Principal® 信安

Principal Trust Company (Asia) Limited

30/F, Millennium City 6
392 Kwun Tong Road,
Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2827-1707
Customer Service Hotline: (852) 2827-1233
Website: www.principal.com.hk

Principal MPF Scheme Series 800 (the "Scheme")

Notice to Participating Employers and Members

Attention: This notice is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice. Principal Trust Company (Asia) Limited accepts responsibility for the information contained in this document.

This notice only summarises the changes to the Scheme. Details of the changes are set out in the First Addendum of the Principal Brochure of the Scheme (the "Principal Brochure"). The Principal Brochure (as supplemented by First Addendum) will be available on our website at www.principal.com.hk or you may request copies of them by contacting our customer service hotline at (852) 2827 1233.

Dear participating employers and members (collectively, the "**Scheme Participants**"),

Thank you for your continued support of the Scheme.

We are writing to you of certain changes to the Scheme, which will take effect on 1 April 2019 (the "**Effective Date**"). Capitalised terms not defined in this notice have the same meanings as ascribed to them in the Scheme.

This table summarises the key changes to the Scheme, which are elaborated in the main body of this notice:

Tax Deductible Voluntary ("TVC") Contributions

- TVC is a new type of contributions and can only be paid into a TVC account of an MPF scheme, such as the Scheme. TVC may be eligible for tax concessions starting from the year of assessment 2019/2020. The maximum tax deductible amount for the year of assessment 2019/2020 is HK$60,000. It is an aggregate limit for both TVC and other qualifying annuity premiums.

- TVC is voluntary in nature. However, it is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions. In particular, members should note that the accrued benefits held in a TVC account can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation, and the impact on their guarantee entitlement should their TVC be invested in the Principal Long Term Guaranteed Fund; for details, please refer to the last paragraph of section 1 of this notice.

- Please refer to the main body of this notice for the eligibility requirements for opening a TVC account and other details with regard to TVC.

Queries

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

TVC

Changes to the Inland Revenue Ordinance will take effect on 1 April, 2019. From 1 April, 2019, similar to premiums paid for qualifying deferred annuity products, MPF voluntary contributions made in a specified account set up by scheme members (namely, TVC account) can also enjoy tax concession in order for them to meet the long-term saving objective for retirement protection.

Your investment decision should not be based on this document alone. We encourage you to read the First Addendum to the Principal Brochure carefully because the new arrangement may affect your retirement planning and tax benefits associated with the TVC account.

1. What is TVC?

TVC is a new type of contributions and can only be paid into a TVC account of an MPF scheme. TVC may enjoy tax concession. Other characteristics of TVC are as follows:

- TVC can only be made directly by the persons who fulfil the eligibility requirements as mentioned in section 3 below
- Involvement of employers is not required
- Although it is voluntary in nature, TVC is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions

Accordingly, any accrued benefits derived from TVC (including the TVC made in excess of the maximum tax deduction limit during a tax assessment year) will be preserved. **Members should note that accrued benefits held in a TVC account can only be withdrawn upon retirement at age 65 or on other statutory grounds under the MPF legislation.**

TVC members can make their own fund selection or choose to invest in DIS under the Scheme according to their circumstance and risk appetite. If a TVC member fails to submit to the Trustee a valid Specific Investment Instruction or does not make any investment choice at the time of TVC account opening, his/her TVC will be invested in DIS.

For a TVC member who invests in the Principal Long Term Guaranteed Fund and retires having attained the age of 65 or retires early having attained the age of 60, if the TVC member wishes to withdraw part, but not all, of his accrued benefits under the Principal Long Term Guaranteed Fund, the TVC member will lose the guarantee entitlement in respect of such partial withdrawal of accrued benefits in his TVC account. For the avoidance of doubt, a withdrawal of the entire balance from a TVC account upon the occurrence of a “qualifying event” will be considered a Valid Claim and the guarantee will apply.

2. Tax Concessions for TVC

TVC may be eligible for tax concessions starting from the year of assessment 2019/2020. The maximum tax deductible amount for the year of assessment 2019/2020 is HK$60,000. It is an aggregate limit for both TVC and other qualifying annuity premiums.

Same as the tax deduction for mandatory contributions and other tax concessions, **the individual tax payer (not the Trustee, Sponsor and/or other operators of the Scheme) is responsible for the application of tax deduction and keeping track of how the maximum tax deductible limit is fully utilized.** In this regard, the Trustee will provide a TVC summary to facilitate TVC members in filling in the relevant tax concession information on their tax return if TVC is made by the member to the Scheme during a year of assessment.

3. **Eligibility**

Any person who is:

- **a current holder of contribution account or personal account of an MPF scheme; or**
- **a current member of an MPF exempted ORSO scheme,**

can make TVC to an MPF scheme by opening a TVC account.

The Trustee of the Scheme may reject any application to open a TVC account in the event of (i) having reason to know that information and documents provided to the Trustee are incorrect or incomplete; (ii) failure of applicants to provide information and documents as required by the Trustee to ensure compliance with applicable laws and regulations relating to anti-money laundering or tax reporting; and/or (iii) other circumstances which the Trustee and the Sponsor may consider appropriate.

For compliance purposes, there could be circumstances (such as (i) to (iii) in the preceding paragraph) that TVC may be rejected. Any rejected TVC (with no interest) will be refunded within 45 days of receipt of any such TVC unless for some exceptional regulatory reasons the Trustee is unable to effect a refund within such a timeframe.

4. **Transfer of TVC accrued benefits**

TVC members may, at any time, choose to have ALL accrued benefits in the TVC account in the Scheme transferred to another TVC account in another MPF scheme nominated by such TVC member. **Transfer of TVC accrued benefits in part or to a contribution account/personal account, however, will not be accepted.**

For the avoidance of doubt, such benefit transfer amount cannot be claimed as deductions for taxation purpose.

5. **Termination of TVC accounts**

TVC accounts with zero balance and in respect of which there is no transaction activity for 365 days may be terminated by the Trustee.

Note: Investment involves risks and the account balance of TVC (as tax incentivized retirement savings) may go up as well as down.

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The updated Principal Brochure together with the first addendum supplemental to it will be available on our website at www.principal.com.hk or you may request a copy of it by contacting our customer service hotline at (852) 2827 1233.

Principal Trust Company (Asia) Limited
29 March 2019