

FAQ for Restructuring of the Principal MPF Scheme Series 600 (the “S600 Scheme”), and the Principal MPF Scheme Series 800 (the “S800 Scheme”)

1. Why is S600 Scheme required to be merged with S800 Scheme?

To cope with the long term goal proposed by the MPFA to reduce operating cost and lower management fee for MPF funds by way of simplifying MPF products, we have decided to merge the S600 Scheme with the existing S800 Scheme to achieve economies of scale as it will allow fixed costs to be spread over a larger asset base (the “Merger”). We expect that after the Merger, members of both S600 Scheme and S800 Scheme will benefit from potentially better investment returns as a result of the combined asset size and 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. Members will also enjoy a wider range of constituent funds under the S800 Scheme.

2. When will be the effective day of the Merger?

The effective day of the Merger will be on 22 October 2020 (the “Effective Date”).

3. Will there be another scheme merger after this in the near future?

We do not expect to have another scheme merger from S800 Scheme to another scheme after this in the short term or near future. Principal will have 3 MPF products (i.e. Principal MPF Scheme Series 800, Principal MPF - Smart Plan and Principal MPF - Simple Plan) after this Merger and the 3 products are highly distinguishable between each other based on their range of fund choices and how they cater for the different needs of employers and members. However, we shall continue to keep an eye on the development of MPF products in the market to ensure that we meet the needs of our valued customers.

4. How will the Merger affect me as a member? Do we have to bear the expenses involved in the Merger?

As the trustee of both S600 Scheme and S800 Scheme, we are committed to ensure that the interests of members are adequately protected in the Merger and that the Merger would not create any adverse impact on the accrued benefits and services currently enjoyed by the members. In fact, the management fees of certain Constituent Funds under S800 will be lowered after the Merger. The Merger will enable you to enjoy the lowered fees and 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 further reduced in the long run.

All expenses involved in the implementation of the Merger will be borne by Principal, in other words, members do not have to bear the expenses involved in this Merger.

5. Will the Merger affect the accrued benefit in my MPF account? Will there be any risk involved in the transfer of my MPF funds?

The Merger has been structured to ensure that accrued benefits of the members are adequately protected. As a member or participating employer (as the case may be) of the S600 Scheme, with effect from the Effective Date, you, as a Transferring Member or Transferring Employer (as the case may be), will become a member or participating employer (as the case may be) of the S800 Scheme and will have accounts maintained in respect of you under the S800 Scheme. Your accounts under the S800 Scheme will be credited units of the corresponding S800 Constituent Funds in exchange for units of the relevant S600 Constituent Funds attributable to you under the S600 Scheme. The number of units to be credited to your S800 Scheme accounts will be calculated based on the unit prices of the relevant corresponding S800 Constituent Funds, and the unit prices of the relevant S600 Constituent Funds, as of the Effective Date. The S600 Scheme will then be terminated after completion of the Merger.

In this respect, please note that as the unit prices of the corresponding S800 Constituent Funds

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may not be the same as those of the corresponding S600 Constituent Funds, the number of units of the corresponding S800 Constituent Fund issued in respect of a Transferring Member upon the Merger may not be the same as that of the corresponding S600 Constituent Fund attributable to the Transferring Member under the S600 Scheme. However, the Merger has been structured to ensure that the total value of the units held by the Transferring Member in respect of the corresponding S800 Constituent Fund(s) will remain unchanged so that the Merger will not in itself result in any change in the value of the accrued benefits of the Transferring Member as at the Effective Date. Please refer to the illustrative example as follows:

Assuming that:

- (a) the unit price of a unit in a S600 Constituent Fund is HK\$9.5;
- (b) the unit price of a unit in the corresponding S800 Constituent Fund is HK\$10; and
- (c) the number of units in respect of a Transferring Member in respect of the S600 Constituent Fund is 100.

Before the Merger, the Transferring Member holds 100 units of the S600 Constituent Fund with a total value of HK\$950 (i.e. HK\$9.5 x 100). Upon the Merger, the Transferring Member will be issued 95 units of the corresponding S800 Constituent Fund (i.e. HK\$950 ÷ HK\$10), with total value remaining unchanged at HK\$950 (i.e. HK\$10 x 95).

The exchange of investment fund units from the investment funds in S600 Scheme to the relevant funds in S800 Scheme will be taken place on the same day (i.e. Effective Date). Hence, the out-of-market risk can be avoided.

6. What are the differences between Principal MPF Scheme Series 600 & Principal MPF Scheme Series 800 in their fund choices?

Each Constituent Fund under S600 will be merged into the relevant corresponding Constituent Fund under S800 with the same name and will share the same investment objective, policy and fund structure.

However, Principal MPF Scheme Series 800 offers 8 additional fund choices. Please refer to the table below for comparison of fund choices offered in S600 and S800 before and 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		√	√

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CFs	Available under S600 (Before Merger) (each, an "S600 CF")	Available under S800 (Before Merger) (each, an "S800 CF")	Available under S800 (After Merger)
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)

The issue price of the Principal Aggressive Strategy Fund under S800 Scheme 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 Scheme, because its structure will be different from the Principal Asian Bond Fund under S600 Scheme, 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 Scheme.

7. Will there be a change of management fee after the scheme merger?

PTCA believes that the Merger will enable you, who invest in the Constituent Funds (“CFs”) under S600 Scheme, 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 set out in the table below.

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(A comparison of the current management fees of the S600 Scheme and the Corresponding S800 Constituent Funds under the S800 Scheme are set out in the table below.)

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%

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8. How do I know if my accrued benefits have been transferred from Principal MPF Scheme Series 600 to Principal MPF Scheme Series 800?

Upon the completion of the scheme merger, you will be provided with notification letters, together with account statements showing the amount of accrued benefits transferred from the S600 Scheme to the S800 Scheme and the amount of accrued benefits and number of constituent fund units issued under the S800 Scheme as at the Effective Date. The letters will be sent by post to the last known address of each Transferring Member of the S600 Scheme within one month after the merger. In this respect, please notify us at your earliest convenience if there is any change in your correspondence address.

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9. Will my guarantee balance in the Long Term Guaranteed Fund under Principal MPF Scheme Series 600 be affected after the Merger?

For members who have investment in the Long Term Guaranteed Fund under Principal MPF Scheme Series 600, their contributions that are invested in the 5% or 4% or 1% guarantee sub-class of the Long Term Guaranteed Fund under the S600 Scheme immediately before the Merger will, have their contributions in accordance with the guarantee sub-class under S600- Scheme invested respectively in the corresponding 5% or 4% or 1% (as the case may be) guarantee sub-class of the Principal Long Term Guaranteed Fund under the S800 Scheme. They will continue to enjoy their applicable guaranteed rates of return per annum under the Principal Long Term Guaranteed Fund under the S800 Scheme. All the qualifying balances and qualifying periods of the Transferring Members under the Principal Long Term Guaranteed Fund under the S600 Scheme will also be transferred to the Principal Long Term Guaranteed Fund under the S800 Scheme. As a result, there will be no impact to members’ guarantee balance after the Merger.

10. Will the Merger have any impact on my fund switching and usage of your service?

All valid dealing instructions (including subscriptions, fund switching and redemptions) given in writing by the participants of the S600 Scheme on or before 16 October 2020 will be completed in the usual manner on or before 19 October 2020. Valid dealing instructions which are given in writing by the participants after 16 October 2020 will also be processed in the usual manner, but if any of such instructions cannot be effected by 19 October 2020, they will be carried out under the S800 Scheme on 27 October 2020 or as soon as practicable thereafter. All other instructions, such as updating of members’ records and particulars, will continue to be handled and processed in the usual manner.

Services (including without limitation account balance enquiries and fund switching requests) provided to the scheme participants through internet and IVRS under the S600 Scheme and the S800 Scheme for the Transferring Employers* and Transferring Members** of the S600 Scheme will be suspended from 4:00 pm, 19 October 2020 to 9:00am, 27 October 2020 (both days inclusive) in order to perform system enhancements for the purpose of the Merger. Such services will resume after 9:00 am, 27 October 2020. During such suspended period, dealing instructions through internet or IVRS will not be accepted. 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 (i.e. Effective Date) (Thur) to 23 October 2020 (Fri)	<ul style="list-style-type: none"> • Create transferring participants' records and accounts under S800 Scheme • Transfer employer and employee account balances from S600 Scheme to S800 Scheme
24 October 2020 (Sat) to 26 October 2020 (Mon)	<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

* Transferring Employers: Participating employers in S600 scheme will be transferred to S800 scheme under the Merger.

** Transferring Members: Participating members in S600 scheme will be transferred to S800 scheme under the Merger.

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11. What if I do not want to merge my account under S600 Scheme to a new account under S800 Scheme?

There will be no more S600 Scheme after the Merger. Please note that the Merger has taken into consideration the benefits that will be brought to the members. We expect that the members will be able to potentially achieve better investment return as a result of the combined asset size and the averaging out of operating expenses. Furthermore, members will also enjoy a wider range of constituent funds under the S800 Scheme.

Any valid request to transfer out of S600 Scheme 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 the Trustee by the Transfer-Out Date*. Any such transfer-out, as with the usual transfer-out, will not be subject to any withdrawal conditions, limitations, charges or penalties.

*Transfer-Out Date: For scheme, i.e. by 14 October 2020
For member, i.e. by 15 October 2020

12. Will there be any changes on my member number, contract number, login ID and password for Internet & IVRS?

No, please be assured that all these numbers, login ID and password will remain unchanged.

13. Do I need to fill up any forms for the Merger?

No, you don't. Principal will arrange to have all the records in your existing account under S600 Scheme transferred to the new account under S800 Scheme automatically.

14. Can I withdraw my voluntary contributions after the Merger? Will there be any charges incurred?

If you are an employee member, you cannot withdraw your voluntary contributions until you are terminated from your existing employment with your employer under the S800 Scheme.

However, if you are a self-employed person or personal account member, you can withdraw voluntary contributions under S800 Scheme and the first four withdrawals in each financial year will be free of charge. Starting from the fifth withdrawal in each financial year, a handling charge of up to HK\$300 may be imposed for each withdrawal and deducted from the withdrawal amount.

15. My selected MPF funds under S600 Scheme are Class D/I/N. What will be the fund classes for my selected MPF funds after the Merger?

For this Merger, the constituent funds under the S600 Scheme regardless of classes will be merged with the corresponding constituent funds under Class D, Class I and Class N units of the S800 Scheme (please refer to Q19 for details of the mapping of the constituent funds upon merging of the S600 Scheme to S800 Scheme). The Principal Age 65 Plus Fund, Principal Core Accumulation Fund, Principal MPF Conservative Fund, Principal Hang Seng Index Tracking Fund and Principal Asian Bond Fund which are the corresponding constituent funds under the S800 Scheme will be offering Class N units, while all other remaining constituent funds under the S800 Scheme (i.e. Principal Long Term Guaranteed Fund, Principal HK Dollar Savings Fund, Principal Aggressive Strategy Fund, Principal Stable Yield Fund, Principal Long Term Accumulation Fund and Principal Global Growth Fund) will offer Class D or I units. You may check the constituent fund classes on your member record, annual benefit statements or by logging into your MPF account through our website. If you would like to know more about these constituent funds, please refer to our MPF Scheme Brochure for details.

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16. Is there any change on the payee name for my contribution payment after the Merger?

Yes, all payments formerly made to S600 Scheme should be made payable to “Principal Trust Company (Asia) Limited – Principal MPF Scheme Series 800” (“PTC-MPF S800”) with effect from 22 October 2020.

17. Is the default fund for S600 Scheme and S800 Scheme the same?

The default investment arrangements under the S600 Scheme and the S800 Scheme are Default Investment Strategy (“DIS”). In respect of a Transferring Member under the S600 Scheme who has not provided a valid investment direction, the contributions payable by or in respect of him / her after the Merger under the S800 Scheme will be invested into the Default Investment Strategy (DIS).

18. Will there be any limitations on fund switching in the new MPF scheme?

Generally speaking, there is no limitation on the frequency for fund switching in the new scheme.

19. What is the mapping of the Constituent Funds upon merging of the S600 Scheme to S800 Scheme?

Fund Mapping:

S600 Constituent Fund		Corresponding S800 Constituent Fund
Default Investment Strategy (DIS)	→	Default Investment Strategy (DIS)
Principal Age 65 Plus Fund	→	Principal Age 65 Plus Fund
Principal Core Accumulation Fund	→	Principal Core Accumulation Fund
		Principal Capital Guaranteed Fund
Principal Long Term Guaranteed Fund	→	Principal Long Term Guaranteed Fund
Principal MPF Conservative Fund	→	Principal MPF Conservative Fund
Principal Hong Kong Dollar Savings Fund	→	Principal Hong Kong Dollar Savings Fund
Principal Asian Bond Fund	→	Principal Asian Bond Fund
		Principal Hong Kong Bond Fund
		Principal International Bond Fund
Principal Stable Yield Fund	→	Principal Stable Yield Fund
Principal Long Term Accumulation Fund	→	Principal Long Term Accumulation Fund
Principal Global Growth Fund	→	Principal Global Growth Fund
Principal Aggressive Strategy Fund	→	Principal Aggressive Strategy Fund
		Principal US Equity Fund
		Principal Asian Equity Fund
		Principal China Equity Fund
Principal Hang Seng Index Tracking Fund	→	Principal Hang Seng Index Tracking Fund
		Principal Hong Kong Equity Fund
		Principal International Equity Fund

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20. What is the deadline for me to submit the fund switching instruction (either via internet, IVRS or paper form) for my MPF account under S600 Scheme?

Deadline for receiving instructions for “Switching of Fund Accumulation Balance” and “Allocation of Future Contributions”

- **By Internet:** Your instructions should be received by us **before 4:00 pm on 19 October 2020**. No instructions will be accepted by us after 4:00 pm on 19 October 2020.
- **By IVRS:** Your instructions should be received by us **before 4:00 pm on 19 October 2020**. No instructions will be accepted by us after 4:00 pm on 19 October 2020.
- **By Form (via mail / e-mail / handing in / facsimile)** The duly completed form should be received by us via mail / e-mail / facsimile / handing in **on or before 16 October 2020**. Unless we in our sole and absolute discretion determine otherwise, no forms will be accepted by us after 16 October 2020.

If the fund switching instruction which is received by form cannot be processed under S600, we shall notify the member and the instruction may 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.

21. Do you accept remittance statement (or other administration forms) showing “Principal MPF Scheme Series 600” as the scheme name after the effective date of the Merger? (Asked by Employer)

We shall continue to accept remittance statement showing the old scheme name until 3 months up to end of January 2021 covering for contribution period of December 2020 as the contract number will not be changed even after the Merger. However, if you submit application form - employer, application form - self-employed person, application form - personal account member, membership enrolment form and change in investment form by member of S600 Scheme, we shall request you to resubmit them again since the form will no longer be valid after the effective date of the Merger. You are required to resubmit your instructions using the administration forms for S800 Scheme. However, please note that all payments formerly made to the S600 Scheme should now be made payable to “Principal Trust Company (Asia) Limited – Principal MPF Scheme Series 800” (“PTC-MPF S800”) after the effective day of the Merger.

22. Do you still accept administration forms of S600 Scheme after the effective date of the Merger? (Asked by Member)

Membership enrolment form and change in investment form by member for S600 Scheme will no longer be valid after the effective day of the Merger. You are required to resubmit your instructions using the administration forms for S800 Scheme.

23. What is the financial year end for S800 Scheme?

Financial year for S800 Scheme starts from 1st of January to 31st of December each year. Annual benefit statements for members will be sent out within 3 months after the financial year end.

24. Will my employers' forfeiture balance in S600 Scheme be transferred to S800 Scheme?

Please be assured that the forfeiture balance in S600 Scheme will be transferred to S800 Scheme and there will not be any difference in the treatment to the forfeiture balance before and after the

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Merger.

- 25. Originally, I have two personal accounts, one is under S600 Scheme and the other is under S800 Scheme, what would happen after the merger?**

After the Merger, the assets in your original S600 account will automatically be transferred to the corresponding Constituent Funds in a new S800 account while there is no impact to your original S800 account.

If it is the case that you would like to combine both Personal Accounts into one account, you are required to complete a Personal Accounts Consolidation form P(C). Generally, the units of constituent fund you hold in the account which you would like to transfer out would be “unit transferred” to the account you would like to keep.