Principal® 信安

Principal Central Provident Fund

Principal Brochure

Exclusive Distributor

AXA 安盛

Principal Central Provident Fund

IMPORTANT INFORMATION

1. Principal CPF is a master trust designed to comply with ORSO and the PRF Code.

2. The Guaranteed Fund, an Investment Portfolio under the Principal CPF, invests 100% in the Deposit Administration Guaranteed Fund Policy (the "**China Life Policy**") issued by China Life. Your investments in the Guaranteed Fund are therefore subject to the credit risks of China Life. Please refer to the Investment Portfolio Fact Sheet for the Guaranteed Fund for details of investment return and fees and charges of the Guaranteed Fund and the guarantee features and conditions of the China Life Policy.

3. A few Investment Portfolios (each, "**Relevant Investment Portfolios**") of the Principal CPF each invests 100% in the (a) Stable Fund Policy, (b) Balanced Fund Policy, (c) Growth Fund Policy; (d) Principal Stable Fund Policy, (e) Principal Balanced Fund Policy, (f) Principal Growth Fund Policy, and (g) Principal - RCM Hong Kong Fund Policy. Each of these underlying insurance policies was issued by PIC. Your investments in these Relevant Investment Portfolios are therefore subject to the credit risks of PIC. Each reference to "Insurer" in this Principal Brochure means either China Life or PIC, as the case may be, unless expressly specified otherwise.

4. You should consider your own risk tolerance level and financial circumstances before making any investment choices.

5. Important - if you are in any doubt about the contents of this Principal Brochure, you should seek independent professional financial advice. Further, when, in your selection of Investment Portfolios, you are in doubt as to whether a particular Investment Portfolio is suitable for you (including whether it is consistent with your investment objectives), you should seek independent financial and/or professional advice and choose the Investment Portfolio(s) most suitable for you taking into account your circumstances.

6. You should read this Principal Brochure for further details including product features, fees and charges and risk factors. Investment involves risks, the value of the Investment Portfolios may go up or down and you may suffer significant loss of your investment.

7. The Principal CPF and its Investment Portfolios have been authorized by the SFC. The SFC's authorization is not a recommendation or endorsement of the Principal CPF and the Investment Portfolios under it nor does it guarantee the commercial merits of the Principal CPF and the Investment Portfolios or their performance. It does not mean the Principal CPF and the Investment Portfolios are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

Principal Trust Company (Asia) Limited

(Effective from 1 December 2022)

Exclusive Distributor

PRINCIPAL CENTRAL PROVIDENT FUND
SECOND ADDENDUM

This Second Addendum should be read in conjunction with and forms part of the Principal Brochure for Principal Central Provident Fund dated 1 December 2022, as amended by the First Addendum dated 1 January 2023 (collectively, the "**Principal Brochure**"). All capitalized terms used in this Second Addendum shall have the same meaning as given to them in the Principal Brochure, unless the context otherwise stated.

Principal Trust Company (Asia) Limited accepts full responsibility for the accuracy of the information contained in this Second 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.

The following changes to the Principal Brochure shall take effect from 31 July 2023, unless otherwise specified:

1. The row for Asia Pacific Equity Fund in the second table appearing in sub-section 3.1 "**INVESTMENT PORTFOLIO OPTIONS**" under section 3 "**INVESTMENT PORTFOLIOS**" on page 6 of the Principal Brochure shall be deleted in its entirety and replaced with the following:

Asia Pacific Equity Fund 1 April 2003*	Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund	Direct investment in underlying assets	PAM## and PGI US**

2. The third sentence of paragraph (iv) "**Market risk**" under section 4 "**RISK FACTORS**" on page 9 of the Principal Brochure shall be deleted in its entirety and replaced with the following:

   "In particular, dividend yields from the investments of certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, may fluctuate up or down as a result of changes in the dividend policy of the underlying companies in which the underlying investment vehicle is invested."

3. Paragraph (xi) "**Concentration risk**" of section 4 "**RISK FACTORS**" on page 10 of the Principal Brochure shall be deleted in its entirety and replaced with the following:

   "Concentration risk – Certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, invest in a single country or region. Compared with a well-diversified fund, the concentration risk is relatively high and hence they might be more volatile than a well-diversified fund. Additionally, the value of such underlying investment vehicles may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the single country or regional markets. Also, the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund's investments may be concentrated in the markets of smaller economies and the investment performance is sensitive to movements in these markets. Therefore, the performance of the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, which is the underlying investment vehicle of Asia Pacific Equity Fund, may differ significantly in direction and degree from the overall global stock market performance. As a result, the underlying investment vehicles/investors may be adversely impacted."

4. The first sentence of sub-paragraph (c) "**PRC tax risk with respect to capital gains**" to paragraph (xxvi) "**Risks associated with investments/exposure to RMB currency and/or Mainland China**" under section 4 "**RISK FACTORS**" on page 13 of the Principal Brochure shall be deleted in its entirety and replaced with the following:

   "Investments in the PRC may be subject to the potential tax liability for capital gains arising from disposal of PRC securities (including but not limited to China A-Shares, B-Shares, H-Shares, ETFs and debt instruments) issued by PRC tax resident enterprises."

5. The following shall be added as sub-paragraphs (j) and (k) to paragraph (xxvi) "**Risks associated with investments/exposure to RMB currency and/or Mainland China**" under section 4 "**RISK FACTORS**" on page 14 of the Principal Brochure:

   "(j) Risks associated with investment in ChiNext market and/or STAR board – Certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, may invest in ChiNext market and/or the Science and Technology Innovation Board ("**STAR Board**") and may be subject to the following risks:

   – 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.

   – 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.

   – 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.

   – 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 underlying investment vehicle if the companies that it invests in are delisted.

   – 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 underlying investment vehicle to higher concentration risk.

   Investments in the ChiNext market and/or STAR Board may result in significant losses for the underlying investment vehicles and its investors.

   (k) Risks associated with investment made through the QFI regime – Certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, may invest through the Qualified Foreign Investor ("**QFI**") regime. Such underlying investment vehicle's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect.

The underlying investment vehicle may suffer substantial losses if the approval of the QFI status is being revoked/terminated or otherwise invalidated as the underlying investment vehicle may be prohibited from trading of relevant securities and repatriation of the underlying investment vehicle's 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)."

6. The second sentence of paragraph (xxx) "**Termination risk**" under section 4 "**RISK FACTORS**" on page 15 of the Principal Brochure shall be deleted in its entirety and replaced with the following:

   "In relation to the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, such circumstances include, but without limitation to, if (a) on any date, in relation to any sub-fund of the Principal Prosperity Series, the aggregate NAV of the units outstanding in respect of such sub-fund shall be less than US$ 2 million or (b) any law shall be passed which renders it illegal or in the opinion of the PAM impracticable or inadvisable, in consulting with the SFC to continue the Principal Prosperity Series or such sub-fund or (c) the Principle Prosperity Series and/or any sub-fund is no longer authorised by the SFC."

7. The following shall be added as paragraphs (xxxiv) and (xxxv) under section 4 "**RISK FACTORS**" on page 16 of the Principal Brochure:

   "(xxxiv) ESG investment policy risk – Certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, may use environmental, social and governance ("**ESG**") criteria in their objectives and investment policies. This may affect such underlying investment vehicles' investment performance and, as such, the underlying investment vehicles may perform differently compared to similar funds that do not use such criteria. For instance, ESG criteria used in an underlying investment vehicle's investment policy may result in the underlying investment vehicle forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to such securities no longer comply with the underlying investment vehicle's ESG criteria when it might be disadvantageous to do so. As such, the application of ESG criteria may restrict the ability of the underlying investment vehicle to acquire or dispose of its investments at a price and time that it wishes to do so and may therefore result in a loss to the underlying investment vehicle.

   The use of ESG criteria may also result in the underlying investment vehicle being concentrated in companies with a focus on ESG criteria and its value may be more volatile than that of a fund having a more diverse portfolio of investments.

   The selection of securities may involve the subjective judgement of the sub-delegate(s) of the investment manager(s) of the underlying investment vehicles. There is also a lack of standardised taxonomy of ESG criteria evaluation methodology and the way in which different funds apply such ESG criteria may vary.

   The investment manager(s) of the underlying investment vehicles and its/their sub-delegates' ESG assessment takes into account ESG data and research from external data providers, which may be incomplete, inaccurate or unavailable. As a result, there is a risk associated with the assessment of a security or issuer based on such information or data.

   (xxxv) Risks relating to investment in ETFs – Certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund, may invest in exchange-traded fund ("**ETF**"). The trading prices of units/shares in an ETF may be at a discount or premium to the NAV of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where an underlying investment vehicle buys at a premium, it may suffer losses even if the NAV is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF. In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index. An ETF which is designed to track a market index is not "actively managed", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The underlying investment vehicle may lose part or all of its investment in the ETF. There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded."

8. The paragraph under the sub-heading "**Objectives**" under the heading "**Objectives and investment policy**" under sub-section 8.3 "**ASIA PACIFIC EQUITY FUND**" under section 8 "**INVESTMENT PORTFOLIO FACT SHEETS**" on page 40 of the Principal Brochure shall be deleted in its entirety and replaced with the following:

   "The Asia Pacific Equity Fund (the "**Investment Portfolio**"), through its investment in an underlying investment vehicle, will primarily invest in a diversified portfolio of listed securities of companies and issuers in the Asia Pacific (ex-Japan) region which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance ("**ESG**") factors ("**ESG achievers**") as well as exchange traded funds ("**ETFs**") and collective investment schemes ("**CISs**"), which primarily invest in equity securities of companies and issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively "**ESG achiever ETFs/CISs**"). The Investment Portfolio will also seek to achieve high current income and capital appreciation with a focus on high dividend yielding stocks."

9. The first paragraph under the sub-heading "**Investment policy**" under the heading "**Objectives and investment policy**" under sub-section 8.3 "**ASIA PACIFIC EQUITY FUND**" under section 8 "**INVESTMENT PORTFOLIO FACT SHEETS**" on page 40 of the Principal Brochure shall be deleted in its entirety and replaced with the following:

   "The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Prosperity Series – Principal Sustainable Asia Equity Income Fund (the "**Underlying Fund**"). The Underlying Fund will invest in a diversified portfolio of listed securities in the Asia Pacific (ex-Japan) region, including but not limited to the following: Australia, Greater China (including PRC, Hong Kong, Macau and Taiwan), Indonesia, India, Malaysia, New Zealand, the Philippines, Singapore, South Korea and Thailand. The Underlying Fund will focus on ESG achievers which demonstrate strong corporate fundamentals and offer the potential for superior dividend yields. The Underlying Fund will also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities. The Underlying Fund aims to maintain a minimum of 70% of its NAV invested in listed securities issued by ESG achievers as well as ESG achiever ETFs/CISs. The aggregate investment of the Underlying Fund's investment in ETFs and CISs (including ESG achiever ETFs/CISs) will be less than 30% of its NAV.

   The investment manager of the Underlying Fund adopts a best-in-class strategy under which the investment manager of the Underlying Fund will screen all securities investable by the Underlying Fund (including ETFs and CISs) with the aim of identifying ESG achievers and ESG achiever ETFs/CISs.

   The investment manager of the Underlying Fund will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia Pacific (ex-Japan) region, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the investment manager of the Underlying Fund's internal rating system will be considered to be ESG achievers. The ESG scores are measured through the use of proprietary research and ESG data from third-party providers (including but not limited to MSCI). The ESG scores from the investment manager of the Underlying Fund's internal rating system represent the investment manager of the Underlying Fund's ESG view based on key sustainability risks (i.e. climate change, human capital, corporate governance on ESG matters, etc.) associated with the specific companies/issuers. In order to calculate the ESG score of a potential company/issuer, the investment manager of the Underlying Fund will first identify the material risks and opportunities factors of the potential company/issuer based on its industry or sector which are spread across Environmental, Social and Governance categories ("**ESG risks/opportunities factor(s)**"). The weights assigned to each sector-specific ESG risks/opportunities factor will vary based on its contribution to making positive ESG impact. Governance is an important consideration for all institutions, and it is the one category that is universally applicable across all sectors. A potential company/issuer's exposure to each of the identified ESG risks/opportunities factor will be ranked against its peers and such level of exposure is translated into an underlying score. For each potential company/issuer, a weighted average score will be calculated based on the underlying scores and weights of the ESG risks/opportunities factors identified. The higher the scores a potential company/issuer receives for each of the ESG risks/opportunities factors, the higher the overall ESG score of a potential company/issuer will be.

The investment manager of the Underlying Fund supplements the ESG scores with qualitative assessment. In the event that ESG data are not available or comprehensive, the investment manager of the Underlying Fund would provide a subjective qualification of the company's/issuer's ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports. Companies/issuers demonstrating strong or improving ESG fundamentals or a propensity to address ESG issues, e.g. whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, would be favoured over companies/issuers with deteriorating ESG outlook. As a result of all of the above ESG criteria for screening, except for ETFs and CISs, it is expected that the size of the investment universe of the Underlying Fund will be reduced by at least 20% in terms of number of companies/issuers. The investment manager of the Underlying Fund will then apply its own internal analysis based on fundamental analysis and valuation approach to select securities from the eligible investment universe. The Underlying Fund will exclude companies that (i) are classified by the GICS Industry Sector classification to fall within the tobacco, casinos and gaming sub-industries; (ii) have more than 10% of the revenue derived from direct manufacturing and production of controversial weapons (including but not limited to landmines, cluster munition, bio-weapons and nuclear weapons) or their key component, based on the data from third-party providers (including but not limited to MSCI); and (iii) are deemed to have governance concerns through discovery during engagement process and company research.

ESG achiever ETFs/CISs will be identified by using the investment manager of the Underlying Fund's internal screening process. Only ETFs/CISs with available information on full holdings of underlying securities will be eligible for the internal screening process. The investment manager of the Underlying Fund will first distinguish whether the eligible ETFs/CISs track an index with ESG focus or feature ESG related theme or focus, and select ETFs/CISs that incorporate the key ESG focus or feature ESG related theme or focus of the Underlying Fund and also adopt investment objectives or strategies that are consistent with the Underlying Fund's best-in-class approach. The investment manager of the Underlying Fund will then assess the ESG profiles of the selected ETFs/CISs and choose the ESG achiever ETFs/CISs with more than 70% of the underlying securities qualified as ESG achievers (as described above).

Up to 30% of the Underlying Fund's NAV may be invested in (a) equity securities of companies and issuers (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achievers (as described above) but demonstrate improving sustainability attributes (e.g. companies/issuers which demonstrate the potential for improvement in sustainability practices and performance through the implementation and execution of a formal engagement plan), or whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, or green/sustainable financing instruments, or securities issued by companies in the green sector such as renewable companies, and/or (b) ETFs/CISs (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achiever ETFs/CISs (as described above) but demonstrate attributes consistent with a minimum

ESG fund rating of BBB or its equivalent based on: (1) ESG fund rating from third-party providers (including but not limited to MSCI) or, (2) only in the circumstances when ESG fund rating from third-party providers is not available, the investment manager of the Underlying Fund's internal ESG fund quality scores which are calculated by using the ESG rating data of the relevant underlying investments derived from third-party providers (including but not limited to MSCI) and the investment manager of the Underlying Fund's factor adjustments based on the ESG rating trend and rating distribution of the underlying investments, and/or (c) cash and cash equivalents, such as deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.

The Underlying Fund may from time to time invest up to 50% of its NAV in equity securities issued in the PRC (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or the Qualified Foreign Investor ("**QFI**") regime, and/or indirectly through access products or other ETFs/CISs."

10. The first two paragraphs under the sub-heading "**Investment and borrowing restrictions**" under the heading "**Objectives and investment policy**" under sub-section 8.3 "**ASIA PACIFIC EQUITY FUND**" under section 8 "**INVESTMENT PORTFOLIO FACT SHEETS**" on page 41 of the Principal Brochure shall be deleted in their entirety and replaced with the following:

    "The Investment Portfolio will not enter into financial futures contracts and financial option contracts directly. However, it may, via the Underlying Fund, enter into financial futures contracts, financial option contracts and currency forward contracts for hedging purposes.

    The investment manager of the Underlying Fund may borrow, for the account of the Underlying Fund, up to 10% of the latest available NAV of the Underlying Fund in accordance with the UT Code. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings. In addition, the assets of the Underlying Fund may be charged to secure a guarantee given in favour of unitholders in the Underlying Fund."

11. The following shall be added to the list of risk factors under the heading "**What are the key risks**?" under sub-section 8.3 "**ASIA PACIFIC EQUITY FUND**" under section 8 "**INVESTMENT PORTFOLIO FACT SHEETS**" on page 41 of the Principal Brochure:

    "• Risks associated with small-capitalisation/mid-capitalisation companies
    • Risks of investing in collective investment schemes
    • ESG investment policy risk
    • Risks relating to investment in ETFs"

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

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Principal Trust Company (Asia) Limited
31 July 2023

Principal Trust Company (Asia) Limited

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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 Central Provident Fund. Participating employers should notify their employees of the content of this Notice upon receipt.

Dear participating employers and members,

Re: Principal Central Provident Fund (the "Fund")
– Asia Pacific Equity Fund (the "Investment Portfolio")

Thank you for your continual support to the Fund.

1. Changes to the underlying fund of the Investment Portfolio

The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund (the "**Underlying Fund**").

(i) Re-classification of Underlying Fund as ESG fund

With effect from 31 July 2023 (the "**Effective Date**"), with a view to more accurately reflect the sustainable position of the Underlying Fund in light of the latest incorporation of the sustainable investing framework of the Underlying Fund's investment manager, the Underlying Fund will seek to incorporate environmental, social and governance ("**ESG**") factors as its key investment focus, and will integrate ESG characteristics into its investment process. The Underlying Fund will therefore be re-classified as an ESG fund. Concomitantly, the Underlying Fund will be renamed as "Principal Sustainable Asia Equity Income Fund" on the Effective Date.

As a result of the ESG investment focus of the Underlying Fund, the Underlying Fund and hence, the Investment Portfolio through its investment in the Underlying Fund may be subject to "*ESG investment policy risk*".

(ii) Increased investment limit on China A-Shares

Moreover, in order to provide flexibility and tap into the opportunities of investment in the PRC, the investment policy of the Underlying Fund will also be amended on the Effective Date to provide that the Underlying Fund may from time to time invest up to 50% of its net asset value in equity securities issued in the PRC (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or the Qualified Foreign Investor ("**QFI**") regime, and/or indirectly through access products or other collective investment schemes.

As a result, the Underlying Fund and hence, the Investment Portfolio through its investment in the Underlying Fund may be subject to increased "*Risks associated with investments/exposure to RMB currency and/or Mainland China*", as currently set out in the section headed "4. Risk Factors" in the Principal Brochure. In addition, the Underlying Fund and hence, the Investment Portfolio through its investment in the Underlying

Fund may be subject to "*Risks associated with investment in ChiNext market and/or STAR board*" and "*Risks associated with investment made through the QFI regime*".

(iii) Clarification on geographical focus

In addition, as the investment manager of the Underlying Fund does not intend to invest in Japan, with effect from the Effective Date, the investment policy of the Underlying Fund will also be updated to replace the reference to "Asia Pacific region" with reference to "Asia Pacific (ex Japan) region" to provide a more accurate description of the geographical focus of the Underlying Fund.

According to the investment manager of the Underlying Fund, save as described above, the changes to the Underlying Fund will not result in any other change to the features or any increase in risk level of the Underlying Fund and there will be no change in the operation and/or manner in which the Underlying Fund is being managed in practice. Also, the fee levels and fees and charges structure of the Underlying Fund will remain unchanged. Based on the above, the investment manager of the Underlying Fund is of the view that the above changes to the Underlying Fund will not materially prejudice the rights or interests of the existing investors of the Underlying Fund.

To reflect the above changes to the Underlying Fund, the objectives and investment policy of the Investment Portfolio and the risk disclosures in relation to the Investment Portfolio will be updated or enhanced on the Effective Date.

Please refer to the Annex to this Notice for the revised investment objectives and policies of the Investment Portfolio and its Underlying Fund.

2. **Clarification on investment and borrowing restrictions**

To align with the disclosures in the offering documents of the Underlying Fund, updates will be made to the investment and borrowing restrictions of the Investment Portfolio and its Underlying Fund as disclosed in the Principal Brochure. For the avoidance of doubt, the updates are for clarification only and there is no actual change to the investment and borrowing restrictions of the Investment Portfolio and its Underlying Fund.

Please refer to the Annex to this Notice for the revised disclosures about investment and borrowing restrictions of the Investment Portfolio and its Underlying Fund.

3. **Availability of documents**

The Principal Brochure will be amended by way of a second addendum (the "**Second Addendum**") to reflect the changes set out in this Notice, enhance risk factors and/or other consequential and miscellaneous updates. The Second Addendum should be read in conjunction with and forms part of the Principal Brochure. Changes set out in this Notice are in summary form only. Please read the Principal Brochure (together with all addenda supplemental to it including the Second Addendum) carefully.

On or around the Effective Date, participating employers and members may obtain a copy of the Principal Brochure together the Second Addendum from our website at www.principal.com.hk[1] or request for a copy through our customer service hotline at 2802 2812 or 2885 8011.

No amendment is required to be made to the Master Trust Deed in respect of the changes set out in this Notice. However, copies of the Master 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 Master Trust Deed can be purchased from the Administrator on payment of a reasonable fee.

Terms used in this Notice have the same meanings as in the latest version of the Principal Brochure, unless otherwise specified in this Notice.

[1] Please note that the website has not been reviewed by the SFC.

If you have any queries on the changes made to the Fund, please contact the above customer service hotline or email to hkinfo@principal.com.

Thank you for your continuous support.

* * *

Yours faithfully,
For and on behalf of
Principal Trust Company (Asia) Limited
30 June 2023

Annex

Revised investment objectives and policies, and investment and borrowing restrictions of the Asia Pacific Equity Fund (changes are shown in mark-ups)

Objectives

The Asia Pacific Equity Fund (the "**Investment Portfolio**") ~~aims to achieve high current income through investing in a diversified portfolio of listed securities in the Asia Pacific region.~~, through its investment in an underlying investment vehicle, will primarily invest in a diversified portfolio of listed securities of companies and issuers in the Asia Pacific (ex-Japan) region which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance ("**ESG**") factors ("**ESG achievers**") as well as exchange traded funds ("**ETFs**") and collective investment schemes ("**CISs**"), which primarily invest in equity securities of companies and issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively "**ESG achiever ETFs/CISs**"). The Investment Portfolio will also seek to achieve high current income and capital appreciation with a focus on high dividend yielding stocks.

Investment policy

The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Prosperity Series – Principal Sustainable Asia ~~Pacific High Dividend~~ Equity Income Fund (the "**Underlying Fund**"). The Underlying Fund will invest in a diversified portfolio of listed securities in the Asia Pacific (ex-Japan) region, including but not limited to the following ~~regions~~: Australia, Greater China (including PRC, Hong Kong, Macau and Taiwan), Indonesia, India, Malaysia, New Zealand, the Philippines, Singapore, South Korea~~, Taiwan~~ and Thailand. ~~The investment manager of the Underlying Fund does not currently intend to invest in Japan but may do so in the future if suitable investment opportunities arise.~~ The ~~investment manager of the~~ Underlying Fund will focus on ESG achievers ~~companies~~ which demonstrate strong corporate fundamentals and offer the potential for superior dividend yields. The Underlying Fund will ~~may~~ also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities. The Underlying Fund aims to maintain a minimum of 70% of its NAV invested in listed securities issued by ESG achievers as well as ESG achiever ETFs/CISs. The aggregate investment of the Underlying Fund's investment in ETFs and CISs (including ESG achiever ETFs and CISs) will be less than 30% of its NAV.

The investment manager of the Underlying Fund adopts a best-in-class strategy under which the investment manager of the Underlying Fund will screen all securities investable by the Underlying Fund (including ETFs and CISs) with the aim of identifying ESG achievers and ESG achiever ETFs/CISs.

The investment manager of the Underlying Fund will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia Pacific (ex-Japan) region, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the investment manager of the Underlying Fund's internal rating system will be considered to be ESG achievers. The ESG scores are measured through the use of proprietary research and ESG data from third-party providers (including but not limited to MSCI). The ESG scores from the investment manager of the Underlying Fund's internal rating system represent the investment manager of the Underlying Fund's ESG view based on key sustainability risks (i.e. climate change, human capital, corporate governance on ESG matters, etc.) associated with the specific companies/issuers. In order to calculate the ESG score of a potential company/issuer, the investment manager of the Underlying Fund will first identify the material risks and opportunities factors of the potential company/issuer based on its industry or sector which are spread across Environmental, Social and Governance categories ("**ESG risks/opportunities factor(s)**"). The weights assigned to each sector-specific ESG risks/opportunities factor will vary based on its contribution to making positive ESG impact. Governance is an important consideration for all institutions, and it is the one category that is universally applicable across all sectors. A potential company/issuer's exposure to each of the identified ESG risks/opportunities factor will be ranked against its peers and such level of exposure is translated into an underlying score. For each potential company/issuer, a weighted average score will be calculated based on the underlying scores and weights of the ESG risks/opportunities factors identified. The higher the scores a potential company/issuer receives for each of the ESG risks/opportunities factors, the higher the overall ESG score of a potential company/issuer will be.

The investment manager of the Underlying Fund supplements the ESG scores with qualitative assessment. In the event that ESG data are not available or comprehensive, the investment manager of the Underlying Fund would provide a subjective qualification of the company's/issuer's ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports. Companies/issuers demonstrating strong or improving ESG fundamentals or a propensity to address ESG issues, e.g. whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, would be favoured over companies/issuers with deteriorating ESG outlook. As a result of all of the above ESG criteria for screening, except for ETFs and CISs, it is expected that the size of the investment universe of the Underlying Fund will be reduced by at least 20% in terms of number of companies/issuers. The investment manager of the Underlying Fund will then apply its own internal analysis based on fundamental analysis and valuation approach to select securities from the eligible investment universe. The Underlying Fund will exclude companies that (i) are classified by the GICS Industry Sector classification to fall within the tobacco, casinos and gaming sub-industries; (ii) have more than 10% of the revenue derived from direct manufacturing and production of controversial weapons (including but not limited to landmines, cluster munition, bio-weapons and nuclear weapons) or their key component, based on the data from third-party providers (including but not limited to MSCI); and (iii) are deemed to have governance concerns through discovery during engagement process and company research.

ESG achiever ETFs/CISs will be identified by using the investment manager of the Underlying Fund's internal screening process. Only ETFs/CISs with available information on full holdings of underlying securities will be eligible for the internal screening process. The investment manager of the Underlying Fund will first distinguish whether the eligible ETFs/CISs track an index with ESG focus or feature ESG related theme or focus, and select ETFs/CISs that incorporate the key ESG focus or feature ESG related theme or focus of the Underlying Fund and also adopt investment objectives or strategies that are consistent with the Underlying Fund's best-in-class approach. The investment manager of the Underlying Fund will then assess the ESG profiles of the selected ETFs/CISs and choose the ESG achiever ETFs/CISs with more than 70% of the underlying securities qualified as ESG achievers (as described above).

Up to 30% of the Underlying Fund's NAV may be invested in (a) equity securities of companies and issuers (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achievers (as described above) but demonstrate improving sustainability attributes (e.g. companies/issuers which demonstrate the potential for improvement in sustainability practices and performance through the implementation and execution of a formal engagement plan), or whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, or green/sustainable financing instruments, or securities issued by companies in the green sector such as renewable companies, and/or (b) ETFs/CISs (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achiever ETFs/CISs (as described above) but demonstrate attributes consistent with a minimum ESG fund rating of BBB or its equivalent based on: (1) ESG fund rating from third-party providers (including but not limited to MSCI) or, (2) only in the circumstances when ESG fund rating from third-party providers is not available, the investment manager of the Underlying Fund's internal ESG fund quality scores which are calculated by using the ESG rating data of the relevant underlying investments derived from third-party providers (including but not limited to MSCI) and the investment manager of the Underlying Fund's factor adjustments based on the ESG rating trend and rating distribution of the underlying investments, and/or (c) cash and cash equivalents, such as deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.

The Underlying Fund may from time to time invest up to 50% of its NAV in equity securities issued in the PRC (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or the Qualified Foreign Investor ("**QFI**") regime, and/or indirectly through access products or other ETFs/CISs.

~~The Underlying Fund may also on an ancillary basis from time to time hold cash, deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.~~

Investment and borrowing restrictions

The Investment Portfolio will not enter into financial futures contracts and financial option contracts directly. However, it may, via the Underlying Fund, enter into financial futures contracts, financial option contracts and currency forward contracts for hedging ~~or investment~~ purposes~~, provided that financial option contracts, together with any financial warrant contracts, entered into for investment purposes must not constitute more than 15% of the NAV of the Underlying Fund~~.

The investment manager of the Underlying Fund may borrow, for the account of the Underlying Fund, up to 10~~25~~% of the latest available NAV of the Underlying Fund in accordance with the UT Code~~to acquire investments~~. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings. In addition, the assets of the Underlying Fund may be charged to secure a guarantee given in favour of unitholders in the Underlying Fund.

Please refer to section **3.2** of the Principal Brochure headed "**INVESTMENT AND BORROWING RESTRICTIONS**" for details relating to the investment and borrowing restrictions of the Investment Portfolio.

PRINCIPAL CENTRAL PROVIDENT FUND
FIRST ADDENDUM

This First Addendum should be read in conjunction with and forms part of the Principal Brochure of Principal Central Provident Fund effective from 1 December 2022 (the "**Principal Brochure**"). All capitalised terms in this First Addendum have the same meaning as in the Principal Brochure, unless otherwise stated.

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

1. Section 2 "**KEY OPERATORS**" on page 3 of the Principal Brochure shall be amended by replacing the column headed "**Investment Advisor of Principal CPF**" in the table in its entirety with the following:

   "<u>Investment Advisor of Principal CPF</u>

   PRINCIPAL ASSET MANAGEMENT COMPANY (ASIA) LIMITED

   Unit 1001-1002, Central Plaza
   18 Harbour Road
   Wanchai, Hong Kong"

2. The third sentence of the third paragraph under sub-paragraph (a) "**Investment Advisor**" under sub-section 2.3 "**INVESTMENT MANAGERS AND THEIR DELEGATES OF THE UNDERLYING INVESTMENT VEHICLES**" under section 2 "**KEY OPERATORS**" on page 4 of the Principal Brochure shall be deleted in its entirety.

3. The two tables appearing in sub-section 3.1 "**INVESTMENT PORTFOLIO OPTIONS**" under section 3 "**INVESTMENT PORTFOLIOS**" on pages 5 to 6 of the Principal Brochure shall be replaced in their entirety with the two tables in the **Appendix** to this First Addendum.

4. The definition of "**PGI HK**" under section 9 "**GLOSSARY**" on page 67 of the Principal Brochure shall be deleted in its entirety.

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

* * *

Principal Trust Company (Asia) Limited
1 January 2023

Appendix

Investment Portfolio	Name of underlying policy/unit trust	Investment Structure	Investment manager/ investment advisor of the underlying policy/unit trust	Investment manager##/ sub-investment manager** of the underlying fund into which the underlying policy invests
Stable Fund Policy Date of establishment: 1 May 2004	Stable Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Stable Fund	Nil	PAM## PGI US**
Balanced Fund Policy Date of establishment: 1 May 2004	Balanced Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Balanced Fund	Nil	PAM## PGI US**
Growth Fund Policy Date of establishment: 1 May 2004	Growth Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Growth Fund	Nil	PAM## PGI US**
Principal Stable Fund Policy Date of establishment: 5 January 2005	Principal Stable Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Stable Fund	Nil	PAM## PGI US**
Principal Balanced Fund Policy Date of establishment: 5 January 2005	Principal Balanced Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Balanced Fund	Nil	PAM## PGI US**
Principal Growth Fund Policy Date of establishment: 5 January 2005	Principal Growth Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Growth Fund	Nil	PAM## PGI US**
Principal – RCM Hong Kong Fund Policy Date of establishment: 5 January 2005	Principal – RCM Hong Kong Fund Policy^	Invest solely in the Allianz Global Investors Choice Fund – Allianz Choice Hong Kong Fund	Nil	Allianz Global Investors Asia Pacific Limited##

^ The respective underlying policies were issued by Principal Insurance Company (Hong Kong) Limited.

Investment Portfolio	Underlying investment vehicle	Investment structure of underlying investment vehicle	Investment manager##/delegate of the investment manager**/ sub-delegate of the investment manager&& at the underlying investment vehicle level:
Guaranteed Fund 1 April 2003*	China Life Policy^	Invest solely in a unit trust authorized by the SFC under the UT Code	Nil
International Equity Fund 1 April 2003*	Principal Life Style Fund – Principal International Equity Fund	Direct investment in underlying assets	PAM## and PGI US**
Asia Pacific Equity Fund 1 April 2003*	Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund	Direct investment in underlying assets	PAM## and PGI US**
International Bond Fund 1 April 2003*	Principal Life Style Fund – Principal International Bond Fund	Direct investment in underlying assets	PAM##, PGI US** and PGI Europe&&

* The Investment Portfolio has been in existence as of this date.
^ This underlying policy was issued by China Life.

Principal 信安 AXA 安盛

Principal Trust Company (Asia) Limited

30/F, Millennium City 6,
392 Kwun Tong Road,
Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2511-9559
Customer Service Hotline: (852) 2802-2812 / 2885-8011
Website: www.principal.com.hk

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.

Principal Trust Company (Asia) Limited (the "Trustee", "we" or "our") accepts full responsibility for the accuracy of the information contained in this notice 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 misleading as at the date of issuance.

This notice should be read by all the participating employers and employee members of Principal Central Provident Fund. Participating employers should notify their employees of the content of this notice upon receipt.

Dear participating employers and members,

Re: Principal Central Provident Fund (the "Fund")

Thank you for your continuous participation in the Fund. We write to inform you that the following changes (the "**Changes**") will be made to the Fund with effect from 1 January 2023 (the "**Effective Date**"). Terms not defined in this notice shall have the same meanings as in the principal brochure of the Fund effective from 1 December 2022 (the "**Principal Brochure**") unless otherwise specified herein.

1. Amendments to the Principal Brochure

(i) Change in investment delegation arrangement of the underlying funds into which the underlying policy invests or at the underlying investment vehicle level

The following proposed changes will take effect in relation to the underlying funds into which the underlying policy invests or the underlying investment vehicle of the following seven investment portfolios under the Fund, namely Stable Fund Policy, Balanced Fund Policy, Growth Fund Policy, Principal Stable Fund Policy, Principal Balanced Fund Policy, Principal Growth Fund Policy and Asia Pacific Equity Fund (collectively, the "**Relevant Investment Portfolios**" and each a "**Relevant Investment Portfolio**").

Relevant Investment Portfolios	Before the Effective Date	On and after the Effective Date
(a) Investment delegation arrangement of the underlying funds into which the underlying policy invests		
(i) Stable Fund Policy **(ii) Balanced Fund Policy** **(iii) Growth Fund Policy** **(iv) Principal Stable Fund Policy** **(v) Principal Balanced Fund Policy** **(vi) Principal Growth Fund Policy**	Sub-investment managers: (i) Principal Global Investors, LLC (“**PGI US**”); and (ii) Principal Global Investors (Hong Kong) Limited (“**PGI HK**”)	Removal of PGI HK as one of the sub-investment managers **As such, on and after the Effective Date:** **Sub-investment manager: PGI US**
(b) Investment delegation arrangement at the underlying investment vehicle level		
(vii) Asia Pacific Equity Fund	Delegate of the investment manager: PGI US Sub-delegate of the investment manager: PGI HK	Removal of PGI HK as the sub-delegate of the investment manager **As such, on and after the Effective Date:** **Delegate of the investment manager: PGI US**

The proposed removal of PGI HK as one of the sub-investment managers of the underlying funds into which the underlying policy invests / the sub-delegate of the investment manager at the underlying investment vehicle level (as the case may be) in respect of the Relevant Investment Portfolios is to streamline the delegation arrangements of the underlying funds or the underlying investment vehicle (as the case may be) in which the Relevant Investment Portfolios invest in order to achieve greater efficiencies. Despite such proposed changes, there will not be any change to the investment objective and policy of each Relevant Investment Portfolio.

(ii) Change in registered office of the investment advisor

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

2. Impact of the Changes

The proposed changes as described in section 1(i) above will not result in any change to the investment objectives and policies of the Relevant Investment Portfolios or any increase in risk level of the Relevant Investment Portfolios. Also, the fee levels and the fees and charges structure of the Relevant Investment Portfolios will remain unchanged.

The costs of the Changes will be borne by the Trustee and will not be borne by the Fund or the participating employers or members.

We are of the view that the Changes would be in the interest of the participating employers and members and will not create any adverse impact on them.

3. Actions required by Participating Employers and Members

No action is required of the participating employers and members to effect the Changes.

* * *

The Principal Brochure will be amended by means of a first addendum (the "**First Addendum**") to reflect the Changes and the ancillary changes. The First Addendum, which will be issued on the Effective Date, will form part of the Principal Brochure and should be read in conjunction with the Principal Brochure. Please read the Principal Brochure and the First Addendum carefully.

No amendment is required to be made to the master trust deed of the Fund (the "**Master Trust Deed**") in respect of the above Changes. However, copies of the Master Trust Deed together with all supplemental deeds can be inspected free of charge or obtained upon payment of a reasonable fee during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Trustee at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

Should you have any questions about the Changes or would like to obtain a copy of the First Addendum and the Principal Brochure after the Effective Date, please contact our customer service hotline at 2802 2812 or 2885 8011 or visit our website at www.principal.com.hk.

If you have any queries relating to the above, please contact our customer service hotline above.

Yours faithfully,

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

Principal Trust Company (Asia) Limited

30/F, Millennium City 6
392 Kwun Tong Road,
Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2511-9559
Customer Service Hotline: (852) 2802-2812 / 2885-8011
Website: www.principal.com.hk

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 Central Provident Fund. Participating employers should notify their employees of the content of this notice upon receipt.

Dear participating employers and members,

Re: Principal Central Provident Fund (the "Fund")

Thank you for your continual support to the Principal Central Provident Fund.

1. <u>**Revision of the Code on Pooled Retirement Funds**</u>

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 Fund ("**Principal Brochure**") will be revised to reflect the requirements of the Revised PRF Code 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 Fund 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 Fund'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 Fund are as set out in the Principal Brochure;

(d) specify that any taxes and expenses charged to or levied against the Fund or any investment portfolio under the Fund shall be on a basis deemed fair and reasonable by an actuary or other person of professional standing;

(e) specify that the list of the investment portfolios under the Fund, investment strategies and restrictions applicable to each investment portfolio under the Fund, as well as, where an investment portfolio under the Fund is a guaranteed fund, its guaranteed mechanism and the terms and conditions of the guarantee, are set out in the Principal Brochure;

(f) reflect the existing practice that (i) the Trustee may accept contribution payments on such terms, time and conditions at it may determine and (ii) the contribution payments less any applicable fees and charges will be invested in the relevant investment fund(s) as soon as reasonably practicable; and

(g) reflect the existing benefit payment arrangement, as per the existing disclosure in the Principal Brochure.

2. Availability of documents

On or around the Effective Date, participating employers and members may obtain a copy of the revised Principal Brochure from our website at www.principal.com.hk or request for a copy through our customer service hotline at 2802 2812 or 2885 8011.

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 Fund, please contact the above customer service hotline or email to hkinfo@principal.com.

Thank you for your continuous support.

* * *

Yours faithfully,

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

1 December 2022

Principal Central Provident Fund exclusively distributed by AXA

Trustee

Principal helps people and companies around the world build, protect and advance their financial well-being through retirement, insurance and asset management solutions that fit their lives. Our employees are passionate about helping clients of all income and portfolio sizes achieve their goals – offering innovative ideas, investment expertise and real-life solutions to make financial progress possible.

Principal is a provider of investment and retirement solutions in Hong Kong. We combine our capabilities in global investment management, retirement leadership and asset allocation expertise to provide retirement and asset management services as well as award-winning mutual funds and investment products to businesses, individuals and institutional investors.

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Exclusive Distributor

AXA Hong Kong and Macau is a member of the AXA Group, a leading global insurer with presence in 50 markets and serving 95 million customers worldwide. Our purpose is to act for human progress by protecting what matters.

As one of the most diversified insurers offering integrated solutions across Life, Health and General Insurance, we continue to innovate our solutions and enrich our customer experience with the goal to be the insurance and holistic wellness partner to the individuals, businesses and community we serve.

We also embrace our responsibility to be a force for good to create shared value for our community and will continue to foster social progress through our product offerings and community investment to support the sustainable development of Hong Kong and Macau.

TABLE OF CONTENTS

1. INTRODUCTION

1.1 PRINCIPAL CENTRAL PROVIDENT FUND

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 with its flagship company, Principal Life Insurance Company, founded in the United States in 1879.

As members of the Principal, 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).

Principal CPF was established on 1 February 1988 in Hong Kong. With Principal CPF, employers and employees can secure a comprehensive retirement plan through prudent, systematic savings and astute investment portfolios.

1.2 PRODUCT FEATURES OF THE PRINCIPAL CPF

The Principal CPF allows employers flexibility on the choice of benefit design of their own participating schemes. Participating employers in the Principal CPF may determine the following features of their own participating schemes to suit their particular circumstances and the personal circumstances of their members: (i) eligibility of the employees to join the participating schemes; (ii) the retirement age which can be specified by the participating employer; (iii) the contribution rate applicable to the participating employer and the member; and (iv) benefits entitlement. These features are explained generally below.

(i) Eligibility of the employees to join the participating schemes

All full time employees of the participating employer in the Principal CPF are eligible to join the relevant participating scheme. However, each participating employer may specify such conditions of eligibility for membership in its participating scheme to fit its circumstances.

(ii) The retirement age which can be specified by the participating employer

The normal retirement age under the Principal CPF is 65 years old. However, each participating employer is entitled to specify another age as the retirement age.

(iii) The contribution rate of the participating employer and the members

The contribution rate as a percentage of salary is usually between 5% and 15% for participating employer's contributions and 5% for member's contributions. Contributions shall be paid in Hong Kong dollars, unless the Trustee otherwise agrees with the relevant participating employer.

(iv) Benefits entitlement

Upon retirement, death or permanent disability, benefits payable are the aggregate of the participating employer's contributions and the member's contributions adjusted by investment performance of the contributions. Benefits shall be paid in Hong Kong dollars, unless the Trustee otherwise agrees with the relevant participating employer.

On termination of employment in other circumstances, a cash lump sum equal to the sum of (i) the member's contributions and (ii) a vesting percentage of the participating employer's contributions, each of (i) and (ii) being adjusted by investment performance, will be payable. In computing such cash lump sum, the vesting percentage to be applied to the participating employer's contributions varies depending on the number of years for which the member has completed service with that participating employer. Each participating employer may decide its own vesting scale and may have different vesting scales for different types of employees.

For a member who joins a participating scheme in the Principal CPF (which has been granted an MPF exemption certificate under the Exemption Regulation) after 1 December 2000, a certain part of the benefits of that member will have to be preserved in the participating scheme as minimum MPF benefits (as defined in the Exemption Regulation) until the occurrence of one of the circumstances specified in the Exemption Regulation in which minimum MPF benefits can be withdrawn (e.g. retirement at age 65, total incapacity, permanent departure from Hong Kong or death). The Master Trust Deed of the Principal CPF has been amended in accordance with the Exemption Regulation to provide employers with the flexibility to apply for exemption under the Exemption Regulation. Should a participating employer elect to have its participating scheme exempted under the Exemption Regulation, upon granting of the exemption certificate by the MPFA, the relevant participating employer and members can then be exempted from Part III of the MPF Ordinance (e.g. contributions to an MPF scheme) but their participation in the Principal CPF shall be subject to the Exemption Regulation.

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2. KEY OPERATORS

Product Provider

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED

30/F, Millennium City 6,
392 Kwun Tong Road, Kwun Tong,
Kowloon, Hong Kong

Trustee

PRINCIPAL TRUST COMPANY (ASIA) LIMITED

30/F, Millennium City 6,
392 Kwun Tong Road, Kwun Tong,
Kowloon, Hong Kong

Investment Advisor of Principal CPF

PRINCIPAL ASSET MANAGEMENT COMPANY (ASIA) LIMITED

30/F, Millennium City 6,
392 Kwun Tong Road, Kwun Tong,
Kowloon, Hong Kong

Insurer of the underlying policies in which the Relevant Investment Portfolios invest

PRINCIPAL INSURANCE COMPANY (HONG KONG) LIMITED

30/F, Millennium City 6,
392 Kwun Tong Road, Kwun Tong,
Kowloon, Hong Kong

Insurer of the China Life Policy in which the Guaranteed Fund invests

THE CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

22/F CLI Building
313 Hennessy Road
Wanchai
Hong Kong

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

2.1 TRUSTEE OF THE PRINCIPAL CPF

Principal Trust Company (Asia) Limited is the Trustee of the Principal CPF. The Trustee is responsible for a number of functions, including: safekeeping the assets of the Principal CPF; keeping member records and establishing separate accounts for members in respect of their contributions; processing payment of contributions and benefits; effecting investment of contributions in constituent funds; and processing transfers.

2.2 INVESTMENT ADVISOR OF THE PRINCIPAL CPF

PAM is the Investment Advisor of the Principal CPF, appointed by the Trustee. PAM is licensed to carry on Type 4 (advising in securities) and Type 9 (asset management) regulated activities under Part V of the SFO. PAM advises the Trustee generally in relation to the investments in the Principal CPF.

PAM is a wholly-owned subsidiary of The Principal which is a Fortune 500 company listed on NASDAQ. The Principal specializes in investment management and it offers individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through its diverse family of financial services companies.

2.3 INVESTMENT MANAGERS AND THEIR DELEGATES OF THE UNDERLYING INVESTMENT VEHICLES

(a) Investment Advisor

PAM, who is the Investment Advisor of the Principal CPF, is the investment manager of some of the underlying investment vehicles of the Investment Portfolios under the Principal CPF as set out in the table below in section 3 "**INVESTMENT PORTFOLIOS"**.

PAM has delegated its investment management function in respect of the underlying investment vehicles for which it acts as the investment manager to its affiliates (collectively "**Principal Global Investors**"). Details of the delegation arrangements for the relevant underlying investment vehicles are set out in the table below in section 3 "**INVESTMENT PORTFOLIOS**".

The investment capabilities of Principal Global Investors encompass a range of equity, fixed income and real estate investments, as well as specialized expertise in preferred securities, currency management, asset allocation, stable value management and other structured investment strategies. Principal Global Investors, LLC is registered with the Securities and Exchange Commission under the USA regime. Principal Global Investors (Hong Kong) Limited is licensed and regulated by the SFC. Principal Global Investors (Europe) Limited is registered in the United Kingdom and is authorized and regulated by the Financial Conduct Authority.

PAM and Principal Global Investors have extensive experience in the MPF and ORSO investment management space, collectively currently managing over HK$80.6 billion (as at the end of 31 December 2021) in MPF/ORSO schemes related assets.

(b) Allianz Global Investors Asia Pacific Limited

Allianz Global Investors Asia Pacific Limited is the manager of the Allianz Global Investors Choice Fund. The Principal – RCM Hong Kong Fund Policy currently invests into the Allianz Choice Hong Kong Fund, which is one of the sub-funds of the Allianz Global Investors Choice Fund. Allianz Global Investors Asia Pacific Limited is part of the Allianz Group, which provides its clients worldwide with a comprehensive range of insurance and financial services through an international network of subsidiaries. Allianz Global Investors Asia Pacific Limited, in its capacity as the manager of the Allianz Global Investors Choice Fund, has the ability to appoint other members of Allianz Group to act as investment adviser(s) to the Allianz Choice Hong Kong Fund.

3. INVESTMENT PORTFOLIOS

3.1 INVESTMENT PORTFOLIO OPTIONS

The Investment Portfolios were established in Hong Kong.

Each Investment Portfolio under the Principal CPF is structured in the form of a feeder fund investing 100% in an underlying insurance policy or unit trust (each, an "**underlying investment vehicle**").

Each participating employer will agree with the Trustee the investment arrangement of the participating employer's and members' contributions applicable to its participating scheme; for instance, a participating employer may allow members to decide which Investment Portfolio to invest both the participating employers' contributions and member's contributions or simply the member's contributions. Also, a member's contributions can be invested in one or more Investment Portfolios whilst a participating employer's contributions can be invested in the same or other Investment Portfolios. The Investment Portfolios and their respective underlying investment vehicles are set out in the two tables as follows and details of which are set out in **the Investment Portfolio Fact Sheets**:

Investment Portfolio	Name of underlying policy/ unit trust	Investment Structure	Investment manager/ investment advisor of the underlying policy/unit trust	Investment manager##/ sub-investment manager** of the underlying fund into which the underlying policy invests
Stable Fund Policy Date of establishment: 1 May 2004	Stable Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Stable Fund	Nil	PAM## PGI US** and PGI HK**
Balanced Fund Policy Date of establishment: 1 May 2004	Balanced Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Balanced Fund	Nil	PAM## PGI US** and PGI HK**
Growth Fund Policy Date of establishment: 1 May 2004	Growth Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Growth Fund	Nil	PAM## PGI US** and PGI HK**
Principal Stable Fund Policy Date of establishment: 5 January 2005	Principal Stable Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Stable Fund	Nil	PAM## PGI US** and PGI HK**
Principal Balanced Fund Policy Date of establishment: 5 January 2005	Principal Balanced Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Balanced Fund	Nil	PAM## PGI US** and PGI HK**

Principal Growth Fund Policy Date of establishment: 5 January 2005	Principal Growth Fund Policy^	Invest solely in the Principal MPF Fund – Principal MPF Growth Fund	Nil	PAM## PGI US** and PGI HK**
Principal - RCM Hong Kong Fund Policy Date of establishment: 5 January 2005	Principal – RCM Hong Kong Fund Policy^	Invest solely in the Allianz Global Investors Choice Fund – Allianz Choice Hong Kong Fund	Nil	Allianz Global Investors Asia Pacific Limited##

^ The respective underlying policies were issued by Principal Insurance Company (Hong Kong) Limited.

Investment Portfolio	Underlying investment vehicle	Investment structure of underlying investment vehicle	Investment manager##/ delegate of the investment manager**/ sub-delegate of the investment manager&& at the underlying investment vehicle level:
Guaranteed Fund 1 April 2003*	China Life Policy^	Invest solely in a unit trust authorized by the SFC under the UT Code	Nil
International Equity Fund 1 April 2003*	Principal Life Style Fund - Principal International Equity Fund	Direct investment in underlying assets	PAM## and PGI US**
Asia Pacific Equity Fund 1 April 2003*	Principal Prosperity Series - Principal Asia Pacific High Dividend Equity Fund	Direct investment in underlying assets	PAM##, PGI US** and PGI HK&&
International Bond Fund 1 April 2003*	Principal Life Style Fund - Principal International Bond Fund	Direct investment in underlying assets	PAM##,PGI US** and PGI Europe&&

* The Investment Portfolio has been in existence as of this date.
^ This underlying policy was issued by China Life.

3.2 INVESTMENT AND BORROWING RESTRICTIONS

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

Except for the Guaranteed Fund which is a guaranteed fund, the other Investment Portfolios are funds investing in SFC-authorized funds(s).

No money of an Investment Portfolio may be invested in the securities of, or lent to, as applicable, the Product Provider, 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.

(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 NAV in one or more SFC-authorized fund(s) falling under Chapter 7, 8.2, 8.6 or 8.10 of the UT Code, or approved pooled investment fund(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 Guaranteed Fund, being a guaranteed fund, must comply with the requirements under Chapter 9 of the PRF Code.

3.3 SECURITY LENDING ACTIVITIES

(a) All Investment Portfolios (except the Principal – RCM Hong Kong Fund Policy)

The managers of the underlying investment vehicles of all Investment Portfolios under Principal CPF (except the Principal – RCM Hong Kong Fund Policy) will not engage in securities lending.

(b) Principal – RCM Hong Kong Fund Policy

The manager of the underlying investment vehicle of the Principal – RCM Hong Kong Fund Policy may engage in securities lending. Please refer to the offering document of the Allianz Global Investors Choice Fund for further detail on the underlying investment vehicle's securities lending arrangements.

3.4 BORROWING POWERS

For Investment Portfolios that invest in SFC-authorized fund(s), they may borrow up to 10% (by total net asset value) of its underlying assets but only on a temporary basis for the purpose of meeting redemptions or defraying operating expenses. The Principal CPF is also subject to the provisions on investment standards under the Exemption Regulation.

3.5 INVESTMENT SWITCHING

Subject to the arrangement agreed between the Trustee and the relevant participating employer in the Principal CPF, switching among Investment Portfolios may be performed up to the agreed number of times (if any) per year at no additional cost. Where a participating employer wishes to carry out switching in addition to the agreed number per year, the Trustee may in its discretion allow such switching, and may, in such circumstance, charge a switching fee (the "**Switching Fee**") for such switching. Please refer to section 5 "**FEES AND CHARGES**" for details of the Switching Fee.

At the time when the request for switching is made, the Trustee will redeem the relevant investments in the original Investment Portfolio(s) and apply the redemption proceeds from such redemption to subscribe for units in the new Investment Portfolio(s) as soon as practicable.

3.6 INVESTMENT PORTFOLIO TERMINATION

The Trustee may from time to time review the Investment Portfolios under Principal CPF, and terminate an Investment Portfolio without notice.

4. RISK FACTORS

Investments involve risks. Because each Investment Portfolio is structured in the form of a feeder fund investing in the relevant underlying investment vehicle, the performance of the underlying investment vehicles, and therefore, the Investment Portfolios, will be affected by a number of key risk factors, which apply to both the Investment Portfolios and the underlying investment vehicles, unless expressly provided otherwise. The key risks include:

(i) Investment risk – Each investment option and its corresponding underlying investment vehicle are subject to market fluctuations and to the risks inherent in all investments. The price of units of the investment options and their corresponding underlying investment vehicles may go down as well as up.

(ii) Political, economic and social risks – Changes in political, economic and social conditions in any country in which the underlying investment vehicles may invest could adversely affect the value of investments.

(iii) Interest rate risk – As the underlying investment vehicles may invest in fixed income securities/debt securities whose value is driven significantly by changes in interest rates, the underlying investment vehicles 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.

(iv) Market risk – Factors such as changes in economic environment, consumption pattern and investors' expectation etc. may have significant impact on the value of investments. The value of holdings may go down as well as up. In particular, dividend yields from the investments of certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund, may fluctuate up or down as a result of changes in the dividend policy of the underlying companies in which the underlying investment vehicle is invested. Investors need to be aware of and be prepared for any extreme volatility in the markets. Options, warrants and derivatives in the underlying investment vehicle may also expose the underlying investment vehicle significantly to the fluctuations in the market. Market movement may therefore result in substantial fluctuation in the NAV per unit of the underlying investment vehicle.

(v) Currency risk – Where the denomination of the relevant underlying investment vehicle differs from the denomination of the underlying assets in which it ultimately invests, the performance of the underlying investment vehicle will have exposure to movements in the exchange rate between the currency in which the underlying investment vehicle is denominated and the currency in which the assets are held such that there may be a consequential reduction in the investment value. The underlying investment vehicle may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. As a result, the underlying investment vehicle/investors may be adversely impacted. Repatriation of capital invested may be hampered by changes in regulations applicable to foreign investors which may have an adverse impact on the underlying investment vehicle's performance.

(vi) Company-specific/securities risk – The price development of the securities held by the underlying investment vehicle is also dependent on company-specific factors, for example, the issuer's business situation. 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. If the company-specific factors deteriorate, the price of the respective security may drop significantly and for an extended period of time, possibly even without regard to an otherwise generally positive market trend. This may adversely impact the NAV of the underlying investment vehicle.

(vii) Credit risk – If the issuer of any of the fixed interest securities/debt securities in which the underlying investment vehicles are invested defaults, such securities may become worthless and the performance of the underlying investment vehicles will be adversely affected. The issuer's default or insolvency can result in a drop in the value of the underlying investment vehicles.

(viii) Counterparty risk – Investments in deposits, bonds and other financial instruments and currency hedging which involve a counterparty are subject to the credit risk or default risk of the counterparty. The investments of the underlying investment vehicles will also be exposed to counterparty risk on parties with whom they trade and when placing cash on deposits.

(ix) Investment grade bond/ downgrading 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. Securities ratings getting downgraded by rating agencies may cause the value of the securities to drop significantly. Any downgrading of such securities can thereby adversely affect the performance of the underlying investment vehicles.

(x) Liquidity risk – Under normal circumstances, the securities invested by the underlying investment vehicles can be easily bought or sold in the market. However, there may be times when the liquidity in the markets may dry up, making it difficult for the relevant investment manager of the underlying investment vehicle to realize an investment. Further, the realization of an investment in these circumstances may be subject to a discount to its market value.

(xi) Concentration risk – Certain underlying investment vehicles, such as the Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund, invest in a single country or region. Compared with a well-diversified fund, the concentration risk is relatively high and hence they might be more volatile than a well-diversified fund. Additionally, the value of such underlying investment vehicles may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the single country or regional markets. Also, the Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund's investments may be concentrated in the markets of smaller economies and the investment performance is sensitive to movements in these markets. Therefore, the performance of the Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund, which is the underlying investment vehicle of Asia Pacific Equity Fund, may differ significantly in direction and degree from the overall global stock market performance. As a result, the underlying investment vehicles/investors may be adversely impacted.

(xii) Emerging markets risk – Underlying investment vehicles may invest in emerging markets, where the risks mentioned above are usually more common or significant than in more developed markets. The securities markets of some of the emerging countries in which the underlying investment vehicle's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. There may also be other risks from investing in emerging markets, including but not limited to the following risks:

(a) Legal and regulatory risks – The laws and regulations in emerging market economies may be less defined than those in developed countries and accounting, auditing and financial reporting standards may be less stringent than international requirements, such that less protection may be afforded to investors and investment decisions may be required to be made on less complete information than is customarily available in developed markets. The issuers and stock exchanges and other market participants may be subject to a level of regulation which is lower than that in developed countries. Investments may also be affected by changes in law and government policy which may result in restrictions on foreign investments and/or repatriation of monies.

(b) Less developed infrastructure – The banking and telecommunications systems in emerging market economies may be less efficient and may give rise to delays in payments. Procedures currently in place for custody, settlement, clearing and registration of securities transactions in developing countries may be less developed than those in place in developed countries and may increase settlement risk or result in delay in realizing securities, and thus may adversely affect prices. The liquidity of the securities markets in emerging market economies may also be much lower than that in developed countries which means that it may at times be difficult to sell securities at desirable prices.

(xiii) 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.

(xiv) Risk relating solely to investment in the Guaranteed Fund – The Guaranteed Fund invests in the China Life Policy. Accordingly, the guarantee under, and the value of, the China Life Policy is subject to the risk of China Life not being able to meet the guarantee conditions. Investments in the China Life Policy are held as the assets of China Life. In the event where China Life is liquidated or otherwise in default of its payment obligations under the China Life Policy, investors may not be able to recover in full their investments in the China Life Policy, or its value may be reduced, and the guarantee may not be available. Investors may only claim against China Life indirectly through the Trustee who, as the policyholder of the China Life Policy, only has a contractual right to claim the amount representing the benefits payable under the China Life Policy from China Life. In the worst case scenario, investors may suffer a total loss to their investments. Please refer to the Investment Portfolio Fact Sheet for the Guaranteed Fund for details of the investment return and fees and charges of the Guaranteed Fund and the guarantee features and conditions of the China Life Policy.

(xv) 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.

(xvi) 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 funds trading in these markets, which in turn affects the value of the relevant Investment Portfolio.

(xvii) 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.

(xviii) 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 investment vehicle investing in such debt securities to participate in the restructuring of such debts. The underlying investment vehicle may suffer significant losses when there is a default of sovereign debt issuers thereby affecting the value of the constituent fund.

(xix) 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.

(xx) 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.

(xxi) 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 EU members from the Eurozone, may have a negative impact on the value of the investments and investors may as a result suffer loss.

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

(xxiii) Hedging risk – Investment manager(s) of the underlying investment vehicle(s) are 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.

(xxiv) Risks relating to investing solely in a single underlying investment vehicle – Investors should note that there is risk related to investing solely in a single underlying investment vehicle. In the event that the underlying investment vehicle of an Investment Portfolio is, for whatever reason, adversely affected or terminated, the feeding Investment Portfolio will likewise be affected and may, in certain circumstances, be terminated.

(xxv) 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.

(xxvi) Risks associated with investments/exposure to RMB currency and/or Mainland China

(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 (including A-Shares and debt instruments) issued by PRC tax resident enterprises. Having consulted a professional and independent tax adviser, the investment manager(s) of the underlying investment vehicle(s) in which the Investment Portfolio(s) invest currently do not make any capital gains tax provision on the gross unrealized and realized 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 a 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 investment vehicles 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 NAV of the relevant Investment Portfolio may decrease more than anticipated as the underlying investment vehicle(s) in which the relevant Investment Portfolio invests 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 investment vehicle(s), a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in such underlying investment vehicle(s).

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 in the relevant Investment Portfolio 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 investment vehicle as assets thereof, thus indirectly benefiting the relevant Investment Portfolio. 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.

(d) Legal and regulatory risk – The underlying investment vehicles 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. The relevant rules and regulations will be subject to change which may have potential retrospective effect.

(e) 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 frond-end monitoring and recalling of eligible stocks. In such events, the relevant Investment Portfolio's ability to achieve its investment objective could be negatively affected, which may adversely affect its NAV and investors may as a result suffer loss.

(f) Investor Compensation Fund – Further, investment through such programmes is not covered by China Securities Investor Protection Fund and may not be covered by Hong Kong's Investor Compensation Fund. Therefore the underlying investment vehicle(s) are exposed to the risks of default of the broker(s) they engage in their trading in China A-shares through the programmes.

(g) Suspension risk – Each of Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange ("**SSE**") and Shenzhen Stock Exchange ("**SZSE**") (as appropriate) reserves the right to suspend the Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the trading through a programme is effected, the underlying fund(s)' ability to invest in China A-shares or access the PRC market through such programme will be adversely affected.

(h) Clearing and settlement risk – The Hong Kong Securities Clearing Company Limited ("**HKSCC**") and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

As the central counterparty of the securities market in Mainland China, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the underlying investment vehicles may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

(i) Participation in corporate actions and shareholders' meetings – HKSCC will keep Central Clearing and Settlement System ("**CCASS**") participants informed of corporate actions of SSE securities and SZSE securities. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the Mainland China regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the underlying investment vehicle(s) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE securities and SZSE securities may be very short. Therefore, the underlying investment vehicle(s) may not be able to participate in some corporate actions in a timely manner.

(xxvii) Risk of investing in CIBM and/or Bond Connect

Investing in China debt securities through the CIBM initiative/Bond Connect (the "**Programme**") 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 Programme may change from time to time. There is no guarantee that the Programme will not be restricted or ceased which adversely affect the relevant Investment Portfolio'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 and offer spreads. This may incur material trading and realization costs for the relevant Investment Portfolio.

Foreign investors may invest in the Programme 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.

(xxviii) Risks associated with financial derivative instruments

Certain underlying investment vehicle may utilize financial derivative instruments for the purposes of hedging. Financial derivative instruments include instruments and contracts the value of which is linked to one or more underlying securities, financial benchmarks or indices. Derivatives may allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index. Therefore, many of the risks applicable to trading the assets of the underlying investment vehicle may also be applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose the underlying investment vehicle to the possibility of a loss exceeding the original amount invested.

Other risks inherent in the use of derivatives include, but are not limited to (a) the dependence on the underlying investment manager's ability to correctly predict the direction of interest rates, currencies exchange rates and securities prices; (b) the imperfect correlation between the returns of the derivative instruments used for hedging and the returns of the securities they hedge; (c) the fact that skills needed to use these strategies are different from those needed to select portfolio securities; (d) the possible absence of a liquid secondary market for any particular derivative instrument at any time; (e) the default of the counterparty on the terms of the derivative contract; (f) the risk of mispricing or improper valuation of derivatives; and (g) the risk of higher volatility of the returns as derivatives usually have a leverage component.

(xxix) Diversification risk – The underlying investment vehicle of the Investment Portfolio will invest in the Asia region. Although the underlying investment vehicle's portfolio will be well diversified in terms of the number of holdings, investors should be aware that the underlying fund is likely to be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value resulting from adverse conditions in market or in regions in which they invest.

(xxx) Termination risk – Under the constitutive documents of the Principal CPF and the underlying investment vehicles, the Principal CPF and/or the underlying investment vehicles may be early terminated in various circumstances. In relation to the Principal Prosperity Series - Principal Asia Pacific High Dividend Equity Fund, such circumstances include, but without limitation to, if (a) on any date, in relation to any sub-fund of the Principal Prosperity Series, the aggregate NAV of the units outstanding in respect of such sub-fund shall be less than US$ 2 million or (b) any law shall be passed which renders it illegal or in the opinion of the PAM impracticable or inadvisable, in consulting with the SFC to continue the Principal Prosperity Series or such sub-fund or (c) the Principle Prosperity Series and/or any sub-fund is no longer authorised by the SFC. On termination of the Principal CPF or the underlying investment vehicles, the assets comprised therein will be sold, investors will receive distribution of the net cash proceeds which may be less than the amount they original invested.

(xxxi) Risks associated with FATCA – The Principal CPF intends to fully comply with the legislation and the obligations imposed on it by FATCA and meet its obligation under the intergovernmental agreement between Hong Kong and the United States governments. However, no assurance can be given that the Principal CPF will be able to fully achieve this and avoid being subject to US withholding taxes. In the event that Hong Kong as a jurisdiction is deemed not to meet its obligations, or if the Principal CPF is deemed by the Hong Kong and/or USA government not to be meeting its obligations in the future, the Principal CPF, including the underlying investment vehicles, may become subject to additional US withholding taxes, which could materially impact US sourced income (including predominantly interests, dividends and certain derivative payments). Investors should consult their legal, tax and financial advisers to determine their status under the FATCA regime before making any decision to invest in the Principal CPF.

(xxxii) Pricing adjustments risk – Subscriptions or redemptions may dilute the underlying investment vehicle's assets due to dealing and other costs associated with the trading of underlying securities. In order to counter this impact, adjustment of prices (including swing pricing) may be adopted to protect the interests of the unitholders of the underlying investment vehicle. Consequently, investors may subscribe (redeem) at a higher issue price (lower redemption price). Investors should note that the occurrence of events which may trigger adjustment of prices is not predictable. It is not possible to accurately predict how frequent such adjustments of prices will need to be made. Adjustments may be greater than or less than the actual charges incurred. Investors should also be aware that adjustment of prices may not always, or fully, prevent the dilution of the underlying investment vehicle's assets.

(xxxiii) Volatility and liquidity risks – 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 underlying investment vehicle investing in such markets may incur significant trading costs.

5. FEES AND CHARGES

5.1 CHARGES WHICH MAY BE PAYABLE BY YOU

(a) Summary of charges which may be payable by you

<table>
<tr><th>Fee</th><th colspan="2">Description</th></tr>
<tr><td rowspan="1">Administration Charge*</td><td colspan="2">The Administration Charge is an annual fee chargeable at the Administration Charge Rate on Annual Contributions.

The Administration Charge is the lower of 7.5% and the percentage determined as follows:

$$\frac{\text{Contribution Charge + Flat Charge + Membership Charge}}{\text{Annual Contributions}} \times 100\%$$</td></tr>
<tr><td rowspan="2">Contribution Charge*</td><td colspan="2">The Contribution Charge is a variable charge depending on the amount of Annual Contributions.</td></tr>
<tr><td>Annual Contributions HK$

First 100,000
Next 100,000
Next 300,000
Next 500,000
Excess</td><td>Contribution Charge (as % of the Annual Contributions)

4.00%
3.00%
2.00%
1.00%
0.75%</td></tr>
<tr><td>Flat Charge*</td><td colspan="2">The Flat Charge is a charge on each participating employer's participation and is HK$500 per participating employer per annum</td></tr>
<tr><td>Membership Charge*</td><td colspan="2">The Membership Charge is a charge on each member's membership and is HK$30 per member per annum</td></tr>
<tr><td>Special Contribution Levy (if applicable)</td><td colspan="2">The Special Contribution Levy is chargeable on any Special Contribution (i.e. contributions made in addition to contributions required to be made under the schedule to the deed of adoption) and is 1% of Special Contribution.</td></tr>
<tr><td rowspan="4">Switching Fee</td><td colspan="2">The Switching Fee is charged for every switching exceeding the number of switching per year agreed between the Trustee and the relevant participating employer:</td></tr>
<tr><td></td><td>Switching Fee chargeable for every switching exceeding the agreed number of switching per year</td></tr>
<tr><td>Switching performed for not more than 20 members under the participating scheme</td><td>HK$1,000</td></tr>
<tr><td>Switching performed for more than 20 members under the participating scheme</td><td>HK$50 per member</td></tr>
</table>

<table>
<tr><td rowspan="3">ORSO Charges</td><td colspan="2">Certain charges apply with regards to compliance with ORSO.

Note that for the first year, there are also other fees (for e.g. solicitors' fee, auditors' fee, MPFA fees) for applying for the approval of the appointment of a trustee) which are not within the control of the Trustee. These fees are payable by the participating employer to the Trustee, who will in turn directly pay them in whole to the relevant parties charging those fees.</td></tr>
<tr><td>First Year</td><td>HK$2,600 (inclusive of registration fee payable to the MPFA; please refer to the MPFA website for the latest applicable fees payable to the MPFA)</td></tr>
<tr><td>Starting from the second year</td><td>HK$800 (exclusive of ORSO periodic fee payable by the participating employer directly to the MPFA please refer to the MPFA website for the latest applicable fees payable to the MPFA)</td></tr>
<tr><td rowspan="2">Termination Charge</td><td colspan="2">The Termination Charge is determined as a percentage of the total amount of assets under the relevant participating scheme as at the date of termination according to the following scale:</td></tr>
<tr><td>Number of years the participating employer has joined the Participating Scheme in the Principal CPF

0 complete year
1 complete year
2 complete years
3 complete years
4 complete years
5 or more complete years</td><td>Percentage of the total amount of assets under the participating scheme as at the date of termination

5%
4%
3%
2%
1%
0%</td></tr>
</table>

* These charges may not be varied unless one month's prior written notice has been given to participating employers and members.

(b) Details of the charges which may be payable by you

(i) Administration Charge, Contribution Charge, Flat Charge and Membership Charge

The Administration Charge and Administration Charge Rate will be determined at the beginning of each financial year of each participating scheme in the Principal CPF. Once they have been determined, they will remain unchanged until the expiration of the financial year of the participating scheme, regardless of any change to the number of members in the participating scheme during the financial year of the participating scheme for whatever reason. As soon as practicable after the determination of the Administration Charge and Administration Charge Rate, each participating employer (but not the members) will be issued with a notice informing it of the Administration Charge and the Administration Charge Rate so determined.

The participating employer may pay the Administration Charge from: (a) its own funds, (b) through deducting the Administration Charge from the participating employer's Reserve Account (if the Reserve Account has sufficient funds), (c) through deducting the participating employer's contributions, or (d) through deducting the participating employer's contributions and members' contributions.

No Administration Charge is chargeable on any amounts transferred from another retirement scheme to the relevant participating scheme under the Principal CPF for the entire investment period.

EXAMPLE of Charges (for illustration only)

By way of example, assuming the annual contributions by and in respect of each member is HK$8,000, the total Administration Charges for different number of members are shown in the table below:

No. of Members	Annual Contributions	Contribution Charge	Membership Charge	Flat Charge	Total Administration Charge Payable	
(A)	(B)	(C)	(D)	(E)	(F)	(G)
	B = (HK$8,000 x A)	(a variable charge depending on amount of annual contributions)	(HK$30 per member per annum)	(HK$500 per participating employer per annum)	(F=C+D+E)	G= [(C+D+E) / B] x 100%
	(HK$)	(HK$)	(HK$)	(HK$)	(HK$)	As a % of Annual Contribution
1	8,000	320	30	500	600**	7.50**
10	80,000	3,200	300	500	4,000	5.00
50	400,000	11,000	1,500	500	13,000	3.25
100	800,000	16,000	3,000	500	19,500	2.44
250	2,000,000	25,500	7,500	500	33,500	1.68

** There is a cap of 7.5% on the Administration Charge Rate. Accordingly, while the percentage calculated per the formula in column (G) above for a participating scheme with only one member is 10.625% (i.e. [HK$(320 +30 + 500)/8,000] x 100%), the applicable Administration Charge Rate is capped at 7.5%. The amount of Administration Charge payable in respect of this participating scheme which has only one member is therefore HK$600 (i.e. HK$8,000 x 7.5%) instead of HK$850 (i.e. HK$8,000 x 10.625%).

(ii) Special Contribution Levy (if applicable)

Where an amount of contribution (the "**Special Contribution**") is made in addition to the contribution required to be made under the schedule to the deed of adoption (entered into by the participating employer at the time of joining the Principal CPF), a Special Contribution Levy will be levied on the Special Contribution. The Special Contribution will not be subject to the Administration Charge. Also, no Special Contribution Levy is chargeable on any amounts transferred from another retirement scheme to the relevant participating scheme under the Principal CPF for the entire investment period.

The participating employer may pay the Special Contribution Levy from its own funds.

(iii) Switching Fee

The Switching Fee is payable by the participating employer to the Trustee in the form of a cheque.

(iv) Termination Charge

Should the participating employer withdraw its participating scheme's participation in the Principal CPF, and request that the benefits under its participating scheme be paid to members under its participating scheme or transferred to another retirement scheme, a Termination Charge shall apply.

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.

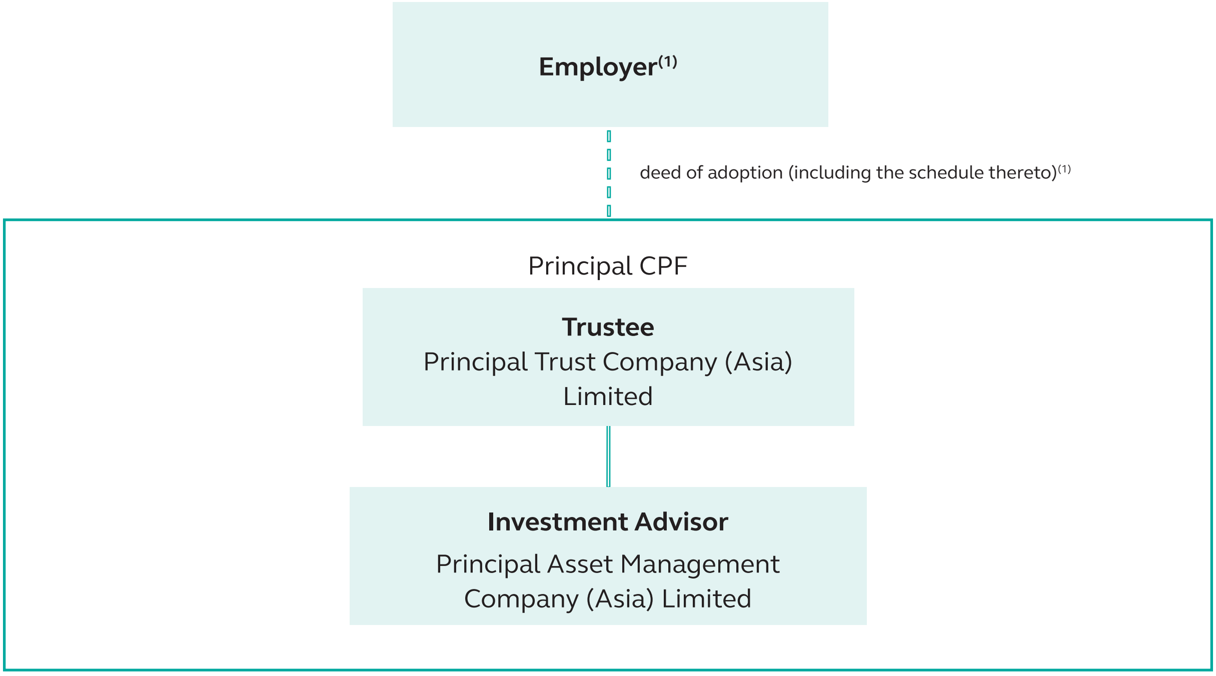
(b) Other expenses

Other than the fees and charges set out in the Investment Portfolio Fact Sheets, there may be other out-of-pocket fees and charges incurred in connection with or with regard to each underlying investment vehicle. Such fees and expenses include but are not limited to:

- fees and charges payable to regulators / exchange operators / related bodies
- insurance premiums
- licence fees
- transaction fees and costs (e.g. stamp duties, taxes, government charges, brokerage commission, foreign exchange costs and transfer fees and expense)
- registrar's fees and expenses
- valuation costs
- audit and legal and tax advisors and other professional fees
- sub-custodian fees
- cost of convening meetings of unitholders
- cost of preparing and translating printing and distribution of documents, forms, reports or other information relating to the underlying investment vehicle

6. ADMINISTRATIVE MATTERS

6.1 HOW TO PARTICIPATE



To participate in the Principal CPF, an employer simply has to:

- execute a deed of adoption with the Trustee. By entering into the deed of adoption the employer will be bound by the terms and conditions (as amended from time to time) of the Master Trust Deed which constituted the Principal CPF. The deed of adoption is accompanied by the schedule to the deed of adoption, which should specify the contribution rates, vesting scale etc.;
- complete an authorized officer declaration (specifying names and signatures of those able to sign on behalf of the employer);
- complete documents required for registration / exemption under ORSO; and
- have each new employee joining its participating scheme complete an application for membership.

The participating employer will be given copies of:

- the completed documents described in the preceding paragraph;
- the Master Trust Deed;
- an administration guide (containing details of day-to-day administration matters); and
- appropriate forms for benefits payments etc.

6.2 TRANSFER FROM EXISTING RETIREMENT SCHEMES

If the relevant participating employer has a retirement scheme other than a participating scheme of the Principal CPF, subject to the terms of the constitutive documents governing that retirement scheme, employees' benefits under that retirement scheme may be transferred to the Principal CPF. The transferred benefits from that retirement scheme will be credited to the Employee's Accumulation Account and Employer's Accumulation Account (as appropriate) of each relevant member under the Principal CPF.

6.3 ADMINISTRATION SYSTEM

The Trustee has specially developed a computer system which enables it to administer the participating employers' participating schemes with flexibility, accuracy and efficiency.

(a) Member's accounts

There are two separate accounts kept for each member under a participating scheme, namely:

(i) The Employee's Accumulation Account

This includes all employee's contributions made by the member, adjusted by investment performance.

(ii) The Employer's Accumulation Account

This includes all participating employer's contributions made by the participating employer in respect of the member, adjusted by investment performance and any distribution from the participating employer's Reserve Account.

(b) Employer's Reserve Account

Where a member is not entitled to 100% of the balance in the Employer's Accumulation Account (e.g. because the member has not completed the sufficient years of service for the balance to fully vest in the member), then the remaining balance in the Employer's Accumulation Account will be credited to a Reserve Account established for the participating employer. Monies in the Reserve Account can be:

- used to pay Administration Charges (as defined in section 5 "**FEES AND CHARGES**");
- used to pay the participating employer's contributions;
- used to increase the benefits of members through distribution to the members' Employer's Accumulation Accounts; and/or
- refunded to the participating employer upon request.

(c) Daily operations

(i) For participating employers

For the purposes of setting up a participating scheme, the Trustee will:

- help in preparing scheme documents; and
- apply for approvals from the relevant Government authorities.

For on–going administration, the Trustee will:

- assign an experienced officer for coordinating administrative matters relating to the participating scheme;
- keep records of members' data and data changes;
- provide monthly billings and supporting statements;
- maintain participating employer's Reserve Account;
- prepare and file the necessary compliance documentation for continual approvals of Government authorities; and
- provide up–to–date information on employee benefits matters through periodic newsletters.

(ii) For members,

The Trustee will:

- provide member's booklets and benefit illustrations;
- conduct member enrolment meetings;
- issue member's benefit statements showing member's account balance and entitlements as at each annual report date of the relevant participating scheme; and
- process benefit payments when members' benefits become payable under the relevant participating scheme.

6.4 CONTRIBUTION PAYMENTS

Contributions should be made by cheque to Principal Trust Company (Hong Kong) Limited – ORSO at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

6.5 BENEFITS PAYMENT

Under normal circumstances, when a member's benefits under the relevant participating scheme become payable, payment will be made within two weeks from the date of the receipt of an employee changes and termination report. For the avoidance of doubt, the exceptional circumstances where benefits may not be payable within the two weeks' timeframe include circumstances where not all information required by the Trustee has been submitted completely and/or there remain outstanding contributions. For the avoidance of doubt, no interest is payable on any benefit.

6.6 OTHER SERVICES

Optional services such as on-line enquiry facility, electronic data transfer may also be available upon request. Additional charge(s) may be imposed for subscription of any of these or other optional services, which will be separately notified to the relevant participating employers. The provision of any of these optional services is conditional upon the charge(s) being agreed by the relevant participating employer.

6.7 TAXATION

(a) Taxation advantage

An ORSO scheme registered or exempted under ORSO is a tax efficient form of retirement investments available in Hong Kong. Retirement schemes (each, a "**participating scheme**") participating in the Principal CPF are eligible to be ORSO schemes registered or exempted (if applicable) under ORSO. There are certain tax advantages associated with an ORSO scheme registered or exempted under ORSO. In general,

- employer's contributions of up to 15% of the total emoluments (including salaries, bonus, allowances and benefits in kind) of the employee are tax deductible to the employer to the extent that the emoluments were incurred for production of employer's taxable income;
- employer's contributions are not treated as employee's taxable income;
- employee's contributions of up to a specified amount (e.g. HKD 18,000 for the 2021/22 year of assessment) are tax deductible to the employee;
- lump sum benefits paid to employees upon retirement, death, incapacity, terminal illness or leaving service after 10 years or more, are exempt from salaries tax.

This information has been provided based on expert advice received from the Product Provider. Participants in the Principal CPF should seek professional advice regarding their own particular tax circumstances.

(b) FATCA

The Principal CPF, the Trustee and/or the Principal Company (as defined below) may from time to time be required to comply with any "**Applicable Laws and Regulations**" which mean: (a) any tax reporting and withholding related treaty, law, regulation, or other official guidance enacted in any jurisdiction, or relating to an intergovernmental agreement or any other agreement between the governments or regulatory authorities of two or more jurisdictions; (b) any tax reporting and withholding related agreement with any government or tax authority in any jurisdiction according to or in consequence of (a); and (c) any rules, codes of practice, and/or guidelines of a binding nature in any jurisdiction.

Applicable Laws and Regulations include the FATCA enacted by the U.S. government, which impose a new due diligence regime effective 1 July 2014. Under FATCA, a foreign financial institution ("**FFI**") is required to report to the U.S. Internal Revenue Service ("**IRS**") certain information on U.S. persons that hold accounts with that FFI outside the U.S. and to obtain their consent to the FFI passing that information to the IRS. An FFI which does not sign or agree to comply with the requirements of an agreement with the IRS (the "**FFI Agreement**") in respect of FATCA and/or who is not otherwise exempt from doing so will face a 30% withholding tax on all "withholdable payments" (as defined under FATCA) derived from U.S. sources (initially including dividends, interest and certain derivative payments). The U.S. and Hong Kong have entered into an inter-governmental agreement (the "**IGA**") to facilitate compliance by FFIs in Hong Kong with FATCA and which creates a framework for Hong Kong FFIs to rely on streamlined due diligence procedures to (i) identify U.S. indicia, (ii) seek consent for disclosure from the Consenting Persons (as defined below) and (iii) report relevant tax information of the Consenting Persons to the IRS. FATCA applies to the Trustee and the Principal CPF. The Principal CPF and the Trustee have each registered on the IRS FATCA registration website as either participating foreign financial institutions or as a reporting FFIs under an applicable IGA and each is obligated to comply with FATCA.

For the purpose of complying with the Applicable Laws and Regulations including FATCA by the Principal CPF, the Trustee and/or the Principal Company, any participating employer (including its substantial owners and controlling person), member, nominated beneficiary and other recipient of any benefits, payments or entitlements from, or any rights under, the Principal CPF (each, a "**Consenting Person**") is required to provide to the Trustee within such time, in such form and in such manner, as it may from time to time reasonably require, the Tax Information (as defined below) (and any update to any such Tax Information) in respect of itself, himself, herself or any other Consenting Person(s). "**Tax Information**" includes without limitation any documentation or information relating, directly or indirectly, to the tax status of each Consenting Person such as a Consenting Person's name, date and place of birth (if applicable), residence and citizenship (if applicable), residential address (or registered address and address of the place of business), mailing address, place of incorporation or formation, tax identification number and tax residency.

For the purposes of complying with the Applicable Laws and Regulations by the Principal CPF, the Trustee and/or the Principal Company, and to the extent not prohibited by law, the Trustee or any of its delegates within the Principal Company may:

- process, transfer and/or disclose to any judicial, administrative or regulatory body, any government, or public or government agency, instrumentality or authority, any domestic or foreign tax, revenue, fiscal or monetary or other authorities, court or law enforcement body, or any agents thereof, having jurisdiction over any Principal Company the Tax Information and the account information in respect of any Consenting Person (e.g. account balance, account value, account number, contributions paid to account, and amounts withdrawn or paid from account, attributable to the account through which a Consenting Person may receive or claim benefits or payments from the Principal CPF); and

- in good faith and on reasonable grounds, take such actions necessary for the Principal CPF, the Trustee and/or the Principal Company to comply with the Applicable Laws and Regulations, if the relevant Consenting Person fails to provide the Tax Information in respect of any Consenting Person as the Trustee may reasonably require; or the Tax Information is inaccurate, incomplete or not promptly updated to the extent that the Trustee reasonably forms a view that the Tax Information it has may not be sufficient for the Principal CPF, the Trustee and/or the Principal Company to comply with the Applicable Laws and Regulations; or the Trustee is for whatever reason prevented from disclosing any Tax Information and Account Information reasonably required by the Trustee to disclose for the Principal CPF, the Trustee and/or the Principal Company to comply with the Applicable Laws and Regulations.

Each participating employer and member must, before providing the Tax Information of any other Consenting Person (not being the participating employer or member (as the case may be) itself/ himself/herself) to the Trustee: (i) inform that Consenting Person of the Trustee's powers and the obligations of each Consenting Person given under this sub-section "**FATCA**" in this section 6 "**ADMINISTRATIVE MATTERS**") in this Principal Brochure upon collection of that Consenting Person's Tax Information; or (ii) obtain that Consenting Person's consent to the Trustee's powers under the first bullet point of the preceding paragraph.

"**Principal Company**" means the Trustee, any of its holding companies, subsidiaries, subsidiary under takings, associated or affiliated companies (whether direct or indirect) from time to time.

The Trustee intends that the Trustee and the Principal CPF will comply with the Applicable Laws and Regulations. If the Principal CPF does not comply with the Applicable Laws and Regulations, the Principal CPF may be subject to certain withholding taxes, deductions and/or penalties on certain types of payments received by the Principal CPF. The application of withholding taxes, deductions and/or penalties due to any non–compliance with the Applicable Laws and Regulations may cause the Principal CPF to suffer a material loss.

It is important for each participating employer and member to understand the Trustee's powers, and each Consenting Person's obligations, under the Principal CPF. Each Consenting Person should consult with its/his/her own tax advisors as to the potential impact of the Applicable Laws and Regulations in its/his/her own tax situation or on its/his/her investment in the Principal CPF.

7. OTHER INFORMATION

7.1 GOVERNING LAW

The governing law of the Principal CPF is the laws of Hong Kong. The parties concerned have the right to bring legal actions in a Hong Kong court as well as in any court elsewhere which has a relevant connection with the Principal CPF.

7.2 LIQUIDITY RISK MANAGEMENT POLICY

The Trustee 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 Trustee'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 Trustee 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 Trustee may also seek to utilize one or more liquidity risk management tools on an ongoing basis.

The Trustee'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 Trustee's liquidity risk management policy. The liquidity risk management function is overseen by senior management who are responsible for liquidity risk management.

7.3 VALUATION AND REDEMPTION OF INVESTMENTS

The unit price and performance of each Investment Portfolio (other than the Guaranteed Fund) under the Principal CPF is determined on the basis of the unit price and performance of the relevant underlying investment vehicle.

The unit price and performance of the Guaranteed Fund is determined by making reference to the Guaranteed Rate of Return at the China Life Policy level (as defined in the Investment Portfolio Fact Sheet for the Guaranteed Fund) and management charge chargeable by the Trustee at the Guaranteed Fund level, calculated on a daily basis.

The constitutive document or policy document for the relevant underlying investment vehicles also has provisions to limit the number of units of the underlying investment vehicles realized to 10% of the total number of units in issue in respect of the underlying investment vehicle on any valuation date.

Contributions will be allocated to units of the Investment Portfolios as soon as reasonably practicable. Similarly, units of the Investment Portfolios will be realized as soon as reasonably practicable.

7.4 DEFERRAL OR SUSPENSION OF DEALING

The constitutive document or policy document for each relevant underlying investment vehicle sets out provisions for the suspension of the determination of the NAV of its portfolio of investments in certain circumstances. These circumstances include, but are not limited to (i) where there is a closure of or the restriction or suspension of trading on any securities market on which the investments maintained by the relevant underlying investment vehicle is normally traded; (ii) where the determination of the value of an investment maintained by the relevant underlying investment vehicle is suspended, or otherwise cannot be reasonably, promptly, accurately and fairly ascertained. In circumstances such as those, the issue and realization of units of the relevant Investment Portfolio will be suspended, and investment of contributions in, and payment of benefits from, the relevant Investment Portfolio will be delayed.

7.5 REBATE

PAM and its delegates may have soft commission arrangements with various brokers. The arrangements specify that a certain percentage of the commission received by the brokers for dealing in the assets will be rebated in the form of goods and services; e.g. research materials, data and quotation services. Other delegates may or may not have any soft commission arrangements with their brokers from time to time. For those who do, commission credits generated by account transactions are used to obtain research-related and/ or brokerage-related goods and/or services. Determinations are regularly made by such delegates that a given good or service provides lawful and appropriate assistance to the investment management process and that the costs of such good or service bears a reasonable relationship to the value of the good or service being provided.

Notwithstanding the above, neither PAM, its delegates, nor any of their respective connected persons or delegates may retain cash or other rebates from a broker or dealer in consideration of directing transactions in the investments of the Principal CPF to such broker or dealer, save that goods and services (soft dollars) may be retained if:

(a) the goods and services to be provided pursuant thereto are of demonstrable benefits to the members of the Principal CPF;

(b) the transaction executed is consistent with the best execution standard and the brokerage rates are not in excess of customary institutional full–service brokerages rates; and

(c) adequate prior disclosure is made in the Principal Brochure of the Principal CPF.

For the avoidance of doubt, research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications may be considered as of such benefit to the members of the Principal CPF. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct payments.

7.6 CESSATION OF CONTRIBUTION

An employer may terminate its liability to contribute to the Principal CPF by giving notice in writing to the Trustee and to those members which are its employees of its intention so to so. Subsequent to such notice, no further employee of the employer shall become a member; and no further contributions shall be payable by or in respect of any member who is an employee of the employer concerned except any contribution becoming due before the date of cessation.

A participating employer may withdraw its participation from the Principal CPF by giving one month's written notice to the Trustee. Please note that the Termination Charge may be applied. For further information, please refer to the sub-section "**Termination Charge**" in section 5 "**FEES AND CHARGES**" above. If all participating employers under the Principal CPF agree, the Trustee shall terminate the Principal CPF in accordance with the provisions of the Master Trust Deed.

Upon the Principal CPF 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.

7.7 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 Trustee at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon.

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

7.8 RESPONSIBILITY STATEMENT

The Product Provider accepts responsibility for the accuracy of the information contained in this Principal Brochure 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.

8. INVESTMENT PORTFOLIO FACT SHEETS

8.1 GUARANTEED FUND

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Guarantor of the China Life Policy:	China Life
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

The objective of the Guaranteed Fund (the "**Investment Portfolio**") is to provide a capital guarantee and a minimum net investment return.

Investment policy

The Investment Portfolio invests 100% in the China Life Policy (the "**Underlying Policy**"). The guarantee under the Underlying Policy is given by China Life. Your investments in the Investment Portfolio are therefore subject to the credit risks of China Life. China Life, registered in the People's Republic of China, is an authorized insurer under the Insurance Ordinance, Cap. 41 of the laws of Hong Kong.

The Underlying Policy, in turn, invests 100% in one or more underlying unit trust(s) authorized by the Securities and Futures Commission ("**SFC**") under the Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the "**Underlying Fund(s)**"). SFC authorization is not a recommendation or endorsement of the Underlying Funds nor does it guarantee the commercial merits of the Underlying Funds or their performance. It does not mean the Underlying Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

The investments of the participating employers and members in the Investment Portfolio will be unitized.

The Underlying Policy commenced on 4 January 2022 and shall continue for an initial period starting from 4 January 2022 and ending on 31 December 2024 (both days inclusive) ("**Initial Policy Period**"), and thereafter shall automatically renew every three years (each a "**Renewed Policy Period**" unless otherwise terminated in accordance with the terms of the policy). The Initial Policy Period and any Renewed Policy Period shall be respectively referred as "**Policy Period**".

Investment and borrowing restrictions

<u>Borrowing restrictions</u>

Please refer to section **3.2** 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 capital and interest guarantee mechanisms and the discretionary benefits?

1. Key terms and conditions of the guarantee

a. Investment Portfolio level

Any contributions made in respect of or by a member for the subscription of units in the Investment Portfolio will receive, through investing in the Underlying Policy: (a) a capital guarantee; and (b) a minimum net investment return of 0.5% p.a*.

*The minimum net investment return at the Investment Portfolio level as indicated in (b) above is subject to changes as China Life reserves the right to vary from time to time the Guaranteed Rate of Return (as defined below under "1b. Underlying Policy level") by giving not less than 6 months' prior written notice to the Trustee after 31 December 2023, provided that (i) the Guaranteed Rate of Return shall not be less than 0.75%, and (ii) such revision shall only become effective after expiry of the Policy Period during which such prior written notice is given. For the avoidance of doubt, unless and until the 6 months' prior written notice is given to the Trustee after 31 December 2023, the applicable Guaranteed Rate of Return after the expiry of the relevant Policy Period shall be the same as that immediately before the expiry of such period. In the event if the Guaranteed Rate of Return (as defined below under "1b. Underlying Policy level") is adjusted to a rate below 1% after the Initial Policy Period, the Trustee will lower the management charge chargeable by the Trustee at the Investment Portfolio level in order to ensure that the minimum net investment return at the Investment Portfolio level can remain as positive value.

The entitlement to the capital guarantee in (a) and minimum net investment return in (b) is not subject to any condition.

The minimum net investment return of 0.5% p.a. (if not otherwise adjusted due to the variation of the Guaranteed Rate of Return (as defined below under "1b. Underlying Policy level") at the Underlying Policy level upon the expiry of the Policy Period during which the prior written notice to revise the Guaranteed Rate of Return is given by China Life to the Trustee) is the resultant of the Guaranteed Rate of Return at the Underlying Policy level (as more particularly described in section 1b below) *less* the management charge chargeable by the Trustee at the Guaranteed Fund level. The Guaranteed Rate of Return at the Underlying Policy level will be at a fixed rate of interest of 1.5% p.a. (if not otherwise varied by China Life upon the expiry of the Policy Period during which the prior written notice to revise the Guaranteed Rate of Return (as defined below under "1b. Underlying Policy level") is given) and the management charge chargeable by the Trustee at the Guaranteed Fund level will be up to a maximum of 1% p.a. for the respective Policy Period.

In the event of variation of the Guaranteed Rate of Return, which in turn affects the minimum net investment return as prescribed above, this Principal Brochure shall be revised accordingly, and a notice shall be issued to the participating employers and members to notify them of the new rate and relevant arrangements.

b. Underlying Policy level

Contributions applied to subscribe for units in the Investment Portfolio will solely be invested in the Underlying Policy. China Life maintains a policy account (the "**Policy Account**") in the name of the Trustee for its investments in the Underlying Policy.

Guarantee entitlement

At the Underlying Policy level, China Life provides: (a) a capital guarantee; and (b) a guaranteed rate of return on the aggregate of the premiums (together with any declared interest compounded annually on a daily accrual and simple interest basis (the "**Guaranteed Rate of Return**").

The Guaranteed Rate of Return is at a fixed rate of interest of 1.5% p.a. (if not otherwise varied by China Life upon the expiry of the Policy Period during which the prior written notice to revise the Guaranteed Rate of Return is given) for the respective Policy Period.

China Life reserves the right to vary the Guaranteed Rate of Return by giving not less than 6 months' prior written notice to the Trustee after 31 December 2023, provided that (i) the Guaranteed Rate of Return shall not be less than 0.75%, and (ii) such revision shall only become effective after expiry of the Policy Period during which such prior written notice is given.

Declaration of the Annual Investment Rate of Return

China Life will declare a rate representing the actual investment return of the Underlying Policy through its investment in the Underlying Fund(s) (the "**Actual Investment Rate of Return**") (notwithstanding the deduction of the following from the Policy Account:

(i) the investment charge ("**Investment Charge**") (i.e. 1% p.a. on the of the Policy Account),

(ii) Guarantee Charge, if applicable (as described in under "What are the fees and charges?" below),

(iii) smoothing provision (as described under "2. Smoothing provision" below), if applicable, and

(iv) audit fees, legal expenses (if any) and such other disbursement (if any) which arises from time to time pursuant to the provisions of the Underlying Policy)

on the Capital~ at the end of a calendar year. For the first year of the Initial Policy Period which commenced on 4 January 2022 or in the event that either China Life or the Trustee terminates the Underlying Policy earlier than the end of the relevant Policy Period, the period in respect of which the Actual Investment Rate of Return and the Guaranteed Rate of Return are related is less than a calendar year. In such circumstances, as China Life declares the Actual Investment Rate of Return, the Actual Investment Rate of Return and the Guaranteed Rate of Return will be pro-rated on the basis of the duration of the relevant period bears to the entire calendar year. Any excess return derived from the Underlying Policy's investments in the Underlying Funds over the amount credited to the Policy Account at the Guaranteed Rate of Return, which shall be deducted from the Policy Account will be paid to China Life as an incentive. In any event, the capital guarantee and the Guaranteed Rate of Return provided by China Life shall remain unaffected by the Actual Investment Rate of Return and the excess return derived from the Underlying Policy's investments in the Underlying Fund(s) over the Guaranteed Rate of Return (if any).

Capital~ referred to in the paragraph above means:

(a) the actual amount of premiums invested in the Underlying Policy, less payments to the Trustee as policyholder of the Underlying Policy in (or during) that calendar year, plus

(b) the actual amount of premiums invested in the Underlying Policy, together with the Guaranteed Rate of Return, less payments to the Trustee as policyholder of the Underlying Policy, accumulated up to and including 31 December of the preceding calendar year.

Termination of the Underlying Policy

Either the Trustee or China Life may terminate the Underlying Policy by giving twelve months' prior written notice to the other party before the beginning of the following Renewed Policy Period.

If the Principal CPF is to be terminated due to regulatory reason relating to the Principal CPF or the inability of either the Trustee or China Life to carry out its obligations under the Underlying Policy, China Life may at any time terminate the Underlying Policy by giving six months' prior written notice to the Trustee before termination of the Underlying Policy.

The Trustee may at any time terminate the Underlying Policy by giving at least two months' prior written notice to China Life if the Principal CPF is to be terminated due to (i) regulatory reason relating to the Principal CPF or the inability of either the Trustee or China Life to carry out its obligations under the Underlying Policy; (ii) nil participant or (iii) full withdrawal of benefits due to termination of the Principal CPF. The Trustee may also at any time terminate the Underlying Policy due to actual or potential breach of any applicable sanction laws and regulations of the European Union, Hong Kong, the United Kingdom, the United Nations and the United States by giving three months' prior written notice to China Life before the termination of the Underlying Policy. In addition, the Trustee may terminate the Underlying Policy by giving six months' prior written notice to China Life at any time in the event that China Life exercises its right to revise the Guaranteed Rate of Return.

Either China Life or the Trustee may by giving the other party twelve months' prior written notice terminate the Underlying Policy within either the Initial Policy Period or the Renewed Policy Period not under the circumstances as prescribed above. In the event when such termination is initiated by China Life, China Life shall reimburse the Trustee for all reasonable fees and expenses (including all attorneys' fees, printing fees and mailing fees for the notices to be sent to all employers or members or other participants of the Principal CPF) of up to HK$500,000 that have been paid or that may become payable by or on behalf of the other party in connection with the preparation and negotiation of such termination. In the event when such termination is initiated by the Trustee, the Guaranteed Fund shall be subject to a termination charge with a cap of HK$500,000.

2. Smoothing provision

China Life may, at its sole discretion, if the actual net investment return of the Underlying Policy from the Underlying Fund(s) (the "**Underlying Fund Return**"), after deduction of the applicable fees and charges, for any particular year shall exceed the Guaranteed Rate of Return, set aside any amount under the Underlying Policy as a smoothing provision for the purpose of smoothing market fluctuations and contingency at any time, provided that the amount shall not exceed 1% p.a. of the NAV of the Policy Account as at 31 December of each calendar year. The smoothing provision is set aside and deducted from the balance held by China Life for the Trustee at the beginning of the following financial year of the Guaranteed Fund. In the year when the Underlying Fund Return, after deduction of the applicable fees and charges, is less than the Guaranteed Rate of Return, China Life may use the smoothing provision that it has already maintained from previous years (if any) to fund the shortfall in providing the Guaranteed Rate of Return. The smoothing provision is retained at the Underlying Policy level and belongs to the Trustee as policyholder of the Underlying Policy. On the termination of the Underlying Policy, the smoothing provision will be returned to the Trustee as policyholder and form part of the assets of the Guaranteed Fund. For the avoidance of doubt, the smoothing provision shall in any event not affect the capital guarantee and the Guarantee Rate of Return provided by China Life. The smoothing provision is not unitized.

If the Underlying Fund Return in any particular year is less than the applicable Guaranteed Rate of Return, then the credit balance (if any) of the smoothing provision ("**Period Commencement Smoothing Provision**") or a sufficient part of such credit balance may be drawn and applied by China Life to make up the shortfall of the applicable Guaranteed Rate of Return ("**Period End Shortfall**") for that particular year. An Investment Charge will not be deducted from the Underlying Policy under such circumstance. For the avoidance of doubt, if the Period Commencement Smoothing Provision is insufficient to make up the Period End Shortfall, China Life shall make up the difference between the Period End Shortfall and Period Commencement Smoothing Provision out of its own monies and resources.

Illustration on the operation of the smoothing provision:

When Actual investment Return is higher than Guaranteed Rate of Return and other charges:

	Year 1	Year 2	Year 3
Initial Asset	10,000.00000	10,150.00000	10,302.25000
Actual Investment Return (assumed 5%)	500.00000	507.50000	515.11250
Guaranteed Return (fixed at 1.5%)	150.00000	152.25000	154.53375
China Life Investment Charge (assumed 1%)	100.00000	101.50000	103.02250
China Life Guarantee Charge and other expense (assumed 1%)	100.00000	101.50000	103.02250
Smoothing provision (assumed 0.5%)	50.00000	50.75000	51.51125
Excess Return/Loss (to China Life)	100.00000	101.50000	103.02250
Asset at end of year (Initial Asset + Guaranteed Return) (a)	10,150.00000	10,302.25000	10,456.78375
At termination of Underlying Policy (release of smoothing provision) (b)			152.26125
Total Asset (a) + (b)	10,150.00000	10,302.25000	10,609.04500

When Actual investment Return is lower than Guaranteed Rate of Return and other charges:

	Year 1	Year 2	Year 3
Initial Asset	10,000.00000	10,150.00000	10,302.25000
Actual Investment Return (assumed 2%)	200.00000	203.00000	206.04500
Guaranteed Return (fixed at 1.5%)	150.00000	152.25000	154.53375
China Life Investment Charge (assumed 1%)	100.00000	101.50000	103.02250
China Life Guarantee Charge and other expense (assumed 1%)	100.00000	101.50000	103.02250
Smoothing provision (assumed 0.5%)	-	-	-
Excess Return/Loss (to China Life)	(150.00000)	(152.25000)	(154.53375)
Asset at end of year (Initial Asset + Guaranteed Return) (a)	10,150.00000	10,302.25000	10,456.78375
At termination of Underlying Policy (release of smoothing provision) (b)			-
Total Asset (a) + (b)	10,150.00000	10,302.25000	10,456.78375

Smoothing provision (if any) will be released to the policyholder at termination of the Underlying Policy.

The Trustee may make partial withdrawal to settle the members' withdrawals and management charge chargeable by the Trustee. Such partial withdrawal will be pro-rated and adjusted according to the size of the withdrawal amount comparing with the size of the Underlying Policy.

3. Historical rate of return

In respect of the previous Deposit Administration Guaranteed Fund Policy* issued by the China Life which took effect from 4 January 2017, China Life has declared a rate of return on the capital for each calendar year. The rates of return declared annually by China Life on the capital for each calendar year starting from 2018* are set out as below:

Jan 2017-Jan 2018	Jan 2018 - Jan 2019	Jan 2019 - Jan 2020	Jan 2020 - Jan 2021
3.11% p.a.	2.85% p.a.	5.04% p.a.	2.5% p.a.

*The previous Deposit Administration Guaranteed Fund Policy issued by the China Life only came into effect on 4 January 2017. Therefore, as at 4 January 2022, China Life has only declared the rate of return for the years ended 2018 until 2021.

The above rates of return previously declared by China Life are provided for information purposes only. Investment involves risk. Past performance should not be taken as 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.

- Risk relating solely to investment in the Guaranteed Fund
- Investment risk
- Political, economic and social risks
- Company-specific/ securities risk
- Valuation risks
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")

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 (as a % of the NAV of the Underlying Policy)	
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio <u>and</u> Underlying Policy levels)	Up to a maximum of 2% p.a. comprising:	
	• management charge of up to 1% p.a.	(investment option (Guaranteed Fund) level)
	• Investment Charge of 1% p.a.	(underlying policy (China Life Policy) level)
Trustee, custodian and administration fee (at the Underlying Policy level)	There is no trustee, custodian or administration fee at the Underlying Policy level. However, a guarantee charge (the "**Guarantee Charge**") is chargeable at the Underlying Policy level.* Also, fees and charges are payable at the Underlying Fund(s) in which the Underlying Policy invested.	
Total fees and charges	Actual: Up to 2% p.a. plus a chargeable Guarantee Charge and other fees and charges payable at the Underlying Policy level	

* For the Underlying Policy, a Guarantee Charge of up to a maximum of 1% p.a. of the daily average of the capital of the Policy Account as at 31 December of each calendar year or the date on which the Underlying Policy is terminated by either the Trustee or China Life shall be debited from the Policy Account by China Life as the cost of China Life for providing the guarantee to the Trustee and such Guarantee Charge belongs to China Life.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. Valuation arrangement

The Investment Portfolio is valued on a daily basis.

Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

2. Pricing arrangement

At the Investment Portfolio level, the unit price per unit in the Investment Portfolio on each particular day will be calculated on simple interest basis and compounded annually as follows:

Unit Price (T) = Unit Price at the beginning of each policy year (T_0 of policy year) x (1 + (1 x Days in the policy year x (Guarantee Rate of Return – Management Charge chargeable by the Trustee at the Guaranteed Fund level)/number of calendar days in the year))

Calculation of unit price of the Investment Portfolio (rounded down to 4 decimal places)

Unit Price
Day 0 : $100.0000 (initial unit price)
Day 1: $100.0000 x (1 + (1 x 1 x (1.5% -1.0%)/365)) = 100.0013
Day 2: $100.0000 x (1 + (1 x 2 x (1.5% -1.0%)/365)) = 100.0027
Day 3: $100.0000 x (1 + (1 x 3 x (1.5% -1.0%)/365)) = 100.0041
Day 4: $100.0000 x (1 + (1 x 4 x (1.5% -1.0%)/365)) = 100.0054
Day 5: $100.0000 x (1 + (1 x 5 x (1.5% -1.0%)/365)) = 100.0068
Day 365 (end of year 1): $100.0000 x (1 + (1 x 365 x (1.5% -1.0%)/365)) = 100.5000
Day 730 (end of year 2): $100.5000 x (1 + (1 x 365 x (1.5% -1.0%)/365)) = 101.0025
Day 1096 (end of year 3): $101.0025 x (1 + (1 x 366 x (1.5% -1.0%)/366)) = 101.5075
Day 1461 (end of year 4): $101.5075 x (1 + (1 x 365 x (1.5% -1.0%)/365)) = 102.0150
Day 1826 (end of year 5): $102.0150 x (1 + (1 x 365 x (1.5% -1.0%)/365)) = 102.5250

3. Dealing arrangement

Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

- The unit price of the Investment Portfolio will be published on https://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 INTERNATIONAL EQUITY FUND

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	USD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

The International Equity Fund (the "**Investment Portfolio**") aims to seek capital growth over the long term by investing in international equity markets.

Investment policy

The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Life Style Fund – Principal International Equity Fund (the "**Underlying Fund**"). The Underlying Fund will invest primarily in equity securities selected from investment markets around the world. The Underlying Fund may also hold cash and short-term investments.

The target ranges of asset allocation and geographic allocation of the Underlying Fund are as follows:

Asset Allocation*

Equity Securities:	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits):	0 - 30%

* *Investors should note that the above ranges of asset allocations are for indication only and long-term allocations may vary in exceptional circumstances out of the control of the investment manager of the Underlying Fund and/or its delegates such as where there is a market crash or a major crisis.*

Geographical Allocation**

North America:	0 - 65%	Middle East:	0 - 20%
Europe:	0 - 60%	Africa:	0 - 20%
Asia:	0 - 50%	Others:	0 - 20%
South America:	0 - 50%		

** *Investors should note that (i) the above ranges of geographic allocations are for indication only and long-term allocations may vary with changing market conditions; and (ii) the geographic allocation for equity investments (if any) is classified by the principal place of business of the issuers and the geographic allocation for debt investments (if any) is classified by their currency denomination.*

The risk profile of the Investment Portfolio 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.

The risk profile is determined by the investment manager of the Underlying Fund and is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility of return). The risk profile will be reviewed annually. The risk profile is for your reference only.

Investment and borrowing restrictions

The Investment Portfolio will not enter into financial futures contracts and financial option contracts directly. However, it may, via the Underlying Fund, enter into financial futures contracts and financial option contracts for hedging purposes.

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

Please refer to section **3.2** 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
- Political, economic and social risks
- Market risk
- Emerging markets risk
- Currency risk
- Concentration risk
- Company-specific/ securities risk
- Custodial risk
- Liquidity risk
- Valuation risks
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")
- Accounting standards and disclosure
- Eurozone risks
- Risks relating to investing solely in a single underlying fund

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1.2% p.a.

Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 1%) p.a. Custodian fee: N/A Administration fee: N/A	
Total fees and charges	Actual: 1.2% p.a.	
	Maximum: Up to 2.2% p.a.	

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. **Valuation arrangement**

   Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

2. **Pricing arrangement**

   Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the pricing arrangement of the Investment Portfolio.

3. **Dealing arrangement**

   Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

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

Important

Further details of the investment objective and policy, latest composition and the risk factors of the Underlying Fund are set out in their offering documents (including the Product Key Facts Statement), which can be obtained by accessing the website of the Underlying Fund's manager at https://www.principal.com.hk or requesting a copy of it free of charge by contacting the customer service hotline of the Underlying Fund's manager at 2117 8383.

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

8.3 ASIA PACIFIC EQUITY FUND

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	USD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

The Asia Pacific Equity Fund (the "**Investment Portfolio**") aims to achieve high current income through investing in a diversified portfolio of listed securities in the Asia Pacific region.

Investment policy

The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund (the "**Underlying Fund**"). The Underlying Fund will invest in a diversified portfolio of listed securities in the Asia Pacific region, including but not limited to the following regions: Australia, China, Hong Kong, Indonesia, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan and Thailand. The investment manager of the Underlying Fund does not currently intend to invest in Japan but may do so in the future if suitable investment opportunities arise. The investment manager of the Underlying Fund will focus on companies which demonstrate strong corporate fundamentals and offer the potential for superior dividend yields. The Underlying Fund may also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities. The Underlying Fund may also on an ancillary basis from time to time hold cash, deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.

The target ranges of asset allocation of the Underlying Fund are as follows:

Asset Allocation*

Equity Securities:	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits):	0 - 30%

* *Investors should note that the above ranges of asset allocations are for indication only and long-term allocations may vary in exceptional circumstances out of the control of the investment manager of the Underlying Fund and/or its delegates such as where there is a market crash or a major crisis.*

The risk profile of the Investment Portfolio is generally regarded as high.

The risk profile is determined by the investment manager of the Underlying Fund and is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility of return). The risk profile will be reviewed annually. The risk profile is for your reference only.

Investment and borrowing restrictions

The Investment Portfolio will not enter into financial futures contracts and financial option contracts directly. However, it may, via the Underlying Fund, enter into financial futures contracts and financial option contracts for hedging or investment purposes, provided that financial option contracts, together with any financial warrant contracts, entered into for investment purposes must not constitute more than 15% of the NAV of the Underlying Fund.

The investment manager of the Underlying Fund may borrow, for the account of the Underlying Fund, up to 25% of the latest available NAV of the Underlying Fund to acquire investments. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings. In addition, the assets of the Underlying Fund may be charged to secure a guarantee given in favour of unitholders in the Underlying Fund.

Please refer to section **3.2** 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
- Political, economic and social risks
- Emerging markets risk
- Currency risk
- Diversification risk
- Market risk
- Concentration risk
- Termination risk
- Liquidity risk
- Custodial risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")
- Risks associated with investments/ exposure to RMB currency and/or Mainland China
- Risks associated with financial derivative instruments
- Pricing Adjustments Risk
- Company-specific/ securities risk
- Valuation risks
- Accounting standards and disclosure
- Hedging risk
- Risks relating to investing solely in a single underlying fund

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1.15% p.a.

Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: • 0.125% p.a. (for up to USD40 million of NAV), and • 0.08% p.a. (for over USD40 million of NAV) (maximum 1% p.a.) Custodian fee: N/A Administration fee: N/A
Total fees and charges	Actual: Up to 1.275% p.a.
	Maximum: Up to 2.15% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. **Valuation arrangement**

   Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

2. **Pricing arrangement**

   Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the pricing arrangement of the Investment Portfolio.

3. **Dealing arrangement**

   Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

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

Important

Further details of the investment objective and policy, latest composition, and the risk factors of the Underlying Fund are set out in their offering documents (including the Product Key Facts Statement), which can be obtained by accessing the website of the Underlying Fund's manager at https://www.principal.com.hk or requesting a copy of it free of charge by contacting the customer service hotline of the Underlying Fund's manager at 2117 8383.

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

8.4 INTERNATIONAL BOND FUND

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	USD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

The International Bond Fund (the "**Investment Portfolio**") aims to protect and maximise real asset value in terms of international purchasing power.

Investment policy

The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Life Style Fund – Principal International Bond Fund (the "**Underlying Fund**"). The Underlying Fund will invest mainly in the global bond markets. The Underlying Fund will primarily invest in a portfolio of debt securities, both sovereign or non-sovereign, of varying maturities and denominated in the world's major currencies.

The target ranges of asset allocation and geographic allocation of the Underlying Fund are as follows:

Asset Allocation*

Debt Securities:	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits):	0 - 30%

* *Investors should note that the above ranges of asset allocations are for indication only and long-term allocations may vary in exceptional circumstances out of the control of the investment manager of the Underlying Fund and/or its delegates such as where there is a market crash or a major crisis.*

Geographical Allocation**

United States:	15 - 65%	Italy:	0 - 50%
France:	0 - 50%	Japan:	0 - 50%
Germany:	0 - 50%	Canada:	0 - 20%
Hong Kong:	0 - 50%	Other countries (each):	0 - 20%

** *Investors should note that (i) the above ranges of geographic allocations are for indication only and long-term allocations may vary with changing market conditions; and (ii) the geographic allocation for equity investments (if any) is classified by the principal place of business of the issuers and the geographic allocation for debt investments (if any) is classified by their currency denomination.*

The risk profile of the Investment Portfolio is generally regarded as moderate. In the long term, the return of the Investment Portfolio is expected to be comparable to the inflation rates in Hong Kong.

The risk profile is determined by the investment manager of the Underlying Fund and is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility of return). The risk profile will be reviewed annually. The risk profile is for your reference only.

Investment and borrowing restrictions

The Investment Portfolio will not enter into financial futures contracts and financial option contracts directly. However, it may, via the Underlying Fund, enter into financial futures contracts and financial option contracts for hedging purposes.

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

Please refer to section **3.2** 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
- Currency risk
- Credit risk
- Counterparty risk
- Volatility and liquidity risk
- Concentration risk
- Political, economic and social risks
- Company-specific/ securities risk
- Custodial risk
- Valuation risks
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")
- Investment grade bond/ downgrading risk
- Credit rating risk
- Eurozone risks
- Risks relating to investing solely in a single underlying fund

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 1%) p.a. Custodian fee: N/A Administration fee: N/A
Total fees and charges	Actual: 1% p.a.
	Maximum: Up to 2% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. **Valuation arrangement**

   Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

2. **Pricing arrangement**

   Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the pricing arrangement of the Investment Portfolio.

3. **Dealing arrangement**

   Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

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

Important

Further details of the investment objective and policy, latest composition and the risk factors of the Underlying Fund are set out in their offering documents (including the Product Key Facts Statement), which can be obtained by accessing the website of the Underlying Fund's manager at https://www.principal.com.hk or request a copy of it free of charge by contacting the customer service hotline of the Underlying Fund's manager at 2117 8383.

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

8.5 STABLE FUND POLICY

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

Stable Fund Policy (the "**Investment Portfolio**") aims to achieve a stable long-term capital growth.

Investment policy

The Investment Portfolio pursues its investment objective by investing in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited (the "**Insurer**") (the "**Underlying Policy**"), which in turn invests in the Principal MPF Fund - Principal MPF Stable Fund (the "**Underlying Fund**"). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund invests through two or more APIFs and/or ITCISs to gain exposure to a globally diversified portfolio of equities, bonds and deposits. Normally around 15% to 45% of the assets will be invested in global equities and around 45% to 75% in global bonds. The remaining assets will be invested in deposits as appropriate.

The Investment Portfolio has a medium risk profile.

The Underlying Policy was issued by the Insurer in Hong Kong. Your investment in the Investment Portfolio, if any, is therefore subject to the credit risks of the Insurer.

The Insurer determines the risk profile of the Underlying Policy, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility) and will be reviewed on an annual basis.

Currently, the assets under the Investment Portfolio invest in the Underlying Fund via the Underlying Policy. Hence, the Investment Portfolio has the same investment objectives and strategies as the Underlying Fund, including the investment restrictions related to securities lending, borrowing restrictions and financial futures contracts and options contracts.

Investment and borrowing restrictions

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

The investment manager of the Underlying Fund may only enter into financial futures and options contracts on account of an Underlying Fund for hedging purposes.

Please refer to section **3.2** 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
- Political, economic and social risk
- Interest rate risk
- Market risk
- Emerging markets risk
- Accounting standards and disclosure
- Currency risk
- Company-specific/ securities risk
- Credit risk
- Counterparty risk
- Investment grade bond/ downgrading 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
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single underlying fund
- Risks of investing in collective investment schemes
- Risks associated with investments/ exposure to RMB currency and/or Mainland China
- Risk of investing in CIBM and/or Bond Connect
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio <u>and</u> Underlying Fund levels)	1.97% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 0.5%) p.a. Custodian fee: N/A Administration fee: US$850 per month (maximum 0.5% p.a.)
Total fees and charges	Actual: 1.97% p.a. plus administration fee at the Underlying Fund level
	Maximum: Up to 2.97% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. Valuation arrangement

Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

The net asset value per unit of the Underlying Policy is calculated by valuing the assets held in respect of the Underlying Policy, deducting the liabilities attributable to the Underlying Policy and dividing the resultant sum by the number of units of the Underlying Policy in issue.

2. Pricing arrangement

The bid price of a unit of the Underlying Policy on a valuation date is the net asset value per unit rounded down to the nearest cent. The offer price of a unit of the Underlying Policy on a valuation date is the aggregate of a preliminary charge and net asset value. This preliminary charge, which will be of a certain percentage of the offer price, may be charged by the insurer of the Underlying Policy on the issue of each unit on a valuation date at which the offer price of such unit is ascertained. Currently, this preliminary charge is waived for the Principal CPF.

Please note that the unit price may fall as well as rise. Market movements and currency movements may cause the value of the assets held in respect of the Investment Portfolio to fall as well as rise.

3. Dealing arrangement

Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

- The unit price of the Investment Portfolio will be published on https://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.

8.6 BALANCED FUND POLICY

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

Balanced Fund Policy (the "**Investment Portfolio**") aims to achieve a long-term capital growth.

Investment policy

The Investment Portfolio pursues its investment objective by investing in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited (the "**Insurer**") (the "**Underlying Policy**"), which in turn invests in the Principal MPF Fund - Principal MPF Balanced Fund (the "**Underlying Fund**"). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund invests through two or more APIFs and/or ITCISs to gain exposure to a globally diversified portfolio of equities, bonds and deposits. Normally around 55% to 85% of the assets will be invested in global equities and around 10% to 40% in global bonds. The remaining assets will be invested in deposits as appropriate.

The Investment Portfolio has a medium to high risk profile.

The Underlying Policy was issued by the Insurer in Hong Kong. Your investment in the Investment Portfolio, if any, is therefore subject to the credit risks of the Insurer.

The Insurer determines the risk profile of the Underlying Policy, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility) and will be reviewed on an annual basis.

Currently, the assets under the Investment Portfolio invest in the Underlying Fund via the Underlying Policy. Hence, the Investment Portfolio has the same investment objectives and strategies as the Underlying Fund, including the investment restrictions related to securities lending, borrowing restrictions, and financial futures contracts and options contracts.

Investment and borrowing restrictions

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

The investment manager of the Underlying Fund may only enter into financial futures and options contracts on account of an Underlying Fund for hedging purposes.

Please refer to section **3.2** 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
- Political, economic and social risk
- Interest rate risk
- Market risk
- Emerging markets risk
- Accounting standards and disclosure
- Currency risk
- Company-specific/ securities risk
- Credit risk
- Counterparty risk
- Investment grade bond/ downgrading 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
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single underlying fund
- Risks of investing in collective investment schemes
- Risks associated with investments/ exposure to RMB currency and/or Mainland China
- Risk of investing in CIBM and/or Bond Connect
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1.97% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 0.5%) p.a. Custodian fee: N/A Administration fee: US$850 per month (maximum 0.5% p.a.)
Total fees and charges	Actual: 1.97% p.a. plus administration fee at the Underlying Fund level
	Maximum: Up to 2.97% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. Valuation arrangement

Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

The net asset value per unit of the Underlying Policy is calculated by valuing the assets held in respect of the Underlying Policy, deducting the liabilities attributable to the Underlying Policy and dividing the resultant sum by the number of units of the Underlying Policy in issue.

2. Pricing arrangement

The bid price of a unit of the Underlying Policy on a valuation date is the net asset value per unit rounded down to the nearest cent. The offer price of a unit of the Underlying Policy on a valuation date is the aggregate of a preliminary charge and net asset value. This preliminary charge, which will be of a certain percentage of the offer price, may be charged by the insurer of the Underlying Policy on the issue of each unit on a valuation date at which the offer price of such unit is ascertained. Currently, this preliminary charge is waived for the Principal CPF.

Please note that the unit price may fall as well as rise. Market movements and currency movements may cause the value of the assets held in respect of the Investment Portfolio to fall as well as rise.

3. Dealing arrangement

Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

- The unit price of the Investment Portfolio will be published on https://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.

8.7 GROWTH FUND POLICY

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

Growth Fund Policy (the "**Investment Portfolio**") aims to achieve significant long-term capital growth.

Investment policy

The Investment Portfolio pursues its investment objective by investing in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited (the "**Insurer**") (the "**Underlying Policy**"), which in turn invests in the Principal MPF Fund – Principal MPF Growth Fund (the "**Underlying Fund**"). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund invests through two or more APIFs and/or ITCISs to gain exposure to a globally diversified portfolio of equities, bonds and deposits, with heavier weighting in equities. Normally around 75% to 100% of the assets will be invested in global equities and up to 25% in global bonds. The remaining assets will be invested in deposits as appropriate.

The Investment Portfolio has a high risk profile.

The Underlying Policy was issued by the Insurer in Hong Kong. Your investment in the Investment Portfolio, if any, is therefore subject to the credit risks of the Insurer.

The Insurer determines the risk profile of the Underlying Policy, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility) and will be reviewed on an annual basis.

Currently, the assets under the Investment Portfolio invest in the Underlying Fund via the Underlying Policy. Hence, the Investment Portfolio has the same investment objectives and strategies as the Underlying Fund, including the investment restrictions related to securities lending, borrowing restrictions, and financial futures contracts and options contracts.

Investment and borrowing restrictions

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

The investment manager of the Underlying Fund may only enter into financial futures and options contracts on account of an Underlying Fund for hedging purposes.

Please refer to section **3.2** 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
- Political, economic and social risk
- Interest rate risk
- Market risk
- Emerging markets risk
- Accounting standards and disclosure
- Currency risk
- Company-specific/ securities risk
- Credit risk
- Counterparty risk
- Investment grade bond/ downgrading 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
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single underlying fund
- Risks of investing in collective investment schemes
- Risks associated with investments/ exposure to RMB currency and/or Mainland China
- Risk of investing in CIBM and/or Bond Connect
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1.97% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 0.5%) p.a. Custodian fee: N/A Administration fee: US$850 per month (maximum 0.5% p.a.)
Total fees and charges	Actual: 1.97% p.a. plus administration fee at the Underlying Fund level
	Maximum: Up to 2.97% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. Valuation arrangement

Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

The net asset value per unit of the Underlying Policy is calculated by valuing the assets held in respect of the Underlying Policy, deducting the liabilities attributable to the Underlying Policy and dividing the resultant sum by the number of units of the Underlying Policy in issue.

2. Pricing arrangement

The bid price of a unit of the Underlying Policy on a valuation date is the net asset value per unit rounded down to the nearest cent. The offer price of a unit of the Underlying Policy on a valuation date is the aggregate of a preliminary charge and net asset value. This preliminary charge, which will be of a certain percentage of the offer price, may be charged by the insurer of the Underlying Policy on the issue of each unit on a valuation date at which the offer price of such unit is ascertained. Currently, this preliminary charge is waived for the Principal CPF.

Please note that the unit price may fall as well as rise. Market movements and currency movements may cause the value of the assets held in respect of the Investment Portfolio to fall as well as rise.

3. Dealing arrangement

Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

- The unit price of the Investment Portfolio will be published on https://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.

8.8 PRINCIPAL STABLE FUND POLICY

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

Principal Stable Fund Policy (the "**Investment Portfolio**") aims to achieve a stable long-term capital growth.

Investment policy

The Investment Portfolio pursues its investment objective by investing in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited (the "**Insurer**") (the "**Underlying Policy**"), which in turn invests in the Principal MPF Fund - Principal MPF Stable Fund (the "**Underlying Fund**"). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund invests through two or more APIFs and/or ITCISs to gain exposure to a globally diversified portfolio of equities, bonds and deposits. Normally around 15% to 45% of the assets will be invested in global equities and around 45% to 75% in global bonds. The remaining assets will be invested in deposits as appropriate.

The Investment Portfolio has a medium risk profile.

The Underlying Policy was issued by the Insurer in Hong Kong. Your investment in the Investment Portfolio, if any, is therefore subject to the credit risks of the Insurer.

The Insurer determines the risk profile of the Underlying Policy, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility) and will be reviewed on an annual basis.

Currently, the assets under the Investment Portfolio invest in the Underlying Fund via the Underlying Policy. Hence, the Investment Portfolio has the same investment objectives and strategies as the Underlying Fund, including the investment restrictions related to securities lending, borrowing restrictions, and financial futures contracts and options contracts.

Investment and borrowing restrictions

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

The investment manager of the Underlying Fund may only enter into financial futures and options contracts on account of the Underlying Fund for hedging purposes.

Please refer to section **3.2** 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
- Political, economic and social risk
- Interest rate risk
- Market risk
- Emerging markets risk
- Accounting standards and disclosure
- Currency risk
- Company-specific/ securities risk
- Credit risk
- Counterparty risk
- Investment grade bond/ downgrading 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
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single underlying fund
- Risks of investing in collective investment schemes
- Risks associated with investments/ exposure to RMB currency and/or Mainland China
- Risk of investing in CIBM and/or Bond Connect
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1.97% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 0.5%) p.a. Custodian fee: N/A Administration fee: US$850 per month (maximum 0.5% p.a.)
Total fees and charges	Actual: 1.97% p.a. plus administration fee at the Underlying Fund level
	Maximum: Up to 2.97% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. Valuation arrangement

Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

The net asset value per unit of the Underlying Policy is calculated by valuing the assets held in respect of the Underlying Policy, deducting the liabilities attributable to the Underlying Policy and dividing the resultant sum by the number of units of the Underlying Policy in issue.

2. Pricing arrangement

The bid price of a unit of the Underlying Policy on a valuation date is the net asset value per unit rounded down to the nearest cent. The offer price of a unit of the Underlying Policy on a valuation date is the aggregate of a preliminary charge and net asset value. This preliminary charge, which will be of a certain percentage of the offer price, may be charged by the insurer of the Underlying Policy on the issue of each unit on a valuation date at which the offer price of such unit is ascertained. Currently, this preliminary charge is waived for the Principal CPF

Please note that the unit price may fall as well as rise. Market movements and currency movements may cause the value of the assets held in respect of the Investment Portfolio to fall as well as rise.

3. Dealing arrangement

Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

- The unit price of the Investment Portfolio will be published on https://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 BALANCED FUND POLICY

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

Principal Balanced Fund Policy (the "**Investment Portfolio**") aims to achieve a long-term capital growth.

Investment policy

The Investment Portfolio pursues its investment objective by investing in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited (the "**Insurer**") (the "**Underlying Policy**"), which in turn invests in the Principal MPF Fund - Principal MPF Balanced Fund (the "**Underlying Fund**"). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund invests through two or more APIFs and/or ITCISs to gain exposure to a globally diversified portfolio of equities, bonds and deposits. Normally around 55% to 85% of the assets will be invested in global equities and around 10% to 40% in global bonds. The remaining assets will be invested in deposits as appropriate.

The Investment Portfolio has a medium to high risk profile.

The Underlying Policy was issued by the Insurer in Hong Kong. Your investment in the Investment Portfolio, if any, is therefore subject to the credit risks of the Insurer.

The Insurer determines the risk profile of the Underlying Policy, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility) and will be reviewed on an annual basis.

Currently, the assets under the Investment Portfolio invest in the Underlying Fund via the Underlying Policy. Hence, the Investment Portfolio has the same investment objectives and strategies as the Underlying Fund, including the investment restrictions related to securities lending, borrowing restrictions, and financial futures contracts and options contracts.

Investment and borrowing restrictions

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

The investment manager of the Underlying Fund may only enter into financial futures and options contracts on account of the Underlying Fund for hedging purposes.

Please refer to section **3.2** 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
- Political, economic and social risk
- Interest rate risk
- Market risk
- Emerging markets risk
- Accounting standards and disclosure
- Currency risk
- Company-specific/ securities risk
- Credit risk
- Counterparty risk
- Investment grade bond/ downgrading 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
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single underlying fund
- Risks of investing in collective investment schemes
- Risks associated with investments/ exposure to RMB currency and/or Mainland China
- Risk of investing in CIBM and/or Bond Connect
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1.97% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 0.5%) p.a. Custodian fee: N/A Administration fee: US$850 per month (maximum 0.5% p.a.)
Total fees and charges	Actual: 1.97% p.a. plus administration fee at the Underlying Fund level
	Maximum: Up to 2.97% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. **Valuation arrangement**

   Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

   The net asset value per unit of the Underlying Policy is calculated by valuing the assets held in respect of the Underlying Policy, deducting the liabilities attributable to the Underlying Policy and dividing the resultant sum by the number of units of the Underlying Policy in issue.

2. **Pricing arrangement**

   The bid price of a unit of the Underlying Policy on a valuation date is the net asset value per unit rounded down to the nearest cent. The offer price of a unit of the Underlying Policy on a valuation date is the aggregate of a preliminary charge and net asset value. This preliminary charge, which will be of a certain percentage of the offer price, may be charged by the insurer of the Underlying Policy on the issue of each unit on a valuation date at which the offer price of such unit is ascertained. Currently, this preliminary charge is waived for the Principal CPF.

   Please note that the unit price may fall as well as rise. Market movements and currency movements may cause the value of the assets held in respect of the Investment Portfolio to fall as well as rise.

3. **Dealing arrangement**

   Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

- The unit price of the Investment Portfolio will be published on https://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 GROWTH FUND POLICY

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

Principal Growth Fund Policy (the "**Investment Portfolio**") aims to achieve significant long-term capital growth.

Investment policy

The Investment Portfolio pursues its investment objective by investing in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited (the "**Insurer**") (the "**Underlying Policy**"), which in turn invests in the Principal MPF Fund – Principal MPF Growth Fund (the "**Underlying Fund**"). The Underlying Fund and the Investment Portfolio share the same investment objective. The Underlying Fund invests through two or more APIFs and/or ITCISs to gain exposure to a globally diversified portfolio of equities, bonds and deposits, with heavier weighting in equities. Normally around 75% to 100% of the assets will be invested in global equities and up to 25% in global bonds. The remaining assets will be invested in deposits as appropriate.

The Investment Portfolio has a high risk profile.

The Underlying Policy was issued by the Insurer in Hong Kong. Your investment in the Investment Portfolio, if any, is therefore subject to the credit risks of the Insurer.

The Insurer determines the risk profile of the Underlying Policy, which is for your reference only. The risk profile is based on relative exposure to equities/bonds (including an assessment of historical performance/volatility) and will be reviewed on an annual basis. Currently, the assets under the Investment Portfolio invest in the Underlying Fund via the Underlying Policy. Hence, the Investment Portfolio has the same investment objectives and strategies as the Underlying Fund, including the investment restrictions related to securities lending, borrowing restrictions, and financial futures contracts and options contracts.

Investment and borrowing restrictions

The investment manager of the Underlying Fund may borrow for the account of the Underlying Fund for liquidity purposes to meet realizations of units relating to the Underlying Fund and for other limited purposes to the extent permitted by the General Regulation, including in limited circumstances to settle a transaction relating to the acquisition of securities or other investments in respect of the Underlying Fund. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings to the extent permitted by the General Regulation.

The investment manager of the Underlying Fund may only enter into financial futures and options contracts on account of the Underlying Fund for hedging purposes.

Please refer to section **3.2** 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
- Political, economic and social risk
- Interest rate risk
- Market risk
- Emerging markets risk
- Accounting standards and disclosure
- Currency risk
- Company-specific/ securities risk
- Credit risk
- Counterparty risk
- Investment grade bond/ downgrading 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
- Sovereign debt risks
- Valuation risks
- Credit rating risk
- Eurozone risks
- Custodial risk
- Hedging risk
- Risks relating to investing solely in a single underlying fund
- Risks of investing in collective investment schemes
- Risks associated with investments/ exposure to RMB currency and/or Mainland China
- Risk of investing in CIBM and/or Bond Connect
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio <u>and</u> Underlying Fund levels)	1.97% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0% (maximum 0.5%) p.a. Custodian fee: N/A Administration fee: US$850 per month (maximum 0.5% p.a.)
Total fees and charges	Actual: 1.97% p.a. plus administration fee at the Underlying Fund level
	Maximum: Up to 2.97% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **5.2(b)** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. Valuation arrangement

Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

The net asset value per unit of the Underlying Policy is calculated by valuing the assets held in respect of the Underlying Policy, deducting the liabilities attributable to the Underlying Policy and dividing the resultant sum by the number of units of the Underlying Policy in issue.

2. Pricing arrangement

The bid price of a unit of the Underlying Policy on a valuation date is the net asset value per unit rounded down to the nearest cent. The offer price of a unit of the Underlying Policy on a valuation date is the aggregate of a preliminary charge and net asset value. This preliminary charge, which will be of a certain percentage of the offer price, may be charged by the insurer of the Underlying Policy on the issue of each unit on a valuation date at which the offer price of such unit is ascertained. Currently, this preliminary charge is waived for the Principal CPF.

Please note that the unit price may fall as well as rise. Market movements and currency movements may cause the value of the assets held in respect of the Investment Portfolio to fall as well as rise.

3. Dealing arrangement

Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

- The unit price of the Investment Portfolio will be published on https://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 - RCM HONG KONG FUND POLICY

Quick facts

Product provider:	Principal Insurance Company (Hong Kong) Limited
Trustee:	Principal Trust Company (Asia) Limited
Base currency:	HKD
Dealing frequency:	Daily

Objectives and investment policy

Objectives

The Principal - RCM Hong Kong Fund Policy (the "**Investment Portfolio**") aims to assist you in achieving long term capital growth by investing primarily in Hong Kong equities, including Chinese securities listed in Hong Kong.

Investment policy

The Investment Portfolio pursues its investment objective by investing in an insurance policy issued by Principal Insurance Company (Hong Kong) Limited (the "**Insurer**") (the "**Underlying Policy**"), which in turn invests in the Allianz Global Investors Choice Fund – Allianz Choice Hong Kong Fund (the "**Underlying Fund**"). The Investment Portfolio, via the Underlying Policy and the Underlying Fund, invests in a diversified portfolio of Hong Kong equities. Normally the assets remain fully invested in Hong Kong equities and where market conditions make it appropriate, cash or short term deposits may be held. Any holding of cash or short term deposits is to provide liquidity and/or for any other purpose as the investment manager of the Allianz Global Investors Choice Fund considers appropriate.

The Underlying Policy was issued by the Insurer. Your investment in the Investment Portfolio, if any, is therefore subject to the credit risks of the Insurer.

The Investment Portfolio, due to its very high exposure to equities via its investments in the Underlying Policy and the Underlying Fund, has a high risk profile in terms of fluctuations in the value of the assets of the Investment Portfolio. The Insurer determines the risk profile of the Underlying Policy, which is for your reference only. The risk profile is based on relative exposure to equities/ cash/short term deposits (including an assessment of historical performance/volatility) and will be reviewed on an annual basis. Therefore, the return on the Underlying Policy and therefore the Investment Portfolio may fluctuate significantly, particularly in the short term. In the long term, however, its return is expected to be in line with its investment objective.

Investment and borrowing restrictions

Please refer to section **3.2** of the Principal Brochure headed "**INVESTMENT AND BORROWING RESTRICTIONS**" for details relating to the investment and borrowing restrictions of the Investment Portfolio.

Further, the investment manager of the Underlying Fund may not on behalf of the Underlying Fund borrow more than 10% of the Underlying Fund's total NAV prior to the time of borrowing and any such borrowing must comply with the General Regulation. Subject to any contrary provision of the MPF legislation, back-to-back loans shall not be taken into account when determining whether or not these limits have been breached by the Underlying Fund.

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
- Political, economic and social risks
- Market risk
- Company-specific/ securities risk
- Concentration risk
- Risks associated with financial derivative instruments
- Custodial risk
- Liquidity risk
- Valuation risks
- Termination risk
- Risks associated with Foreign Account Tax Compliance Act ("**FATCA**")
- Risks relating to investing solely in a single underlying [fund / investment vehicle]

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 (as a % of the NAV of the Underlying Fund)
Management charge (inclusive of the management fee and, where applicable, investment charge, at the Investment Portfolio and Underlying Fund levels)	1.93% p.a.
Trustee, custodian and administration fee (at the Underlying Fund level)	Trustee fee: 0.07% (maximum 0.25%) p.a. Custodian fee: N/A Administration fee: N/A
Total fees and charges	Actual: 2% p.a.
	Maximum: Up to 2.18% p.a.

For other expenses which may be paid out in respect of the Investment Portfolio, please refer to section **[5.2(b)]** of the Principal Brochure headed "**Other expenses**" for details.

Valuation, pricing and dealing arrangements

1. Valuation arrangement

Please refer to section **7.3** of the Principal Brochure headed "**VALUATION AND REDEMPTION OF INVESTMENTS**" for details relating to the valuation and the suspension of valuation of the Investment Portfolio.

The net asset value per unit of the Underlying Policy is calculated by valuing the assets held in the Underlying Policy, deducting the liabilities of the Underlying Policy and dividing the resultant sum by the number of units of the Underlying Policy in issue.

2. **Pricing arrangement**

The bid price of a unit of the Underlying Policy on a valuation date is the net asset value per unit rounded down to the nearest cent. The offer price of a unit of the Underlying Policy on a valuation date is the aggregate of a preliminary charge and net asset value. This preliminary charge, which will be of a certain percentage of the offer price, may be charged by the insurer of the Underlying Policy on the issue of each unit on a valuation date at which the offer price of such unit is ascertained. Currently, this preliminary charge is waived for the Principal CPF.

Please note that the unit price may fall as well as rise. Market movements and currency movements may cause the value of the assets held in respect of the Investment Portfolio to fall as well as rise.

3. **Dealing arrangement**

Please refer to section **3.5** of the Principal Brochure headed "**INVESTMENT SWITCHING**" for details in relation to switching of Investment Portfolios.

Additional information

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

Important

Further details of the investment objective and policy, latest composition and the risk factors of the Underlying Fund are set out in their offering documents (including the Product Key Facts Statement), which can be obtained by accessing the website of the Underlying Fund's manager at https://hk.allianzgi.com/en/retirement/downloads/fund-literature.

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

9. GLOSSARY

“APIF”	means approved pooled investment fund as defined under the General Regulation.
“China Life”	means China Life Insurance (Overseas) Company Limited.
“CIBM”	means the China interbank bond market.
“Connected Person”	has the same meaning ascribed to it in the PRF Code.
“Employee’s Accumulation Account”	means an account as described under sub-section 6.3(a) of this Principal Brochure.
“Employer’s Accumulation Account”	means an account as described under sub-section 6.3(a) of this Principal Brochure.
“Exemption Regulation”	means the Mandatory Provident Fund Schemes (Exemption) Regulation (Cap. 485B of the Laws of Hong Kong).
“FATCA”	means the Foreign Account Tax Compliance Act 2010.
“General Regulation”	means the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485A of the laws of Hong Kong).
“HK$”	means Hong Kong dollars.
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC.
“Investment Advisor” or **“PAM”**	means Principal Asset Management Company (Asia) 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 Principal CPF.
“ITCIS”	means index-tracking collective investment scheme as defined under the General Regulation.
“Master Trust Deed”	means the master trust deed constituting Principal CPF, as amended from time to time.
“member”	means an employee under a participating scheme.
“MPF Ordinance”	means the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong).
“MPF”	means Mandatory Provident Fund.
“MPFA”	means the Mandatory Provident Fund Schemes Authority.
“NAV”	means net asset value.
“ORSO”	means the Occupational Retirement Schemes Ordinance (Cap. 426 of the laws of Hong Kong).
“participating scheme”	means an individual scheme established under Principal CPF.
“PGI Europe”	means Principal Global Investors (Europe) Limited.
“PGI HK”	means Principal Global Investors (Hong Kong) Limited.
“PGI US”	means Principal Global Investors, LLC.

“PIC”	means Principal Insurance Company (Hong Kong) Limited.
“PRC”	means the People’s Republic of China.
“PRF Code”	means the Code on Pooled Retirement Funds issued by the SFC.
“Principal Brochure”	means the principal brochure of the Principal CPF.
“Product Key Facts Statement”	means a product key fact statement of an SFC authorized scheme prepared pursuant to paragraph 6.2A of the UT Code.
“Product Provider”	has the same meaning ascribed to it in the PRF Code.
“Principal CPF”	means the Principal Central Provident Fund.
“Reserve Account”	means an account as described under section 6.3(b) of this Principal Brochure.
“SFC”	means the Securities and Futures Commission.
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).
“The Principal”	means The Principal Financial Group®.
“Trustee”	means Principal Trust Company (Asia) Limited.
“USA”	means the United States of America.
“US$”	means USA dollars.
“UT Code”	means the Code on Unit Trusts and Mutual Funds issued by the SFC.

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