800 have the same key operators, that is PTCA being the Trustee and Administrator and PIC being the Sponsor.

Both Schemes have the same financial year end, that is 31 December.

2. CF(s)

2.1 Reasons for merging the CFs

PTCA believes that the Merger will enable you, who invest in the CFs under S600, to enjoy the lowered fees and the economies of scale that will allow fixed costs to spread over a larger asset base.

Alongside the Merger, the management fees of certain CFs under S800 will be lowered. As such, after the Merger, the management fee of CFs will be either the same as or lower than the existing rates under S600 and/or S800, as set out in the table below (changes are highlighted for ease of reference).

CFs	Class of Units	Before Merger*		After Merger*
		S600	S800	S800
Principal Long Term Accumulation Fund	Class D	1.25%	1.25%	1.25%
	Class I	1.49%	1.49%	1.45%
	Class N	N/A	N/A	N/A
Principal HK Dollar Savings Fund	Class D	0.95%	0.99%	0.95%
	Class I	0.99%	0.99%	0.99%
	Class N	N/A	N/A	N/A
Principal Stable Yield Fund	Class D	1.25%	1.25%	1.25%
	Class I	1.49%	1.49%	1.45%
	Class N	N/A	N/A	N/A
Principal Global Growth Fund	Class D	1.25%	1.25%	1.25%
	Class I	1.49%	1.49%	1.45%
	Class N	N/A	N/A	N/A
Principal International Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A
Principal US Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A
Principal Asian Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A
Principal China Equity Fund	Class D	N/A	1.25%	1.25%
	Class I	N/A	1.59%	1.44%
	Class N	N/A	N/A	N/A

Principal Hang Seng Index Tracking Fund	Class D	N/A	N/A	N/A
	Class I	N/A	N/A	N/A
	Class N	0.89%	0.89%	0.77%

* Where the cells contain "N/A" in respect of certain classes of units, it means those relevant classes of units are not issued in respect of the relevant CFs.

Therefore, PTCA expects that there will be no prejudice to your interests as a result of the Merger. Details of the CFs under the respective S600 and S800 are set out below.

2.2 CFs available under S600 and under S800

We set out in the table below:

- (i) the CFs available under S600 and S800 respectively before the Merger; and
- (ii) the CFs available under S800 after the Merger.

CFs	Available under S600 (Before Merger) (each, an "S600 CF")	Available under S800 (Before Merger) (each, an "S800 CF")	Available under S800 (After Merger)
Principal Capital Guaranteed Fund		√	√
Principal Long Term Guaranteed Fund*	√	√	√
Principal Long Term Accumulation Fund*	√	√	√
Principal HK Dollar Savings Fund*	√	√	√
Principal Stable Yield Fund*	√	√	√
Principal Global Growth Fund*	√	√	√
Principal International Bond Fund		√	√
Principal International Equity Fund		√	√
Principal US Equity Fund		√	√
Principal Asian Equity Fund		√	√
Principal MPF Conservative Fund*	√	√	√
Principal Hong Kong Equity Fund		√	√
Principal China Equity Fund		√	√
Principal Hang Seng Index Tracking Fund*	√	√	√
Principal Hong Kong Bond Fund		√	√
Principal Core Accumulation Fund*	√	√	√
Principal Age 65 Plus Fund*	√	√	√
Principal Aggressive Strategy Fund#	√		√ (to be launched on the Effective Date)
Principal Asian Bond Fund#	√		√ (to be launched on the Effective Date)

* Those under S600 are referred to as "**Matching S600 CFs**" and those under S800 as "**Matching S800 CFs**".

These CFs under S600 are, for the purpose of this notice, "**Original S600 CFs**".

For completeness, the guarantee charge and the types of other expenses associated with the Matching S800 CFs and Parallel S800 CFs will be the same as those applicable to the S600 CFs.

2.3 Fund mapping

It is proposed that each S600 CF will be merged into the relevant corresponding S800 CF with the same name, investment objective and policy. Please refer to the diagram below:

S600		S800
Principal Long Term Guaranteed Fund	⇒	Principal Long Term Guaranteed Fund
Principal Long Term Accumulation Fund	⇒	Principal Long Term Accumulation Fund
Principal HK Dollar Savings Fund	⇒	Principal HK Dollar Savings Fund
Principal Global Growth Fund	⇒	Principal Global Growth Fund
Principal Hang Seng Index Tracking Fund	⇒	Principal Hang Seng Index Tracking Fund
Principal Asian Bond Fund	⇒	Principal Asian Bond Fund (to be established)
Principal Aggressive Strategy Fund	⇒	Principal Aggressive Strategy Fund (to be established)
Principal Stable Yield Fund	⇒	Principal Stable Yield Fund
Principal MPF Conservative Fund	⇒	Principal MPF Conservative Fund
Principal Core Accumulation Fund	⇒	Principal Core Accumulation Fund
Principal Age 65 Plus Fund	⇒	Principal Age 65 Plus Fund

What fund offering structure do S600 and S800 have in common?

- (a) A Matching S600 CF shares the same name, investment objective and policy and fund structure with the relevant Matching S800 CF. In addition, PTCA will, with effect from the Effective Date, lower the management fee of certain CFs or a certain class of a CF so that it is lower than the management fee of the Matching S600 CF. Please refer to section 2.1 for details.

What fund offering S600 has that S800 does not?

- (b) Two new CFs will be launched under S800, namely, the Principal Aggressive Strategy Fund and the Principal Asian Bond Fund (collectively, the "**Parallel S800 CFs**").
- (c) The Principal Aggressive Strategy Fund under S800 will have the same name, investment objective and policy, unit classification and underlying fund as the corresponding Principal Aggressive Strategy Fund under S600. The management fees of the Principal Aggressive Strategy Fund (Class I units¹) under S800 will be 1.45% p.a., which is 0.04% lower than the current management fees of the Principal Aggressive Strategy Fund (Class I units²) under S600 (which is 1.49%).
- (d) The Principal Asian Bond Fund under S800, while sharing the same name, investment objective and unit classification as the corresponding Principal Asian Bond Fund under S600, will be in the form of a feeder fund instead of a portfolio management fund (as is the current structure of the Principal Asian Bond Fund under S600). The management fees of the Principal Asian Bond Fund (Class N units³) under S800 will be 0.94% p.a., which is 0.05% lower than the current management fees of the Principal Asian Bond Fund (Class N units⁴) under S600 (which is 0.99% p.a.). PTCA believes that having a feeder fund

¹ While both Class I and Class D units are available for the Principal Aggressive Strategy Fund, generally, Class D units will not be issued in respect of scheme participants who join S800 after 1 October 2004.

² While both Class I and Class D units are available for the Principal Aggressive Strategy Fund, generally, Class D units have not been issued in respect of scheme participants who joined S600 after 1 October 2004.

³ Only Class N units will be issued in respect of the Principal Asian Bond Fund under S800.

⁴ Only Class N units have been issued in respect of the Principal Asian Bond Fund under S600.

structure for this fund can not only achieve operational efficiency, but also enables this fund to have a more focused investment scope.

- (e) The issue price of the Principal Aggressive Strategy Fund under S800 will be the same as the unit price of the corresponding Original S600 CF immediately before the Merger. As for the Principal Asian Bond Fund under S800, because, as mentioned in (d) above, its structure will be different from the Principal Asian Bond Fund under S600, we will treat it as a brand new CF and set the issue price at HKD10 in accordance with the Master Trust Deed of S800.
- (f) The establishment of the two Parallel S800 CFs will diversify the CF offerings such that the number of CFs under S800 will be increased from 17 to 19, thus offering better diversification to suit the varying needs and risk profiles of the scheme participants.

2.4 Merger of the CFs

In order to achieve the merger of each S600 CF into the relevant Matching S800 CF or Parallel S800 CF (as the case may be), it is proposed that:

- (a) Each S600 CF will be merged into the relevant Matching S800 CF or Parallel S800 CF (as the case may be).
- (b) The accrued benefits of each Transferring Participant will be redeemed and utilised to subscribe for units in the relevant Matching S800 CF or Parallel S800 CF (as the case may be) on the Effective Date, based on the applicable redemption and subscription prices as of the Effective Date. We consider that the above arrangement will be able to minimise any potential market risks and fluctuation in the price of the investments. The balance held by a Transferring Participant under S600 immediately before the Merger will be the same as that held by the Transferring Participant under S800 immediately after the Merger.
- (c) Each Transferring Participant will be allocated with units in the relevant Matching S800 CF or Parallel S800 CF (as the case may be), which classification of units will be the same as the units in the relevant S600 CF. Instead of rounding down the redemption amounts in respect of the S600 CFs and the number of issued units in respect of the Matching S800 CF or Parallel S800 CF (as the case may be) per the respective Master Trust Deeds of S600 and S800, to ensure that the Transferring Participants will not be disadvantaged, we will offer a more beneficial arrangement, i.e. the redemption amount (i.e. the unit price multiplied by the number of units) in respect of an S600 CF is to be rounded to two decimal places whereas the number of units subscribed in respect of a Matching S800 CF or Parallel S800 CF is to be rounded up to three decimal places. As such, in our view, the difference in the rounding mechanism for redemption under S600 and subscription under S800 should pose no adverse impact on the Transferring Participants. As illustrated in the table, **the value of a Transferring Participant's holding in respect of an S600 CF immediately before the Merger will be the same as that under a Matching S800 CF or Parallel S800 CF (as the case may be) immediately after the Merger:**

Before the Merger - S600 Code	Unit Price immediately before the Merger*	Employer Mandatory Contributions		Member Mandatory Contributions	
		No. of units	Transaction Amount (HKD)	No. of units	Transaction Amount (HKD)
Principal Global Growth Fund	24.8200163	152.984	3797.07	149.991	3722.78
Principal Aggressive Strategy Fund	22.4824518	152.984	3439.46	149.982	3371.96
Principal Asian Bond Fund	10.6114924	152.984	1623.39	149.982	1591.53
		Total:	8859.92	Total:	8686.27

After the Merger - S800 Code	Unit Price immediately after the Merger*	Employer Mandatory Contributions		Member Mandatory Contributions	
		No. of units	Transaction Amount (HKD)	No. of units	Transaction Amount (HKD)
Principal Global Growth Fund	24.8922302	152.541	3797.07	149.556	3722.78
Principal Aggressive Strategy Fund	22.4824518	152.985	3439.46	149.982	3371.96
Principal Asian Bond Fund	10	162.339	1623.39	159.153	1591.53
		Total:	8859.92	Total:	8686.27

* The unit price will be calculated using the fund price as at the Effective Date.

Note:

The above is a hypothetical illustration and is for reference only.

- (d) No bid and offer spreads or other transaction costs will be levied in respect of the redemptions and subscriptions of units of the CFs of the Schemes or underlying approved pooled investment funds or approved index-tracking collective investment schemes to effect the Merger.
- (e) Upon completion of the Merger, the Transferring Participants of S600 will participate in S800, with the same rate(s) of guarantee under the Principal Long Term Guaranteed Fund under S800 (the "**Guaranteed Fund S800**") as they are entitled to under the Principal Long Term Guaranteed Fund under S600 (the "**Guaranteed Fund S600**"). The insurance policy of the Guaranteed Fund S800 will be amended to this effect. In particular:
- (i) Any redemption of units in the Guaranteed Fund S600 and subsequent subscription of units in the Guaranteed Fund S800 would not be considered a "Relevant Transfer of Benefits" (as described in the MPF scheme brochures of the Schemes).
- (ii) As such, a Transferring Participant who is holding 4.0% guarantee sub-class or 5.0% guarantee sub-class immediately before the Merger will continue to hold these sub-classes immediately after the Merger, save that, as with any new contributions invested in the Guaranteed Fund S600 after 30 September 2004, any new contributions invested in the Guaranteed Fund S800 after the Merger will be credited with interest at the rate of 1% per annum. The insurer of the insurance policy for the Guaranteed Fund S800 may adjust the guaranteed rate at a frequency of not more than once every three years. Should the guaranteed rate be adjusted, we will notify the members concerned at least three months prior to the effective date of the adjustment. For further details, please refer to the MPF Scheme Brochure of S800.
- (iii) The "qualifying balance" and "qualifying period" (both terms being described in the MPF scheme brochures of the Schemes) in the new account in respect of a Transferring Participant under S800 immediately after the Merger will have the same value and duration respectively as the "qualifying balance" and "qualifying period" in the existing account in respect of that Transferring Participant under S600 immediately before the Merger.
- (f) For the avoidance of doubt, in line with the guarantee features of the Guaranteed Fund S600, if you switch or transfer out of, or redeem your investments in, the Guaranteed Fund S600 before the Effective Date without fulfilling the applicable guarantee conditions, you will not be entitled to any guarantee.
- (g) The costs of the Merger will be borne by PIC and PTCA, as agreed between themselves. No costs of the Merger will be borne by you.

2.5 Suspension

(a) Suspension of dealings

To facilitate the Merger, **dealings (including subscriptions, switchings, allocation of the accrued benefits transferred to S600 and redemptions) in S600, other than for the purposes of transferring of assets from S600 to S800 as part of the Merger, will be suspended from 20 October 2020 to 23 October 2020 (both dates inclusive).** The Master Trust Deed of S600 will be amended to facilitate such suspension. The table below shows the chronology of events:

Date	Key Activities
20 October 2020 (Tue)	<ul style="list-style-type: none"> Prepare valuation and issue the fund prices for the last subscription and redemption orders Prepare and validate customer data
21 October 2020 (Wed)	<ul style="list-style-type: none"> Complete trading for the last subscription and redemption orders
22 October 2020 (Thur) (i.e. Effective Date)	<ul style="list-style-type: none"> Create Transferring Participants' records and accounts under S800
23 October 2020 (Fri)	<ul style="list-style-type: none"> Transfer employer and employee account balances from S600 to S800
24 October 2020 (Sat) to 26 October 2020 (Mon) (public holiday) (the entire period being non-business days)	<ul style="list-style-type: none"> Validate and check customer records and accounts
9:00 am 27 October 2020 (Tue)	<ul style="list-style-type: none"> Resume dealings

(b) Suspension of services

To facilitate smooth transition and system migration for the purposes of the Merger, services (including without limitation account balance enquiries through the internet or the interactive voice response system ("IVRS"), online fund switching instruction submission, member record enquiries and change of personal information) will be suspended from 4:00 p.m., 19 October 2020 to 9:00 a.m., 27 October 2020. A message will be posted on Principal's website and recorded in Principal's telephone system to inform you of the suspension of service.

(c) Cut-off dates/time for dealing instructions

You may submit valid dealing instructions to PTCA by the following respective cut-off dates/time in order to have your instructions processed under S600 before the Effective Date:

Instruction	Received on or before
<i>Participating employers and members</i>	
Contributions	By DDA - 6:00pm, 8 October 2020, i.e. Effective Date – 10 business days By Cheque - 6:00pm, 13 October 2020, i.e. Effective Date – 7 business days
<i>Members</i>	
Switching/change of investment mandate instruction (whether by mail or electronic form)	Via mail/e-mail/handing in/facsimile: 16 October 2020, i.e. Effective Date – 4 business days Via internet/IVRS: 4:00pm, 19 October 2020 i.e. Effective Date – 3 business days

Redemption (excluding transfer-out)	Via paper form Permanent departure from Hong Kong: 6:00pm, 30 September 2020, i.e. Effective Date – 3 weeks Other circumstances: 6:00pm, 15 October 2020, i.e. Effective Date – 5 business days
<i>Participating employers and members</i>	
Transfer out instructions*	Any valid request to transfer out of S600 must reach PTCA via the designated new trustee by: <ul style="list-style-type: none"> ➤ Scheme - by 14 October 2020, i.e. Effective Date – 6 business days ➤ Member - by 15 October 2020, i.e. Effective Date – 5 business days (each date in this cell is the " Transfer-Out Date ")
Member transfer in instructions	Any valid request to transfer into S600 must reach PTCA by: <ul style="list-style-type: none"> ➤ Employee Choice Arrangement ("ECA") - by 30 September 2020, i.e. Effective Date - 3 weeks ➤ Non-ECA - by 15 October 2020, i.e. Effective Date – 5 business days Any ECA transfer in instructions received after the cut-off time will not be processed due to the restructure. PTCA will contact the members within four business days and ask them to change the instructions such that the instructions are with respect to transferring into S800.

* Any valid request to transfer out must be submitted in paper form, and must be accompanied by a transfer form completed by all relevant parties, including the transferee trustee and submitted through the transferee trustee.

The respective dates in the table above were determined by reference to: (i) the normal time required for processing the instructions, (ii) the Effective Date of the Merger and (iii) the service pledges.

Valid dealing instructions listed in the table (c) above given by you after the respective dates in the table above will also be processed in the normal business manner. However, note that dealing instructions cannot be given via internet or IVRS during the period after 4:00pm, 19 October 2020 to 9:00am, 27 October 2020 (both days inclusive). If any instructions (including transfer-in instructions but excluding the ECA transfer in instructions) cannot be effected under S600 before the Effective Date, they will not be rejected but will be carried out under S800 per the timeline imposed by the service pledges and applicable regulatory requirements as soon as practicable after the Effective Date as if the instructions were given under S800.

Separately, any valid request to transfer out of S600 by a scheme participant who does not wish to be transferred to S800 under the Merger must be submitted through the transferee trustee and reach PTCA by the Transfer-Out Date.

All other instructions (not being the dealing instructions per table (c) above), such as updating members' records and particulars, will continue to be handled and processed in the normal business manner. In addition, determination of the net asset value of the CFs of the Schemes will continue and will not be affected by the suspension of dealings.

Where the scheme participant also participates in S800, his/her dealing instructions with respect to the S800 CFs will not be affected by the suspension and therefore will not be subject to the cut-off dates under the table above.

The suspension of dealings will mean that PTCA may not be able to meet some of its service pledges for processing transactions that are submitted after the cut-off time in the table above, including contribution allocation, fund switching, transfer of MPF benefits and withdrawal of MPF benefits and the investment manager of the CFs may not be able to deliver the investment objectives of the CFs during the restructure process as the normal trade cycles may be interrupted due to the suspension of dealing during the four business days (from 20 October 2020 to 23 October 2020). For details of such service pledges, please go to the Trustee Service Comparative Platform on the MPFA website <https://tscplatform.mpfa.org.hk/scp/eng/index.jsp> or contact our customer service hotline at (852) 2827 1233.

3. Grandfathering of certain operational and benefit arrangements

3.1 Prior relevant scheme merger

On 27 March 2014, the Principal MPF Scheme Series 500 ("**S500**") was merged into S600 (the "**2014 Merger**") and certain arrangements applicable to the former members and/or former participating employers of S500 (respectively, each, a "**Former S500 Member**" and a "**Former S500 Participating Employer**") were grandfathered in S600 as part of the 2014 Merger.

3.2 Grandfathered arrangements effect upon the Merger

As a result of the Merger, members and participating employers under S600, including the Former S500 Members and Former S500 Participating Employers participating in S600 immediately before the Merger will automatically become members or participating employers under S800 from the Effective Date. The Former S500 Members and Former S500 Participating Employers, in such capacities, will be subject to certain operational and benefit arrangements as per those that were grandfathered under S600, even after the automatic enrolment into S800 (the "**Grandfathered Arrangements**"). The Master Trust Deed and the MPF scheme brochure of S800 will be amended to incorporate the Grandfathered Arrangements. The Grandfathered Arrangements are set out in **Appendix 1** to this notice.

3.3 Limitations on the Grandfathered Arrangements applicability

Please note however that the Grandfathered Arrangements will only apply to a Transferring Participant in the capacity as a Former S500 Member or Former S500 Participating Employer (as the case may be). Where a Transferring Participant participates in S800 in more than one capacity, the Grandfathered Arrangements will not apply to the other capacity(ies). That means, the Transferring Participant will be subject to the operational and benefit arrangements under S800 (ignoring the Grandfathered Arrangements) as far as the other capacity(ies) are concerned. Note however there will be no difference in the operations and benefit arrangements between S600 and S800.

4. Transfer of membership

4.1 Generally

With effect from the Effective Date, Transferring Participants will become scheme participants of S800. PTCA as the S800 Trustee will maintain accounts in respect of each Transferring Participant under S800.

4.2 Participation agreements and other instructions under S600

- (a) On and with effect from the Effective Date, all participation agreements, application forms, enrolment forms, investment mandates and any other agreements or instructions including direct debit instructions and any outstanding instructions (including any amendments thereto) validly executed or given to PTCA as the S600 Trustee by the Transferring Participants will become as applicable to the participation of such Transferring Participants in S800 and will take effect as if the same had been executed or given to PTCA as the S800 Trustee under S800. In addition, the governing rules of S800 will apply to the Transferring Participants after the Merger.
- (b) On and with effect from the Effective Date, investment mandates for the S600 CFs shall become investment mandates for the respective Matching S800 CFs or Parallel S800 CFs (as the case may be). The investment mandates will apply to the future contributions and transfer-in benefits paid to S800. **The investment allocation of the accrued benefits to be transferred from S600 to S800 immediately after the Merger will be the same as the investment allocation applicable to such accrued benefits immediately before the Merger.**

4.3 Dual membership under both S600 and S800

Where a Transferring Participant is also a member under S800, the above arrangement in section 3.2 only applies to the Transferring Participant's participation under S600 and will not affect his/her participation, including the arrangement of investment mandate and future contributions, in S800. No action is required of such a Transferring Participant in respect of his/her participation in S800. After the Merger, the accounts originally under S600 will be transferred to S800; to illustrate, where the Transferring Participant has a personal account under S600 and one under S800 before the Merger, he/she will have two personal accounts under S800 upon the Merger.

4.4 Payment

On and with effect from the Effective Date, all payments formerly made to S600 should be made payable to "Principal MPF Scheme Series 800" or "Principal Trust Company (Asia) Limited - MPF S800".

5. Notification regarding the transfer

Transfer and confirmation statements informing each Transferring Participant of the units and corresponding amounts that are transferred out of each relevant S600 CF and transferred to the Matching S800 CF or Parallel S800 CF (as the case may be) will be sent by post to the last known address of each Transferring Participant in or around November 2020. The transfer-out amounts and transfer-in amounts stated in the transfer and confirmation statements will be in the same decimal places with exactly the same amounts (that is, no deviation will be noted from the amounts including decimal places). In the interim pending the receipt of the transfer and confirmation statements, from 9:00 a.m., 27 October 2020 onwards, you may check the account balances via IVRS and check the transfer-in and transfer-out amounts from our customer service hotline (please refer to section 7 below for details).

6. Recognition of scheme service years and benefit entitlement

Notwithstanding the Merger, **the scheme service years and benefit entitlement for all Transferring Participants under S600 will be recognised under S800 after the Merger.**

7. Default investment arrangement

- 7.1 The default investment arrangement under each of the Schemes is the MPF Default Investment Strategy ("DIS") (as described in section 6.4 of the MPF scheme brochure of S600 and section 6.4 of the MPF scheme brochure of S800). Accordingly, where a Transferring Participant is currently under the DIS, the contributions payable by or in respect of him/her after the Merger will be invested according to the DIS, the default investment arrangement under S800.

- 7.2 To ensure smooth transition and taking into account that dealings will be suspended two business days before the Effective Date, no de-risking under S600 will take place from (and including) 20 October 2020. The first DIS de-risking under S800 will take place on 27 October 2020. The DIS de-risking in respect of a scheme participant under S800 will not be affected by the above arrangement.
- 7.3 If you wish to have more details of S800, please visit Principal's website www.principal.com.hk or contact our customer service hotline at (852) 2827 1233.

8. Master Trust Deed and MPF scheme brochure

You may wish to inspect copies of the Master Trust Deed of S800, free of charge, by visiting PTCA's offices during normal office hours. Should you wish to visit PTCA's offices to inspect copies of the Master Trust Deed, please call our customer service hotline at (852) 2827 1233.

To preserve the environment by reducing paper usage, the Trustee will not be sending a copy of the MPF scheme brochure of S800 to you. You may wish to review the MPF scheme brochure to understand more about the details of S800. The MPF scheme brochure of S800 is available on Principal's website for download. If you wish to request a copy of the MPF scheme brochure of S800, please contact our customer service hotline at (852) 2827 1233.

9. Seminars

Seminars will be held to brief you on the Merger. Further details of the seminars will be available on Principal's website www.principal.com.hk from 22 August 2020.

10. Impacts of the Merger on Scheme Participants

As the Trustee of the Schemes, **we are committed to ensuring that your interests are adequately protected in the Merger and that the Merger would not create any adverse impact on your accrued benefits. Also, after the Merger, you will be able to continue to enjoy the services you currently enjoy under S600.** The Merger has been structured to ensure that accrued benefits of the scheme participants of the Schemes are adequately protected. The Merger will be in your interests and there will be no adverse impact on your accrued benefits and services you currently enjoy. **In this regard, note that you may continue to access our webpage and IVRS after the Merger using your existing username and password.**

We will keep you informed in case of any changes in the arrangements in relation to the Merger and will let you know if any actions need to be taken by you. In this connection, please notify us at your earliest convenience if there is any change of your correspondence address.

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Frequently Asked Questions on the Merger have been posted at Principal's website www.principal.com.hk. If you have any questions or concerns about the Merger, please do not hesitate to contact our customer service hotline at (852) 2827 1233.

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Appendix 1

The operational and benefit arrangements applicable under the Grandfathered Arrangements to the Former S500 Members and Former S500 Participating Employers

The operational and benefit arrangements (as the case may be) identified below, i.e. Grandfathered Arrangements, will apply to your participation in S800 as a Transferring Participant in the capacity as a Former S500 Member or Former S500 Participating Employer (as the case may be) from the Effective Date.

If you also participate in S800 in another capacity, you will be subject to S800's operational and benefit arrangements (ignoring the Grandfathered Arrangements) in your other capacity, while at the same time be subject to the Grandfathered Arrangements in your capacity as Transferring Participant in the capacity as a Former S500 Member or Former S500 Participating Employer (as the case may be).

Capitalised terms not defined below have the same meanings as in the Master Trust Deed constituting S800.

The Grandfathered Arrangements applicable to the Former S500 Members and Former S500 Participating Employers, in such capacities, will include:

(a) *Making of contributions and transfer-in*

- The timeframe by which transfer-in benefits will be invested will be within 5 business days of receipt of the transfer-in benefits in cleared funds and in any event within 20 business days.
- No temporary absence provision is applicable.

(b) *Investment of contributions*

The timeframe by which units of the relevant CFs will be acquired will be within 5 business days of receipt of the contributions in cleared funds and in any event within 20 business days of such receipt.

(c) *Switching instructions*

The effective date for the implementation of any switching instructions will be the later of: (a) the Valuation Date falling on or immediately after the effective date (if any) specified in the instruction; and (b) a Valuation Date within 5 business days (i.e., a day (other than Saturday) on which banks in Hong Kong are open for normal banking business) after the Trustee's receipt of the instruction.

(d) *Fees and charges*

Members will not be subject to other types of fees and charges under S800 which do not apply to them under S600, including the annual fee (as applicable).

(e) *Benefits*

With respect to liens on benefits, an Employer shall have a lien over the benefits payable to a Member it employed for any losses of the Employer arising directly from any dishonest acts committed by the Member. The Trustee shall on the direction of the Employer and on receipt of evidence of the Employer's losses deduct from the benefits payable to the Member the amount of such losses.

Unvested or forfeited benefits can be used to reduce contributions, pay any fees, costs or expenses related to S800 and payable by the Employer and/or refund all or part of the benefits in the reserve account to the Employer or otherwise as the Employer may direct in writing.

(f) *Right to access statements and accounts*

Members may request for copies of:

- the consolidated reports (comprising audited accounts, the Trustee's report, the investment report) for any Accounting Period during the 7 years (or such other period as may be specified in the MPF Scheme (General) Regulation) preceding the date of receipt of the request; and
- interim benefit statements at any time during a year.