

Annual Report and Audited Financial Statements

PRINCIPAL MPF SCHEME SERIES 600

31 December 2019

PRINCIPAL MPF SCHEME SERIES 600

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PRINCIPAL MPF SCHEME SERIES 600

DIRECTORY OF PARTIES

Trustee and Administrator

Principal Trust Company (Asia) Limited
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Sponsor

Principal Insurance Company (Hong Kong) Limited
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Investment Manager

Principal Asset Management Company (Asia) Limited
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Custodian

Citibank, N.A.
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Principal Age 65 Plus Fund
Principal Aggressive Strategy Fund
Principal Asian Bond Fund
Principal Core Accumulation Fund
Principal Global Growth Fund
Principal Long Term Accumulation Fund
Principal Long Term Guaranteed Fund
Principal Stable Yield Fund

Market Review

Data remained uneven but with some signs of bottoming out. Financial conditions were at their easiest. Macroeconomic surprises remained positive in November and December 2019. US employment was strong. Our leading indicator for global industrial production edged up but continued to signal sub-trend output growth. A sustained recovery will impact Purchasing Managers' Index (PMI) positively. However, our global manufacturing PMI (provisional) remained in contractionary territory at 48.4 vs 48.8. US ISM manufacturing PMI disappointed the most at 47.2, its lowest since the global financial crisis.

Global Equities recorded broad-based gains with 38 out of 40 markets rising, led by China/EMs. Median local currency return was 2.7% which took the median year to date return to 19% vs -11% in 2018. Fixed Income: 19 out of the 29 countries we track ended with higher yields. Negative yielding debt declined to US\$11.3 trillion from US\$12.3 trillion. Returns from spread products were strong but treasuries delivered modestly negative returns. For 2019, both treasuries and spread products delivered strong returns in sharp contrast to their struggles during 2018.

Portfolio Strategy and Outlook

The portfolios are being managed in line with their strategic asset allocation targets. The equities exposure is diversified across US, Europe and Asia, while the bond portion is invested into investment grade US corporate bonds and Hong Kong bonds. The portfolios also carry some amount of short-term investments/cash for liquidity and risk purposes.

Principal MPF Conservative Fund
Principal HK Dollar Savings Fund

Market Review

HK domestic political situation remain fragile as protests continued in 4Q; US passed HK Human Rights and Democracy law which added to uncertainty. Overall monetary conditions were stable; monetary base increased by HK\$18 billion to HK\$1,663 billion while aggregate balance increased by HK\$13 billion to HK\$67 billion. 3-month HIBOR finished the quarter at 2.43% (+17bps) and 1-year HIBOR at 2.43% (+8bps) as HK liquidity tightened on IPOs and seasonal factors.

HK yields were higher at the longer end and underperformed US yields. 1-year HK Government bond yield ended at 1.83% (-8bps), 5-year at 1.74% (+53bps) and 10-year at 1.79% (+58bps). Part of HK yield curve remain inverted and curve steepened. 5-year Hong Kong Dollar Interest Rate Swaps and 10-year Hong Kong Dollar Interest Rate Swaps were up by 31 bps and 37 bps respectively to 1.97% and 2.05%. Markit's HK Bond Index returned -0.9% in 4Q19 bringing last 12months returns to 3.8%.

Portfolio Strategy and Outlook

Due to low interest rates, gross fund returns remain low. Our strategy of generating returns in excess of 3-month HIBOR continues to do well. FED cut rates in October and market is looking for 1 more cut in next 12 months. Both ECB and BOJ continue to pursue accommodative policies with ECB embarking on QE. US-China agreed on phase 1 deal but any further escalation in trade tensions may drag on sentiments and global growth. In case HK rates move lower on further FED cuts it may weigh on incremental return from reinvestments. However, with HK protests continue to take toll on the sentiments the risk of outflows from HK has risen. Any substantial outflows may push HKD rates higher on tightening liquidity.

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MANAGER'S REPORT (continued)

Principal Hang Seng Index Tracking Fund

Market Review

In 2019, the Hang Seng Index was up 13.6%. The Principal Hong Kong Index, the index of the Hong Kong equity portfolio, returned 13.4% this quarter. Materials, information technology, and consumer discretionary sectors outperformed, while utilities, energy, and consumer staples sectors lagged during the quarter. Hong Kong Markit PMI increase from 38.5 in November to 42.1 in December. Export growth recover a little to -1.4% in November versus -9.2% in October, and import growth was -5.8% in November versus -11.5% in October. Official CPI was at 3.0% in November, below estimates. Retail sales growth was -23.6% in terms of value and -25.4% in November, the third consecutive month we saw a -20% decrease.

Portfolio Strategy and Outlook

Hong Kong SAR's trade activities remained subdued in December. In the near term, the external trading environment is likely to remain challenging. Retail sales will continue to be impacted severely due to the prolonged protests. On China side, on December 13, the United States and China announced that an agreement on Phase I trade negotiations had been reached. On the domestic front, November data points came in above expectations and reinforce our view of a cyclical bottoming-out. Overall earnings revision remained positive in December. Therefore, we turned slightly more positive on China with a focus on domestic consumption opportunities.

For and on behalf of
Principal Asset Management Company (Asia) Limited



Hong Kong
19 June 2020

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INVESTMENT REPORT

Investment portfolio

<i>Constituent Funds</i>	<i>* Units</i>	2019		<i>% of net asset value</i>
		<i>Cost HK\$</i>	<i>Fair value HK\$</i>	
Principal Age 65 Plus Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Age 65 Plus Fund	4,978,955.8634	52,929,532	56,680,434	100.02%
Principal Aggressive Strategy Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Aggressive Strategy Fund	48,633,622.0966	949,564,767	1,204,591,598	100.22%
Principal Asian Bond Fund				
– Holdings in ABF Pan Asia Bond Index Fund	43,360.0000	39,366,952	40,316,804	60.03%
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Bond Fund (pension class)	1,829,572.8999	22,036,997	22,389,398	33.34%
– Principal Hong Kong Dollar Savings Fund (pension class)	227,069.6767	2,998,899	3,085,423	4.59%
Principal Core Accumulation Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Core Accumulation Fund	11,130,089.1103	122,063,549	136,481,607	100.24%
Principal MPF Conservative Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Asset Accumulation Fund	49,949,722.9722	718,257,607	752,053,021	100.16%
Principal Global Growth Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Global Growth Fund	66,033,175.4327	1,315,014,960	1,712,682,665	100.20%
Principal Hang Seng Index Tracking Fund				
– Holdings in Tracker Fund of Hong Kong	12,054,500.0000	311,136,593	342,950,525	99.88%
Principal Hong Kong Dollar Savings Fund				
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Dollar Savings Fund (pension class)	34,820,190.4457	449,884,529	473,136,748	100.13%
Principal Long Term Accumulation Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Long Term Accumulation Fund	19,980,195.6198	519,361,740	657,662,125	100.26%
Principal Long Term Guaranteed Fund				
– Holdings in Principal Guaranteed Umbrella Fund				
– Principal Long Term Guaranteed Fund	32,395,505.6250	556,224,515	741,737,517	100.23%
Principal Stable Yield Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Stable Yield Fund	33,387,195.9089	537,835,847	619,719,776	100.22%

* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

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INVESTMENT REPORT (continued)

Statement of movements in portfolio holdings

	<i>% of net assets as at 31 December 2019</i>	<i>% of net assets as at 31 December 2018</i>
<i>Constituent Funds</i>		
Principal Age 65 Plus Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Age 65 Plus Fund	100.02%	100.29%
Principal Aggressive Strategy Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Aggressive Strategy Fund	100.22%	100.22%
Principal Asian Bond Fund		
– Holdings in ABF Pan Asia Bond Index Fund	60.03%	50.92%
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Bond Fund (pension class)	33.34%	40.54%
– Principal Hong Kong Dollar Savings Fund (pension class)	4.59%	4.73%
Principal Core Accumulation Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Core Accumulation Fund	100.24%	100.17%
Principal MPF Conservative Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Asset Accumulation Fund	100.16%	99.94%
Principal Global Growth Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Global Growth Fund	100.20%	100.13%
Principal Hang Seng Index Tracking Fund		
– Holdings in Tracker Fund of Hong Kong	99.88%	99.71%
Principal Hong Kong Dollar Savings Fund		
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Dollar Savings Fund (pension class)	100.13%	100.08%
Principal Long Term Accumulation Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Long Term Accumulation Fund	100.26%	100.09%
Principal Long Term Guaranteed Fund		
– Holdings in Principal Guaranteed Umbrella Fund		
– Principal Long Term Guaranteed Fund	100.23%	100.08%
Principal Stable Yield Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Stable Yield Fund	100.22%	100.05%

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INVESTMENT REPORT (continued)

Investment income and performance

	2019										
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
Investment performance											
Net gains of investments - realised	748,375	33,811,836	1,068,313	2,092,143	7,782,358	52,095,506	4,999,180	6,626,886	19,657,184	15,773,974	11,148,259
Net gains of investments - unrealised	<u>3,819,549</u>	<u>149,197,215</u>	<u>1,546,090</u>	<u>16,541,572</u>	<u>8,602,688</u>	<u>178,887,926</u>	<u>23,078,420</u>	<u>4,611,110</u>	<u>57,043,408</u>	<u>38,600,111</u>	<u>48,813,620</u>
	2018										
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
Investment performance											
Net gains of investments - realised	65,778	58,154,527	13,947	1,026,769	6,456,490	78,716,328	13,951,283	5,558,702	24,702,824	14,202,821	11,575,258
Net gains/(losses) of investments - unrealised	<u>(558,841)</u>	<u>(220,184,213)</u>	<u>(297,384)</u>	<u>(6,929,111)</u>	<u>6,330,503</u>	<u>(258,654,845)</u>	<u>(55,993,358)</u>	<u>2,957,632</u>	<u>(75,222,003)</u>	<u>(33,647,708)</u>	<u>(41,401,960)</u>
	2017										
	#Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	#Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
Investment performance											
Net gains of investments - realised	49,695	40,416,327	154,388	342,365	4,969,811	61,296,774	8,071,039	7,762,437	21,918,756	14,532,765	8,522,785
Net gains/(losses) of investments - unrealised	<u>490,193</u>	<u>288,181,095</u>	<u>501,672</u>	<u>4,805,598</u>	<u>2,361,565</u>	<u>331,505,541</u>	<u>75,075,811</u>	<u>(1,010,036)</u>	<u>94,925,602</u>	<u>26,032,263</u>	<u>72,714,058</u>

These Constituent Funds were newly launched on 1 April 2017.

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INVESTMENT REPORT (continued)

Investment income and performance (continued)

	2019										
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
Income derived from investments											
Distribution income	-	-	1,017,062	-	-	-	10,780,965	-	-	-	-
Interest income	-	-	1,677	-	-	-	14	-	-	-	-
Other income	-	-	67,340	-	-	-	-	-	-	-	-
	2018										
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
Income derived from investments											
Distribution income	-	-	726,437	-	-	-	10,224,190	-	-	-	-
Interest income	-	-	1,068	-	-	-	16	-	-	-	-
Other income	-	-	46,871	-	-	-	-	-	-	-	-
	2017										
	#Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	#Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
Income derived from investments											
Dividend income	-	-	457,688	-	-	-	9,571,695	-	-	-	-
Interest income	-	-	407	-	-	-	15	-	-	-	-
Other income	-	-	30,308	-	-	-	-	-	-	-	-

These Constituent Funds were newly launched on 1 April 2017.

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INVESTMENT REPORT (continued)

Performance table

Investment record as at 31 December 2019

	Net asset value per unit			Total net asset value HK\$
	Class D HK\$	Class I HK\$	Class N HK\$	
Principal Age 65 Plus Fund	-	-	11.1015	56,669,077
Principal Aggressive Strategy Fund	22.8316	22.6959	-	1,201,945,169
Principal Asian Bond Fund	-	-	10.5412	67,156,014
Principal Core Accumulation Fund	-	-	11.9156	136,161,139
Principal MPF Conservative Fund	-	-	11.4464	750,870,149
Principal Global Growth Fund	25.0685	24.5962	-	1,709,199,342
Principal Hang Seng Index Tracking Fund	-	-	14.4334	343,349,305
Principal HK Dollar Savings Fund	11.2356	11.1975	-	472,541,344
Principal Long Term Accumulation Fund	20.2444	19.8637	-	655,926,282
Principal Long Term Guaranteed Fund	13.1577	12.6448	-	740,004,280
Principal Stable Yield Fund	18.6221	18.3919	-	618,361,419

Investment record as at 31 December 2018

	Net asset value per unit			Total net asset value HK\$
	Class D HK\$	Class I HK\$	Class N HK\$	
Principal Age 65 Plus Fund	-	-	10.1122	38,786,188
Principal Aggressive Strategy Fund	19.7109	19.6407	-	1,078,445,269
Principal Asian Bond Fund	-	-	10.0481	58,342,957
Principal Core Accumulation Fund	-	-	10.2254	98,895,919
Principal MPF Conservative Fund	-	-	11.3109	755,445,120
Principal Global Growth Fund	22.0747	21.7105	-	1,571,253,134
Principal Hang Seng Index Tracking Fund	-	-	12.9085	298,851,658
Principal HK Dollar Savings Fund	11.0778	11.0447	-	459,444,782
Principal Long Term Accumulation Fund	18.1710	17.8719	-	607,475,953
Principal Long Term Guaranteed Fund	12.4199	11.9955	-	729,890,730
Principal Stable Yield Fund	17.0824	16.9118	-	583,892,556

Investment record as at 31 December 2017

	Net asset value per unit			Total net asset value HK\$
	Class D HK\$	Class I HK\$	Class N HK\$	
#Principal Age 65 Plus Fund	-	-	10.3348	24,622,781
Principal Aggressive Strategy Fund	22.9491	22.9235	-	1,351,543,399
Principal Asian Bond Fund	-	-	10.0644	45,245,354
#Principal Core Accumulation Fund	-	-	10.9341	86,145,761
Principal MPF Conservative Fund	-	-	11.2307	720,580,140
Principal Global Growth Fund	24.9084	24.5560	-	1,900,356,349
Principal Hang Seng Index Tracking Fund	-	-	14.5453	323,172,665
Principal HK Dollar Savings Fund	10.9763	10.9464	-	414,076,211
Principal Long Term Accumulation Fund	19.9291	19.6477	-	695,943,999
Principal Long Term Guaranteed Fund	12.9404	12.5604	-	783,773,383
Principal Stable Yield Fund	18.1794	18.0418	-	632,082,343

These Constituent Funds were newly launched on 1 April 2017.

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INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2019

	Fund expense ratio (%) [#]	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund				
Class N	0.90%	11.1246	10.1171	9.78%
Principal Aggressive Strategy Fund				
Class D	1.31%	22.8721	19.3893	15.83%
Class I	1.55%	22.7368	19.3198	15.56%
Principal Asian Bond Fund				
Class N	1.04%	10.5412	10.0786	4.91%
Principal Core Accumulation Fund				
Class N	0.89%	11.9301	10.1440	16.53%
Principal MPF Conservative Fund				
Class N	0.99%	11.4464	11.3119	1.20%
Principal Global Growth Fund				
Class D	1.31%	25.1017	21.8151	13.56%
Class I	1.55%	24.6295	21.4548	13.29%
Principal Hang Seng Index Tracking Fund				
Class N	1.06%	15.0657	12.5121	11.81%
Principal HK Dollar Savings Fund				
Class D	0.99%	11.2356	11.0803	1.42%
Class I	1.03%	11.1975	11.0472	1.38%
Principal Long Term Accumulation Fund				
Class D	1.30%	20.2606	18.0475	11.41%
Class I	1.54%	19.8801	17.7501	11.14%
Principal Long Term Guaranteed Fund				
Class D	2.55%	13.1704	12.4217	5.94%
Class I	3.05%	12.6578	11.9967	5.41%
Principal Stable Yield Fund				
Class D	1.30%	18.6291	17.0420	9.01%
Class I	1.54%	18.3993	16.8715	8.75%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

The fee and charges of an investment in a listed REIT are not regarded as the underlying fund costs as defined under E3.9 of the Disclosure Code of an APIF for the purposes of calculating FER.

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INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2018

	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund				
Class N	0.96%	10.4360	10.0186	(2.15)%
Principal Aggressive Strategy Fund				
Class D	1.32%	24.7493	19.3087	(14.11)%
Class I	1.56%	24.7173	19.2409	(14.32)%
Principal Asian Bond Fund				
Class N	1.05%	10.1823	9.7481	(0.16)%
Principal Core Accumulation Fund				
Class N	0.99%	11.4088	9.9849	(6.48)%
Principal MPF Conservative Fund				
Class N	1.02%	11.3109	11.2307	0.71%
Principal Global Growth Fund				
Class D	1.31%	26.4816	21.7137	(11.38)%
Class I	1.55%	26.1026	21.3565	(11.59)%
Principal Hang Seng Index Tracking Fund				
Class N	1.05%	16.1245	12.3524	(11.25)%
Principal HK Dollar Savings Fund				
Class D	1.01%	11.0777	10.9778	0.92%
Class I	1.04%	11.0446	10.9478	0.90%
Principal Long Term Accumulation Fund				
Class D	1.31%	20.8703	17.9385	(8.82)%
Class I	1.55%	20.5720	17.6440	(9.04)%
Principal Long Term Guaranteed Fund				
Class D	2.57%	13.0042	12.3305	(4.02)%
Class I	3.06%	12.6176	11.9102	(4.50)%
Principal Stable Yield Fund				
Class D	1.30%	18.7608	16.9313	(6.03)%
Class I	1.54%	18.6155	16.7629	(6.26)%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2017

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
#Principal Age 65 Plus Fund			
Class N	10.3493	9.9957	3.35%
Principal Aggressive Strategy Fund			
Class D	22.9525	17.9099	28.61%
Class I	22.9271	17.9323	28.30%
Principal Asian Bond Fund			
Class N	10.1351	9.5862	4.70%
#Principal Core Accumulation Fund			
Class N	10.9431	9.9802	9.34%
Principal MPF Conservative Fund			
Class N	11.2307	11.2298	0.01%
Principal Global Growth Fund			
Class D	24.9116	20.2799	23.14%
Class I	24.5594	20.0395	22.85%
Principal Hang Seng Index Tracking Fund			
Class N	14.6458	10.5793	38.71%
Principal HK Dollar Savings Fund			
Class D	10.9920	10.9237	0.49%
Class I	10.9631	10.8972	0.46%
Principal Long Term Accumulation Fund			
Class D	19.9311	16.9164	17.97%
Class I	19.6498	16.7162	17.69%
Principal Long Term Guaranteed Fund			
Class D	12.9795	12.4931	3.65%
Class I	12.6158	12.1856	3.14%
Principal Stable Yield Fund			
Class D	18.1807	16.1027	12.93%
Class I	18.0432	16.0189	12.66%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

These Constituent Funds were newly launched on 1 April 2017.

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INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2016

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Aggressive Strategy Fund			
Class D	18.6768	15.6058	1.41%
Class I	18.7148	15.6590	1.16%
Principal Asian Bond Fund			
Class N	10.2161	9.5726	(1.16)%
Principal MPF Conservative Fund			
Class N	11.2299	11.2291	0.01%
Principal Global Growth Fund			
Class D	21.1970	18.2826	1.42%
Class I	20.9616	18.1038	1.18%
Principal Hang Seng Index Tracking Fund			
Class N	11.5194	8.5892	2.39%
Principal HK Dollar Savings Fund			
Class D	10.9481	10.8812	0.12%
Class I	10.9224	10.8577	0.09%
Principal Long Term Accumulation Fund			
Class D	17.7474	15.7713	1.46%
Class I	17.5508	15.6173	1.22%
Principal Long Term Guaranteed Fund			
Class D	12.8920	12.3237	(0.54)%
Class I	12.5948	12.0771	(1.03)%
Principal Stable Yield Fund			
Class D	16.9278	15.4506	1.25%
Class I	16.8531	15.4058	1.01%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2015

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Aggressive Strategy Fund			
Class D	20.1222	16.7508	(2.42)%
Class I	20.2274	16.8233	(2.65)%
Principal Asian Bond Fund			
Class N	9.9379	9.5666	(0.42)%
Principal MPF Conservative Fund			
Class N	11.2291	11.2273	0.02%
Principal Global Growth Fund			
Class D	22.2620	19.2432	(2.84)%
Class I	22.0862	19.0718	(3.07)%
Principal Hang Seng Index Tracking Fund			
Class N	13.0076	9.6347	(5.33)%
Principal HK Dollar Savings Fund			
Class D	10.9570	10.8953	(0.02)%
Class I	10.9349	10.8731	(0.05)%
Principal Long Term Accumulation Fund			
Class D	18.1305	16.2702	(2.89)%
Class I	17.9874	16.1255	(3.12)%
Principal Long Term Guaranteed Fund			
Class D	13.0017	12.5037	(0.99)%
Class I	12.7882	12.2771	(1.48)%
Principal Stable Yield Fund			
Class D	16.8786	15.7177	(2.94)%
Class I	16.8604	15.6842	(3.18)%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2014

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
#Principal Aggressive Strategy Fund			
Class D	19.0263	17.3753	1.26%
Class I	19.1589	17.4910	1.88%
Principal Asian Bond Fund			
Class N	9.8855	9.5386	1.82%
Principal MPF Conservative Fund			
Class N	11.2273	11.2079	0.17%
Principal Global Growth Fund			
Class D	21.5660	19.6882	(0.17)%
Class I	21.4281	19.5890	(0.41)%
Principal Hang Seng Index Tracking Fund			
Class N	11.5378	9.4729	4.32%
Principal HK Dollar Savings Fund			
Class D	10.9255	10.8606	0.23%
Class I	10.9054	10.8423	0.19%
Principal Long Term Accumulation Fund			
Class D	17.9505	16.7400	(0.42)%
Class I	17.8357	16.6558	(0.65)%
Principal Long Term Guaranteed Fund			
Class D	12.7738	12.4416	1.75%
Class I	12.6050	12.3114	1.24%
#Principal Stable Yield Fund			
Class D	17.0989	16.2997	(1.49)%
Class I	17.1119	16.2966	(1.52)%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR (unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year (for terminated Constituent Fund/ fully redeemed class during the year) OR (unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception (for newly launched Constituent Fund/ class)

This Constituent Fund was newly launched on 27 March 2014.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2013

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
#Principal Asian Bond Fund			
Class N	10.0194	9.4569	(4.08)%
Principal MPF Conservative Fund			
Class N	11.2078	11.2071	0.01%
Principal Global Growth Fund			
Class D	20.5616	18.1581	11.41%
Class I	20.4629	18.0934	11.14%
Principal Hang Seng Index Tracking Fund			
Class N	10.7106	8.8622	4.75%
Principal HK Dollar Savings Fund			
Class D	10.8876	10.8060	0.73%
Class I	10.8706	10.7937	0.67%
Principal Long Term Accumulation Fund			
Class D	17.2183	15.6457	7.17%
Class I	17.1357	15.5900	6.91%
Principal Long Term Guaranteed Fund			
Class D	12.7006	12.1042	(0.46)%
Class I	12.6159	12.0146	(0.96)%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

This Constituent Fund was newly launched on 15 April 2013.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2012

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal MPF Conservative Fund			
Class N	11.2074	11.2029	0.04%
Principal Global Growth Fund			
Class D	18.5127	15.9706	15.92%
Class I	18.4695	15.9539	15.64%
Principal Hang Seng Index Tracking Fund			
Class N	9.9503	7.9241	24.89%
Principal HK Dollar Savings Fund			
Class D	10.8087	10.7912	0.15%
Class I	10.7985	10.7901	0.05%
Principal Long Term Accumulation Fund			
Class D	16.1153	14.3308	12.50%
Class I	16.0777	14.3301	12.23%
Principal Long Term Guaranteed Fund			
Class D	12.5323	11.8090	6.16%
Class I	12.4738	11.8079	5.63%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2011

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal MPF Conservative Fund			
Before 29 December 2011	11.2029	11.2000	0.01%
Class N (After 29 December 2011)	11.2029	11.2029	-
Principal Global Growth Fund			
Before 29 December 2011	18.4699	14.8105	(8.89)%
Class D (After 29 December 2011)	15.9217	15.9004	0.13%
Class I (After 29 December 2011)	15.9215	15.9004	0.13%
Principal Hang Seng Index Tracking Fund			
Before 29 December 2011	10.2585	7.0432	(18.05)%
Class N (After 29 December 2011)	7.9466	7.9217	0.07%
Principal HK Dollar Savings Fund			
Before 29 December 2011	10.8359	10.7903	(0.40)%
Class D (After 29 December 2011)	10.7921	10.7917	-
Class I (After 29 December 2011)	10.7921	10.7917	-
Principal Long Term Accumulation Fund			
Before 29 December 2011	15.9724	13.5871	(5.18)%
Class D (After 29 December 2011)	14.2815	14.2635	(0.57)%
Class I (After 29 December 2011)	14.2814	14.2635	(0.57)%
Principal Long Term Guaranteed Fund			
Before 29 December 2011	12.1318	11.5329	0.38%
Class D (After 29 December 2011)	11.7922	11.7780	0.12%
Class I (After 29 December 2011)	11.7921	11.7780	0.12%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2010

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal MPF Conservative Fund	11.2021	11.2009	0.01%
Principal Global Growth Fund	17.7811	14.2901	11.80%
#Principal Hang Seng Index Tracking Fund	10.5000	9.5577	(3.34)%
Principal HK Dollar Savings Fund	10.8986	10.8353	(0.56)%
Principal Long Term Accumulation Fund	15.5238	12.8872	9.80%
Principal Long Term Guaranteed Fund	12.0648	10.9851	6.04%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Constituent Fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Constituent Fund/ class)

This Constituent Fund was newly launched on 21 October 2010.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies

Principal Age 65 Plus Fund

Investment objective

The investment objective of the constituent fund is to provide stable growth for the retirement savings to members by investing in a globally diversified manner. The fund is denominated in Hong Kong dollars.

Investment structure

In order to achieve the investment objective, the constituent fund will invest in a unit trust Approved Pooled Investment Fund ("APIF"), Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund, which in turn invests in two or more passively or actively managed approved Index-Tracking Collective Investment Schemes ("ITCISs") and / or unit trust APIFs as allowed under the Mandatory Provident Fund Schemes (General) Regulation. The investment manager has the discretion, subject to the limits set out in the paragraph "Investment strategy" under this sub-section, to determine the allocation percentages of the investments into passively or actively managed ITCISs and / or unit trust APIFs.

Investment strategy

Through such underlying investment, the constituent fund will hold 20% of its net assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds and money market instruments). The asset allocation to Higher Risk Assets may vary between 15% and 25% due to differing price movements of various equity and bond markets. While the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund may invest into actively and / or passively managed approved ITCISs and / or APIFs, the constituent fund and the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund itself will be managed to a target of 20% Higher Risk Assets and 80% Lower Risk Assets, with strict adherence to the ranges above. With this strategy, the investment manager of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund may allocate the assets among the approved ITCISs and / or unit trust APIFs in such proportions at its discretion in the interest of the unitholders of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund.

<i>Asset allocation</i>	<i>Range</i>
Global Equity Securities	15 - 25%
Global Debt Securities	65 - 85%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 10%

Financial futures, option contracts and security lending

Neither the constituent fund nor the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund will enter into any securities lending agreement, repurchase agreement or enter into any financial futures contracts or financial options contracts.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Age 65 Plus Fund (continued)

Effective currency exposure to Hong Kong dollars

The constituent fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30% through currency hedging operations by entering into currency forward contracts at the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund level.

Risk and return profile

Due to the constituent fund's investments being mainly in Lower Risk Assets (such as global bonds and money market instruments), the risk profile of the constituent fund is generally regarded as moderate. The investment manager of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund determines the risk profile of the constituent fund, which is for your reference only. The risk profile is based on relative exposure to equities / bonds (including an assessment of historical performance / volatility of return) and will be reviewed annually. The return of the constituent fund is expected to be in line with the constituent fund's investment objective, and the constituent fund is expected to perform in line with the Reference Portfolio (as defined in the section headed "MPF Default Investment Strategy").

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Aggressive Strategy Fund

The objective of this fund is to seek long-term growth of capital through investing entirely in an Approved Pooled Investment Fund ("APIF"), Principal Aggressive Strategy Fund, a sub-fund of Principal Unit Trust Umbrella Fund. The APIF is established in the form of a unit trust and is also managed by the same Investment Manager as this fund. The APIF will in turn invest in two or more APIFs and/ or ITCISs, and in selecting these APIFs and ITCISs, the Investment Manager will review the appropriateness of the underlying investments in meeting the objective of this fund. Factors taken into consideration include, but are not limited to, the investment policies and objectives, portfolio strategies, historical performances, and liquidity of the underlying investments.

Through these underlying investments, the fund will invest primarily in equities and debt securities of different countries. The fund will provide an international exposure for investors' monies, with relatively more emphasis on equity investments. Investors in this fund share the foreign exchange gains and losses associated with funds owning securities denominated in U.S. dollars and currencies other than Hong Kong dollars. The risk profile of the fund is generally regarded as high. The fund is denominated in Hong Kong dollars.

The underlying APIF and the fund will not enter into any securities lending agreement, repurchase agreement or enter into financial futures contracts or financial options contracts.

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

<i>Asset allocation*</i>	<i>Range</i>
Equity Securities	60 – 100%
Debt Securities	0 – 40%
Cash & Short-term Investments (e.g. bills and deposits)	0 – 30%

<i>Geographic allocation*</i>	<i>Range</i>
Asia Pacific	0 – 75%
Europe	0 – 75%
North America	0 – 80%
South America	0 – 10%
Africa / Middle East	0 – 10%

The fund will maintain at least 30% in Hong Kong dollar currency investments, as measured by the "effective currency exposure" as defined in the Mandatory Provident Fund Schemes (General) Regulation, Schedule 1, Part III.

In the long term, the return of the fund is expected to exceed the inflation rates in Hong Kong.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Asian Bond Fund

The objective of this fund is to provide a return consisting of income and capital growth over medium to long term. The fund will invest in two or more APIFs (in the form of unit trusts) and/or approved ITCISs, each of which in turn makes direct investments. In selecting these APIFs and approved ITCISs, the Investment Manager will review the appropriateness of the underlying investments in meeting the objective of this fund. Factors taken into consideration include, but are not limited to, the investment policies and objectives, portfolio strategies, historical performances, and liquidity of the underlying investments.

Through these underlying investments, the fund will invest a majority of its assets in Asian debt securities, including (but not limited to) sovereign and/or non-sovereign, floating and/or fixed, of varying maturities issued by the government or by multi-lateral agencies or by companies, and denominated in major Asian currencies. The types of debt securities that the fund primarily intends to invest into are government bonds, corporate bonds/debentures, floating rate notes, bills, commercial papers and certificates of deposit. In addition, the fund will invest not more than 30% of its assets in time deposits or may hold cash.

Other than Hong Kong dollars, exposure to any single Asian currency, including (but not limited to) Chinese Yuan, South Korean Won, Singapore dollars, will not exceed 30% of the fund's total assets. During special circumstances, such as periods of uncertainty or high volatility in Asian debt securities markets, the fund may invest up to 20% of its assets in non-Asian currency assets to protect the fund. During periods of high volatility, Asian debt securities may be less liquid or with higher bid-offer spreads etc., making them more difficult and expensive to transact in the market. To help the fund maintain liquidity and buffer against market volatility, the investment manager may choose to invest in other non-Asian currency assets, such as U.S. Treasuries, non-Asian highly rated sovereign debt securities, which are more liquid and have lower bid offer spread etc.

The risk profile of the fund is generally regarded as moderate. Members should note that the investment in the fund is subject to downgrading risk i.e. debt securities ratings getting downgraded by rating agencies. As the fund takes exposure to various currencies at any given time, investors in this fund share the foreign exchange gains and losses associated with funds owning securities denominated in these currencies.

The fund is denominated in Hong Kong dollars. In the long term, the return of the fund is expected to be comparable to the inflation rates in Hong Kong.

The fund will not enter into any securities lending agreement, repurchase agreement nor will it enter into financial futures contracts or financial options contracts other than for hedging purpose.

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

<i>Asset allocation*</i>	<i>Range</i>
Debt securities	70 - 100%
Cash and time deposits	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
Asia	80 - 100%
Others	0 - 20%

The fund will maintain at least 30% in Hong Kong dollar currency investments, as measured by the "effective currency exposure" as defined in the Mandatory Provident Fund Schemes (General) Regulation, Schedule 1, Part III.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Core Accumulation Fund

Investment objective

The investment objective of the constituent fund is to provide capital growth to members by investing in a globally diversified manner. The constituent fund targets to hold 60% of its underlying assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds and money market instrument). The asset allocation of Higher Risk Assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. The constituent fund is denominated in Hong Kong dollars.

Investment structure

In order to achieve the investment objective, the constituent fund will invest in a unit trust APIF, Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund, which in turn invests in two or more passively or actively managed approved ITCISs and / or unit trust APIFs as allowed under the Mandatory Provident Fund Schemes (General) Regulation. The investment manager has the discretion, subject to the limits set out in the paragraph "Investment strategy" under this sub-section, to determine the allocation percentages of the investments of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund into passively or actively managed approved ITCISs and / or unit trust APIFs.

Investment strategy

Through such underlying investment, the constituent fund will hold 60% of its net assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds and money market instruments). The asset allocation to Higher Risk Assets may vary between 55% and 65% due to differing price movements of various equity and bond markets. While the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund may invest into actively and / or passively managed approved ITCISs and / or APIFs, the constituent fund and the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund itself will be managed to a target of 60% Higher Risk Assets and 40% Lower Risk Assets, with strict adherence to the ranges above. With this strategy, the investment manager may allocate the assets among the approved ITCISs and / or unit trust APIFs in such proportions at its discretion in the interest of the unitholders of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund.

<i>Asset allocation</i>	<i>Range</i>
Global Equity Securities	55 - 65%
Global Debt Securities	25 - 45%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 10%

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Core Accumulation Fund (continued)

Financial futures, option contracts and security lending

Neither the constituent fund nor the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund will enter into any securities lending agreement, repurchase agreement or enter into any financial futures contracts or financial options contracts.

Effective currency exposure to Hong Kong dollars

The constituent fund will maintain an effective currency exposure to Hong Kong dollars of not less than 30% through currency hedging operations at the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund level.

Risk and return profile

Due to the constituent fund's relatively high exposure to equities, the risk profile of the constituent fund is generally regarded as moderate to high. The investment manager of the Principal Unit Trust Umbrella Fund – Principal Core Accumulation Fund determines the risk profile of the constituent fund, which is for your reference only. The risk profile is based on relative exposure to equities / bonds (including an assessment of historical performance / volatility of return) and will be reviewed annually. Therefore, the return on the constituent fund may fluctuate, particularly in the short term. In the long term, however, the return is expected to be in line with the constituent fund's investment objective, and the constituent fund is expected to perform in line with the Reference Portfolio (as defined in the section headed "MPF Default Investment Strategy").

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal MPF Conservative Fund

The objective of this fund is to at least earn a net return equal to the "prescribed savings rate" (which is broadly the average rate of interest on a Hong Kong dollar savings account) determined by the Mandatory Provident Fund Schemes Authority.

The fund will invest in an investment fund which is established in the form of a unit trust. The investment fund is also an APIF. The investment fund will consist of a portfolio of bank deposits, short duration securities and high quality money market instruments denominated in Hong Kong dollars. The fund's exposure to capital gains and losses associated with interest rate fluctuations is mitigated because the fund will indirectly invest mainly in a variety of relatively short duration securities and bank deposits. The risk profile of the fund is generally regarded as low. The fund is denominated in Hong Kong dollars.

The fund may not enter into any financial futures contracts or financial options contracts.

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

<i>Asset allocation*</i>	<i>Range</i>
Certificates of deposit	0 - 95%
Debt securities	0 - 95%
Cash and short-term investments (e.g. bills and deposits)	0 - 100%

<i>Geographic allocation*</i>	<i>Range</i>
Hong Kong	100%

The investment in this fund is different from placing funds on deposits with a bank or deposit-taking company in that there is no guarantee on the capital value or interest on investment made in this fund. The fund is not subject to the supervision of the Hong Kong Monetary Authority.

In the long term, the return of the fund is expected to be similar to the bank saving rates in Hong Kong.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Global Growth Fund

The objective of this fund is to seek long-term growth of capital through investing in a balanced portfolio. This fund will invest in an APIF which is established in the form of a unit trust and is also managed by the Investment Manager. The APIF will in turn invest in two or more APIFs and/or Index-Tracking Collective Investment Schemes (as defined in Part I of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation) approved by the Hong Kong Mandatory Provident Fund Schemes Authority for investment by provident fund schemes registered under the Mandatory Provident Fund Scheme Ordinance ("ITCIS"), and in selecting these APIFs and ITCIS, the Investment Manager will seek to achieve the objective of this fund. Through these underlying investments, the fund will invest primarily in equities and debt securities of different countries. The fund will provide an international exposure for investors' monies using a balanced investment philosophy. It will normally target a larger allocation to equity investments than debt securities. Investors in this fund share the foreign exchange gains and losses associated with funds owning securities denominated in U.S. dollars and other currencies. The risk profile of the fund is generally regarded as moderate to high. The fund is denominated in Hong Kong dollars.

The fund may not enter into any financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of this fund are as follows:

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	30 - 90%
Debt securities	10 - 70%
Cash and short-term investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
Asia	0 - 75%
Europe	0 - 75%
North America	0 - 80%
South America	0 - 10%
Africa/Middle East	0 - 10%
Others	0 - 20%

The fund will maintain at least 30% in Hong Kong dollar currency investments, as measured by the "effective currency exposure" as defined in the Mandatory Provident Fund Schemes (General) Regulation, Schedule 1, Part III.

In the long term, the return of the fund is expected to exceed the inflation rates in Hong Kong.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Hang Seng Index Tracking Fund

The objective of this fund is to provide investment results that closely correspond to the performance of the Hang Seng Index through investing all or substantially all of the fund's assets in units of The Tracker Fund of Hong Kong, an approved Index – Tracking Collective Investment Scheme ("ITCIS"), which will in turn invest all or substantially all of its assets in equity securities listed on the Hong Kong Stock Exchange Limited. The fund is also denominated in Hong Kong dollars.

The fund will, through investing into the underlying ITCIS, maintain an effective currency exposure to Hong Kong dollars of not less than 30%.

The risk profile of fund is generally regarded as high. In the long term, the rate of return of the fund is expected to exceed the Hong Kong inflation rate.

The fund will not enter into financial futures and options contracts.

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

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	90 - 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 10%
 <i>Geographic allocation*</i>	 <i>Range</i>
Hong Kong	20 - 80%
China	20 - 80%

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Hong Kong Dollar Savings Fund

The objective of this fund is to earn a competitive short-to-medium term rate of return. The fund will invest in an investment fund which is established in the form of a unit trust. The investment fund is also an APIF. The investment fund will invest in a portfolio of high quality Hong Kong dollar short to medium duration debt securities. The investment fund may also hold assets denominated in U.S. dollars or other currencies. The risk profile of the fund is generally regarded as low. The fund is denominated in Hong Kong dollars.

The fund may not enter into any financial futures contracts or financial options contracts.

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

<i>Asset allocation*</i>	<i>Range</i>
Short-to-medium duration debt securities (e.g. certificates of deposits)	60 - 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 40%
 <i>Geographic allocation*</i>	 <i>Range</i>
Hong Kong	70 - 100%
United States	0 - 30%
Europe	0 - 30%
Others	0 - 20%

The fund will maintain at least 30% in Hong Kong dollar currency investments, as measured by the "effective currency exposure" as defined in the Mandatory Provident Fund Schemes (General) Regulation, Schedule 1, Part III.

In the long term, the return of the fund is expected to exceed the Hong Kong dollar bank saving rates in Hong Kong.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Long Term Accumulation Fund

The objective of this fund is to earn a competitive long-term total rate of return through investing in a balanced portfolio. This fund will invest in an APIF which is established in the form of a unit trust and is also managed by the Investment Manager. The investment fund will in turn invest in two or more APIFs and/or Index-Tracking Collective Investment Schemes (as defined in Part I of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation) approved by the Hong Kong Mandatory Provident Fund Schemes Authority for investment by provident fund schemes registered under the Mandatory Provident Fund Scheme Ordinance ("ITCIS"), and in selecting these APIFs and ITCIS, the Investment Manager will seek to achieve the objective of this fund. As the fund takes exposure to various currencies at any given time, investors in this fund share the foreign exchange gains and losses associated with funds owning these currencies. Because the fund indirectly owns fixed income securities, investors in the fund will experience gains and losses on these securities as interest rates fluctuate. The risk profile of the fund is generally regarded as moderate to high. The fund is denominated in Hong Kong dollars.

The selected APIFs will use an investment strategy which focuses on fundamental analysis in order to identify countries offering good relative value. Country research will focus on economic data such as GDP growth, inflation, monetary policy, etc. The global economic and individual countries' macroeconomics environment will be assessed before conducting the country asset allocation process.

Selection of fixed income securities is based on long-term, fundamental analysis. Through its underlying APIFs, the fund will invest in the global bond markets of a broad array of governments, provinces, government-supported entities as well as corporate issuance. Equity investments will be made in securities which as a group, appear to possess potential for appreciation in market value. Common stocks chosen for investment may include those of companies with above average sales and earnings growth. The policy of investing in securities which have a high potential for capital growth can mean that the assets of the fund may be subject to greater risk than securities which do not have such potential.

The fund may not enter into any financial futures contracts or financial options contracts.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Long Term Accumulation Fund (continued)

The target ranges of asset allocation and geographic allocation of this fund are as follows:

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	20 - 80%
Debt securities	15 - 75%
Cash and short-term investments (e.g. bills and deposits)	0 - 20%

<i>Geographic allocation*</i>	<i>Range</i>
United States	15 - 100%
Asia	0 - 85%
Europe	0 - 30%
Others	0 - 20%

The fund will maintain at least 30% in Hong Kong dollar currency investments, as measured by the "effective currency exposure" as defined in the Mandatory Provident Fund Schemes (General) Regulation, Schedule 1, Part III.

This fund is categorised as a balanced fund. While the short-term return may be volatile due to the risk inherited in its investments, the long-term rate of return is expected to be higher than that of a money market or a bond fund.

In the long term, the return of the fund is expected to be no less than the inflation rates in Hong Kong.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Long Term Guaranteed Fund

The objective of this fund is to provide a competitive long-term total rate of return, while providing a minimum guaranteed average annual return over the career of the Scheme members.

This type of guarantee is called a Long Term Guarantee, which adopts a longer-term investment philosophy. The Guarantor of the capital and the guaranteed rate of return for the fund is Principal Insurance Company (Hong Kong) Limited, the provider of the underlying insurance policy which is an APIF.

This fund will invest in an underlying APIF which is an insurance policy and is also managed by the Investment Manager. The underlying APIF will invest in two or more APIFs and/or Index-Tracking Collective Investment Schemes (as defined in Part I of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation) approved by the Hong Kong Mandatory Provident Fund Schemes Authority for investment by provident fund schemes registered under the Mandatory Provident Fund Scheme Ordinance ("ITCIS"). In selecting these APIFs and ITCIS, the Investment Manager will seek to achieve the objectives of the fund.

The selected APIFs are expected to use an investment strategy which focuses, among others, on fundamental analysis in order to identify the assets and the markets which are likely to offer good investment value. Such analysis should focus on economic issues such as GDP growth, inflation, monetary policy, currency analysis, valuations etc. At the security selection level, analysis would focus on both micro and macro factors. These factors include margins, revenues, earnings expectations etc.

The underlying investments of the APIFs and ITCIS will consist of debt and equity securities. These securities may be denominated in Hong Kong dollars, U.S. dollars or other currencies, and consistent with the overall risk-return objectives and permissible geographical allocation (as set out below) of the fund. Currently, the Hong Kong dollar is pegged to the U.S. dollar but the fund makes no assurance that this relationship will continue, necessitating flexibility for the Investment Manager to choose assets in other currencies. Exposure to assets denominated in any currency other than the Hong Kong dollar can bring potential gains or losses to the fund as the fund is denominated in Hong Kong dollars. As the fund indirectly owns debt and equity securities, members investing in this fund will experience gains and losses on these securities as markets fluctuate.

The fund may not enter into any financial futures contracts or financial options contracts.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Long Term Guaranteed Fund (continued)

The target ranges of asset allocation and geographic allocation of this fund are as follows:

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	10 - 55%
Debt securities	25 - 90%
Cash and short-term investments (e.g. bills and deposits)	0 - 20%

<i>Geographic allocation*</i>	<i>Range</i>
United States and Greater China	40 - 100%
Other Asia	0 - 50%
Europe	0 - 50%
Other countries	0 - 50%

The fund will maintain at least 30% exposure in Hong Kong dollar investments, as measured by the "Effective Currency Exposure" defined in the Mandatory Provident Fund Schemes (General) Regulation, Schedule 1, Part III.

This fund is categorised as a guaranteed fund. The level of risk is higher than a money market fund, however with a guarantee of capital and return subject to the occurrence of qualifying events.

In the long term, the return of the fund is expected to be no less than the inflation rates in Hong Kong.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Stable Yield Fund

The objective of this fund is to seek long-term growth of capital through investing entirely in an APIF, Principal Stable Yield Fund, a sub-fund of Principal Unit Trust Umbrella Fund. The APIF is established in the form of a unit trust and is also managed by the same Investment Manager as this fund. The APIF will in turn invest in two or more APIFs and/or approved ITCISs, and in selecting these APIFs and ITCIS, the Investment Manager will review the appropriateness of the underlying investments in meeting the objective of this fund. Factors taken into consideration include, but are not limited to, the investment policies and objectives, portfolio strategies, historical performances, and liquidity of the underlying investments.

Through these underlying investments, the fund will invest primarily in equities and debt securities of different countries. The fund will provide an international exposure for investors' monies, with relatively more emphasis on debt investments. Investors in this fund share the foreign exchange gains and losses associated with funds owning securities denominated in U.S. dollars and currencies other than Hong Kong dollars. The risk profile of the fund is generally regarded as moderate. This fund is denominated in Hong Kong dollars.

The underlying APIF and the fund will not enter into any securities lending agreement, repurchase agreement or enter into financial futures contracts or financial options contracts.

The target ranges of asset allocation and geographic allocation of this fund are as follows:

<i>Asset allocation*</i>	<i>Range</i>
Equity Securities	0 – 60%
Debt Securities	20 – 90%
Cash & Short-term Investments (e.g. bills and deposit)	0 – 30%

<i>Geographic allocation*</i>	<i>Range</i>
Asia	0 – 75%
Europe	0 – 75%
North America	0 – 80%
South America	0 – 10%
Africa / Middle East	0 – 10%
Others	0 – 20%

The fund will maintain at least 30% in Hong Kong dollar currency investments, as measured by the "effective currency exposure" as defined in the Mandatory Provident Fund Schemes (General) Regulation, Schedule 1, Part III.

In the long term, the return of the fund is expected to exceed the inflation rates in Hong Kong.

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

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee

During the financial year, all the investments made by each of the funds were in accordance with the respective fund's investment policies and the requirements under the Mandatory Provident Fund Schemes Ordinance and the Securities and Futures Ordinance. For detailed information of each fund's performance and particulars of investments, please refer to the details in this report.

Principal Age 65 Plus Fund – Class N

Launch Date: 1 April 2017

Reference Benchmark: MPF DIS Reference Portfolio - Age 65 Plus Fund

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	9.78	N/A	N/A	3.88
Benchmark/Performance Target#	9.63	N/A	N/A	4.18
Deviation	0.15	N/A	N/A	-0.30

The fund was launched in April 2017 to provide capital growth to members by investing in a globally diversified manner.

The fund outperformed its market benchmark in 2019. Although it is structured to invest substantially into index funds currently, some exposure in active funds were added and this had a positive impact. The active bond portions outperformed during the past year, providing the main driver for the fund to record a positive excess return.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Aggressive Strategy Fund – Class D

Launch Date: 27 March 2014

Reference Benchmark: Willis Towers Watson Composite Benchmark (>80% - 100% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	15.83	4.83	N/A	4.41
Benchmark/Performance Target#	18.78	7.02	N/A	N/A
Deviation	-2.95	-2.19	N/A	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. The underlying bond investments provided good performance against its benchmark. However, the fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Aggressive Strategy Fund – Class I

Launch Date: 27 March 2014

Reference Benchmark: Willis Towers Watson Composite Benchmark (>80% - 100% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	15.56	4.58	N/A	4.30
Benchmark/Performance Target#	18.78	7.02	N/A	N/A
Deviation	-3.22	-2.44	N/A	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. The underlying bond investments provided good performance against its benchmark. However, the fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Asian Bond Fund – Class N

Launch Date: 15 April 2013

Reference Benchmark: Markit iBoxx ABF Pan-Asia Index

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	4.91	1.54	N/A	0.79
Benchmark/Performance Target#	8.07	3.19	N/A	2.17
Deviation	-3.16	-1.65	N/A	-1.38

Asian bonds gained momentum and rebounded after the market sell-off in 2018, providing positive contributions. The performance deviation was due to the overweight to Hong Kong bonds.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Core Accumulation Fund – Class N

Launch Date: 1 April 2017

Reference Benchmark: MPF DIS Reference Portfolio - Core Accumulation Fund

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	16.53	N/A	N/A	6.59
Benchmark/Performance Target#	17.03	N/A	N/A	7.17
Deviation	-0.50	N/A	N/A	-0.58

The fund was launched in April 2017 to provide capital growth to members by investing in a globally diversified manner.

The fund slightly lagged its market benchmark in 2019. Although it is structured to invest substantially into index funds currently, some exposure in active funds were added. However, the active equity portions detracted from the performance, driven by the underperformance of global small cap comparing to large cap.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal MPF Conservative Fund – Class N

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	1.20	0.39	0.22	0.71
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	1.09	0.36	0.20	0.26

The fund comfortably achieved its objective, which is to at least earn a net return equal to the "prescribed savings rate" (which is broadly the average rate of interest on a Hong Kong dollar savings account) determined by the MPFA.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Global Growth Fund – Class D

Launch Date: 1 December 2000

Reference Benchmark: Willis Towers Watson Composite Benchmark (>60% - 80% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	13.56	4.08	4.85	4.93
Benchmark/Performance Target#	15.73	6.04	5.95	N/A
Deviation	-2.17	-1.96	-1.10	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. The underlying bond investments provided good performance against its benchmark. However, the fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Global Growth Fund – Class I

Launch Date: 1 December 2000

Reference Benchmark: Willis Towers Watson Composite Benchmark (>60% - 80% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	13.29	3.83	4.62	4.76
Benchmark/Performance Target#	15.73	6.04	5.95	N/A
Deviation	-2.44	-2.21	-1.33	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. The underlying bond investments provided good performance against its benchmark. However, the fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Hang Seng Index Tracking Fund – Class N

Launch Date: 21 October 2010

Reference Benchmark: Hang Seng Index Total Return Index

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	11.81	5.93	N/A	4.07
Benchmark/Performance Target#	13.05	7.44	N/A	5.67
Deviation	-1.24	-1.51	N/A	-1.60

The fund provides investment results that closely correspond to the performance of the Hang Seng Index through investing all or substantially all of the fund's assets in units of the Tracker Fund of Hong Kong. Tracking error of the fund has been on target and within 1%, and 2019 before-fee performance for the fund was broadly in line with the Hang Seng Index.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal HK Dollar Savings Fund – Class D

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	1.42	0.59	0.31	0.61
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	1.31	0.56	0.29	0.16

The fund achieved its objective in 2019 by exceeding Hong Kong dollar bank savings rate.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal HK Dollar Savings Fund – Class I

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	1.38	0.56	0.24	0.49
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	1.27	0.53	0.22	0.04

The fund achieved its objective in 2019 by exceeding Hong Kong dollar bank savings rate.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Long Term Accumulation Fund – Class D

Launch Date: 1 December 2000

Reference Benchmark: Willis Towers Watson Composite Benchmark (>40% - 60% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	11.41	3.38	3.91	3.76
Benchmark/Performance Target#	12.85	5.02	4.99	N/A
Deviation	-1.44	-1.64	-1.08	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. The underlying bond investments provided good performance against its benchmark. However, the fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Long Term Accumulation Fund – Class I

Launch Date: 1 December 2000

Reference Benchmark: Willis Towers Watson Composite Benchmark (>40% - 60% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	11.14	3.13	3.65	3.54
Benchmark/Performance Target#	12.85	5.02	4.99	N/A
Deviation	-1.71	-1.89	-1.34	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. The underlying bond investments provided good performance against its benchmark. However, the fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Long Term Guaranteed Fund – Class D

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	5.94	0.74	1.75	1.45
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	5.83	0.71	1.73	1.00

Market value returns are posted in the table, and the 1-year performance was boosted by positive returns across the invested asset classes in 2019.

However, qualified members are entitled to the maximum of qualifying balance (i.e. grow by current guarantee rate 1% per annum) or market value return during the qualifying period. Hence, member accounts may not return the figures shown above.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Long Term Guaranteed Fund – Class I

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	5.41	0.25	1.29	1.12
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	5.30	0.22	1.27	0.67

Market value returns are posted in the table, and the 1-year performance was boosted by positive returns across the invested asset classes in 2019.

However, qualified members are entitled to the maximum of qualifying balance (i.e. grow by current guarantee rate 1% per annum) or market value return during the qualifying period. Hence, member accounts may not return the figures shown above.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Stable Yield Fund – Class D

Launch Date: 27 March 2014

Reference Benchmark: Willis Towers Watson Composite Benchmark (>20% - 40% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	9.01	2.60	N/A	1.98
Benchmark/Performance Target#	9.61	3.84	N/A	N/A
Deviation	-0.60	-1.24	N/A	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, the fund outperformed market benchmark on a gross basis. Asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. Stock selection also outperformed, driven by its bond portions which accounted for a majority of the underlying investments.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Stable Yield Fund – Class I

Launch Date: 27 March 2014

Reference Benchmark: Willis Towers Watson Composite Benchmark (>20% - 40% Equity)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	8.75	2.35	N/A	1.76
Benchmark/Performance Target#	9.61	3.84	N/A	N/A
Deviation	-0.86	-1.49	N/A	N/A

The fund utilizes both top-down (asset allocation) and bottom-up (stock selection) investing strategies. In 2019, the fund outperformed market benchmark on a gross basis. Asset allocation was positive due to successful allocations between underlying portfolios and use of off-benchmark ITCIS. Stock selection also outperformed, driven by its bond portions which accounted for a majority of the underlying investments.

* The fund performance are net-of-fees returns in HKD terms on NAV-to-NAV basis. For details on fees and expense, please refer to its Fund Expense Ratio.

Unlike the fund performance, the benchmark returns are stated on a total return basis, and do not include the impact of expenses, such as transaction costs and valuations with different sources of FX rates. Since inception returns of FTSE MPF index series may not be provided because the indices were only available since 2005. Since inception returns of Willis Towers Watson Composite Benchmarks are not available because they are not provided in the MPF Performance Book.

In addition, the reference benchmarks are widely accepted by investment managers in the market, but the underlying fund manager of the fund may manage the portfolio against a different index.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Performance assessment framework

Principal Trust Company (Asia) Limited (the "Trustee") and Principal Asset Management Company (Asia) Limited (the "Investment Manager") take continuous efforts in reviewing and improving the performance of the Constituent Funds ("CF").

Currently, an investment committee is in place to oversee the performance of the Constituent Funds and the underlying fund managers. Both absolute and relative returns comparing against peers and benchmarks are reviewed. Assessment of under-performing funds would be further conducted, whilst appropriate actions would be taken if necessary, including but not limited to rebalancing the strategic asset allocation, replacing the existing underlying funds and reviewing the investment objective and policy. The Board of the Trustee will review the performance results and enhancement plans delivered by the investment committee on a quarterly basis.

In addition, Trustee and Investment Manager are dedicated to reviewing the scheme structure. Possible merger and consolidation would be considered in order to increase efficiency of the operational and administrative process.

PRINCIPAL MPF SCHEME SERIES 600

INVESTMENT REPORT (continued)

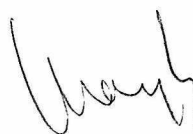
Investment objectives and policies (continued)

Changes in the statement of investment policy

Principal Age 65 Plus Fund
Principal Aggressive Strategy Fund
Principal Asian Bond Fund
Principal Core Accumulation Fund
Principal MPF Conservative Fund
Principal Global Growth Fund
Principal Hang Seng Index Tracking Fund
Principal Hong Kong Dollar Savings Fund
Principal Long Term Accumulation Fund
Principal Long Term Guaranteed Fund
Principal Stable Yield Fund

During the year under review, there were no major changes in the investment objectives and policies of the above funds that would significantly affect their risks profile.

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



Hong Kong
19 June 2020

PRINCIPAL MPF SCHEME SERIES 600

SCHEME REPORT

The Trustee hereby submits the scheme report together with the audited financial statements of Principal MPF Scheme Series 600 (the "Scheme") for the year ended 31 December 2019.

The Scheme

The Scheme is a master trust scheme registered in accordance with the Mandatory Provident Fund Schemes Ordinance (the "Ordinance") for the purpose of providing retirement benefits to members. The Scheme was established under a Master Trust Deed dated 31 January 2000, as subsequently amended. The Scheme is registered under section 21 of the Ordinance.

Financial development

During the year, the Scheme operated in accordance with the MPF regime. All assets of the Scheme are invested in accordance with the prescribed policy in the Master Trust Deed.

Enquiry

Further information about the Scheme and its operation can be obtained by contacting Principal Trust Company (Asia) Limited, the administrator of the Scheme, at 2827-1233 or via the internet at www.principal.com.hk.

Directory of parties

Details of those parties engaged by the Trustee for the purposes of providing services to the Scheme during the year ended 31 December 2019 are set out on page 1.

Principal Financial Group, Inc. is the ultimate holding company of Principal Trust Company (Asia) Limited, Principal Insurance Company (Hong Kong) Limited and Principal Asset Management Company (Asia) Limited.

Change of the governing rules

During the financial year ended 31 December 2019, the governing rules of the Scheme have been changed pursuant to the Deed of Variation for Principal MPF Scheme Series 600 dated 22 February 2019, the Fifth Addendum to the Offering Document dated 15 February 2019 and the Sixth Addendum dated 30 December 2019.

The changes are in relation to the following: (1) Structure of the Scheme; (2) Disclosure of the management fee breakdown; (3) Removal of the joining fee; (4) Authorisation by the Securities and Futures Commission; and (5) Miscellaneous changes.

PRINCIPAL MPF SCHEME SERIES 600

SCHEME REPORT (continued)

Directors

The directors of Principal Trust Company (Asia) Limited during the year and up to the date of this report were:

David Mark Ashton (appointed on 17 January 2020)

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

Fick Douglas Alan

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

Fong Hei Man May

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

Guy Richard Montag

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

Lam Heung Yeung Herman (appointed on 26 June 2019)

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

Li Wing Kuen

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

Tay Soo Meng

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

Wong Chien Kuo James (appointed on 26 June 2019)

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

PRINCIPAL MPF SCHEME SERIES 600

SCHEME REPORT (continued)

Controllers

The controllers of Principal Insurance Company (Hong Kong) Limited during the year and up to the date of this report were:

Borda Pedro Esteban (resigned on 12 July 2019)
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

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

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

David Mark Ashton (appointed on 17 January 2020)
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

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

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

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

PRINCIPAL MPF SCHEME SERIES 600

SCHEME REPORT (continued)

Controllers (continued)

The controllers of Principal Insurance Company (Hong Kong) Limited during the year and up to the date of this report were: (continued)

Principal International (Asia) Limited
Unit 1001-1002, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Principal Financial Group, Inc.
711 High Street, Des Moines
Iowa 50392, U.S.A.

Principal Financial Services, Inc.
711 High Street, Des Moines
Iowa 50392, U.S.A.

Principal International, LLC
711 High Street, Des Moines
Iowa 50392, U.S.A.

PRINCIPAL MPF SCHEME SERIES 600

SCHEME REPORT (continued)

Controllers

The controllers of Principal Asset Management Company (Asia) Limited during the year and up to the date of this report were:

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

Cheong Wee Yee (appointed on 31 May 2019)
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Nora Mary Everett (resigned on 29 March 2019)
30/F, Millennium City 6
392 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

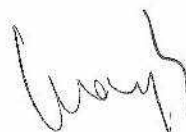
Principal International (Asia) Limited
Unit 1001-1002, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Principal Financial Group, Inc.
711 High Street, Des Moines
Iowa 50392, U.S.A.

Principal Financial Services, Inc.
711 High Street, Des Moines
Iowa 50392, U.S.A.

Principal International, LLC
711 High Street, Des Moines
Iowa 50392, U.S.A.

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



Hong Kong
19 June 2020



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report To the Trustee of Principal MPF Scheme Series 600

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Principal MPF Scheme Series 600 (the "Scheme") set out on pages 62 to 98, which comprise the statement of net assets available for benefits as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets available for benefits and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Annual Report

The trustee is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Trustee for the Financial Statements

The trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report (continued)
To the Trustee of Principal MPF Scheme Series 600

Responsibilities of Trustee for the Financial Statements (continued)

In preparing the financial statements, the trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

In addition, the trustee is required to ensure that the financial statements have been properly prepared in accordance with sections 80, 81, 83 and 84 of the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation").

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Scheme have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Conclude on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

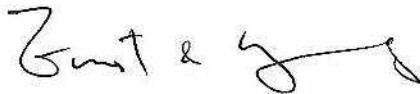
Independent auditor's report (continued)
To the Trustee of Principal MPF Scheme Series 600

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on matters under the Mandatory Provident Fund Schemes (General) Regulation

- (a) In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with sections 80, 81, 83 and 84 of the General Regulation.
- (b) We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.



Certified Public Accountants
Hong Kong
19 June 2020

PRINCIPAL MPF SCHEME SERIES 600

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

		2019													
Notes	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$	Total HK\$		
Income															
	-	-	1,017,062	-	-	-	10,780,965	-	-	-	-	-	11,798,027		
	-	-	(6,198)	-	-	-	-	-	-	-	-	-	(6,198)		
4	4,567,924	183,009,051	2,614,403	18,633,715	16,385,046	230,983,432	28,077,600	11,237,996	76,700,592	54,374,085	59,961,879	-	686,545,723		
3	-	-	1,677	-	-	-	14	-	-	-	-	120	1,811		
	-	-	67,340	-	-	-	-	-	-	-	-	-	67,340		
	<u>4,567,924</u>	<u>183,009,051</u>	<u>3,694,284</u>	<u>18,633,715</u>	<u>16,385,046</u>	<u>230,983,432</u>	<u>38,858,579</u>	<u>11,237,996</u>	<u>76,700,592</u>	<u>54,374,085</u>	<u>59,961,879</u>	<u>120</u>	<u>698,406,703</u>		
Expenses															
	(1,483)	(42,781)	(2,190)	(3,824)	(29,896)	(62,317)	(11,177)	(18,217)	(24,087)	(28,934)	(23,142)	-	(248,048)		
	-	-	(300)	-	-	-	(300)	-	-	-	-	-	(600)		
6(a),6(d)	(93,595)	(3,250,312)	(98,358)	(230,321)	(564,877)	(4,410,671)	(123,565)	(355,149)	(1,703,630)	(1,124,026)	(1,612,572)	-	(13,567,076)		
	-	-	(329)	-	-	-	(274,583)	-	-	-	-	-	(274,912)		
	(20,410)	(52,592)	(2,930)	(68,720)	(32,794)	(74,784)	(15,012)	(20,672)	(28,693)	(32,399)	(27,057)	-	(376,063)		
	-	-	-	-	-	-	(81,489)	-	-	-	-	-	(81,489)		
6(b)	(74,424)	(4,263,024)	(147,463)	(196,979)	(1,761,924)	(6,049,989)	(701,556)	(1,130,864)	(2,275,490)	(3,571,738)	(2,210,488)	-	(22,383,939)		
6(e)	(23,979)	(323,151)	(22,496)	(30,581)	(215,352)	(452,783)	(108,431)	(106,551)	(167,393)	(187,549)	(153,575)	(120)	(1,791,961)		
6(a),6(f)	-	(1,756,925)	(98,358)	-	(1,129,753)	(2,520,383)	(494,260)	(710,299)	(973,503)	(1,124,026)	(921,470)	-	(9,728,977)		
6(a),6(c)	(187,190)	(8,063,270)	(290,156)	(460,641)	(3,671,699)	(11,631,910)	(1,581,632)	(2,439,117)	(4,406,226)	(8,726,143)	(4,317,850)	-	(45,775,834)		
	<u>(401,081)</u>	<u>(17,752,055)</u>	<u>(662,580)</u>	<u>(991,066)</u>	<u>(7,406,295)</u>	<u>(25,202,837)</u>	<u>(3,392,005)</u>	<u>(4,780,869)</u>	<u>(9,579,022)</u>	<u>(14,794,815)</u>	<u>(9,266,154)</u>	<u>(120)</u>	<u>(94,228,899)</u>		
Increase in net assets available for benefits and total profit or loss and other comprehensive income for the year															
	<u>4,166,843</u>	<u>165,256,996</u>	<u>3,031,704</u>	<u>17,642,649</u>	<u>8,978,751</u>	<u>205,780,595</u>	<u>35,466,574</u>	<u>6,457,127</u>	<u>67,121,570</u>	<u>39,579,270</u>	<u>50,695,725</u>	<u>-</u>	<u>604,177,804</u>		

PRINCIPAL MPF SCHEME SERIES 600

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Year ended 31 December 2019

		2018													
Notes	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$	Total HK\$		
Income															
	-	-	726,437	-	-	-	10,224,190	-	-	-	-	-	10,950,627		
	-	-	(3,351)	-	-	-	-	-	-	-	-	-	(3,351)		
4	(493,063)	(162,029,686)	(283,437)	(5,902,342)	12,786,993	(179,938,517)	(42,042,075)	8,516,334	(50,519,179)	(19,444,887)	(29,826,702)	-	(469,176,561)		
3	-	-	1,068	-	-	-	16	-	-	-	-	96	1,180		
	-	-	46,871	-	-	-	-	-	-	-	-	-	46,871		
	<u>(493,063)</u>	<u>(162,029,686)</u>	<u>487,588</u>	<u>(5,902,342)</u>	<u>12,786,993</u>	<u>(179,938,517)</u>	<u>(31,817,869)</u>	<u>8,516,334</u>	<u>(50,519,179)</u>	<u>(19,444,887)</u>	<u>(29,826,702)</u>	<u>96</u>	<u>(458,181,234)</u>		
Expenses															
	(1,483)	(53,265)	(2,169)	(3,824)	(30,086)	(74,868)	(11,177)	(15,940)	(28,077)	(29,683)	(25,664)	-	(276,236)		
	-	-	(3,845)	-	-	-	(37,307)	-	-	-	-	-	(41,152)		
	-	-	(426)	-	-	-	(357,599)	-	-	-	-	-	(358,025)		
	(35,883)	-	-	(125,572)	-	-	-	-	-	-	-	-	(161,455)		
	-	-	-	-	-	-	(78,700)	-	-	-	-	-	(78,700)		
6(a),6(b)	(258,014)	(19,040,157)	(537,755)	(726,403)	(7,422,580)	(26,618,265)	(2,814,580)	(4,393,919)	(9,796,698)	(14,896,289)	(9,262,923)	-	(95,767,583)		
6(e)	(13,921)	(337,097)	(17,354)	(47,768)	(46,828)	(473,811)	(82,371)	(117,553)	(182,329)	(199,147)	(162,786)	(96)	(1,681,061)		
	<u>(309,301)</u>	<u>(19,430,519)</u>	<u>(561,549)</u>	<u>(903,567)</u>	<u>(7,499,494)</u>	<u>(27,166,944)</u>	<u>(3,381,734)</u>	<u>(4,527,412)</u>	<u>(10,007,104)</u>	<u>(15,125,119)</u>	<u>(9,451,373)</u>	<u>(96)</u>	<u>(98,364,212)</u>		
Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income for the year															
	<u>(802,364)</u>	<u>(181,460,205)</u>	<u>(73,961)</u>	<u>(6,805,909)</u>	<u>5,287,499</u>	<u>(207,105,461)</u>	<u>(35,199,603)</u>	<u>3,988,922</u>	<u>(60,526,283)</u>	<u>(34,570,006)</u>	<u>(39,278,075)</u>	<u>-</u>	<u>(556,545,446)</u>		

PRINCIPAL MPF SCHEME SERIES 600

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

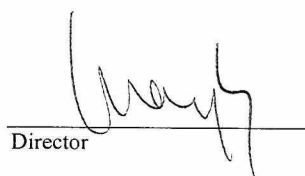
31 December 2019

		2019													
Notes	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$	Total HK\$		
Assets															
	Investments measured at fair value through profit or loss														
7	56,680,434	1,204,591,598	65,791,625	136,481,607	752,053,021	1,712,682,665	342,950,525	473,136,748	657,662,125	741,737,517	619,719,776	-	6,763,487,641		
	112,645	246,465	179,562	220,936	1,019,638	747,644	478,689	369,299	130,581	-	99,169	-	3,604,628		
	Contributions receivable														
	- by employees													19,349,569	19,349,569
	- by employees													16,901,141	16,901,141
	Amounts receivable from brokers													-	1,350,215
	Cash and cash equivalents													12,767,484	15,033,978
8	-	-	1,276,640	-	-	-	989,854	-	-	-	-	-	50,985		
	-	-	49,543	-	-	-	1,442	-	-	-	-	-	-		
	<u>56,793,079</u>	<u>1,204,838,063</u>	<u>67,297,370</u>	<u>136,702,543</u>	<u>753,072,659</u>	<u>1,713,430,309</u>	<u>345,770,725</u>	<u>473,506,047</u>	<u>657,792,706</u>	<u>741,737,517</u>	<u>619,818,945</u>	<u>49,018,194</u>	<u>6,819,778,157</u>		
Liabilities															
	Amounts pending for allocation													1,881,422	1,881,422
	Amounts payable on redemptions													9,432,593	15,612,832
	Amounts payable to brokers													-	241,901
	Accrued expenses and other payables													1,453,469	13,607,772
	<u>124,002</u>	<u>2,254,363</u>	<u>121,965</u>	<u>346,376</u>	<u>896,683</u>	<u>3,185,470</u>	<u>492,848</u>	<u>637,499</u>	<u>1,207,251</u>	<u>1,733,237</u>	<u>1,154,609</u>	<u>1,453,469</u>	<u>13,607,772</u>		
	<u>124,002</u>	<u>2,892,894</u>	<u>141,356</u>	<u>541,404</u>	<u>2,202,510</u>	<u>4,230,967</u>	<u>2,421,420</u>	<u>964,703</u>	<u>1,866,424</u>	<u>1,733,237</u>	<u>1,457,526</u>	<u>12,767,484</u>	<u>31,343,927</u>		
	<u>56,669,077</u>	<u>1,201,945,169</u>	<u>67,156,014</u>	<u>136,161,139</u>	<u>750,870,149</u>	<u>1,709,199,342</u>	<u>343,349,305</u>	<u>472,541,344</u>	<u>655,926,282</u>	<u>740,004,280</u>	<u>618,361,419</u>	<u>36,250,710</u>	<u>6,788,434,230</u>		
Number of units in issue															
9	- D Class													4,761,185.5130	422,707.8320
	- I Class													64,637,514.4570	33,193,252.9410
	- N Class													23,788,429.8870	-
	<u>5,104,606.8970</u>	<u>-</u>	<u>6,370,799.4460</u>	<u>11,427,078.1400</u>	<u>65,598,610.8650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Net asset value per unit															
	- D Class													25.0685	18.6221
	- I Class													24.5962	18.3919
	- N Class													14.4334	-
	<u>11.1015</u>	<u>-</u>	<u>10.5412</u>	<u>11.9156</u>	<u>11.4464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

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



Director



Director

PRINCIPAL MPF SCHEME SERIES 600

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

31 December 2019

		2018													
Notes	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$	Total HK\$		
Assets															
	Investments measured at fair value through profit or loss														
7	38,899,550	1,080,855,689	56,115,356	99,068,019	754,993,009	1,573,323,709	297,972,925	459,823,090	608,034,906	730,444,766	584,176,073	-	6,283,707,092		
	74,633	164,542	83,622	238,139	1,624,274	335,652	1,112,288	653,313	184,500	-	309,771	-	4,780,734		
	Contributions receivable														
	-	-	-	-	-	-	-	-	-	-	-	20,541,710	20,541,710		
	-	-	-	-	-	-	-	-	-	-	-	17,260,377	17,260,377		
	-	-	-	-	-	-	1,246,505	-	-	-	-	-	1,246,505		
8	-	-	2,171,286	-	-	-	923,816	-	-	-	-	8,959,018	12,054,120		
	-	-	18,935	-	-	-	-	-	-	-	-	-	18,935		
	<u>38,974,183</u>	<u>1,081,020,231</u>	<u>58,389,199</u>	<u>99,306,158</u>	<u>756,617,283</u>	<u>1,573,659,361</u>	<u>301,255,534</u>	<u>460,476,403</u>	<u>608,219,406</u>	<u>730,444,766</u>	<u>584,485,844</u>	<u>46,761,105</u>	<u>6,339,609,473</u>		
Liabilities															
	-	-	-	-	-	-	-	-	-	-	-	1,263,208	1,263,208		
	140,362	1,910,063	11,605	238,480	542,437	1,448,813	2,258,257	831,808	379,061	-	239,037	6,350,128	14,350,051		
	<u>47,633</u>	<u>664,899</u>	<u>34,637</u>	<u>171,759</u>	<u>629,726</u>	<u>957,414</u>	<u>145,619</u>	<u>199,813</u>	<u>364,392</u>	<u>554,036</u>	<u>354,251</u>	<u>1,345,682</u>	<u>5,469,861</u>		
	<u>187,995</u>	<u>2,574,962</u>	<u>46,242</u>	<u>410,239</u>	<u>1,172,163</u>	<u>2,406,227</u>	<u>2,403,876</u>	<u>1,031,621</u>	<u>743,453</u>	<u>554,036</u>	<u>593,288</u>	<u>8,959,018</u>	<u>21,083,120</u>		
Net assets available for benefits	<u>38,786,188</u>	<u>1,078,445,269</u>	<u>58,342,957</u>	<u>98,895,919</u>	<u>755,445,120</u>	<u>1,571,253,134</u>	<u>298,851,658</u>	<u>459,444,782</u>	<u>607,475,953</u>	<u>729,890,730</u>	<u>583,892,556</u>	<u>37,802,087</u>	<u>6,318,526,353</u>		
Number of units in issue															
9	-	414,841.3530	-	-	-	4,949,957.2330	-	3,089,243.6760	4,800,986.9920	5,623,636.9290	378,156.2920	-	-		
	-	54,492,477.2100	-	-	-	67,339,918.2320	-	38,500,300.7560	29,109,184.7840	55,024,568.7270	34,143,780.6780	-	-		
	<u>3,835,581.8820</u>	<u>-</u>	<u>5,806,388.9560</u>	<u>9,671,589.5890</u>	<u>66,789,250.6650</u>	<u>-</u>	<u>23,151,517.0980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Net asset value per unit															
	-	19.7109	-	-	-	22.0747	-	11.0778	18.1710	12.4199	17.0824	-	-		
	-	19.6407	-	-	-	21.7105	-	11.0447	17.8719	11.9955	16.9118	-	-		
	<u>10.1122</u>	<u>-</u>	<u>10.0481</u>	<u>10.2254</u>	<u>11.3109</u>	<u>-</u>	<u>12.9085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

PRINCIPAL MPF SCHEME SERIES 600

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended 31 December 2019

		2019												
Notes	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$ (Note 5)	Total	
	38,786,188	1,078,445,269	58,342,957	98,895,919	755,445,120	1,571,253,134	298,851,658	459,444,782	607,475,953	729,890,730	583,892,556	37,802,087	6,318,526,353	
	10	27,918,214	138,006,728	34,896,810	50,085,317	179,704,499	169,489,788	184,332,504	145,672,418	79,419,265	103,223,156	78,528,774	(1,551,377)	1,189,726,096
	11	(14,202,168)	(179,763,824)	(29,115,457)	(30,462,746)	(193,258,221)	(237,324,175)	(175,301,431)	(139,032,983)	(98,090,506)	(132,688,876)	(94,755,636)	-	(1,323,996,023)
		4,166,843	165,256,996	3,031,704	17,642,649	8,978,751	205,780,595	35,466,574	6,457,127	67,121,570	39,579,270	50,695,725	-	604,177,804
		<u>56,669,077</u>	<u>1,201,945,169</u>	<u>67,156,014</u>	<u>136,161,139</u>	<u>750,870,149</u>	<u>1,709,199,342</u>	<u>343,349,305</u>	<u>472,541,344</u>	<u>655,926,282</u>	<u>740,004,280</u>	<u>618,361,419</u>	<u>36,250,710</u>	<u>6,788,434,230</u>
		2018												
Notes	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$ (Note 5)	Total	
	24,622,781	1,351,543,399	45,245,354	86,145,761	720,580,140	1,900,356,349	323,172,665	414,076,211	695,943,999	783,773,383	632,082,343	39,755,220	7,017,297,605	
	10	25,174,670	155,348,276	39,745,745	42,979,161	246,086,293	193,168,222	239,487,397	185,128,436	82,909,383	110,596,162	96,301,937	(1,953,133)	1,414,972,549
	11	(10,208,899)	(246,986,201)	(26,574,181)	(23,423,094)	(216,508,812)	(315,165,976)	(228,608,801)	(143,748,787)	(110,851,146)	(129,908,809)	(105,213,649)	-	(1,557,198,355)
		(802,364)	(181,460,205)	(73,961)	(6,805,909)	5,287,499	(207,105,461)	(35,199,603)	3,988,922	(60,526,283)	(34,570,006)	(39,278,075)	-	(556,545,446)
		<u>38,786,188</u>	<u>1,078,445,269</u>	<u>58,342,957</u>	<u>98,895,919</u>	<u>755,445,120</u>	<u>1,571,253,134</u>	<u>298,851,658</u>	<u>459,444,782</u>	<u>607,475,953</u>	<u>729,890,730</u>	<u>583,892,556</u>	<u>37,802,087</u>	<u>6,318,526,353</u>

PRINCIPAL MPF SCHEME SERIES 600

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 HK\$	2018 HK\$
Cash flows from operating activities			
Interest received		1,811	1,180
Distribution income received		11,798,027	10,950,627
Other income received		59,816	45,117
Operating expense paid		(86,223,301)	(97,865,741)
Exchange losses		<u>(6,198)</u>	<u>(3,351)</u>
Net cash flows used in operating activities		<u>(74,369,845)</u>	<u>(86,872,168)</u>
Cash flows from investing activities			
Purchase of investment		(1,017,319,992)	(1,210,106,953)
Proceeds from sale of investment		<u>1,224,223,357</u>	<u>1,438,349,479</u>
Net cash flows generated from investing activities		<u>206,903,365</u>	<u>228,242,526</u>
Cash flows from financing activities			
Contributions received		1,193,071,793	1,416,739,633
Withdrawals paid		<u>(1,322,625,455)</u>	<u>(1,556,737,578)</u>
Net cash flows used in financing activities		<u>(129,553,662)</u>	<u>(139,997,945)</u>
Net increase in cash and cash equivalents		2,979,858	1,372,413
Cash and cash equivalents at beginning of year		<u>12,054,120</u>	<u>10,681,707</u>
Cash and cash equivalents at end of year		<u><u>15,033,978</u></u>	<u><u>12,054,120</u></u>
Analysis of balances of cash and cash equivalents:			
Bank balances	8	<u><u>15,033,978</u></u>	<u><u>12,054,120</u></u>

PRINCIPAL MPF SCHEME SERIES 600

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. THE SCHEME

Principal MPF Scheme Series 600 (the "Scheme") is a master trust scheme established under a Master Trust Deed dated 31 January 2000 (the "Master Trust Deed"), as subsequently amended, with Principal Trust Company (Asia) Limited as the trustee (the "Trustee"), Principal Asset Management Company (Asia) Limited as the investment manager (the "Investment Manager"), and Principal Trust Company (Asia) Limited as the administrator (the "Administrator"). The Scheme is registered under section 21 of the Mandatory Provident Fund Schemes Ordinance (the "Ordinance").

Under the Master Trust Deed, the Trustee is required to establish and maintain separate constituent funds (the "Constituent Fund" and collectively the "Constituent Funds") into which contributions may be invested. The Constituent Funds are notional funds established within the Scheme and are only available for investment by members of the Scheme.

The Scheme had eleven Constituent Funds as at 31 December 2019:

- Principal Age 65 Plus Fund
- Principal Aggressive Strategy Fund
- Principal Asian Bond Fund
- Principal Core Accumulation Fund
- Principal MPF Conservative Fund
- Principal Global Growth Fund
- Principal Hang Seng Index Tracking Fund
- Principal Hong Kong Dollar Savings Fund
- Principal Long Term Accumulation Fund
- Principal Long Term Guaranteed Fund
- Principal Stable Yield Fund

PRINCIPAL MPF SCHEME SERIES 600

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation").

These financial statements have been prepared under the historical cost convention, except for investments held at fair values through profit or loss ("FVPL"). These financial statements are presented in Hong Kong dollars.

The preparation of financial statements in conformity with HKFRSs requires the Trustee of the Scheme to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in preparation of these financial statements are consistent with those of the previous financial period. Adoption of new and revised HKFRSs in the current year has had no significant effect on these financial statements.

31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Scheme has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

Further information about those HKFRSs that are expected to be applicable to the Scheme is described below.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Scheme's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of the financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Scheme expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Scheme's financial statements.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Scheme measures its debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Scheme. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Scheme determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Scheme's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Scheme has applied the practical expedient of not adjusting the effect of a significant financing component, the Scheme initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cashflows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Scheme's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Scheme commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if (a) they are acquired for the purpose of selling or repurchasing in the near term, (b) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together for which, there is evidence of a recent actual pattern of short-term profit-taking, or (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designed and effective hedging instruments). Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of net assets available for benefits at fair value with net changes in fair value recognised in profit or loss.

This category includes investments which the Scheme had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as gross dividend income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Scheme and the amount of the dividend can be measured reliably.

Financial assets at amortised cost (debt instruments)

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Interest revenue is recognised in the statement of profit or loss for all interest-bearing financial instruments using the effective interest method. The Scheme includes in this category subscriptions in transit, contributions receivable, amounts receivable from brokers, cash and cash equivalents and others.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Scheme recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Scheme expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Scheme assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Scheme compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Scheme considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Scheme may also consider a financial asset to be in default when internal or external information indicates that the Scheme is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Scheme. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Simplified approach

The Scheme holds the trade receivables with no significant financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for ECL under HKFRS 9 to all its trade receivables. Therefore the Scheme does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Scheme's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about the past events, current conditions and forecasts of future economic conditions.

The Scheme uses provision matrix as a practical expedient to measure ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Scheme's statement of net assets available for benefits) when:

- the rights to receive cash flows from the asset have expired; or
- the Scheme has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Scheme has transferred substantially all the risks and rewards of the asset, or (b) the Scheme has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Scheme has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Scheme continues to recognise the transferred asset to the extent of the Scheme's continuing involvement in the asset. In that case, the Scheme also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Scheme has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Scheme's financial liabilities include amounts pending for allocation, amounts payable on redemptions, amounts payable to brokers, and accrual expenses and other payables.

Subsequent measurement

Financial liabilities at amortised cost (Loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of net assets available for benefits if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Scheme's cash management.

For the purpose of the statement of net assets available for benefits, cash at banks comprise cash at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

Revenue is recognised on the following bases:

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income on bank deposits is disclosed separately on the face of the statement of profit or loss and other comprehensive income. Interest income on debt securities is included in gains on investments.

Distribution income is recognised when the Scheme's right to receive payment has been established. Distribution income relating to exchange-traded equity investments is recognised in profit or loss as distribution income when declared. Distribution income from private equity investments and other investment funds are recognised in profit or loss as distribution income when declared.

Realised and unrealised gains and losses on investments at fair value through profit or loss are dealt with in profit or loss in the year in which they arise.

Expenses

All expenses, including investment management and custodian fees, are recognised in profit or loss on an accrual basis.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Scheme's functional and presentation currency. Foreign currency transactions are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Related parties

A party is considered to be related to the Scheme if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Scheme;
 - (ii) has significant influence over the Scheme;
 - (iii) is a member of the key management personnel of the Trustee or of a parent of the Trustee;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Scheme are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Scheme are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Scheme or an entity related to the Scheme;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a Scheme of which it is a part, provides key management personnel services to the Scheme or to the parent of the Scheme.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Units in issue

The Scheme classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the Scheme to repurchase or redeem that instrument for cash or another financial asset is classified as an equity instrument if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Scheme's net assets in the event of its liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Scheme to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Scheme over the life of the instrument.

The redeemable units do not provide the unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Scheme's net assets at each daily redemption date and also in the event of the Scheme's liquidation. Therefore, they do not meet the criteria for equity classification and therefore are classified as financial liabilities. They are measured at the present value of the redemption amounts.

3. INTEREST INCOME

This represents interest earned from the receipt of cleared funds before the acquisition of units. Any interest earned belongs to the Scheme.

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4. GAINS AND LOSSES ON INVESTMENTS

	2019											
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Total HK\$
Realised gains	748,375	33,811,836	1,068,313	2,092,143	7,782,358	52,095,506	4,999,180	6,626,886	19,657,184	15,773,974	11,148,259	155,804,014
Unrealised gains	<u>3,819,549</u>	<u>149,197,215</u>	<u>1,669,809</u>	<u>16,541,572</u>	<u>8,602,688</u>	<u>178,887,926</u>	<u>23,078,420</u>	<u>4,611,110</u>	<u>57,043,408</u>	<u>38,600,111</u>	<u>48,813,620</u>	<u>530,865,428</u>
Total gains on investments	<u>4,567,924</u>	<u>183,009,051</u>	<u>2,738,122</u>	<u>18,633,715</u>	<u>16,385,046</u>	<u>230,983,432</u>	<u>28,077,600</u>	<u>11,237,996</u>	<u>76,700,592</u>	<u>54,374,085</u>	<u>59,961,879</u>	<u>686,669,442</u>
Realised losses	-	-	-	-	-	-	-	-	-	-	-	-
Unrealised losses	<u>-</u>	<u>-</u>	<u>(123,719)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,719)</u>
Total losses on investments	<u>-</u>	<u>-</u>	<u>(123,719)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,719)</u>
Net gains on investments	<u>4,567,924</u>	<u>183,009,051</u>	<u>2,614,403</u>	<u>18,633,715</u>	<u>16,385,046</u>	<u>230,983,432</u>	<u>28,077,600</u>	<u>11,237,996</u>	<u>76,700,592</u>	<u>54,374,085</u>	<u>59,961,879</u>	<u>686,545,723</u>

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NOTES TO FINANCIAL STATEMENTS

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4. GAINS AND LOSSES ON INVESTMENTS (continued)

	2018											
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Total HK\$
Realised gains	65,778	58,154,527	19,442	1,028,158	6,456,490	78,716,328	13,951,283	5,558,702	24,702,824	14,202,821	11,575,258	214,431,611
Unrealised gains	-	-	449,683	-	6,330,503	-	-	2,957,632	-	-	-	9,737,818
Total gains on investments	<u>65,778</u>	<u>58,154,527</u>	<u>469,125</u>	<u>1,028,158</u>	<u>12,786,993</u>	<u>78,716,328</u>	<u>13,951,283</u>	<u>8,516,334</u>	<u>24,702,824</u>	<u>14,202,821</u>	<u>11,575,258</u>	<u>224,169,429</u>
Realised losses	-	-	(5,495)	(1,389)	-	-	-	-	-	-	-	(6,884)
Unrealised losses	(558,841)	(220,184,213)	(747,067)	(6,929,111)	-	(258,654,845)	(55,993,358)	-	(75,222,003)	(33,647,708)	(41,401,960)	(693,339,106)
Total losses on investments	<u>(558,841)</u>	<u>(220,184,213)</u>	<u>(752,562)</u>	<u>(6,930,500)</u>	<u>-</u>	<u>(258,654,845)</u>	<u>(55,993,358)</u>	<u>-</u>	<u>(75,222,003)</u>	<u>(33,647,708)</u>	<u>(41,401,960)</u>	<u>(693,345,990)</u>
Net gains/(losses) on investments	<u>(493,063)</u>	<u>(162,029,686)</u>	<u>(283,437)</u>	<u>(5,902,342)</u>	<u>12,786,993</u>	<u>(179,938,517)</u>	<u>(42,042,075)</u>	<u>8,516,334</u>	<u>(50,519,179)</u>	<u>(19,444,887)</u>	<u>(29,826,702)</u>	<u>(469,176,561)</u>

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5. STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS – "SCHEME LEVEL" COLUMN

This represents the movement between the current year-end and prior year-end for contributions receivable and contributions surcharge receivable. Contributions receivable and contributions surcharge receivable are amounts due but not yet received from employers and members as at year end.

6. RELATED PARTY TRANSACTIONS

Prior to 1 April 2019, the management fee charged by the Scheme includes fees paid to the Trustee, Administrator, Sponsor and Investment Manager of the Scheme. In order to fulfil requirements set out by the Mandatory Provident Fund Authority ("MPFA") to separate and disclose fees by entity performing key roles, with effect from 1 April 2019, all fee types are charged and disclosed separately based on the roles and responsibility of the relevant Principal Hong Kong entities. These different parties have been listed in the directory of parties on page 1.

Due to the fee restructure exercise, the amounts presented in these financial statements and related notes for the year are not entirely comparable with the amounts presented for the year ended 31 December 2018.

The following is a summary of transactions with related parties during the year which were entered into in the ordinary course of business and on normal commercial terms:

(a) The breakdown of the fee rates of each of the Constituent Funds is as follows:

	Constituent Fund Level (% p.a. of net assets value)							
	Sponsor Fee	2019			Investment Management Fee	2018		
		Trustee/Administrator Fee	Class D	Class I		Class N	Management Fee	Class D
Principal Age 65 Plus Fund	Nil	N/A	N/A	0.50	0.25	N/A	N/A	0.75
Principal Aggressive Strategy Fund	0.20	0.68	0.92	N/A	0.37	1.25	1.49	N/A
Principal Asian Bond Fund	0.20	N/A	N/A	0.59	0.20	N/A	N/A	0.99
Principal Core Accumulation Fund	Nil	N/A	N/A	0.50	0.25	N/A	N/A	0.75
Principal MPF Conservative Fund	0.20	N/A	N/A	0.65	0.10	N/A	N/A	0.95
Principal Global Growth Fund	0.20	0.70	0.94	N/A	0.35	1.25	1.49	N/A
Principal Hang Seng Index Tracking Fund	0.20	N/A	N/A	0.64	0.05	N/A	N/A	0.89
Principal Hong Kong Dollar Savings Fund	0.20	0.65	0.69	N/A	0.10	0.95	0.99	N/A
Principal Long Term Accumulation Fund	0.20	0.70	0.94	N/A	0.35	1.25	1.49	N/A
Principal Long Term Guaranteed Fund	0.20	1.10	1.60	N/A	0.20	1.50	2.00	N/A
Principal Stable Yield Fund	0.20	0.70	0.94	N/A	0.35	1.25	1.49	N/A

The above fee types are accrued daily, calculated on each dealing day and is paid monthly in arrears.

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6. RELATED PARTY TRANSACTIONS (continued)

- (b) Prior to 1 April 2019, the management fee payable under the Scheme includes fees paid to the Trustee, Administrator, Sponsor and Investment Manager of the Scheme. With effect from 1 April 2019, fee paid to relevant parties are presented as separate line items as noted in (c) to (i).
- (c) The Trustee collects contributions in accordance with the rules of the Scheme and invests the contributions in the Constituent Funds. The Trustee is also the scheme administrator handling the daily administration work of the Scheme. Including to keep records of the Scheme, handling requests for transfers or withdrawal of accrued benefits and providing other customer services to enrolled employers and scheme members.
- (d) All investments held by each Constituent Fund were managed by the Investment Manager.
- (e) Operating expenses are paid by the Administrator and then recharged to the Constituent Funds.
- (f) The Sponsor of the Scheme provides product design advice as well as ancillary and support services to the Trustee as may be agreed between them from time to time, including but not limited to business development, marketing, sponsoring of the Scheme and product development.
- (g) For the years ended 31 December 2019 and 2018, the Constituent Funds did not have any transactions with any of the Investment Manager's associates or delegates.
- (h) The transactions with related parties as stated above are within the definition of transactions with associates in accordance with the MPF Ordinance and MPF Guideline II.4 Annex C I (D) 2.

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NOTES TO FINANCIAL STATEMENTS

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6. RELATED PARTY TRANSACTIONS (continued)

(i) At year end, the amounts paid and payable to the related parties were:

	2019										
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
<u>For the year ended</u>											
<u>31 December 2019</u>											
Investment management fee	93,595	3,250,312	98,358	230,321	564,877	4,410,671	123,565	355,149	1,703,630	1,124,026	1,612,572
Management fee	74,424	4,263,024	147,463	196,979	1,761,924	6,049,989	701,556	1,130,864	2,275,490	3,571,738	2,210,488
Sponsor fee	-	1,756,925	98,358	-	1,129,753	2,520,383	494,260	710,299	973,503	1,124,026	921,470
Trustee and administrator fee	187,190	8,063,270	290,156	460,641	3,671,699	11,631,910	1,581,632	2,439,117	4,406,226	8,726,143	4,317,850
<u>As at 31 December 2019</u>											
Investment management fee payable	13,847	431,912	13,109	33,180	88,192	583,575	16,439	46,555	224,925	146,086	212,735
Sponsor fee payable	-	233,466	13,109	-	176,383	333,471	65,756	93,109	128,528	146,086	121,563
Trustee and administrator fee payable	27,695	1,071,194	38,672	66,359	573,248	1,539,163	210,418	319,743	582,214	1,134,221	569,501

PRINCIPAL MPF SCHEME SERIES 600

NOTES TO FINANCIAL STATEMENTS

31 December 2019

6. RELATED PARTY TRANSACTIONS (continued)

(i) At year end, the amounts paid and payable to the related parties were (continued):

	2018										
	Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$
<u>For the year ended</u> <u>31 December 2018</u>											
Management fee	258,014	19,040,157	537,755	726,403	7,422,580	26,618,265	2,814,580	4,393,919	9,796,698	14,896,289	9,262,923
<u>As at 31 December 2018</u>											
Management fee payable	9,512	522,851	18,929	24,132	604,075	755,719	86,840	148,944	288,896	467,138	284,071

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NOTES TO FINANCIAL STATEMENTS

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7. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

		2019											
		Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Total HK\$
Collective investment schemes													
Listed securities	-	-	40,316,804	-	-	-	342,950,525	-	-	-	-	-	383,267,329
Unit Trusts	56,680,434	1,204,591,598	25,474,821	136,481,607	752,053,021	1,712,682,665	-	473,136,748	657,662,125	741,737,517	619,719,776	6,380,220,312	
Total	<u>56,680,434</u>	<u>1,204,591,598</u>	<u>65,791,625</u>	<u>136,481,607</u>	<u>752,053,021</u>	<u>1,712,682,665</u>	<u>342,950,525</u>	<u>473,136,748</u>	<u>657,662,125</u>	<u>741,737,517</u>	<u>619,719,776</u>	<u>6,763,487,641</u>	
		2018											
		Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Total HK\$
Collective investment schemes													
Listed securities	-	-	29,705,888	-	-	-	297,972,925	-	-	-	-	-	327,678,813
Unit Trusts	38,899,550	1,080,855,689	26,409,468	99,068,019	754,993,009	1,573,323,709	-	459,823,090	608,034,906	730,444,766	584,176,073	5,956,028,279	
Total	<u>38,899,550</u>	<u>1,080,855,689</u>	<u>56,115,356</u>	<u>99,068,019</u>	<u>754,993,009</u>	<u>1,573,323,709</u>	<u>297,972,925</u>	<u>459,823,090</u>	<u>608,034,906</u>	<u>730,444,766</u>	<u>584,176,073</u>	<u>6,283,707,092</u>	

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NOTES TO FINANCIAL STATEMENTS

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8. CASH AND CASH EQUIVALENTS

		2019												
		Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$	Total HK\$
Cash at banks		-	-	1,276,640	-	-	989,854	-	-	-	-	-	12,767,484	15,033,978
		2018												
		Principal Age 65 Plus Fund HK\$	Principal Aggressive Strategy Fund HK\$	Principal Asian Bond Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Scheme level HK\$	Total HK\$
Cash at banks		-	-	2,171,286	-	-	923,816	-	-	-	-	-	8,959,018	12,054,120

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NOTES TO FINANCIAL STATEMENTS

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9. UNITS IN ISSUE

	2019										
	Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Class D											
Balance at 1 January 2019	-	414,841.3530	-	-	-	4,949,957.2330	-	3,089,243.6760	4,800,986.9920	5,623,636.9290	378,156.2920
Issued during the year	-	243,989.0220	-	-	-	610,409.2110	-	1,304,370.7620	593,786.9480	779,827.1780	212,970.9380
Redeemed during the year	-	(138,740.6250)	-	-	-	(799,180.9310)	-	(1,022,631.3710)	(801,738.4070)	(1,080,811.9160)	(168,419.3980)
Balance at 31 December 2019	-	<u>520,089.7500</u>	-	-	-	<u>4,761,185.5130</u>	-	<u>3,370,983.0670</u>	<u>4,593,035.5330</u>	<u>5,322,652.1910</u>	<u>422,707.8320</u>
Class I											
Balance at 1 January 2019	-	54,492,477.2100	-	-	-	67,339,918.2320	-	38,500,300.7560	29,109,184.7840	55,024,568.7270	34,143,780.6780
Issued during the year	-	6,170,783.6380	-	-	-	6,593,836.2750	-	11,779,158.8190	3,548,853.5060	7,481,073.2930	4,180,788.3430
Redeemed during the year	-	(8,227,820.4550)	-	-	-	(9,296,240.0500)	-	(11,461,521.0180)	(4,317,873.4410)	(9,522,176.3280)	(5,131,316.0800)
Balance at 31 December 2019	-	<u>52,435,440.3930</u>	-	-	-	<u>64,637,514.4570</u>	-	<u>38,817,938.5570</u>	<u>28,340,164.8490</u>	<u>52,983,465.6920</u>	<u>33,193,252.9410</u>
Class N											
Balance at 1 January 2019	3,835,581.8820	-	5,806,388.9560	9,671,589.5890	66,789,250.6650	-	23,151,517.0980	-	-	-	-
Issued during the year	2,587,789.2210	-	3,369,674.7200	4,456,346.9950	15,799,578.4650	-	13,290,878.3260	-	-	-	-
Redeemed during the year	(1,318,764.2060)	-	(2,805,264.2300)	(2,700,858.4440)	(16,990,218.2650)	-	(12,653,965.5370)	-	-	-	-
Balance at 31 December 2019	<u>5,104,606.8970</u>	-	<u>6,370,799.4460</u>	<u>11,427,078.1400</u>	<u>65,598,610.8650</u>	-	<u>23,788,429.8870</u>	-	-	-	-

PRINCIPAL MPF SCHEME SERIES 600

NOTES TO FINANCIAL STATEMENTS

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9. UNITS IN ISSUE (continued)

	2018										
	Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Class D											
Balance at 1 January 2018	-	332,583.1440	-	-	-	5,440,897.5310	-	3,305,393.0900	4,961,708.5950	6,012,509.5540	306,769.2860
Issued during the year	-	274,144.2780	-	-	-	558,914.8860	-	1,439,747.0310	515,841.4330	719,981.7840	166,056.9260
Redeemed during the year	-	(191,886.0690)	-	-	-	(1,049,855.1840)	-	(1,655,896.4450)	(676,563.0360)	(1,108,854.4090)	(94,669.9200)
Balance at 31 December 2018	-	414,841.3530	-	-	-	4,949,957.2330	-	3,089,243.6760	4,800,986.9920	5,623,636.9290	378,156.2920
Class I											
Balance at 1 January 2018	-	58,625,864.4840	-	-	-	71,869,600.6740	-	34,513,117.0220	30,388,376.4600	56,205,763.2110	34,725,123.7290
Issued during the year	-	6,636,892.7590	-	-	-	7,462,483.7960	-	15,417,260.2150	3,764,566.1090	8,259,688.8790	5,246,987.5330
Redeemed during the year	-	(10,770,280.0330)	-	-	-	(11,992,166.2380)	-	(11,430,076.4810)	(5,043,757.7850)	(9,440,883.3630)	(5,828,330.5840)
Balance at 31 December 2018	-	54,492,477.2100	-	-	-	67,339,918.2320	-	38,500,300.7560	29,109,184.7840	55,024,568.7270	34,143,780.6780
Class N											
Balance at 1 January 2018	2,382,517.9440	-	4,495,571.7120	7,878,644.6870	64,161,637.4750	-	22,218,392.6070	-	-	-	-
Issued during the year	2,452,471.8000	-	3,977,599.0190	3,943,861.0650	21,865,317.9360	-	16,895,010.3830	-	-	-	-
Redeemed during the year	(999,407.8620)	-	(2,666,781.7750)	(2,150,916.1630)	(19,237,704.7460)	-	(15,961,885.8920)	-	-	-	-
Balance at 31 December 2018	3,835,581.8820	-	5,806,388.9560	9,671,589.5890	66,789,250.6650	-	23,151,517.0980	-	-	-	-

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NOTES TO FINANCIAL STATEMENTS

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10. CONTRIBUTIONS RECEIVED AND RECEIVABLE

Contributions received and receivable in the statement of changes in net assets available for benefits are derived from the followings:

	2019 HK\$	2018 HK\$
From employers		
- mandatory	212,803,758	221,084,189
- additional voluntary	17,287,451	17,596,141
From members		
- mandatory	198,090,890	204,923,150
- additional voluntary	4,351,619	4,523,076
	<u>432,533,718</u>	<u>448,126,556</u>
Transfer in from		
- other schemes	61,669,512	89,661,282
- same scheme	278,717,113	287,086,853
	<u>340,386,625</u>	<u>376,748,135</u>
Switching in	401,141,375	575,199,758
Others	15,664,378	14,898,100
Proceeds on issue of units	<u>1,189,726,096</u>	<u>1,414,972,549</u>

11. WITHDRAWALS PAID AND PAYABLE

Withdrawals paid and payable in the statement of changes in net assets available for benefits are derived from the following:

	2019 HK\$	2018 HK\$
Benefits	223,039,606	213,635,622
Transfers out	698,373,022	766,255,902
Forfeitures	1,213,426	1,696,885
Switching out	401,139,461	575,199,758
Others	230,508	410,188
Payments on redemption of units	<u>1,323,996,023</u>	<u>1,557,198,355</u>

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12. TAXATION

The Scheme is not subject to Hong Kong Profits tax as it is not considered to be carrying on a business in Hong Kong. Reconciliations of the tax expense/credit applicable to income/loss for the year using the statutory rate to tax expense/credit at the effective tax rate have not been presented as the income/loss of the Scheme is not subject to tax.

13. SOFT COMMISSION ARRANGEMENTS

Neither the Trustee, the Administrator, the Investment Manager nor any of its connected persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions in the investments of the Constituent Funds to the broker or dealer, save that goods and services may be retained within the limitations set out by the Hong Kong Securities and Futures Commission. Those permissible goods and services must be, among other things, of demonstrable benefit to the members and consistent with best execution standards. They may include research and advisory services, portfolio analysis, data and quotation services etc. but may not include, among other things, travel, accommodation, entertainment or direct money payments. The Trustee, the Administrator and the Investment Manager did not enter into any soft commission arrangements for the years ended 31 December 2019 and 2018.

14. MARKETING EXPENSES

There were no advertising expenses, promotional expenses, commissions or brokerage fees payable to the MPF intermediaries of the Scheme deducted from the Constituent Funds during the years ended 31 December 2019 and 2018.

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15. PAYMENTS CHARGED TO DEFAULT INVESTMENT STRATEGY CONSTITUENT FUNDS

Year ended 31 December 2019

	Principal Age 65 Plus Fund		Principal Core Accumulation Fund	
	HK\$	% of net assets#	HK\$	% of net assets#
Payments for out-of-pocket expenses				
- Auditor's fees	1,483		3,824	
- Bank charges	781		1,939	
- Legal and professional fees	2,468		5,934	
- Miscellaneous expenses	17,628		12,621	
- Printing and postage expenses	5,570		16,021	
	<u>27,930</u>	0.06	<u>40,339</u>	0.03
Payments for service				
- Investment management fee	93,595		230,321	
- Management fee	74,424		196,979	
- Trustee and administrator fee	187,190		460,641	
	<u>355,209</u>		<u>887,941</u>	
Other payments				
- Legal and professional fees (non-recurring)	17,942		62,786	
	<u>401,081</u>		<u>991,066</u>	

Year ended 31 December 2018

	Principal Age 65 Plus Fund		Principal Core Accumulation Fund	
	HK\$	% of net assets#	HK\$	% of net assets#
Payments for out-of-pocket expenses				
- Auditor's fees	1,483		3,824	
- Bank charges	589		1,648	
- Miscellaneous expenses	7,917		30,544	
- Printing and postage expenses	5,404		15,542	
- Sub-custodian fees	11		34	
	<u>15,404</u>	0.04	<u>51,592</u>	0.05
Payments for service				
- Management fee	<u>258,014</u>		<u>726,403</u>	
Other payments				
- Legal and professional fees (non-recurring)	35,883		125,572	
	<u>309,301</u>		<u>903,567</u>	

The net asset value used for calculating the percentage of out-of-pocket expenses is the sum of the net asset value of the relevant DIS constituent fund as at the last dealing day of each month of the relevant year divided by 12.

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16. BANKING FACILITIES, BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Scheme had no bank loans, overdrafts or other borrowings as at 31 December 2019 and 2018.

17. COMMITMENTS

The Scheme had no commitments as at 31 December 2019 and 2018.

18. CONTINGENT LIABILITIES

The Scheme had no contingent liabilities as at 31 December 2019 and 2018.

19. NEGOTIABILITY OF ASSETS

At 31 December 2019 and 2018, there was no statutory or contractual requirement restricting the negotiability of the assets of the Scheme.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Financial assets

	2019			2018		
	At fair value through profit or loss	At amortised cost	Total	At fair value through profit or loss	At amortised cost	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Investments measured at fair value through profit or loss	6,763,487,641	-	6,763,487,641	6,283,707,092	-	6,283,707,092
Subscriptions in transit	-	3,604,628	3,604,628	-	4,780,734	4,780,734
Contributions receivable						
- by employers	-	19,349,569	19,349,569	-	20,541,710	20,541,710
- by employees	-	16,901,141	16,901,141	-	17,260,377	17,260,377
Amounts receivable from brokers	-	1,350,215	1,350,215	-	1,246,505	1,246,505
Cash and cash equivalents	-	15,033,978	15,033,978	-	12,054,120	12,054,120
Others	-	50,985	50,985	-	18,935	18,935
	<u>6,763,487,641</u>	<u>56,290,516</u>	<u>6,819,778,157</u>	<u>6,283,707,092</u>	<u>55,902,381</u>	<u>6,339,609,473</u>

Financial liabilities

	2019	2018
	At amortised cost	At amortised cost
	HK\$	HK\$
Amounts pending for allocation	1,881,422	1,263,208
Amounts payable on redemptions	15,612,832	14,350,051
Amounts payable to brokers	241,901	-
Accrued expenses and other payables	<u>13,607,772</u>	<u>5,469,861</u>
	<u>31,343,927</u>	<u>21,083,120</u>

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The major methods and assumptions used in estimating the fair values of financial instruments in accordance with the accounting policy, stated in note 2.4, are disclosed below:

The carrying amounts of all the Constituent Funds' financial assets and financial liabilities at the year end date approximated their fair values. For the investment funds, the fair values are based on their latest NAV per unit at the year end date. For other financial instruments, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

During the year ended 31 December 2019, unit trust with a carrying amount of HK\$6,380,220,312 were transferred from level 1 to level 2 within the fair value hierarchy because the fair values of these instruments were based on proprietary pricing models using observable inputs.

At 31 December 2018, all financial instruments of the Scheme carried at fair value were investments in quoted investment funds which fall into Level 1 of the fair value hierarchy.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Each Constituent Fund normally invests in one or more investment fund (the "Investment Funds") to gets its asset allocation. The Investment Funds can either be equity funds or fixed income funds. Further, these funds may be regional or country specific. The purpose is to achieve the asset allocation in accordance with each Constituent Fund's investment objectives and policies as stated in the offering documents of the Scheme. Since the Constituent Funds derive their value from the value of these Investment Funds, their risk profile is a function of the risks inherent in each Investment Fund. These inherent risks include market risk, credit risk and liquidity risk. The portfolio manager of each Investment Fund uses various tools to manage these risks.

Additionally, there is a risk of under-allocation or over-allocation to one or more of these Investment Funds. While the risk of each Investment Fund is managed at that fund's level, the overall asset allocation of the Constituent Fund is managed within set investment guidelines to ensure that risks taken are in line with investment and risk expectations. The Constituent Fund's exposure to Investment Funds is periodically rebalanced to prevent excessive exposure. Each Constituent Fund that is allowed to invest into more than one Investment Fund has internal guidelines that specify the permissible asset allocation ranges within which portfolio managers of the Investment Fund operate.

The Scheme offers a wide range of investment choices to investors to allow them the flexibility of choosing the desired risk profile for their investments. For example, there is a more aggressive balanced fund (Global Growth Fund that invests a majority of its assets into equity assets); and there is also a conservative balanced fund like the Stable Yield Fund (majority invested into fixed income assets).

(a) Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk. The Constituent Funds solely invest in Investment Funds which are denominated in Hong Kong dollars, their functional currency. So, the direct currency risk and interest rate risk are not significant. There are inherent risks in the Investment Funds level.

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

To control the risk of the Investment Funds, investment decisions for these funds are based on a risk/reward analysis, with the adoption of diversification policies. Investment decisions are taken in accordance with the investment objectives of the concerned portfolios so that unwarranted deviations (risks) are controlled.

The Investment Funds are also subject to the risk of concentration of investments in issuers located in a particular country or region which may be susceptible to adverse securities markets, exchange rates and social, political, regulatory or economic events which may occur in that country or region.

Currency risk

The Investment Funds may invest in financial instruments denominated in currencies other than their functional currency. Consequently, each Investment Fund is exposed to the risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the portfolio's assets or liabilities denominated in currencies other than its functional currency. However, as Hong Kong dollar ("HKD") is pegged to United States dollar ("USD"), the risk of movement in exchange rate between HKD and USD is considered to be insignificant.

The Investment Funds do not generally hedge currency exposures beyond what is required to achieve the minimum HKD currency exposure set by the Mandatory Provident Fund Schemes Authority. Such Investment Funds' effective HKD exposure is monitored on a daily basis, based on which additional hedges may be put in place from time to time.

Currency risk sensitivity analysis

As at year end, had HKD strengthened/weakened by 5% in relation to all currencies except USD, with all other variables held constant the net asset value ("NAV") of the Constituent Funds and the change in net assets available for benefits and total comprehensive income as recorded in the statement of profit or loss and other comprehensive income would have decreased/increased by the percentages as shown below. The analysis is performed on the same basis for 2018.

		As at 31 December 2019										
		Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Change in NAV	(0.9027)%	2.2377%	2.7445%	0.5694%	-	2.0593%	-	-	-	1.9858%	0.2357%	1.7630%
		As at 31 December 2018										
		Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Change in NAV	(1.0980)%	2.0780%	2.3199%	0.4178%	-	2.0071%	-	-	-	2.0331%	0.1951%	1.9451%

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Interest rate risk

The Investment Funds holding interest rate debt securities are exposed to interest rate risk, where the value of these securities may fluctuate as a result of changes in interest rates. In general, if interest rates rise, the income potential of the floating interest rate securities also rises but the value of fixed rate securities declines. A fall in interest rates would generally have the opposite effect. Aligning the portfolio maturity profile to that of the internal benchmarks (for Investment Funds that use such internal benchmarks like Bloomberg Barclays Bond Index) and keeping deviations within certain limits is an important way of controlling relative interest rate risk. The portfolio manager of the Investment Funds is also aware of the running yield of the portfolio, in absolute and relative terms, based on which he adjusts portfolio holdings with the objective of optimising total portfolio returns from the two sources, i.e. running yield and expected price changes.

Some Investment Funds may not have internal benchmarks. For such funds (especially money market type funds), the portfolio manager may use a laddering technique to control duration risk. Such technique involves staggering investment maturities over different time buckets to reduce reinvestment and price risk arising from interest rate changes.

Interest rate risk sensitivity analysis

A change of 100 basis points in interest rates as at the year end date would have changed the NAV of the respective Constituent Funds and the change in net assets available for benefits by the percentages shown below. The analysis is performed on the same basis for 2018.

		As at 31 December 2019										
		Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Increase 100 basis points in interest rate	(1.26)%	(0.45)%	(5.74)%	(0.59)%	(0.03)%	(1.61)%	-	(0.36)%	(2.90)%	(3.46)%	(3.90)%	
Decrease 100 basis points in interest rate	<u>1.26%</u>	<u>0.45%</u>	<u>5.57%</u>	<u>0.59%</u>	<u>0.03%</u>	<u>1.61%</u>	<u>-</u>	<u>0.36%</u>	<u>2.90%</u>	<u>3.59%</u>	<u>3.91%</u>	
		As at 31 December 2018										
		Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Increase 100 basis points in interest rate	(1.31)%	(0.43)%	(4.92)%	(0.65)%	(0.04)%	(1.55)%	-	(0.35)%	(2.75)%	(3.35)%	(3.69)%	
Decrease 100 basis points in interest rate	<u>1.31%</u>	<u>0.43%</u>	<u>4.80%</u>	<u>0.65%</u>	<u>0.04%</u>	<u>1.55%</u>	<u>-</u>	<u>0.35%</u>	<u>2.75%</u>	<u>3.45%</u>	<u>3.69%</u>	

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) traded in the market.

The choice of Investment Funds is based on the Investment Manager's views on the suitability of a particular Investment Fund in achieving the asset allocation profile of that Constituent Fund. There is a constant review of such Investment Funds in order to provide the Constituent Funds with more investment options to achieve their target allocations. The performance of each Investment Fund is monitored regularly, as in the normal course of investment operations in consideration of the overall market risks including foreign currency risks, interest rate risks and other price risks. When their performance is found to be below expectations, the portfolio manager takes appropriate action.

Each Constituent Fund derives its other price risk from each of the Investment Funds that it invests into. Such other price risk of these Investment Funds can be mitigated by constructing a diversified portfolio of investments i.e. diversified on asset class or geographies (global vs country specific) or both. The portfolio manager of the Investment Funds manages such risks by regularly monitoring portfolio exposures, both on an absolute basis and relative to underlying benchmarks, if any. For example, if an Investment Fund benchmark has an exposure of x% in a particular stock and of y% in a particular country, the portfolio manager may manage exposure to that stock in his portfolio within x \pm 10% and to the country at y \pm 10%. Other risks relating to liquidity, sector exposures etc. are also managed in a similar manner. However, it should be noted that while diversification does mitigate risks, diversification benefits may not be visible in the short-term, especially when market volatility increases.

Other price risk sensitivity analysis

As at year end, the overall market exposures of each Constituent Fund were as follows. An increase in prices of the Investment Funds at the year end would have increased the NAV of the respective Constituent Funds and the change in net assets available for benefits by the amounts shown below. An equal change in the opposite direction would have decreased the NAV by an equal but opposite amount. The analysis is performed on the same basis for 2018.

	As at 31 December 2019										
	Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Overall market exposure	56,680,434	1,204,591,598	65,791,625	136,481,607	752,053,021	1,712,682,665	342,950,525	473,136,748	657,662,125	741,737,517	619,719,776
% change in prices	10%	10%	7.55%	10%	10%	10%	9.07%	10%	10%	10%	10%
Change in NAV	<u>5,668,043</u>	<u>120,459,160</u>	<u>4,967,268</u>	<u>13,648,161</u>	<u>75,205,302</u>	<u>171,268,267</u>	<u>31,105,613</u>	<u>47,313,675</u>	<u>65,766,213</u>	<u>74,173,752</u>	<u>61,971,978</u>

PRINCIPAL MPF SCHEME SERIES 600

NOTES TO FINANCIAL STATEMENTS

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Other price risk sensitivity analysis (continued)

	As at 31 December 2018										
	Principal Age 65 Plus Fund	Principal Aggressive Strategy Fund	Principal Asian Bond Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal HK Dollar Savings Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund
Overall market exposure	38,899,550	1,080,855,689	56,115,356	99,068,019	754,993,009	1,573,323,709	297,972,925	459,823,090	608,034,906	730,444,766	584,176,073
% change in prices	10%	10%	7.88%	10%	10%	10%	13.61%	10%	10%	10%	10%
Change in NAV	<u>3,889,955</u>	<u>108,085,569</u>	<u>4,421,890</u>	<u>9,906,802</u>	<u>75,499,301</u>	<u>157,332,371</u>	<u>40,554,115</u>	<u>45,982,309</u>	<u>60,803,491</u>	<u>73,044,477</u>	<u>58,417,607</u>

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment to pay dues in time.

The Investment Funds' portfolio manager has a credit review process in place. This ensures review and monitoring of credit quality and credit risk exposure on an ongoing basis, which helps protect portfolios from anticipated negative credit events. The portfolio manager performs this review on a regular basis. The Investment Funds' credit risk is also mitigated through diversification and control of exposure to any single issuer in the Investment Fund.

Credit risk of the Investment Funds arising on debt securities is mitigated by investing primarily in rated securities or securities issued by rated counterparties of minimum credit ratings ("BBB-" / "A-2" by S&P or equivalent ratings by other rating agencies). Typically, in cases where a holding's credit rating of an investment falls below the above minimum ratings, the portfolio manager disposes it as soon as practical.

Substantially all the cash at banks held by the Scheme and the Investment Funds is placed with reputable financial institutions. The Trustee monitors the risk by monitoring the credit rating and financial position of these financial institutions on a regular basis. If the credit quality or the financial position of these financial institutions deteriorates significantly, the Trustee will move the cash balances to another financial institution.

All the investments of the Investment Funds are held by Citibank N.A., as the custodian of the Investment Funds. Bankruptcy or insolvency of the custodian may cause the Investment Funds' rights with respect to securities held by the custodian to be delayed or limited. The Trustee monitors its risk by monitoring the credit quality and financial position of the custodian.

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

Financial assets subject to HKFRS 9's impairment requirements

The Scheme's financial assets subject to the ECL model within HKFRS 9 are only short-term trade receivables, cash and cash equivalents and others. At 31 December 2019, the total of short-term trade receivables, cash and cash equivalents and others was HK\$56,290,516 on which no loss allowance had been provided (31 December 2018: total of HK\$55,902,381 on which no loss allowance had been provided). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

All trade receivables are expected to be received in three months or less. An amount is in default if it has not been received 30 days after it is due.

As trade receivables are impacted by the ECL model within HKFRS 9, the Scheme has adopted the simplified approach. The loss allowance is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: subscriptions in transit, contributions receivable and amounts receivable from brokers.

Financial assets not subject to HKFRS 9's impairment requirements

The Scheme is exposed to credit risk on debt instruments, money market funds and similar securities. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under HKFRS 9 represents the Scheme's maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

(c) Liquidity risk

The Constituent Funds are exposed to daily liquidity risk on redemptions of units. This arises from the risk that the Investment Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner. Almost all the Constituent Funds' assets are invested in Investment Funds. These funds have daily pricing and are readily redeemable and are generally convertible into cash. As a result, in most instances, the Constituent Funds should be able to liquidate their Investment Funds quickly at close to their fair values in order to meet liquidity requirements.

The Constituent Funds are not exposed to other activities which give rise to significant liquidity risk.

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Specific instruments

Derivatives

The Investment Manager does not intend to enter into any financial futures contracts, financial options contracts nor derivatives transactions at the Constituent Fund level. The underlying Investment Funds may trade in forward contracts for hedging purpose, currency forwards to settle transactions and exposure to warrants arising mainly from corporate actions relating to underlying securities.

23. EVENTS AFTER REPORTING PERIOD

The novel coronavirus outbreak since early 2020 has brought additional uncertainties in the Trustee's and the Investment Manager's operating environment. It has had impacts on the operation of businesses in some industries and the overall market economic environment, which may have adversely affected the quality of investment assets and the investment return of the Unitholders. The level of impact will depend on how the situation will evolve, the duration and the effectiveness of the control measures taken. The Trustee and the Investment Manager will keep its contingency measures and risk management under review as the situation evolves. Under current situation, the Trustee and the Investment Manager considered the impact on liquidity or capital position is minimal.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee on 19 June 2020.

**Independent auditor's assurance report
To the Trustee of Principal MPF Scheme Series 600**

We have audited the financial statements of Principal MPF Scheme Series 600 (the "Scheme") for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1(Revised), *The Audit of Retirement Schemes* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unqualified auditor's report thereon dated 19 June 2020.

Pursuant to section 102 of the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation"), we are required to report whether the Scheme complied with certain requirements of the Mandatory Provident Fund Schemes Ordinance (the "Ordinance") and the General Regulation.

Trustee's Responsibility

The General Regulation requires the trustee to ensure that:

- (a) proper accounting and other records are kept in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme;
- (b) the requirements specified in the guidelines made by the Mandatory Provident Fund Schemes Authority (the "Authority") under section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation are complied with; and
- (c) the requirements under sections 34DB(1)(a), (b), (c) and (d), 34DC(1), 34DD(1) and (4) of the Ordinance are complied with; and
- (d) the Scheme assets are not subject to any encumbrance, otherwise than as permitted by the General Regulation.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditor's assurance report (continued)
To the Trustee of Principal MPF Scheme Series 600

Auditor's Responsibility

Our responsibility is to report on the Scheme's compliance with the above requirements based on the results of the procedures performed by us.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance about whether the Scheme has complied with the above requirements.

We have planned and performed such procedures as we considered necessary with reference to the procedures recommended on PN 860.1 (Revised), which included reviewing, on a test basis, evidence obtained from the Administrator regarding the Scheme's compliance with the above requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Based on the foregoing:

1. in our opinion:
 - (a) proper accounting and other records have been kept during the year ended 31 December 2019 in respect of the constituent funds of the Scheme, the Scheme assets and all financial transactions entered into in relation to the Scheme; and
 - (b) the requirements specified in the guidelines made by the Authority under section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 and Part X of, and Schedule 1 to, the General Regulation have been complied with, in all material respects, as at 31 December 2019, 30 August 2019 and 29 March 2019; and
 - (c) the requirements specified in the Ordinance under sections 34DB(1)(a), (b), (c) and (d), 34DC(1) and 34DD(1) and (4)(a) with respect to the investment of accrued benefits and control of payment for services relating to Principal Core Accumulation Fund and Principal Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2019, 30 August 2019 and 29 March 2019; and
 - (d) the requirements specified in section 34DD(4)(b) of the Ordinance with respect to the controls of out-of-pocket expenses of the Principal Core Accumulation Fund and Principal Age 65 Plus Fund have been complied with, in all material respects, as at 31 December 2019.
2. as at 31 December 2019, the Scheme assets were not subject to any encumbrance, otherwise than as permitted by the General Regulation.

Independent auditor's assurance report (continued)
To the Trustee of Principal MPF Scheme Series 600

Other Matter

The requirements specified in the Ordinance under sections 34DI(1) and (2) and 34DK(2) with respect to the transfer of accrued benefits to an account and specified notice, and 34DJ(2), (3), (4) and (5) with respect to locating scheme members relating to Principal Core Accumulation Fund and Principal Age 65 Plus Fund are not applicable to the trustee during the year ended 31 December 2019 as the trustee has completed the relevant transitional provisions. Accordingly, there is no reporting on these sections.

Intended Users and Purpose

This report is intended solely for submission by the trustee to the Authority pursuant to section 102 of the General Regulation, and is not intended to be, and should not be, used by anyone for any other purpose.



Certified Public Accountants
Hong Kong
19 June 2020