

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 participating employers, employee members, self-employed persons, SVC members and personal account members of Principal MPF – Smart Plan (collectively, "Scheme Participants").

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

Terms used in this notice have the same meaning as in the latest version of the MPF Scheme Brochure of the Principal MPF - Smart Plan (the "**Plan**"), unless otherwise defined.

This table summarises the key changes ("Changes**") which are elaborated in the main body of this notice:**

What are the Changes?

(a) The Changes are mainly related to the Principal – Hang Seng Index Tracking Fund (the "Principal – HSI Fund") and the Principal Dynamic Hong Kong Equity Fund (the "Principal Dynamic HKEF") (collectively, the "Affected CFs", and individually, an "Affected CF").

(b) Change of investment manager of the Principal – HSI Fund

Currently, the investment manager of the Principal – HSI Fund is State Street Global Advisors Asia Limited ("State Street"), while Principal Asset Management Company (Asia) Limited ("PAM") is the investment manager of the remaining constituent funds under the Plan. In order to streamline the investment management arrangement of the constituent funds under the Plan, State Street will retire as investment manager of the Principal – HSI Fund and PAM will replace State Street and be appointed as the investment manager of the Principal – HSI Fund. Accordingly, with effect from 16 August 2021 (the "Effective Date"), State Street will cease to be the investment manager of the Principal – HSI Fund and PAM will become the sole investment manager of the constituent funds (including the Principal – HSI Fund) under the Plan.

(c) Change of investment policy of the Principal Dynamic HKEF

Currently, the investment policy of the Principal Dynamic HKEF provides that the Principal Dynamic HKEF normally invests 95% of its assets in Hong Kong equities. With effect from the Effective Date and with a view to broadening the investment universe, the investment policy of the Principal Dynamic HKEF will be changed so that it will normally invest 70% to 95% of its assets in Hong Kong equities and less than 30% of its assets in eligible China A-Shares and B-Shares.

Correspondingly, the specific risk factor titled "Risks associated with investments in PRC securities" has been updated to enhance the disclosure and reflect ongoing regulatory developments in the China A-shares market.

How will the Changes impact the Scheme Participants?

- (d) All costs and expenses associated with the Changes will be borne by PAM and will not be borne by the Plan or the Scheme Participants.
- (e) For the reasons set out in (b) to (d) above, we are of the view that the Changes should not have an adverse impact on the Scheme Participants.

Any actions required of the Scheme Participants?

- (f) No action is required of the Scheme Participant to effect the Changes.
- (g) Scheme Participants who do not wish to be involved in the Changes may transfer out of the Plan (in the case of the participating employers, self-employed persons, SVC members or personal account holders) or switch their existing investments in the Affected CF(s) to other constituent fund(s) under the Plan and / or change the investment mandate in respect of any new contributions and transfer-in benefits. Please refer to section 4 for more details.

Contact details

- (h) If Scheme Participants have any queries in relation to the Changes, they may contact our Customer Service Hotline at 2802 2812 or 2885 8011.

Dear Scheme Participants,

Changes to the Plan

Thank you for your continuous support. We would like to inform you of the following changes in respect of the Plan.

1. Change of investment manager of the Principal – HSI Fund

- 1.1 Currently, the investment manager of the Principal – HSI Fund is State Street, while PAM is the investment manager of the remaining constituent funds under the Plan. In order to streamline the investment management arrangement of the constituent funds under the Plan, State Street will retire as the investment manager of the Principal – HSI Fund and PAM will replace State Street and be appointed as the investment manager of the Principal – HSI Fund. PAM already serves as the investment manager for another index-tracking constituent fund under a separate MPF scheme (namely, the Principal Hang Seng Index Tracking Fund under the Principal MPF Scheme Series 800). PAM has the relevant expertise and know-how necessary to manage the index-tracking Principal – HSI Fund. With effect from the Effective Date, State Street will cease to be the investment manager of the Principal – HSI Fund and PAM will become the sole investment manager of the constituent funds (including the Principal – HSI Fund) under the Plan.
- 1.2 Upon the Effective Date, PAM will assume the same rights, duties, obligations and liabilities applicable to State Street in its capacity as investment manager of the Principal – HSI Fund.
- 1.3 We believe that the change of investment manager will lead to an increase in operational efficiency and overall cost-effectiveness, which will benefit all Scheme Participants.

2. Change of investment policy - Principal Dynamic HKEF

2.1 With effect from the Effective Date, the investment policy of the Principal Dynamic HKEF will be changed in the manner as follows (note: additions are underlined):

Investment policy of the Principal Dynamic HKEF	
<i>Before the Effective Date</i>	<i>On and after the Effective Date</i>
The Principal Dynamic Hong Kong Equity Fund pursues its investment objective by investing in two or more APIFs and/or ITCISs, which in turn, invest in a diversified portfolio of Hong Kong equities. Such APIFs and ITCISs may or may not be managed by PAM and/or its affiliates. Normally 95% of the assets of the Principal Dynamic Hong Kong Equity Fund will be invested in Hong Kong equities, while the remaining will be held in cash or short-term deposits. Any holding of cash or short-term deposits is to provide liquidity and/or for any other purpose as PAM considers appropriate.	The Principal Dynamic Hong Kong Equity Fund pursues its investment objective by investing in two or more APIFs and/or ITCISs, which in turn, invest in a diversified portfolio of Hong Kong equities. Such APIFs and ITCISs may or may not be managed by PAM and/or its affiliates. Normally <u>70% to</u> 95% of the assets of the Principal Dynamic Hong Kong Equity Fund will be invested in Hong Kong equities, <u>less than 30% in eligible China A-Shares and B-Shares</u> , while the remaining will be held in cash or short-term deposits. Any holding of cash or short-term deposits is to provide liquidity and/or for any other purpose as PAM considers appropriate.

2.2 With a view to broadening the universe of investible assets, PAM, the investment manager of the Principal Dynamic HKEF, will be provided with greater flexibility in allocating fund assets towards investments in A-shares and B-shares.

2.3 This is in line with market developments, whereby China's market reforms and increased accessibility, together with increased participation by global investors in the Chinese stock market, have led to China listed shares' outperformance of global equities in recent years and provided risk diversification. As the world's second largest economy, China's significance to investors is important. With China's economy forecasted for growth, the Chinese stock market represents a direct way of accessing these economic opportunities. Key indices like the MSCI have also been increasingly adding A-shares into emerging-market indices.

2.4 With greater availability of Chinese equities, the Principal Dynamic HKEF aims to devote more resources to navigate China exposure within the emerging-market opportunity set and explore the potential for increasing China allocations.

2.5 We confirm that, notwithstanding the change of investment policy of the Principal Dynamic HKEF, its investment objective will remain unchanged.

3. Impacts on the Plan and Scheme Participants

3.1 No suspension of dealing or services is required to effect the Changes. Also, all costs and expenses associated with the Changes will be borne by PAM and will not be borne by the Plan or Scheme Participants.

3.2 In addition, the Plan will continue to operate in the same manner as it currently operates and the management of the Plan will not be affected. Also, the fee level and the structure of fees and charges of the Plan will remain unaffected by the Changes.

3.3 We confirm that the Changes will not have any adverse impact on the Plan or the interests of Scheme Participants. We also confirm that the Changes will be in the interests of Scheme Participants and the interests of Scheme Participants will be adequately protected and will not be prejudiced in this exercise.

4. Actions required of Scheme Participants

- 4.1 No action is required of Scheme Participants to effect the Changes.
- 4.2 A Scheme Participant who is an employee member may transfer his accrued benefits derived from the employee's mandatory contributions under the employee choice arrangement once in every calendar year.
- 4.3 Alternatively, a Scheme Participant who is an employee member, self-employed person, SVC member or personal account member who does not wish to be involved in the Changes from the Effective Date may (i) switch their existing investment in the Affected CF(s) to other constituent fund(s) under the Plan, and / or (ii) change his / her investment mandate in respect of any new contributions and transfer-in benefits by submitting to the Trustee a validly completed instruction by 4:00 p.m. on the business day immediately before the Effective Date. In particular, Scheme Participants should refer to the "required time to complete (after the date of receipt of complete instruction)" relating to switching instructions as set out in the "Trustee Service Comparative Platform" in the Mandatory Provident Fund Schemes Authority's website before submitting the switching instruction.
- 4.4 In addition, a Scheme Participant (other than an employee member) who does not wish to be involved in the Changes from the Effective Date may opt out of the Plan by giving a prior written notice in accordance with sub-section "6.9 Transfers to and from other schemes" of the MPF Scheme Brochure of the Plan.
- 4.5 There will be no fees or penalty, bid / offer spread or transfer fee imposed on any transfer out of the Plan or switching / change of investment mandate instruction described in this section 4. The Scheme Participants should review all terms and conditions under the Plan and constituent funds before making any decision.

* * *

The MPF Scheme Brochure of the Plan will be amended by way of the First Addendum to reflect the Changes. You may access the updated MPF Scheme Brochure on our website at www.principal.com.hk or request a copy of it by contacting our Customer Service Hotline at 2802 2812 or 2885 8011.

If you have any queries in relation to the Changes, please contact our Customer Service Hotline at 2802 2812 or 2885 8011.

Principal Trust Company (Asia) Limited

14 May 2021