

Annual Report and Audited Financial Statements

PRINCIPAL MPF SCHEME SERIES 800

31 December 2019

PRINCIPAL MPF SCHEME SERIES 800

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PRINCIPAL MPF SCHEME SERIES 800

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 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 Asian Equity Fund**

### ***Market Review***

Global equity markets surged into the end of the year as year-long uncertainties began to find clarity. An agreed upon phase one trade deal between the U.S. and China was cheered by the market while the never-ending Brexit dynamics found reprieve following the latest elections as a conservatives majority lessens the likelihood of a Hard Brexit. The two catalysts spurred a risk-on rally to close out the year inducing a shift into market laggards, namely emerging markets and smaller companies, while bond-proxy sectors that previously could do no wrong were significant laggards amid profit taking.

The Asia Pacific ex-Japan markets returned a healthy 10.5% during the quarter, but still behind the overall emerging markets return of 11.9%. Of the largest markets, Taiwan, China, and South Korea outperformed while Australia and India failed to keep pace with the fierce fourth quarter rally. Our Asia Pacific ex-Japan Opportunities strategy underperformed by approximately 60 bps during the fourth quarter but outperformed by over 50 bps for the full 2019 calendar year.

### ***Portfolio Strategy and Outlook***

The overall Australian market does not look cheap, but we continue to find solid idiosyncratic stock ideas. Specifically, the software industry continues to provide much needed diversification into the Asia region where tech hardware has been dominating. Also, we like companies who generate offshore earnings relative to domestic Australian companies.

**Principal Capital Guaranteed Fund**  
**Principal HK Dollar Savings Fund**  
**Principal MPF Conservative 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% (-8 bps), 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.

## **Principal China Equity Fund**

### ***Market Review***

In 2019, materials, information technology, and consumer discretionary sectors outperformed, while utilities, energy, and communication service sectors lagged during the quarter.

China's economics activities continued to show some positive signs in December. Official manufacturing PMI remained at 50.2 in December, and Caixin manufacturing PMI edged down to 51.3 from 51.8 in November. Exports growth slightly edge down to -1.1% year-over-year (yoy) in November from -0.9% in October, and imports growth recover from -3.5% to 2.5%. Industrial production year to date remained at 5.6%. Retail sales growth accelerated to 8.0% in November from 7.2% in October, above expectation. Total social financing was US\$1,750 billion, above expectation which was US\$1,485 billion.

### ***Portfolio Strategy and Outlook***

On December 13, the United States and China announced that an agreement on Phase 1 trade negotiations had been reached. On the domestic front, November data points came in above expectations and reinforced our view of a cyclical bottoming-out. For policy, interest rate reform took another solid step as the People's Bank of China guided commercial banks to convert old index lending rates into loan prime rates (LPR) for the existing and new loan books, along with the well expected 50 basis points reserve requirement ratio (RRR) cut. Overall earnings revision remained positive in December. Therefore, we turned more positive with a focus on domestic consumption opportunities.

**Principal Hang Seng Index Tracking Fund**  
**Principal Hong Kong Equity 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 1 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.



## **Principal Hong Kong Bond Fund**

### ***Market Review***

Markit's HK Bond Index delivered 3.8% returns in 2019. The HKD/USD finished at 7.791 from 7.831 at end of 2018 touching weaker end of convertibility range in 1Q19 but HKD strengthened in December. CNH weakened 1.3% against USD to 6.96 as US-China trade tensions eased in the beginning of the year while escalating again in 2H but they finally agreed on a mini phase 1 deal. The Hang Seng index rose 9.1% (ex-dividend) in 2019. Home prices, as measured by the Centaline Property Price Index, increased 2.1% during the year but were off from the peaks.

Hong Kong's economy faltered as protests, trade tensions and slower global growth continue to weigh on economic activity. 3Q19 GDP growth contracted sharply by 2.9% yoy well below expectations on broad based weakness after growth slowed to 0.4% yoy in 2Q19 and 0.6% yoy in 1Q19. Trade tensions have decreased recently as US-China agreed on mini deal, but recent escalation between US-Iran have pushed up the geopolitical risk. Any escalation in trade wars, US-Iran flare up and political uncertainty in Europe may drag on business investments. In HK, with HK extradition protest continue to take toll on the sentiments despite the government announcement of formal withdrawal of the bill; the risk of outflows from HK has risen. Any substantial outflows may push HKD rates higher on tightening liquidity.

### ***Portfolio Strategy and Outlook***

Overall, portfolio maintains slight duration underweight at current levels, but will look to add back duration on yield sell offs as any recovery in growth sentiments may push yields higher. Portfolio continues to maintain allocation to USD bonds for carry and liquidity.

## **Principal International Bond Fund**

### ***Market Review***

Risk assets posted strong returns in the final quarter of 2019 due to easing trade tensions and continued accommodation from global central banks. The trade dispute between the United States and China, which has been a primary source of volatility over the last few quarters, entered a new phase of de-escalation during the fourth quarter. Growing optimism that the U.S. and China would reach a partial trade agreement eventually culminated with a December announcement that an agreement had been reached for a Phase 1 trade deal.

Sovereign yields increased, and curves steepened due to a reduction in geopolitical risks, some recovery in growth, and slightly higher inflation expectations due to an increase in commodity prices. Negative yielding global debt declined to US\$11 trillion, well below the August peak of US\$17 trillion. In Europe, German 10-year bunds closed the quarter at -0.19%, up from -0.57% at the start of the quarter. Peripheral spreads over German bunds dropped to 97 basis points, staying close to the lows since the 2011 Euro-Area crisis. In the U.S., the Treasury curve steepened in reaction to the easing geopolitical tensions and the Fed rate cut.

### ***Portfolio Strategy and Outlook***

Overall, the portfolio is positioned with spread and yield levels similar to its index. In terms of duration positioning, the portfolio is short duration compared to the index. However, within the U.S. dollar allocation the portfolio is overweight duration to capture the higher yield offered within the U.S. dollar market.

## **Principal International Equity Fund**

### ***Market Review***

Global equity markets surged into the end of the year as year-long uncertainties began to find clarity. An agreed upon phase one trade deal between the US and China was cheered by the market while the never-ending Brexit dynamics found reprieve following the latest elections as a conservatives majority lessens the likelihood of a Hard Brexit scenario. The two catalysts spurred a risk-on rally to close out the year inducing a shift into market laggards, namely emerging markets and smaller companies, while bond-proxy sectors that previously could do no wrong were significant laggards amid profit taking.

Strength in IT technology shares and weakness in energy proved a constant in the quarterly and yearly performance while the rest of sectoral performance migrated between risk on and off periods amid the volatile geopolitical backdrop. Information technology's significant and ongoing advancement carried growth style's outperformance over its value peers by almost 3% in quarter based upon the MSCI ACWI style indices, and 12% for the full-year.

### ***Portfolio Strategy and Outlook***

Modest underperformance in the fourth quarter was led once again by the United States as large cap growth maintained its leadership over its smaller company and particularly those with value characteristics. The strategy maintained its valuation discount to the index while positioning more to these opportunities outside of the United States given its long-standing return leadership.

**Principal U.S. Equity Fund**

*Market Review*

US equities continued to ascend in 2019, bringing year to date performance to more than 30% for S&P 500 and S&P 1500. The North America Fund posted a return of 8.65% in Q4, representing 11 bps of underperformance versus the S&P 1500. The Large Cap Segment portfolio delivered 8.58%, 0.33% lower than the S&P 500. Our proprietary factor data suggested broad-based outperformance of value factors in the US. An increased value bias in the portfolios enhanced performance over the quarter. Within the S&P 1500 and S&P 500, our factor proxies for smaller companies underperformed mildly. Our exposure to small size is relatively neutral. As such, there was no meaningful performance impact. An intentional, albeit moderate, emphasis on lower volatility and lower beta stocks hurt performance during the quarter as these defensive factors underperformed.

*Portfolio Strategy and Outlook*

Unlike the last several quarters, value outperformed and served as a ballast to the broad-based underperformance of other key factors during the quarter. We added value exposure during the quarter as it is among the highest conviction views of the Dynamic Risk Premium process. The momentum bias in portfolios was reduced during the quarter, particularly in longer term momentum factors. While we retain an overweight to momentum overall, the magnitude is now more modest as compared to earlier in 2019. We continue to avoid small cap factor exposures, with a negative bias in the US large portfolio and a neutral bias in the S&P 1500 portfolio.

For and on behalf of

**Principal Asset Management Company (Asia) Limited**



Hong Kong  
19 June 2020

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT

Investment portfolio

<i>Constituent Funds</i>	<i>*Units</i>	2019		<i>% of net asset value</i>
		<i>Cost</i> HK\$	<i>Fair value</i> HK\$	
<b>Principal Age 65 Plus Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Age 65 Plus Fund	27,367,578.3508	294,311,826	311,552,520	99.77%
<b>Principal Asian Equity Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Asian Equity Fund	107,874,078.0828	2,982,778,008	3,464,613,344	100.19%
<b>Principal Capital Guaranteed Fund</b>				
– Holdings in Principal Guaranteed Umbrella Fund				
– Principal Capital Guaranteed Fund	113,302,042.4481	1,737,977,545	1,824,067,313	100.16%
<b>Principal Core Accumulation Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Core Accumulation Fund	83,007,914.5606	932,253,575	1,017,876,259	100.04%
<b>Principal MPF Conservative Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Asset Accumulation Fund	91,390,467.4571	1,344,782,684	1,375,993,184	99.69%
<b>Principal China Equity Fund</b>				
– Holdings in Principal Life Style Fund				
– Principal China Equity Fund (pension class)	139,380,225.8991	2,397,793,770	2,844,457,712	100.21%
<b>Principal Global Growth Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Global Growth Fund	92,142,719.8948	2,024,050,878	2,389,878,088	100.13%
<b>Principal Hang Seng Index Tracking Fund</b>				
– Holdings in Tracker Fund of Hong Kong	39,093,000.0000	1,056,847,642	1,112,195,850	99.96%
<b>Principal Hong Kong Bond Fund</b>				
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Bond Fund (pension class)	43,644,170.3017	515,135,801	534,095,534	100.26%
<b>Principal Hong Kong Dollar Savings Fund</b>				
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Dollar Savings Fund (pension class)	124,792,903.5656	1,649,790,554	1,695,685,974	100.47%

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

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment portfolio (continued)

<i>Constituent Funds</i>	2019 (continued)			
	<i>*Units</i>	<i>Cost HK\$</i>	<i>Fair value HK\$</i>	<i>% of net asset value</i>
<b>Principal Hong Kong Equity Fund</b>				
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Equity Fund (pension class)	72,190,049.9166	2,868,957,454	3,211,641,474	100.11%
<b>Principal International Bond Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal International Bond Fund	41,897,863.7185	963,883,227	1,024,256,127	100.15%
<b>Principal International Equity Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal International Equity Fund	37,664,206.2567	1,089,534,528	1,348,435,083	100.09%
<b>Principal Long Term Accumulation Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Long Term Accumulation Fund	42,153,880.2885	1,190,997,631	1,387,524,479	100.13%
<b>Principal Long Term Guaranteed Fund</b>				
– Holdings in Principal Guaranteed Umbrella Fund				
– Principal Long Term Guaranteed Fund	53,232,128.3559	986,729,531	1,218,819,275	100.22%
<b>Principal Stable Yield Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Stable Yield Fund	78,609,116.4698	1,336,020,519	1,459,110,980	100.14%
<b>Principal U.S. Equity Fund</b>				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal U.S. Equity Fund	41,319,469.9349	1,581,614,638	1,926,805,398	99.63%

\* 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 Year ended 31 December 2019</i>	<i>% of net assets Year ended 31 December 2018</i>
<i>Constituent Funds</i>		
<b>Principal Age 65 Plus Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Age 65 Plus Fund	99.77%	99.86%
<b>Principal Asian Equity Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Asian Equity Fund	100.19%	100.19%
<b>Principal Capital Guaranteed Fund</b>		
– Holdings in Principal Guaranteed Umbrella Fund		
– Principal Capital Guaranteed Fund	100.16%	100.05%
<b>Principal Core Accumulation Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Core Accumulation Fund	100.04%	100.13%
<b>Principal MPF Conservative Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Asset Accumulation Fund	99.69%	99.71%
<b>Principal China Equity Fund</b>		
– Holdings in Principal Life Style Fund		
– Principal China Equity Fund (pension class)	100.21%	100.04%
<b>Principal Global Growth Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Global Growth Fund	100.13%	100.14%
<b>Principal Hang Seng Index Tracking Fund</b>		
– Holdings in Tracker Fund of Hong Kong	99.96%	99.79%
<b>Principal Hong Kong Bond Fund</b>		
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Bond Fund (pension class)	100.26%	99.88%
<b>Principal Hong Kong Dollar Savings Fund</b>		
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Dollar Savings Fund (pension class)	100.47%	99.61%
<b>Principal Hong Kong Equity Fund</b>		
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Equity Fund (pension class)	100.11%	100.10%
<b>Principal International Bond Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal International Bond Fund	100.15%	99.96%

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Statement of movements in portfolio holdings (continued)

	<i>% of net assets Year ended 31 December 2019</i>	<i>% of net assets Year ended 31 December 2018</i>
<i>Constituent Funds</i>		
<b>Principal International Equity Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal International Equity Fund	100.09%	100.21%
<b>Principal Long Term Accumulation Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Long Term Accumulation Fund	100.13%	100.18%
<b>Principal Long Term Guaranteed Fund</b>		
– Holdings in Principal Guaranteed Umbrella Fund		
– Principal Long Term Guaranteed Fund	100.22%	100.07%
<b>Principal Stable Yield Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Stable Yield Fund	100.14%	99.90%
<b>Principal U.S. Equity Fund</b>		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal U.S. Equity Fund	99.63%	100.08%



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INVESTMENT REPORT (continued)

Investment income and performance

		2019																	
		<i>Principal Age 65 Plus Fund</i>	<i>Principal Asian Equity Fund</i>	<i>Principal Capital Guaranteed Fund</i>	<i>Principal Core Accumulation Fund</i>	<i>Principal MPF Conservative Fund</i>	<i>Principal China Equity Fund</i>	<i>Principal Global Growth Fund</i>	<i>Principal Hang Seng Index Tracking Fund</i>	<i>Principal Hong Kong Bond Fund</i>	<i>Principal HK Dollar Savings Fund</i>	<i>Principal Hong Kong Equity Fund</i>	<i>Principal International Bond Fund</i>	<i>Principal International Equity Fund</i>	<i>Principal Long Term Accumulation Fund</i>	<i>Principal Long Term Guaranteed Fund</i>	<i>Principal Stable Yield Fund</i>	<i>Principal U.S. Equity Fund</i>	
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Investment performance</b>																			
Net gains on investments - realised		4,066,208	70,630,108	6,862,562	12,290,387	14,062,040	90,783,315	62,190,052	9,864,456	13,052,022	24,987,986	85,324,518	18,937,524	42,919,741	37,087,601	15,338,966	23,330,097	72,338,257	
Net gains on investments - unrealised		<u>18,311,205</u>	<u>388,287,718</u>	<u>32,990,363</u>	<u>110,556,070</u>	<u>13,990,749</u>	<u>335,201,295</u>	<u>242,751,805</u>	<u>77,064,194</u>	<u>6,937,739</u>	<u>15,029,854</u>	<u>278,260,276</u>	<u>42,804,243</u>	<u>188,071,261</u>	<u>119,030,650</u>	<u>70,103,215</u>	<u>103,545,867</u>	<u>287,928,679</u>	
		2018																	
		<i>Principal Age 65 Plus Fund</i>	<i>Principal Asian Equity Fund</i>	<i>Principal Capital Guaranteed Fund</i>	<i>Principal Core Accumulation Fund</i>	<i>Principal MPF Conservative Fund</i>	<i>Principal China Equity Fund</i>	<i>Principal Global Growth Fund</i>	<i>Principal Hang Seng Index Tracking Fund</i>	<i>Principal Hong Kong Bond Fund</i>	<i>Principal HK Dollar Savings Fund</i>	<i>Principal Hong Kong Equity Fund</i>	<i>Principal International Bond Fund</i>	<i>Principal International Equity Fund</i>	<i>Principal Long Term Accumulation Fund</i>	<i>Principal Long Term Guaranteed Fund</i>	<i>Principal Stable Yield Fund</i>	<i>Principal U.S. Equity Fund</i>	
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Investment performance</b>																			
Net gains on investments - realised		208,151	187,417,171	3,683,486	4,408,474	7,972,167	227,635,522	93,230,212	40,710,823	1,549,351	14,332,592	184,621,526	8,747,441	72,601,997	46,066,718	12,255,513	23,381,419	111,349,357	
Net gains/(losses) on investments - unrealised		<u>(2,170,224)</u>	<u>(871,101,243)</u>	<u>20,610,570</u>	<u>(40,927,467)</u>	<u>9,017,892</u>	<u>(557,362,783)</u>	<u>(322,135,828)</u>	<u>(168,968,323)</u>	<u>6,614,610</u>	<u>11,829,750</u>	<u>(581,090,348)</u>	<u>(18,473,118)</u>	<u>(232,761,682)</u>	<u>(145,780,464)</u>	<u>(40,343,432)</u>	<u>(81,512,977)</u>	<u>(195,570,627)</u>	
		2017																	
		<i>#Principal Age 65 Plus Fund</i>	<i>Principal Asian Equity Fund</i>	<i>Principal Capital Guaranteed Fund</i>	<i>#Principal Core Accumulation Fund</i>	<i>Principal MPF Conservative Fund</i>	<i>Principal China Equity Fund</i>	<i>Principal Global Growth Fund</i>	<i>Principal Hang Seng Index Tracking Fund</i>	<i>Principal Hong Kong Bond Fund</i>	<i>Principal HK Dollar Savings Fund</i>	<i>Principal Hong Kong Equity Fund</i>	<i>Principal International Bond Fund</i>	<i>Principal International Equity Fund</i>	<i>Principal Long Term Accumulation Fund</i>	<i>Principal Long Term Guaranteed Fund</i>	<i>Principal Stable Yield Fund</i>	<i>Principal U.S. Equity Fund</i>	
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
<b>Investment performance</b>																			
Net gains on investments - realised		180,203	192,149,066	3,722,272	1,560,923	5,303,961	165,323,999	82,764,171	30,533,397	2,358,831	14,485,112	159,710,289	7,689,264	61,216,842	42,171,649	13,781,522	22,630,512	71,204,319	
Net gains on investments - unrealised		<u>1,099,714</u>	<u>857,896,596</u>	<u>8,858,745</u>	<u>15,994,081</u>	<u>1,787,921</u>	<u>620,886,061</u>	<u>320,834,115</u>	<u>173,368,053</u>	<u>6,125,779</u>	<u>1,707,423</u>	<u>583,225,020</u>	<u>39,139,062</u>	<u>187,567,543</u>	<u>156,270,912</u>	<u>38,475,198</u>	<u>81,447,065</u>	<u>135,245,059</u>	

# These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment income and performance (continued)

2019																	
	<i>Principal Age 65 Plus Fund</i> HK\$	<i>Principal Asian Equity Fund</i> HK\$	<i>Principal Capital Guaranteed Fund</i> HK\$	<i>Principal Core Accumulation Fund</i> HK\$	<i>Principal MPF Conservative Fund</i> HK\$	<i>Principal China Equity Fund</i> HK\$	<i>Principal Global Growth Fund</i> HK\$	<i>Principal Hang Seng Index Tracking Fund</i> HK\$	<i>Principal Hong Kong Bond Fund</i> HK\$	<i>Principal HK Dollar Savings Fund</i> HK\$	<i>Principal Hong Kong Equity Fund</i> HK\$	<i>Principal International Bond Fund</i> HK\$	<i>Principal International Equity Fund</i> HK\$	<i>Principal Long Term Accumulation Fund</i> HK\$	<i>Principal Long Term Guaranteed Fund</i> HK\$	<i>Principal Stable Yield Fund</i> HK\$	<i>Principal U.S. Equity Fund</i> HK\$
Income derived from investments																	
Distribution income	-	-	-	-	-	-	-	34,426,725	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	52	-	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2018																	
	<i>Principal Age 65 Plus Fund</i> HK\$	<i>Principal Asian Equity Fund</i> HK\$	<i>Principal Capital Guaranteed Fund</i> HK\$	<i>Principal Core Accumulation Fund</i> HK\$	<i>Principal MPF Conservative Fund</i> HK\$	<i>Principal China Equity Fund</i> HK\$	<i>Principal Global Growth Fund</i> HK\$	<i>Principal Hang Seng Index Tracking Fund</i> HK\$	<i>Principal Hong Kong Bond Fund</i> HK\$	<i>Principal HK Dollar Savings Fund</i> HK\$	<i>Principal Hong Kong Equity Fund</i> HK\$	<i>Principal International Bond Fund</i> HK\$	<i>Principal International Equity Fund</i> HK\$	<i>Principal Long Term Accumulation Fund</i> HK\$	<i>Principal Long Term Guaranteed Fund</i> HK\$	<i>Principal Stable Yield Fund</i> HK\$	<i>Principal U.S. Equity Fund</i> HK\$
Income derived from investments																	
Distribution income	-	-	-	-	-	-	-	30,391,685	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	57	-	-	-	-	-	-	-	-	-	-
Other income	-	-	291,646	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>291,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2017																	
	<i>#Principal Age 65 Plus Fund</i> HK\$	<i>Principal Asian Equity Fund</i> HK\$	<i>Principal Capital Guaranteed Fund</i> HK\$	<i>#Principal Core Accumulation Fund</i> HK\$	<i>Principal MPF Conservative Fund</i> HK\$	<i>Principal China Equity Fund</i> HK\$	<i>Principal Global Growth Fund</i> HK\$	<i>Principal Hang Seng Index Tracking Fund</i> HK\$	<i>Principal Hong Kong Bond Fund</i> HK\$	<i>Principal HK Dollar Savings Fund</i> HK\$	<i>Principal Hong Kong Equity Fund</i> HK\$	<i>Principal International Bond Fund</i> HK\$	<i>Principal International Equity Fund</i> HK\$	<i>Principal Long Term Accumulation Fund</i> HK\$	<i>Principal Long Term Guaranteed Fund</i> HK\$	<i>Principal Stable Yield Fund</i> HK\$	<i>Principal U.S. Equity Fund</i> HK\$
Income derived from investments																	
Dividend income	-	-	-	-	-	-	-	24,928,500	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	52	-	-	-	-	-	-	-	-	-	-
Other income	-	-	357,670	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>357,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF SCHEME SERIES 800

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	-	-	11.1024	312,275,699
Principal Asian Equity Fund	41.6422	40.2214	-	3,457,924,094
Principal Capital Guaranteed Fund	11.6281	11.5548	-	1,821,202,000
Principal Core Accumulation Fund	-	-	11.9236	1,017,474,795
Principal MPF Conservative Fund	-	-	11.4486	1,380,339,788
Principal China Equity Fund	16.4893	15.9275	-	2,838,372,950
Principal Global Growth Fund	25.1395	24.6653	-	2,386,823,929
Principal Hang Seng Index Tracking Fund	-	-	15.8107	1,112,688,829
Principal Hong Kong Bond Fund	-	-	11.0031	532,721,321
Principal HK Dollar Savings Fund	11.1707	11.1197	-	1,687,755,000
Principal Hong Kong Equity Fund	28.2574	27.7569	-	3,207,982,028
Principal International Bond Fund	18.1366	17.9368	-	1,022,687,637
Principal International Equity Fund	18.7206	18.0837	-	1,347,215,860
Principal Long Term Accumulation Fund	20.3311	19.9472	-	1,385,695,985
Principal Long Term Guaranteed Fund	13.2251	12.7080	-	1,216,187,856
Principal Stable Yield Fund	18.8265	18.4729	-	1,457,042,653
Principal U.S. Equity Fund	20.5613	19.8655	-	1,933,945,993

**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	-	-	10.1085	175,226,621
Principal Asian Equity Fund	36.5146	35.3881	-	2,960,698,024
Principal Capital Guaranteed Fund	11.5076	11.4522	-	1,596,007,581
Principal Core Accumulation Fund	-	-	10.2326	594,152,501
Principal MPF Conservative Fund	-	-	11.3115	1,165,400,140
Principal China Equity Fund	14.1625	13.7262	-	2,381,188,960
Principal Global Growth Fund	22.1384	21.7727	-	2,003,045,150
Principal Hang Seng Index Tracking Fund	-	-	14.1558	904,648,594
Principal Hong Kong Bond Fund	-	-	10.6799	450,234,692
Principal HK Dollar Savings Fund	11.0171	10.9668	-	1,570,050,786
Principal Hong Kong Equity Fund	25.1658	24.7447	-	2,608,266,844
Principal International Bond Fund	17.0971	16.9088	-	797,982,051
Principal International Equity Fund	15.6540	15.1723	-	1,083,421,277
Principal Long Term Accumulation Fund	18.2483	17.9465	-	1,204,037,530
Principal Long Term Guaranteed Fund	12.4822	12.0540	-	1,114,720,190
Principal Stable Yield Fund	17.2703	16.9864	-	1,156,378,129
Principal U.S. Equity Fund	16.4580	15.9546	-	1,279,708,318

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Performance table (continued)

**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	-	-	10.3176	67,758,671
Principal Asian Equity Fund	45.3648	44.1162	-	3,473,055,864
Principal Capital Guaranteed Fund	11.4454	11.4066	-	1,045,166,404
#Principal Core Accumulation Fund	-	-	10.9303	329,250,862
Principal MPF Conservative Fund	-	-	11.2313	750,713,572
Principal China Equity Fund	16.2832	15.8353	-	2,608,953,429
Principal Global Growth Fund	24.9735	24.6198	-	2,072,443,366
Principal Hang Seng Index Tracking Fund	-	-	15.9628	834,955,392
Principal Hong Kong Bond Fund	-	-	10.5999	337,416,886
Principal HK Dollar Savings Fund	10.9190	10.8687	-	1,090,753,874
Principal Hong Kong Equity Fund	29.2936	28.8317	-	2,622,819,772
Principal International Bond Fund	17.5392	17.3446	-	684,103,640
Principal International Equity Fund	18.1925	17.6933	-	1,252,312,423
Principal Long Term Accumulation Fund	20.0115	19.7277	-	1,224,192,673
Principal Long Term Guaranteed Fund	13.0037	12.6207	-	1,071,906,944
Principal Stable Yield Fund	18.3801	18.1208	-	932,797,665
Principal U.S. Equity Fund	17.6186	17.1378	-	1,233,972,665

# These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>Principal Age 65 Plus Fund</b>				
Class N	0.82%	11.1233	10.1133	9.83%
<b>Principal Asian Equity Fund</b>				
Class D	1.31%	42.2546	35.3273	14.04%
Class I	1.65%	40.9112	34.2363	13.66%
<b>Principal Capital Guaranteed Fund</b>				
Class D	1.28%	11.6281	11.5082	1.05%
Class I	1.43%	11.5548	11.4527	0.90%
<b>Principal Core Accumulation Fund</b>				
Class N	0.82%	11.9379	10.1511	16.53%
<b>Principal MPF Conservative Fund</b>				
Class N	0.97%	11.4486	11.3125	1.21%
<b>Principal China Equity Fund</b>				
Class D	1.31%	16.6934	13.6762	16.43%
Class I	1.65%	16.1647	13.2545	16.04%
<b>Principal Global Growth Fund</b>				
Class D	1.29%	25.1728	21.8783	13.56%
Class I	1.53%	24.6986	21.5163	13.29%
<b>Principal Hang Seng Index Tracking Fund</b>				
Class N	1.06%	16.5222	13.7206	11.69%
<b>Principal Hong Kong Bond Fund</b>				
Class N	1.02%	11.1959	10.6756	3.03%
<b>Principal HK Dollar Savings Fund</b>				
Class D	1.02%	11.1707	11.0196	1.39%
Class I	1.02%	11.1197	10.9692	1.39%
<b>Principal Hong Kong Equity Fund</b>				
Class D	1.29%	29.6301	24.3577	12.28%
Class I	1.39%	29.1266	23.9499	12.17%
<b>Principal International Bond Fund</b>				
Class D	1.28%	18.5156	17.1647	6.08%
Class I	1.28%	18.3117	16.9756	6.08%
<b>Principal International Equity Fund</b>				
Class D	1.29%	18.7604	15.4402	19.59%
Class I	1.63%	18.1228	14.9646	19.19%
<b>Principal Long Term Accumulation Fund</b>				
Class D	1.29%	20.3473	18.1244	11.41%
Class I	1.53%	19.9636	17.8242	11.15%
<b>Principal Long Term Guaranteed Fund</b>				
Class D	2.54%	13.2379	12.4840	5.95%
Class I	3.04%	12.7210	12.0552	5.43%
<b>Principal Stable Yield Fund</b>				
Class D	1.29%	18.8335	17.2295	9.01%
Class I	1.52%	18.4802	16.9459	8.75%
<b>Principal U.S. Equity Fund</b>				
Class D	1.27%	20.5949	16.1001	24.93%
Class I	1.61%	19.8986	15.6071	24.51%

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.

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>Principal Age 65 Plus Fund</b>				
Class N	0.87%	10.4192	10.0155	(2.03)%
<b>Principal Asian Equity Fund</b>				
Class D	1.33%	49.1717	35.9501	(19.51)%
Class I	1.67%	47.8054	34.8446	(19.78)%
<b>Principal Capital Guaranteed Fund</b>				
Class D	1.30%	11.5076	11.4456	0.54%
Class I	1.44%	11.4522	11.4067	0.40%
<b>Principal Core Accumulation Fund</b>				
Class N	0.88%	11.4034	9.9933	(6.38)%
<b>Principal MPF Conservative Fund</b>				
Class N	1.00%	11.3115	11.2313	0.71%
<b>Principal China Equity Fund</b>				
Class D	1.31%	18.8287	13.8344	(13.02)%
Class I	1.65%	18.3065	13.4160	(13.32)%
<b>Principal Global Growth Fund</b>				
Class D	1.30%	26.5498	21.7771	(11.35)%
Class I	1.54%	26.1693	21.4183	(11.56)%
<b>Principal Hang Seng Index Tracking Fund</b>				
Class N	1.05%	17.6972	13.5503	(11.32)%
<b>Principal Hong Kong Bond Fund</b>				
Class N	1.03%	10.6799	10.4117	0.75%
<b>Principal HK Dollar Savings Fund</b>				
Class D	1.03%	11.0171	10.9204	0.90%
Class I	1.03%	10.9668	10.8702	0.90%
<b>Principal Hong Kong Equity Fund</b>				
Class D	1.31%	32.4049	23.8522	(14.09)%
Class I	1.40%	31.8917	23.4568	(14.18)%
<b>Principal International Bond Fund</b>				
Class D	1.30%	17.6787	16.8347	(2.52)%
Class I	1.29%	17.4828	16.6493	(2.51)%
<b>Principal International Equity Fund</b>				
Class D	1.30%	19.5426	15.0121	(13.95)%
Class I	1.63%	19.0017	14.5511	(14.25)%
<b>Principal Long Term Accumulation Fund</b>				
Class D	1.30%	20.9566	18.0152	(8.81)%
Class I	1.54%	20.6558	17.7180	(9.03)%
<b>Principal Long Term Guaranteed Fund</b>				
Class D	2.55%	13.0680	12.3922	(4.01)%
Class I	3.05%	12.6783	11.9683	(4.49)%
<b>Principal Stable Yield Fund</b>				
Class D	1.30%	18.9668	17.1177	(6.04)%
Class I	1.53%	18.6960	16.8371	(6.26)%
<b>Principal U.S. Equity Fund</b>				
Class D	1.29%	19.8533	15.4324	(6.59)%
Class I	1.62%	19.2687	14.9612	(6.90)%

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.

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(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>#Principal Age 65 Plus Fund</b>			
Class N	10.3324	9.9973	3.18%
<b>Principal Asian Equity Fund</b>			
Class D	45.4090	32.2471	48.54%
Class I	44.1743	31.4626	47.38%
<b>Principal Capital Guaranteed Fund</b>			
Class D	11.4454	11.4284	0.15%
Class I	11.4066	11.4028	0.03%
<b>#Principal Core Accumulation Fund</b>			
Class N	10.9393	9.9676	9.30%
<b>Principal MPF Conservative Fund</b>			
Class N	11.2313	11.2304	0.01%
<b>Principal China Equity Fund</b>			
Class D	16.6388	11.6552	39.94%
Class I	16.1867	11.3718	39.48%
<b>Principal Global Growth Fund</b>			
Class D	24.9767	20.3368	23.12%
Class I	24.6231	20.0954	22.83%
<b>Principal Hang Seng Index Tracking Fund</b>			
Class N	16.0799	11.6286	41.74%
<b>Principal Hong Kong Bond Fund</b>			
Class N	10.7707	10.3675	1.17%
<b>Principal HK Dollar Savings Fund</b>			
Class D	10.9360	10.8695	0.36%
Class I	10.8856	10.8192	0.29%
<b>Principal Hong Kong Equity Fund</b>			
Class D	29.5091	20.7899	42.52%
Class I	29.0467	20.4816	42.25%
<b>Principal International Bond Fund</b>			
Class D	17.7303	16.3891	6.47%
Class I	17.5334	16.2064	6.48%
<b>Principal International Equity Fund</b>			
Class D	18.2475	14.9331	22.54%
Class I	17.7470	14.5715	22.13%
<b>Principal Long Term Accumulation Fund</b>			
Class D	20.0135	16.9856	1.47%
Class I	19.7298	16.7838	1.23%
<b>Principal Long Term Guaranteed Fund</b>			
Class D	13.0433	12.5528	3.10%
Class I	12.6765	12.2430	2.09%
<b>Principal Stable Yield Fund</b>			
Class D	18.3813	16.2851	12.90%
Class I	18.1221	16.0925	12.64%
<b>Principal U.S. Equity Fund</b>			
Class D	17.7270	14.7700	19.30%
Class I	17.2433	14.4122	18.91%

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.

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(for newly launched Constituent Fund/ class)

# These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>Principal Asian Equity Fund</b>			
Class D	34.9483	26.9559	4.76%
Class I	34.1387	26.4052	4.28%
<b>Principal Capital Guaranteed Fund</b>			
Class D	11.4283	11.4267	0.01%
Class I	11.4028	11.4015	0.01%
<b>Principal MPF Conservative Fund</b>			
Class N	11.2305	11.2298	0.01%
<b>Principal China Equity Fund</b>			
Class D	12.8408	9.4706	0.97%
Class I	12.5434	9.2770	0.51%
<b>Principal Global Growth Fund</b>			
Class D	21.2562	18.3358	1.42%
Class I	21.0199	18.1563	1.18%
<b>Principal Hang Seng Index Tracking Fund</b>			
Class N	12.6670	9.4450	2.35%
<b>Principal Hong Kong Bond Fund</b>			
Class N	10.7630	10.3179	(1.09)%
<b>Principal HK Dollar Savings Fund</b>			
Class D	10.8973	10.8494	(0.10)%
Class I	10.8494	10.8061	(0.17)%
<b>Principal Hong Kong Equity Fund</b>			
Class D	22.9491	17.2231	0.61%
Class I	22.6157	16.9822	0.52%
<b>Principal International Bond Fund</b>			
Class D	17.5673	16.3017	1.11%
Class I	17.3760	16.1469	0.93%
<b>Principal International Equity Fund</b>			
Class D	15.0562	13.0493	1.42%
Class I	14.6945	12.7844	0.96%
<b>Principal Long Term Accumulation Fund</b>			
Class D	17.8196	15.8352	1.47%
Class I	17.6214	15.6800	1.23%
<b>Principal Long Term Guaranteed Fund</b>			
Class D	12.9533	12.3814	(0.53)%
Class I	12.6538	12.1330	(1.03)%
<b>Principal Stable Yield Fund</b>			
Class D	17.1184	15.6269	1.25%
Class I	16.9289	15.4766	1.01%
<b>Principal U.S. Equity Fund</b>			
Class D	15.0283	12.4802	5.03%
Class I	14.6684	12.2282	4.56%

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.

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 (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 800

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 (%)
<b>Principal Asian Equity Fund</b>			
Class D	38.7416	29.2322	(8.89)%
Class I	38.1033	28.7019	(9.35)%
<b>Principal Capital Guaranteed Fund</b>			
Class D	11.4267	11.4250	0.02%
Class I	11.4015	11.4006	0.01%
<b>Principal MPF Conservative Fund</b>			
Class N	11.2298	11.2276	0.02%
<b>Principal China Equity Fund</b>			
Class D	15.6368	10.7293	(8.16)%
Class I	15.3793	10.5326	(8.61)%
<b>Principal Global Growth Fund</b>			
Class D	22.3258	19.2995	(2.85)%
Class I	22.1493	19.1274	(3.08)%
<b>Principal Hang Seng Index Tracking Fund</b>			
Class N	14.2959	10.5917	(5.27)%
<b>Principal Hong Kong Bond Fund</b>			
Class N	10.5367	10.2542	2.08%
<b>Principal HK Dollar Savings Fund</b>			
Class D	10.9422	10.8753	(0.30)%
Class I	10.9050	10.8326	(0.40)%
<b>Principal Hong Kong Equity Fund</b>			
Class D	26.4478	19.3009	(5.04)%
Class I	26.0964	19.0389	(5.14)%
<b>Principal International Bond Fund</b>			
Class D	17.0366	16.1696	(4.13)%
Class I	16.9131	16.0196	(4.35)%
<b>Principal International Equity Fund</b>			
Class D	15.9626	13.8018	(3.13)%
Class I	15.6963	13.5467	(3.61)%
<b>Principal Long Term Accumulation Fund</b>			
Class D	18.2030	16.3367	(2.89)%
Class I	18.0590	16.1909	(3.12)%
<b>Principal Long Term Guaranteed Fund</b>			
Class D	13.0613	12.5619	(0.98)%
Class I	12.8464	12.3338	(1.47)%
<b>Principal Stable Yield Fund</b>			
Class D	17.0705	15.8974	(2.94)%
Class I	16.9357	15.7561	(3.17)%
<b>Principal U.S. Equity Fund</b>			
Class D	14.9025	13.0259	(0.90)%
Class I	14.6434	12.7924	(1.39)%

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.

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(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>Principal Asian Equity Fund</b>			
Class D	36.5206	30.7863	0.24%
Class I	36.0332	30.4622	(0.25)%
<b>Principal Capital Guaranteed Fund</b>			
Class D	11.4249	11.4173	0.07%
Class I	11.4006	11.3997	0.01%
<b>Principal MPF Conservative Fund</b>			
Class N	11.2276	11.2079	0.18%
<b>Principal China Equity Fund</b>			
Class D	13.0524	10.6196	8.32%
Class I	12.8774	10.5015	7.78%
<b>Principal Global Growth Fund</b>			
Class D	21.6294	19.7558	(0.21)%
Class I	21.4910	19.6562	(0.45)%
<b>Principal Hang Seng Index Tracking Fund</b>			
Class N	12.6814	10.4472	3.91%
<b>Principal Hong Kong Bond Fund</b>			
Class N	10.3397	9.9405	3.07%
<b>Principal HK Dollar Savings Fund</b>			
Class D	10.9343	10.8800	(0.07)%
Class I	10.9108	10.8537	(0.16)%
<b>Principal Hong Kong Equity Fund</b>			
Class D	22.8972	19.5333	2.87%
Class I	22.6087	19.3039	2.56%
<b>Principal International Bond Fund</b>			
Class D	17.9043	16.9347	(1.42)%
Class I	17.7971	16.8142	(1.65)%
<b>Principal International Equity Fund</b>			
Class D	15.8110	14.1626	0.96%
Class I	15.6149	13.9666	0.46%
<b>Principal Long Term Accumulation Fund</b>			
Class D	18.0229	16.8096	(0.43)%
Class I	17.9075	16.7249	(0.66)%
<b>Principal Long Term Guaranteed Fund</b>			
Class D	12.8316	12.4976	1.75%
Class I	12.6619	12.3668	1.25%
<b>Principal Stable Yield Fund</b>			
Class D	17.2941	16.4791	(0.80)%
Class I	17.1875	16.3696	(1.03)%
<b>Principal U.S. Equity Fund</b>			
Class D	14.4045	12.1702	11.29%
Class I	14.1924	12.0436	10.75%

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(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>Principal Asian Equity Fund</b>			
Class D	34.8943	29.6502	2.00%
Class I	34.6580	29.4291	1.49%
<b>Principal Capital Guaranteed Fund</b>			
Class D	11.4173	11.4163	0.01%
Class I	11.3997	11.3997	-
<b>Principal MPF Conservative Fund</b>			
Class N	11.2079	11.2071	0.01%
<b>Principal China Equity Fund</b>			
Class D	11.9969	9.4380	5.90%
Class I	11.8813	9.3673	5.37%
<b>Principal Global Growth Fund</b>			
Class D	20.6305	18.2198	11.43%
Class I	20.5314	18.1547	11.16%
<b>Principal Hang Seng Index Tracking Fund</b>			
Class N	11.8171	9.7846	4.61%
<b>Principal Hong Kong Bond Fund</b>			
Class N	10.2709	9.8407	(2.61)%
<b>Principal HK Dollar Savings Fund</b>			
Class D	10.9197	10.8617	0.51%
Class I	10.8977	10.8493	0.41%
<b>Principal Hong Kong Equity Fund</b>			
Class D	21.3990	17.8862	10.28%
Class I	21.1940	17.7532	9.73%
<b>Principal International Bond Fund</b>			
Class D	17.7902	16.7340	(3.30)%
Class I	17.7472	16.6726	(3.53)%
<b>Principal International Equity Fund</b>			
Class D	14.9686	12.1383	25.27%
Class I	14.8199	12.0763	24.65%
<b>Principal Long Term Accumulation Fund</b>			
Class D	17.2886	15.7099	7.19%
Class I	17.2056	15.6539	6.93%
<b>Principal Long Term Guaranteed Fund</b>			
Class D	12.7568	12.1580	(0.45)%
Class I	12.6718	12.0679	(0.95)%
<b>Principal Stable Yield Fund</b>			
Class D	16.7478	15.6515	3.11%
Class I	16.6748	15.5957	2.86%
<b>Principal U.S. Equity Fund</b>			
Class D	12.7481	9.9002	30.97%
Class I	12.6217	9.8496	30.32%

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(for newly launched Constituent Fund/ class)

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>Principal Asian Equity Fund</b>			
Class D	32.7840	26.3328	25.20%
Class I	32.6197	26.3299	24.57%
<b>Principal Capital Guaranteed Fund</b>			
Class D	11.4162	11.3882	0.25%
Class I	11.3997	11.3881	0.10%
<b>Principal MPF Conservative Fund</b>			
Class N	11.2073	11.2003	0.06%
<b>Principal China Equity Fund</b>			
Class D	10.9387	8.9230	20.70%
Class I	10.8838	8.9036	20.10%
<b>Principal Global Growth Fund</b>			
Class D	18.5711	16.0206	15.93%
Class I	18.5278	16.0040	15.65%
<b>#Principal Hang Seng Index Tracking Fund</b>			
Class N	10.9864	8.8068	9.38%
<b>#Principal Hong Kong Bond Fund</b>			
Class N	10.2307	9.9291	2.26%
<b>Principal HK Dollar Savings Fund</b>			
Class D	10.8642	10.8447	0.17%
Class I	10.8538	10.8438	0.07%
<b>Principal Hong Kong Equity Fund</b>			
Class D	19.0972	15.2934	25.55%
Class I	19.0025	15.2815	24.93%
<b>Principal International Bond Fund</b>			
Class D	17.9600	16.9626	4.70%
Class I	17.9231	16.9617	4.45%
<b>Principal International Equity Fund</b>			
Class D	12.0393	9.9924	18.41%
Class I	11.9809	9.9708	17.82%
<b>Principal Long Term Accumulation Fund</b>			
Class D	16.1773	14.3851	12.51%
Class I	16.1396	14.3843	12.24%
<b>Principal Long Term Guaranteed Fund</b>			
Class D	12.5868	11.8587	6.18%
Class I	12.5281	11.8576	5.65%
<b>Principal Stable Yield Fund</b>			
Class D	16.2424	14.8685	9.02%
Class I	16.2046	14.8677	8.76%
<b>Principal U.S. Equity Fund</b>			
Class D	10.1425	8.6367	13.99%
Class I	10.1040	8.6181	13.42%

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(for newly launched Constituent Fund/ class)

# This Constituent Fund was newly launched on 1 February 2012.

PRINCIPAL MPF SCHEME SERIES 800

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 (%)
<b>Principal Asian Equity Fund</b>			
Before 29 December 2011	32.8929	23.3568	(14.17)%
Class D (After 29 December 2011)	26.1858	26.1735	0.05%
Class I (After 29 December 2011)	26.1854	26.1735	0.05%
<b>Principal Capital Guaranteed Fund</b>			
Before 29 December 2011	11.3881	11.3877	-
Class D (After 29 December 2011)	11.3881	11.3881	-
Class I (After 29 December 2011)	11.3881	11.3881	-
<b>Principal MPF Conservative Fund</b>			
Before 29 December 2011	11.2003	11.1974	(0.01)%
Class N (After 29 December 2011)	11.2003	11.2003	-
<b>Principal China Equity Fund</b>			
Before 29 December 2011	12.1975	7.7566	26.44%
Class D (After 29 December 2011)	9.0625	9.0532	0.10%
Class I (After 29 December 2011)	9.0624	9.0532	0.10%
<b>Principal Global Growth Fund</b>			
Before 29 December 2011	18.5184	14.8528	9.71%
Class D (After 29 December 2011)	15.9705	15.9492	0.13%
Class I (After 29 December 2011)	15.9704	15.9492	0.13%
<b>Principal HK Dollar Savings Fund</b>			
Before 29 December 2011	10.8882	10.8439	0.39%
Class D (After 29 December 2011)	10.8459	10.8456	-
Class I (After 29 December 2011)	10.8459	10.8456	-
<b>Principal Hong Kong Equity Fund</b>			
Before 29 December 2011	19.4834	13.2800	22.02%
Class D (After 29 December 2011)	15.1967	15.1746	0.15%
Class I (After 29 December 2011)	15.1965	15.1746	0.14%
<b>Principal International Bond Fund</b>			
Before 29 December 2011	17.8558	16.3197	(2.65)%
Class D (After 29 December 2011)	17.0267	17.0069	0.12%
Class I (After 29 December 2011)	17.0266	17.0069	0.12%
<b>Principal International Equity Fund</b>			
Before 29 December 2011	11.8673	9.1289	7.90%
Class D (After 29 December 2011)	10.0910	10.0857	0.05%
Class I (After 29 December 2011)	10.0909	10.0857	0.05%
<b>Principal Long Term Accumulation Fund</b>			
Before 29 December 2011	16.0267	13.6358	6.17%
Class D (After 29 December 2011)	14.3355	14.3174	0.13%
Class I (After 29 December 2011)	14.3354	14.3174	0.13%

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 (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 800

INVESTMENT REPORT (continued)

Performance table (continued)

**Performance record for the year ended 31 December 2011 (continued)**

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
<b>Principal Long Term Guaranteed Fund</b>			
Before 29 December 2011	12.1819	11.5808	(0.40)%
Class D (After 29 December 2011)	11.8418	11.8275	0.12%
Class I (After 29 December 2011)	11.8416	11.8275	0.12%
<b>Principal Stable Yield Fund</b>			
Before 29 December 2011	16.0571	14.4387	2.87%
Class D (After 29 December 2011)	14.8560	14.8404	0.11%
Class I (After 29 December 2011)	14.8559	14.8404	0.10%
<b>Principal U.S. Equity Fund</b>			
Before 29 December 2011	9.2253	7.4431	(1.16)%
Class D (After 29 December 2011)	8.5851	8.5395	(0.53)%
Class I (After 29 December 2011)	8.5851	9.5393	(0.53)%

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PRINCIPAL MPF SCHEME SERIES 800

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 Asian Equity Fund	30.8774	22.3583	18.93%
Principal Capital Guaranteed Fund	11.3877	11.3877	-
Principal MPF Conservative Fund	11.1995	11.1985	0.01%
Principal China Equity Fund	12.5188	9.2013	9.40%
Principal Global Growth Fund	17.8262	14.3276	11.82%
Principal HK Dollar Savings Fund	10.9499	10.8876	(0.55)%
Principal Hong Kong Equity Fund	19.8769	13.9909	17.50%
Principal International Bond Fund	17.2709	15.3135	4.71%
Principal International Equity Fund	10.8858	8.7212	11.79%
Principal Long Term Accumulation Fund	15.5770	12.9315	9.81%
Principal Long Term Guaranteed Fund	12.1131	11.0277	6.06%
Principal Stable Yield Fund	15.7131	13.5078	7.57%
Principal U.S. Equity Fund	8.4986	6.8929	11.24%

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 (unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception  
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## PRINCIPAL MPF SCHEME SERIES 800

### 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 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 800

### 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 800

### INVESTMENT REPORT (continued)

#### Investment objectives and policies (continued)

##### *Principal Asian Equity Fund*

The objective of this fund is to achieve capital growth over the long-term by investing in Asian equity markets. 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 in turn invest in other APIFs which consists primarily of Asian equities and can include exposure to cash and short-term investments. Investment markets of the underlying APIFs may include but are not limited to Hong Kong, Singapore, South Korea, Malaysia, Taiwan, Thailand, the Philippines, Indonesia, India and China. Investors in this fund share the foreign exchange gains and losses associated with funds owning securities denominated in various currencies of these countries. The risk profile of the fund is generally regarded as 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 the fund are as follows:

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	70- 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
Asia (ex-Japan)	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.

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

## PRINCIPAL MPF SCHEME SERIES 800

### INVESTMENT REPORT (continued)

#### Investment objectives and policies (continued)

##### ***Principal Capital Guaranteed Fund***

The objective of this fund is to guarantee the capital value of the contributions, and to earn a competitive short-term rate of return.

The fund will invest in an investment fund under an insurance policy. The investment fund is also an APIF. The investment fund will in turn invest mainly in a portfolio of short duration securities. The fund's exposure to capital gains and losses associated with interest rate fluctuations is mitigated as the fund will invest mainly in a variety of relatively short duration securities. These securities are held or located in Hong Kong and bank deposits are placed with authorised financial institutions in Hong Kong as defined under the Mandatory Provident Fund Schemes (General) Regulation. The fund is denominated in Hong Kong dollars.

The fund may acquire or hold financial futures contracts or financial options contracts, but only for the purpose of hedging.

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

<i>Asset allocation*</i>	<i>Range</i>
Debt securities	0 - 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 100%
 <i>Geographic distribution#</i>	 <i>Range</i>
Hong Kong	100%

The fund will maintain 100% 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.

As the fund is guaranteed against negative unit value movements, the level of risk is minimal. On the other hand, lower risk may mean lower return of the fund. The investment in this fund is different from placing funds on deposit with a bank or deposit-taking institution, although this fund provides a guarantee on capital value. 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 exceed the bank saving rates in Hong Kong.

# Whether an asset is held or located in Hong Kong shall be determined according to the "Statement of Best Practice on Protection for MPF Members in relation to Class G Insurance Policy APIFs" issued by the Hong Kong Federation of Insurers, as may be amended from time to time. As at the date hereof, investments held in Hong Kong may include the following:

- shares which are transferable and registrable only in a register kept in Hong Kong, or are in the ordinary course of business, transferable and registrable in a register kept in Hong Kong and their certificates (if any) are kept in Hong Kong;
- debt securities issued in Hong Kong, but only if they are transferable and registrable in a register in Hong Kong and, in the case of debt securities that are in the form of certificates, the certificates are kept in Hong Kong;
- debt securities issued outside Hong Kong, but only if their certificates are kept in Hong Kong and are transferable by delivery (with or without endorsement);

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

*Principal Capital Guaranteed Fund (continued)*

- deposits held with a Hong Kong branch of an authorized financial institution;
- an interest in an authorised unit trust that is realizable in Hong Kong, but only if the governing law of the trust is the law of Hong Kong;

provided that these investments are permissible under Schedule 1 to the Mandatory Provident Fund Scheme (General) Regulation.

## PRINCIPAL MPF SCHEME SERIES 800

### 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 800

### 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 800

### 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 800

### INVESTMENT REPORT (continued)

#### Investment objectives and policies (continued)

##### *Principal China Equity Fund*

The objective of this fund is to achieve capital growth over the long term by investing mainly in China-related equities. The fund will invest in an investment fund in form of an APIF. The investment fund will invest primarily in equities issued by companies with exposure in different sectors of economies in the People's Republic of China (Mainland China). A majority of the total equity exposure will be in companies that derive a relatively high proportion of their revenues, profits or business from operation related to the Mainland China. Equity securities include but are not limited to equity shares, preference shares, depository receipts and other collective investment schemes as permitted under the MPF Regulation. A majority of the equities will be listed on the Hong Kong Stock Exchange. However, the investment fund may also have exposure to stocks listed on other exchanges within the applicable regulatory limits. The fund does not invest in A-shares in the People's Republic of China but may invest not more than 10% in total of its assets in B-shares.

This investment fund may hold cash and short-term investments for cash management purpose. The fund is denominated in Hong Kong dollars. It will maintain an effective exposure of at least 30% in Hong Kong dollars.

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

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

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	70 - 100%
Cash & short-term investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
People's Republic of China (Mainland China)	70 - 100%
Others	0 - 30%

The risk profile of the fund is generally regarded as high. The classifications of risk/return profile are determined by the investment manager based on past volatility (i.e. annualised standard deviation of returns) and the relative risk levels among the funds in the MPF schemes. The classifications of risk/return profile will be reviewed by the investment manager on an annual basis and for reference only. In the long term, the return of the fund is expected to exceed the inflation rates in Hong Kong.



## PRINCIPAL MPF SCHEME SERIES 800

### 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 Hong Kong Provident Fund Schemes 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 equity 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 800

### 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 securities lending agreement, repurchased agreement or enter into/acquire financial derivative instruments, including 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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

***Principal Hong Kong 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 an investment fund in form of an APIF which is a unit trust. The investment fund will primarily invest at least 70% of its assets in Hong Kong debt securities (rated or unrated), 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 Hong Kong dollars. The types of debt securities that the investment 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 investment fund will invest not more than 30% of its assets in other short-term investments such as bills and deposits or may hold cash.

The risk profile of the fund is generally regarded as moderate. Members should note that investment in the fund is subject to downgrading risk i.e. debt securities ratings getting downgraded by rating agencies.

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 or enter into/acquire financial derivative instruments, including 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>
Debt Securities	70 - 100%
Cash & Short-term Investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
Hong Kong	70 - 100%
Others	0 - 30%

The fund will maintain at least 70% 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 800

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 800

### INVESTMENT REPORT (continued)

#### Investment objectives and policies (continued)

##### ***Principal Hong Kong Equity Fund***

The objective of this fund is to achieve capital growth over the long-term by investing mainly in Hong Kong equity markets. The fund will invest in an investment fund in form of an APIF. The investment fund will invest primarily in listed equities issued by companies established in Hong Kong or by companies whose shares are listed in Hong Kong (including but not limited to H shares and shares of red-chip companies listed on the Hong Kong Stock Exchange). The investment fund may also invest in listed equities issued by companies which have business in Hong Kong. This investment fund may hold cash and short-term investments. The risk portfolio of the fund is generally regarded as high. The fund is denominated in Hong Kong dollars.

The fund will 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>
Equity securities	70 - 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
Hong Kong/China	70 - 100%
Others	0 - 30%

Notwithstanding that, at least 70% of the non-cash assets of the fund will be invested in equities listed on the Hong Kong Stock Exchange. The fund does not invest in A-shares in the People's Republic of China but may invest not more than 10% in total of its assets in B-shares.

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

## PRINCIPAL MPF SCHEME SERIES 800

### INVESTMENT REPORT (continued)

#### Investment objectives and policies (continued)

##### ***Principal International Bond Fund***

The objective of this fund is to protect and maximise real asset value in terms of international purchasing power. 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, in turn, invest in another APIF which invests mainly in a portfolio of debt securities, both sovereign and non-sovereign, of varying maturities and denominated in the world's major currencies. 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. The risk profile of the fund is generally regarded as moderate. 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>
Debt securities	70 - 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
Asia (ex-Japan)	0 – 50%
Europe	0 – 50%
Japan	0 – 50%
North America	15 – 85%
Other countries (each)	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 be comparable to the inflation rates in Hong Kong.

## PRINCIPAL MPF SCHEME SERIES 800

### INVESTMENT REPORT (continued)

#### Investment objectives and policies (continued)

#### *Principal International Equity Fund*

The objective of this fund is to seek capital growth over long-term through investing 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, in turn, invest in another APIF which consists mainly of equity securities selected from investment markets around the world and can include exposure to cash and short-term investments. 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. The risk profile of the fund is generally regarded as 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 the fund are as follows:

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	70 - 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
North America	0 - 65%
Europe	0 - 60%
Asia	0 - 50%
South America	0 - 50%
Middle East	0 - 20%
Africa	0 - 20%
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 800

### 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 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 debt 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 800

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 800

### 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 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 800

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 800

### 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 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 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, 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 other currencies. The risk profile of the fund is generally regarded as moderate. This 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	0 - 60%
Debt securities	20 - 90%
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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

***Principal U.S. Equity Fund***

The objective of this fund is to achieve capital growth over the long-term by investing in U.S. equity markets. 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 in turn invest in another APIF which consists primarily of U.S. equities and can include exposure to cash and short-term investments. 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 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 the fund are as follows:

<i>Asset allocation*</i>	<i>Range</i>
Equity securities	70 - 100%
Cash and short-term investments (e.g. bills and deposits)	0 - 30%
 <i>Geographic allocation*</i>	 <i>Range</i>
United States	70 - 100%
Hong Kong	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 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 800

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

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	9.83	N/A	N/A	3.88
Benchmark/Performance Target#	9.63	N/A	N/A	4.18
Deviation	0.20	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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal Asian Equity Fund – Class D***

Launch Date: 1 December 2000

Reference Benchmark: FTSE MPF Asia Pacific ex Japan & Australia & NZ

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	14.04	4.43	4.97	7.76
Benchmark/Performance Target#	15.52	6.47	6.13	N/A
Deviation	-1.48	-2.04	-1.16	N/A

The 2019 performance was largely in line with the reference benchmark on a gross basis. The performance deviation was due to unfavorable stock selection in India and South Korea. Asset allocation was mixed, but overweighting cash subtracted its relative value. In terms of sectors, the selection within industrials and consumer staples were the most effective, while communication service was the least.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal Asian Equity Fund – Class I*

Launch Date: 1 December 2000

Reference Benchmark: FTSE MPF Asia Pacific ex Japan & Australia & NZ

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	13.66	4.02	4.59	7.54
Benchmark/Performance Target#	15.52	6.47	6.13	N/A
Deviation	-1.86	-2.45	-1.54	N/A

The 2019 performance was largely in line with the reference benchmark on a gross basis. The performance deviation was due to unfavorable stock selection in India and South Korea. Asset allocation was mixed, but overweighting cash subtracted its relative value. In terms of sectors, the selection within industrials and consumer staples were the most effective, while communication service was the least.



PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal Capital Guaranteed Fund - Class D***

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	1.05	0.35	0.21	0.79
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	0.94	0.32	0.19	0.34

The objective of this fund is to guarantee the capital value of the contributions, and to earn a competitive short-term rate of return. The fund consistently outperformed the "prescribed savings rate" determined by the MPFA.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal Capital Guaranteed Fund - Class I*

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	0.90	0.27	0.14	0.75
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	0.79	0.24	0.12	0.30

The objective of this fund is to guarantee the capital value of the contributions, and to earn a competitive short-term rate of return. The fund consistently outperformed the "prescribed savings rate" determined by the MPFA.

PRINCIPAL MPF SCHEME SERIES 800

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

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	16.53	N/A	N/A	6.62
Benchmark/Performance Target#	17.03	N/A	N/A	7.17
Deviation	-0.50	N/A	N/A	-0.55

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 800

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

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	1.21	0.39	0.22	0.71
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	1.10	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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal China Equity Fund - Class D*

Launch Date: 1 August 2007

Reference Benchmark: FTSE MPF China

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	16.43	5.62	4.65	4.11
Benchmark/Performance Target#	17.87	6.40	5.14	4.10
Deviation	-1.44	-0.78	-0.49	0.01

The fund comfortably outperformed the reference benchmark in 2019 on a gross basis. Stock picking in industrials and health care sectors were the main contributors to the excess return. In terms of asset allocation, underweight utilities generated additional alpha to the fund.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal China Equity Fund - Class I*

Launch Date: 1 August 2007

Reference Benchmark: FTSE MPF China

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	16.04	5.20	4.28	3.81
Benchmark/Performance Target#	17.87	6.40	5.14	4.10
Deviation	-1.83	-1.20	-0.86	-0.29

The fund comfortably outperformed the reference benchmark in 2019 on a gross basis. Stock picking in industrials and health care sectors were the main contributors to the excess return. In terms of asset allocation, underweight utilities generated additional alpha to the fund.

PRINCIPAL MPF SCHEME SERIES 800

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)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	13.56	4.08	4.85	4.95
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 800

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)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	13.29	3.83	4.64	4.83
Benchmark/Performance Target#	15.73	6.04	5.95	N/A
Deviation	-2.44	-2.21	-1.31	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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal Hang Seng Index Tracking Fund - Class N*

Launch Date: 1 February 2012

Reference Benchmark: Hang Seng Index Total Return Index

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	11.69	5.87	N/A	5.96
Benchmark/Performance Target#	13.05	7.44	N/A	8.11
Deviation	-1.36	-1.57	N/A	-2.15

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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal Hong Kong Bond Fund - Class N*

Launch Date: 1 February 2012

Reference Benchmark: HSBC Hong Kong Dollar Bond Index / Markit iBoxx ALBI Hong Kong

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	3.03	1.40	N/A	1.22
Benchmark/Performance Target#	3.78	2.56	N/A	2.36
Deviation	-0.75	-1.16	N/A	-1.14

The fund outperformed the reference benchmark on a gross basis in 2019. Maintaining allocation to US Dollar bonds for carry and liquidity helped. Besides, both duration position and sector allocation contributed positively.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal Hong Kong Dollar Savings Fund - Class D***

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	1.39	0.47	0.20	0.58
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	1.28	0.44	0.18	0.13

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

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal Hong Kong Dollar Savings Fund - Class I*

Launch Date: 1 December 2000

Reference Benchmark: MPF Prescribed Savings Rate

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	1.39	0.44	0.15	0.55
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	1.28	0.41	0.13	0.10

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

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

*Principal Hong Kong Equity Fund - Class D*

Launch Date: 1 September 2006

Reference Benchmark: FTSE MPF Hong Kong

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	12.28	5.48	6.01	8.10
Benchmark/Performance Target#	14.36	6.75	5.95	7.85
Deviation	-2.08	-1.27	0.06	0.25

In 2019, the fund outperformed its internal benchmark on a gross basis. Throughout the year, stock selection in industrials, health care and real estate contributed positively. However, it was partially offset by selections in utilities and information technology.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal Hong Kong Equity Fund - Class I***

Launch Date: 1 September 2006

Reference Benchmark: FTSE MPF Hong Kong

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	12.17	5.37	5.82	7.95
Benchmark/Performance Target#	14.36	6.75	5.95	7.85
Deviation	-2.19	-1.38	-0.13	0.10

In 2019, the fund outperformed its internal benchmark on a gross basis. Throughout the year, stock selection in industrials, health care and real estate contributed positively. However, it was partially offset by selections in utilities and information technology.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal International Bond Fund - Class D***

Launch Date: 1 December 2000

Reference Benchmark: FTSE World Government Bond Index (35% HKD hedged)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	6.08	1.31	1.38	3.17
Benchmark/Performance Target#	6.47	3.80	2.34	4.37
Deviation	-0.39	-2.49	-0.96	-1.20

Global bonds posted strong return in 2019 due to easing trade tensions and continued accommodation from global central banks. The fund outperformed the reference benchmark in 2019 on a gross basis, driven by overweight to corporate bonds as credit spreads narrowed.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal International Bond Fund - Class I***

Launch Date: 1 December 2000

Reference Benchmark: FTSE World Government Bond Index (35% HKD hedged)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	6.08	1.23	1.26	3.09
Benchmark/Performance Target#	6.47	3.80	2.34	4.37
Deviation	-0.39	-2.57	-1.08	-1.28

Global bonds posted strong return in 2019 due to easing trade tensions and continued accommodation from global central banks. The fund outperformed the reference benchmark in 2019 on a gross basis, driven by overweight to corporate bonds as credit spreads narrowed.



PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal International Equity Fund - Class D***

Launch Date: 1 December 2000

Reference Benchmark: FTSE MPF All-World (35% HK\$ hedged)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	19.59	4.38	6.76	3.34
Benchmark/Performance Target#	26.32	8.86	9.33	N/A
Deviation	-6.73	-4.48	-2.57	N/A

A risk-on rally closed out the 2019 as year-long uncertainties began to find clarity. The deviation of 2019 performance was mainly driven by adverse stock selection in US and Emerging Markets. Within US, the large cap growth maintained its leadership over the smaller companies. That brought a headwind to the fund performance.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal International Equity Fund - Class I***

Launch Date: 1 December 2000

Reference Benchmark: FTSE MPF All-World (35% HK\$ hedged)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	19.19	3.97	6.38	3.13
Benchmark/Performance Target#	26.32	8.86	9.33	N/A
Deviation	-7.13	-4.89	-2.95	N/A

A risk-on rally closed out the 2019 as year-long uncertainties began to find clarity. The deviation of 2019 performance was mainly driven by adverse stock selection in US and Emerging Markets. Within US, the large cap growth maintained its leadership over the smaller companies. That brought a headwind to the fund performance.

PRINCIPAL MPF SCHEME SERIES 800

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)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	11.41	3.38	3.92	3.79
Benchmark/Performance Target#	12.85	5.02	4.99	N/A
Deviation	-1.44	-1.64	-1.07	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 800

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)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	11.15	3.14	3.71	3.67
Benchmark/Performance Target#	12.85	5.02	4.99	N/A
Deviation	-1.70	-1.88	-1.28	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 800

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

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	5.95	0.76	1.76	1.48
Benchmark/Performance Target#	0.11	0.03	0.02	0.45
Deviation	5.84	0.73	1.74	1.03

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 800

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

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	5.43	0.26	1.34	1.22
Benchmark/Performance Target# Deviation	0.11	0.03	0.02	0.45
	5.32	0.23	1.32	0.77

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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal Stable Yield Fund - Class D***

Launch Date: 1 December 2000

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

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	9.01	2.59	2.87	3.37
Benchmark/Performance Target#	9.61	3.84	3.82	N/A
Deviation	-0.60	-1.25	-0.95	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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal Stable Yield Fund - Class I***

Launch Date: 1 December 2000

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

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	8.75	2.35	2.67	3.26
Benchmark/Performance Target#	9.61	3.84	3.82	N/A
Deviation	-0.86	-1.49	-1.15	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 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal U.S. Equity Fund - Class D***

Launch Date: 1 December 2000

Reference Benchmark: FTSE MPF USA (35% HK\$ hedged)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	24.93	7.70	10.42	3.85
Benchmark/Performance Target#	30.37	10.95	12.81	N/A
Deviation	-5.44	-3.25	-2.39	N/A

US equities posted strong returns in 2019. The deviation of 1-year performance comparing to benchmark was driven by overweight to small cap and value stocks, as US large growth maintained its leadership during the period. In terms of sectors, selection within energy and health care were the least effective.

PRINCIPAL MPF SCHEME SERIES 800

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

**Commentary by the Trustee (continued)**

***Principal U.S. Equity Fund - Class I***

Launch Date: 1 December 2000

Reference Benchmark: FTSE MPF USA (35% HK\$ hedged)

	<b>1 year (%)</b>	<b>5 year ann. (%)</b>	<b>10 year ann. (%)</b>	<b>Since Launch ann. (%)</b>
Fund Performance*	24.51	7.28	10.04	3.65
Benchmark/Performance Target#	30.37	10.95	12.81	N/A
Deviation	-5.86	-3.67	-2.77	N/A

US equities posted strong returns in 2019. The deviation of 1-year performance comparing to benchmark was driven by overweight to small cap and value stocks, as US large growth maintained its leadership during the period. In terms of sectors, selection within energy and health care were the least effective.

\* 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 800

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.

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 800

INVESTMENT REPORT (continued)

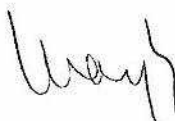
Investment objectives and policies (continued)

**Changes in the statement of investment policy**

*Principal Age 65 Plus Fund*  
*Principal Asian Equity Fund*  
*Principal Capital Guaranteed Fund*  
*Principal Core Accumulation Fund*  
*Principal MPF Conservative Fund*  
*Principal China Equity Fund*  
*Principal Global Growth Fund*  
*Principal Hang Seng Index Tracking Fund*  
*Principal Hong Kong Bond Fund*  
*Principal Hong Kong Dollar Savings Fund*  
*Principal Hong Kong Equity Fund*  
*Principal International Bond Fund*  
*Principal International Equity Fund*  
*Principal Long Term Accumulation Fund*  
*Principal Long Term Guaranteed Fund*  
*Principal Stable Yield Fund*  
*Principal U.S. Equity 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 800

### SCHEME REPORT

The Trustee hereby submits the scheme report together with the audited financial statements of Principal MPF Scheme Series 800 (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](http://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 to 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 800 dated 22 February 2019, the Deed of Variation relating to Principal MPF Scheme Series 800 dated 1 April 2019, the First Addendum to the Offering Document dated 29 March 2019 and the Second Addendum dated 5 June 2019.

The changes are in relation to the following: (1) Disclosure of the management fee breakdown; (2) Tax Deductible Voluntary Contributions; (3) Geographical allocation of Principal International Bond Fund, Principal Asian Equity Fund and Principal Hong Kong Equity Fund; and (4) Miscellaneous changes.

PRINCIPAL MPF SCHEME SERIES 800

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 800

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 800

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 800

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

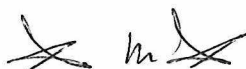
Principal International (Asia) Limited  
Unit 1001-1002, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

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

**Independent auditor's report  
To the Trustee of Principal MPF Scheme Series 800****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Principal MPF Scheme Series 800 (the "Scheme") set out on pages 91 to 130, 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 ("HKSAAs") 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 800**

**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 has 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.

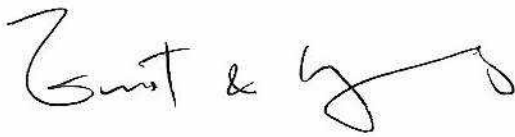
**Independent auditor's report (continued)**  
**To the Trustee of Principal MPF Scheme Series 800**

**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 800

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

		2019																		
Notes	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Index Fund HK\$	Principal Hang Seng Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	Scheme level HK\$	Total HK\$	
<b>Income</b>																				
	-	-	-	-	-	-	-	34,426,725	-	-	-	-	-	-	-	-	-	-	34,426,725	
4	22,377,413	458,917,826	39,852,925	122,846,457	28,052,789	425,984,610	304,941,857	86,928,650	19,989,761	40,017,840	363,584,794	61,741,767	230,991,002	156,118,251	85,442,181	126,875,964	360,266,936	-	2,934,931,023	
3	-	-	-	-	-	-	-	52	-	-	-	-	-	-	-	-	-	1,294	1,346	
	<u>22,377,413</u>	<u>458,917,826</u>	<u>39,852,925</u>	<u>122,846,457</u>	<u>28,052,789</u>	<u>425,984,610</u>	<u>304,941,857</u>	<u>121,355,427</u>	<u>19,989,761</u>	<u>40,017,840</u>	<u>363,584,794</u>	<u>61,741,767</u>	<u>230,991,002</u>	<u>156,118,251</u>	<u>85,442,181</u>	<u>126,875,964</u>	<u>360,266,936</u>	<u>1,294</u>	<u>2,969,359,094</u>	
<b>Expenses</b>																				
	(2,138)	(38,667)	(20,775)	(7,524)	(15,170)	(31,076)	(26,145)	(11,431)	(5,868)	(20,440)	(34,058)	(10,410)	(14,147)	(15,719)	(14,540)	(15,089)	(16,713)	-	(299,910)	
	-	-	-	-	-	-	-	(189,489)	-	-	-	-	-	-	-	-	-	-	(189,489)	
	(480,776)	(9,872,135)	(1,322,859)	(1,609,616)	(987,666)	(8,000,090)	(5,968,288)	(392,139)	(1,000,490)	(1,278,505)	(9,117,627)	(1,790,573)	(3,790,717)	(3,518,923)	(1,811,716)	(3,580,434)	(4,972,707)	-	(59,495,261)	
	-	-	-	-	-	-	-	(1,403,284)	-	-	-	-	-	-	-	-	-	-	(1,403,284)	
	(17,072)	(35,996)	(18,953)	(77,416)	(14,300)	(29,553)	(24,825)	(11,579)	(5,533)	(17,616)	(33,373)	(10,617)	(14,007)	(14,421)	(12,671)	(15,147)	(20,018)	-	(373,097)	
	-	-	-	-	-	-	-	(255,813)	-	-	-	-	-	-	-	-	-	-	(255,813)	
	(344,242)	(12,301,598)	(5,608,907)	(1,211,848)	(2,823,880)	(10,138,351)	(7,775,973)	(2,126,856)	(1,143,225)	(3,958,202)	(9,510,728)	(2,528,305)	(4,510,644)	(4,576,310)	(5,435,738)	(4,405,051)	(5,410,591)	-	(83,810,449)	
	(28,739)	(734,765)	(260,971)	(80,015)	(220,159)	(571,144)	(445,534)	(236,970)	(87,085)	(267,450)	(583,218)	(154,203)	(261,034)	(266,487)	(231,349)	(225,708)	(275,914)	(1,294)	(4,932,039)	
	-	(4,936,067)	(2,645,717)	-	(1,975,332)	(4,000,045)	(3,410,450)	(1,568,557)	(800,392)	(2,557,010)	(4,558,813)	(1,432,458)	(1,895,358)	(2,010,813)	(1,811,716)	(2,045,962)	(2,486,354)	-	(38,135,044)	
	(961,551)	(23,911,937)	(14,442,761)	(3,219,231)	(6,419,830)	(19,305,645)	(15,720,280)	(5,019,383)	(2,161,058)	(8,821,683)	(16,966,010)	(5,729,834)	(8,877,902)	(9,145,872)	(13,874,695)	(9,437,472)	(12,006,642)	-	(176,021,786)	
	<u>(1,834,518)</u>	<u>(51,831,165)</u>	<u>(24,320,943)</u>	<u>(6,205,650)</u>	<u>(12,456,337)</u>	<u>(42,075,904)</u>	<u>(33,371,495)</u>	<u>(11,215,501)</u>	<u>(5,203,651)</u>	<u>(16,920,906)</u>	<u>(40,803,827)</u>	<u>(11,656,400)</u>	<u>(19,363,809)</u>	<u>(19,548,545)</u>	<u>(23,192,425)</u>	<u>(19,724,863)</u>	<u>(25,188,939)</u>	<u>(1,294)</u>	<u>(364,916,172)</u>	
<b>Increase in net assets available for benefits and total profit or loss and other comprehensive income for the year</b>																				
	<u>20,542,895</u>	<u>407,086,661</u>	<u>15,531,982</u>	<u>116,640,807</u>	<u>15,596,452</u>	<u>383,908,706</u>	<u>271,570,362</u>	<u>110,139,926</u>	<u>14,786,110</u>	<u>23,096,934</u>	<u>322,780,967</u>	<u>50,085,367</u>	<u>211,627,193</u>	<u>136,569,706</u>	<u>62,249,756</u>	<u>107,151,101</u>	<u>335,077,997</u>	<u>-</u>	<u>2,604,442,922</u>	

PRINCIPAL MPF SCHEME SERIES 800

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

Year ended 31 December 2019

		2018																		
Notes	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	Scheme level HK\$	Total HK\$	
<b>Income</b>																				
	-	-	-	-	-	-	-	30,391,685	-	-	-	-	-	-	-	-	-	-	30,391,685	
<b>Distribution income</b>																				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Gains/(losses)</b>																				
4	(1,962,073)	(683,684,072)	24,294,056	(36,518,993)	16,990,059	(329,727,261)	(228,905,616)	(128,257,500)	8,163,961	26,162,342	(396,468,822)	(9,725,677)	(160,159,685)	(99,713,746)	(28,087,919)	(58,131,558)	(84,221,270)	-	(2,169,953,774)	
3	-	-	-	-	-	-	-	57	-	-	-	-	-	-	-	-	-	869	926	
	-	-	291,646	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	291,646	
	<u>(1,962,073)</u>	<u>(683,684,072)</u>	<u>24,294,056</u>	<u>(36,518,993)</u>	<u>16,990,059</u>	<u>(329,727,261)</u>	<u>(228,905,616)</u>	<u>(128,257,500)</u>	<u>8,163,961</u>	<u>26,162,342</u>	<u>(396,468,822)</u>	<u>(9,725,677)</u>	<u>(160,159,685)</u>	<u>(99,713,746)</u>	<u>(28,087,919)</u>	<u>(58,131,558)</u>	<u>(84,221,270)</u>	<u>869</u>	<u>(2,139,269,517)</u>	
<b>Expenses</b>																				
	(2,138)	(46,857)	(20,671)	(7,524)	(13,658)	(34,779)	(28,326)	(11,431)	(5,989)	(15,856)	(41,212)	(9,700)	(14,896)	(15,822)	(12,571)	(16,303)	(18,934)	-	(316,667)	
	-	-	-	-	-	-	-	(125,119)	-	-	-	-	-	-	-	-	-	-	(125,119)	
	-	-	-	-	-	-	-	(1,659,874)	-	-	-	-	-	-	-	-	-	-	(1,659,874)	
	(27,688)	-	-	(133,767)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(161,455)	
	-	-	-	-	-	-	-	(224,392)	-	-	-	-	-	-	-	-	-	-	(224,392)	
6(a),6(b)	(1,004,218)	(54,006,555)	(18,548,141)	(3,697,111)	(9,601,279)	(42,369,537)	(31,659,498)	(7,994,055)	(3,984,644)	(13,379,366)	(37,551,634)	(9,473,493)	(19,293,508)	(18,429,383)	(21,309,609)	(16,083,455)	(21,133,848)	-	(329,519,334)	
6(e)	(55,570)	(714,073)	(262,589)	(189,910)	(46,840)	(552,168)	(431,115)	(234,410)	(83,363)	(252,247)	(578,298)	(153,456)	(253,519)	(253,881)	(215,666)	(224,322)	(270,277)	(869)	(4,772,573)	
	<u>(1,089,614)</u>	<u>(54,767,485)</u>	<u>(18,831,401)</u>	<u>(4,028,312)</u>	<u>(9,661,777)</u>	<u>(42,956,484)</u>	<u>(32,118,939)</u>	<u>(10,249,281)</u>	<u>(4,073,996)</u>	<u>(13,647,469)</u>	<u>(38,171,144)</u>	<u>(9,636,649)</u>	<u>(19,561,923)</u>	<u>(18,699,086)</u>	<u>(21,537,846)</u>	<u>(16,324,080)</u>	<u>(21,423,059)</u>	<u>(869)</u>	<u>(336,779,414)</u>	
<b>Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income for the year</b>																				
	<u>(3,051,687)</u>	<u>(738,451,557)</u>	<u>5,754,301</u>	<u>(40,547,305)</u>	<u>7,328,282</u>	<u>(372,683,745)</u>	<u>(261,024,555)</u>	<u>(108,115,039)</u>	<u>4,089,965</u>	<u>12,514,873</u>	<u>(434,639,966)</u>	<u>(19,362,326)</u>	<u>(179,721,608)</u>	<u>(118,412,832)</u>	<u>(49,625,765)</u>	<u>(74,455,638)</u>	<u>(105,644,329)</u>	<u>-</u>	<u>(2,476,048,931)</u>	

PRINCIPAL MPF SCHEME SERIES 800

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

31 December 2019

		2019																		
Notes	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	Scheme level HK\$	Total HK\$	
<b>Assets</b>																				
	Investments measured at fair value through profit or loss																			
7	311,552,520	3,464,613,344	1,824,067,313	1,017,876,259	1,375,993,184	2,844,457,712	2,389,878,088	1,112,195,850	534,095,534	1,695,685,974	3,211,641,474	1,024,256,127	1,348,435,083	1,387,524,479	1,218,819,275	1,459,110,980	1,926,805,398	-	28,147,008,594	
	1,148,211	4,217,087	-	2,350,105	9,021,757	4,685,070	2,629,079	3,120,891	1,724,601	2,559,297	4,505,198	2,754,643	2,100,564	1,275,042	-	2,205,571	12,063,007	-	56,360,123	
	Contributions receivable																			
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,678,587	108,678,587
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,105,481	87,105,481
	Amounts receivable from brokers																			
	-	-	-	-	-	-	-	2,986,933	-	-	-	-	-	-	-	-	-	-	-	2,986,933
	-	-	-	-	-	-	-	3,740,458	-	-	-	-	-	-	-	-	-	-	59,113,961	62,854,419
	-	-	-	-	-	-	-	404	-	-	-	-	-	-	-	-	-	-	-	404
	312,700,731	3,468,830,431	1,824,067,313	1,020,226,364	1,385,014,941	2,849,142,782	2,392,507,167	1,122,044,536	535,820,135	1,698,245,271	3,216,146,672	1,027,010,770	1,350,535,647	1,388,799,521	1,218,819,275	1,461,316,551	1,938,868,405	254,898,029	28,464,994,541	
<b>Liabilities</b>																				
	Amounts pending for allocation																			
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,653,877	16,653,877
	Amounts payable on redemptions																			
	94,950	4,665,845	-	1,612,482	3,332,247	5,746,324	1,658,851	6,206,061	2,458,109	8,470,075	3,225,572	2,846,017	957,048	766,746	-	1,862,817	1,637,601	25,293,059	70,833,804	
	-	-	-	-	-	-	-	1,508,326	-	-	-	-	-	-	-	-	-	-	-	1,508,326
	Accrued expenses and other payables																			
	330,082	6,240,492	2,865,313	1,139,087	1,342,906	5,023,508	4,024,387	1,641,320	640,705	2,020,196	4,939,072	1,477,116	2,362,739	2,336,790	2,631,419	2,411,081	3,284,811	17,167,025	61,878,049	
	425,032	10,906,337	2,865,313	2,751,569	4,675,153	10,769,832	5,683,238	9,355,707	3,098,814	10,490,271	8,164,644	4,323,133	3,319,787	3,103,536	2,631,419	4,273,898	4,922,412	59,113,961	150,874,056	
	<b>Net assets available for benefits</b>																			
	312,275,699	3,457,924,094	1,821,202,000	1,017,474,795	1,380,339,788	2,838,372,950	2,386,823,929	1,112,688,829	532,721,321	1,687,755,000	3,207,982,028	1,022,687,637	1,347,215,860	1,385,695,985	1,216,187,856	1,457,042,653	1,933,945,993	195,784,068	28,314,120,485	

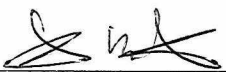
PRINCIPAL MPF SCHEME SERIES 800

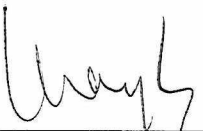
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

31 December 2019

		2019 (continued)																	
Notes		Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	
<b>Number of units in issue</b>	9																		
- D Class		-	5,118,106,4240	8,458,976,0290	-	-	12,425,275,5480	7,101,287,4970	-	-	14,187,141,6640	6,141,408,8160	4,309,336,5870	10,978,900,3590	8,573,732,1520	12,414,969,0520	5,294,050,4520	6,549,497,8820	
- I Class		-	80,673,298,0180	149,100,647,8570	-	-	165,341,184,2290	89,530,619,2350	-	-	137,528,134,4540	109,321,656,8740	52,658,608,6180	63,133,271,4110	60,729,269,3050	82,782,232,4700	73,479,114,0750	90,572,791,1120	
- N Class		28,126,720,5420	-	-	85,332,444,1850	120,567,921,4250	-	-	70,375,403,0960	48,415,378,1040	-	-	-	-	-	-	-	-	
<b>Net asset value per unit</b>																			
- D Class		-	41.6422	11.6281	-	-	16.4893	25.1395	-	-	11.1707	28.2574	18.1366	18.7206	20.3111	13.2251	18.8265	20.5613	
- I Class		-	40.2214	11.5548	-	-	15.9275	24.6653	-	-	11.1197	27.7569	17.9368	18.0837	19.9472	12.7080	18.4729	19.8655	
- N Class		11.1024	-	-	11.9236	11.4486	-	-	15.8107	11.0031	-	-	-	-	-	-	-	-	

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

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



PRINCIPAL MPF SCHEME SERIES 800

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

31 December 2019

		2018																			
Notes	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Index Fund HK\$	Principal Hang Seng Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	Scheme level HK\$	Total HK\$		
<b>Assets</b>																					
Investments measured at fair value through profit or loss																					
7	174,982,039	2,966,214,057	1,596,818,724	594,928,191	1,161,996,428	2,382,062,179	2,005,787,721	902,710,650	449,700,752	1,563,884,210	2,610,899,154	797,654,565	1,085,724,606	1,206,194,044	1,115,498,194	1,155,195,010	1,280,760,726	-	23,051,011,250		
	512,435	2,165,260	-	1,182,885	6,146,246	3,334,851	1,582,490	3,867,378	1,031,819	10,737,309	3,328,656	1,424,701	788,132	1,114,993	-	3,405,365	3,044,135	-	43,666,655		
Contributions receivable																					
- by employers																					
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,526,293	104,526,293		
- by employees																					
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83,275,762	83,275,762		
Amounts receivable from brokers																					
	-	-	-	-	-	-	-	3,886,229	-	-	-	-	-	-	-	-	-	-	3,886,229		
Cash and cash equivalents																					
8	-	-	-	-	-	-	-	1,076,881	-	-	-	-	-	-	-	-	-	52,051,084	53,127,965		
Others																					
	-	-	-	-	40,598	-	-	20,435	-	-	-	-	-	-	-	-	-	-	61,033		
	<u>175,494,474</u>	<u>2,968,379,317</u>	<u>1,596,818,724</u>	<u>596,111,076</u>	<u>1,168,183,272</u>	<u>2,385,397,030</u>	<u>2,007,370,211</u>	<u>911,561,573</u>	<u>450,732,571</u>	<u>1,574,621,519</u>	<u>2,614,227,810</u>	<u>799,079,266</u>	<u>1,086,512,738</u>	<u>1,207,309,037</u>	<u>1,115,498,194</u>	<u>1,158,600,375</u>	<u>1,283,804,861</u>	<u>239,853,139</u>	<u>23,339,555,187</u>		
<b>Liabilities</b>																					
Amounts pending for allocation																					
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,322,492	16,322,492		
Amounts payable on redemptions																					
	165,516	5,935,052	-	1,567,372	1,842,358	2,816,805	3,219,953	5,981,627	324,566	3,972,372	4,634,137	719,744	2,468,506	2,612,489	-	1,595,460	3,365,222	22,726,015	63,947,194		
Amounts payable to brokers																					
	-	-	-	-	-	-	-	435,451	-	-	-	-	-	-	-	-	-	-	435,451		
Accrued expenses and other payables																					
	<u>102,337</u>	<u>1,746,241</u>	<u>811,143</u>	<u>391,203</u>	<u>940,774</u>	<u>1,391,265</u>	<u>1,105,108</u>	<u>495,901</u>	<u>173,313</u>	<u>598,361</u>	<u>1,326,829</u>	<u>377,471</u>	<u>622,955</u>	<u>659,018</u>	<u>778,004</u>	<u>626,786</u>	<u>731,321</u>	<u>13,002,577</u>	<u>25,880,607</u>		
	<u>267,853</u>	<u>7,681,293</u>	<u>811,143</u>	<u>1,958,575</u>	<u>2,783,132</u>	<u>4,208,070</u>	<u>4,325,061</u>	<u>6,912,979</u>	<u>497,879</u>	<u>4,570,733</u>	<u>5,960,966</u>	<u>1,097,215</u>	<u>3,091,461</u>	<u>3,271,507</u>	<u>778,004</u>	<u>2,222,246</u>	<u>4,096,543</u>	<u>52,051,084</u>	<u>106,585,744</u>		
<b>Net assets available for benefits</b>																					
	<u>175,226,621</u>	<u>2,960,698,024</u>	<u>1,596,007,581</u>	<u>594,152,501</u>	<u>1,165,400,140</u>	<u>2,381,188,960</u>	<u>2,003,045,150</u>	<u>904,648,594</u>	<u>450,234,692</u>	<u>1,570,050,786</u>	<u>2,608,266,844</u>	<u>797,982,051</u>	<u>1,083,421,277</u>	<u>1,204,037,530</u>	<u>1,114,720,190</u>	<u>1,156,378,129</u>	<u>1,279,708,318</u>	<u>187,802,055</u>	<u>23,232,969,443</u>		

PRINCIPAL MPF SCHEME SERIES 800

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

31 December 2019

		2018 (continued)																
		Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Number of units in issue</b>	9	-	5,187,725,7990	8,178,877,9130	-	-	12,713,155,3910	6,882,422,3650	-	-	14,129,160,6510	6,272,629,4880	3,577,108,0160	11,273,578,3650	8,592,297,6400	12,855,250,4150	5,416,581,9020	5,992,688,2180
- D Class		-	78,310,842,3730	131,143,756,8750	-	-	160,360,593,3810	85,000,146,3030	-	-	128,970,443,1120	99,027,884,1750	43,576,451,2180	59,776,245,4050	58,353,521,9110	79,165,129,2190	62,569,764,6120	74,027,666,0270
- I Class		17,334,637,8810	-	-	58,064,482,8320	103,027,805,4640	-	63,906,682,0370	42,157,019,0410	-	-	-	-	-	-	-	-	-
- N Class		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net asset value per unit</b>		-	36.5146	11.5076	-	-	14.1625	22.1384	-	-	11.0171	25.1658	17.0971	15.6540	18.2483	12.4822	17.2703	16.4580
- D Class		-	35.3881	11.4522	-	-	13.7262	21.7727	-	-	10.9668	24.7447	16.9088	15.1723	17.9465	12.0540	16.9864	15.9546
- I Class		10.1085	-	-	10.2326	11.3115	-	-	14.1558	10.6799	-	-	-	-	-	-	-	-
- N Class		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PRINCIPAL MPF SCHEME SERIES 800

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended 31 December 2019

Notes	2019																		Scheme level HK\$ (Note 5)	Total HK\$
	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$			
	<b>Balance brought forward</b>	175,226,621	2,960,698,024	1,596,007,581	594,152,501	1,165,400,140	2,381,188,960	2,003,045,150	904,648,594	450,234,692	1,570,050,786	2,608,266,844	797,982,051	1,083,421,277	1,204,037,530	1,114,720,190	1,156,378,129	1,279,708,318	187,802,055	23,232,969,443
10	<b>Contributions received and receivable</b>	203,588,762	784,993,567	938,049,962	563,318,578	917,053,142	914,960,819	582,275,312	921,826,507	350,984,033	1,112,575,623	1,305,209,040	482,574,143	313,477,604	335,494,252	305,475,280	527,377,160	804,063,424	7,982,013	11,371,279,221
11	<b>Withdrawals paid and payable</b>	(87,082,579)	(694,854,158)	(728,387,525)	(256,637,091)	(717,709,946)	(841,685,535)	(470,066,895)	(823,926,198)	(283,283,514)	(1,017,968,343)	(1,028,274,823)	(307,953,924)	(261,310,214)	(290,405,503)	(266,257,370)	(333,863,737)	(484,903,746)	-	(8,894,571,101)
	<b>Increase in net assets available for benefits and total profit or loss and other comprehensive income</b>	<u>20,542,895</u>	<u>407,086,661</u>	<u>15,531,982</u>	<u>116,640,807</u>	<u>15,596,452</u>	<u>383,908,706</u>	<u>271,570,362</u>	<u>110,139,926</u>	<u>14,786,110</u>	<u>23,096,934</u>	<u>322,780,967</u>	<u>50,085,367</u>	<u>211,627,193</u>	<u>136,569,706</u>	<u>62,249,756</u>	<u>107,151,101</u>	<u>335,077,997</u>	-	<u>2,604,442,922</u>
	<b>Balance carried forward</b>	<u>312,275,699</u>	<u>3,457,924,094</u>	<u>1,821,202,000</u>	<u>1,017,474,795</u>	<u>1,380,339,788</u>	<u>2,838,372,950</u>	<u>2,386,823,929</u>	<u>1,112,688,829</u>	<u>532,721,321</u>	<u>1,687,755,000</u>	<u>3,207,982,028</u>	<u>1,022,687,637</u>	<u>1,347,215,860</u>	<u>1,385,695,985</u>	<u>1,216,187,856</u>	<u>1,457,042,653</u>	<u>1,933,945,993</u>	<u>195,784,068</u>	<u>28,314,120,485</u>
Notes	2018																		Scheme level HK\$ (Note 5)	Total HK\$
	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$			
	<b>Balance brought forward</b>	67,758,671	3,473,055,864	1,045,166,404	329,250,862	750,713,572	2,608,953,429	2,072,443,366	834,955,392	337,416,886	1,090,753,874	2,622,819,772	684,103,640	1,252,312,423	1,224,192,673	1,071,906,944	932,797,665	1,233,972,665	157,174,616	21,789,748,718
10	<b>Contributions received and receivable</b>	170,538,286	1,110,538,764	1,214,202,242	500,364,813	1,086,258,328	1,153,453,524	703,181,215	1,059,838,849	282,779,944	1,305,734,355	1,498,174,537	404,078,782	328,471,047	394,291,567	376,773,769	617,037,779	736,589,904	30,627,439	12,972,935,144
11	<b>Withdrawals paid and payable</b>	(60,018,649)	(884,445,047)	(669,115,366)	(194,915,869)	(678,900,042)	(1,008,534,248)	(511,554,876)	(882,030,608)	(174,052,103)	(838,952,316)	(1,078,087,499)	(270,838,045)	(317,640,585)	(296,033,878)	(284,334,758)	(319,001,677)	(585,209,922)	-	(9,053,665,488)
	<b>Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income</b>	<u>(3,051,687)</u>	<u>(738,451,557)</u>	<u>5,754,301</u>	<u>(40,547,305)</u>	<u>7,328,282</u>	<u>(372,683,745)</u>	<u>(261,024,555)</u>	<u>(108,115,039)</u>	<u>4,089,965</u>	<u>12,514,873</u>	<u>(434,639,966)</u>	<u>(19,362,326)</u>	<u>(179,721,608)</u>	<u>(118,412,832)</u>	<u>(49,625,765)</u>	<u>(74,455,638)</u>	<u>(105,644,329)</u>	-	<u>(2,476,048,931)</u>
	<b>Balance carried forward</b>	<u>175,226,621</u>	<u>2,960,698,024</u>	<u>1,596,007,581</u>	<u>594,152,501</u>	<u>1,165,400,140</u>	<u>2,381,188,960</u>	<u>2,003,045,150</u>	<u>904,648,594</u>	<u>450,234,692</u>	<u>1,570,050,786</u>	<u>2,608,266,844</u>	<u>797,982,051</u>	<u>1,083,421,277</u>	<u>1,204,037,530</u>	<u>1,114,720,190</u>	<u>1,156,378,129</u>	<u>1,279,708,318</u>	<u>187,802,055</u>	<u>23,232,969,443</u>

PRINCIPAL MPF SCHEME SERIES 800

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 HK\$	2018 HK\$
<b>Cash flows from operating activities</b>			
Interest received		1,346	926
Distribution income received		34,426,725	30,391,685
Other income received		-	299,966
Operating expenses paid		(333,022,549)	(333,306,182)
<b>Net cash flows used in operating activities</b>		<u>(298,594,478)</u>	<u>(302,613,605)</u>
<b>Cash flows from investing activities</b>			
Purchase of investment		(10,050,625,352)	(11,591,671,790)
Proceeds from sale of investment		7,891,531,202	8,045,288,620
<b>Net cash flows used in investing activities</b>		<u>(2,159,094,150)</u>	<u>(3,546,383,170)</u>
<b>Cash flows from financing activities</b>			
Contributions received		11,350,935,125	12,938,886,407
Withdrawals paid		(8,883,520,043)	(9,156,826,468)
<b>Net cash flows generated from financing activities</b>		<u>2,467,415,082</u>	<u>3,782,059,939</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		9,726,454	(66,936,836)
<b>Cash and cash equivalents at beginning of year</b>		<u>53,127,965</u>	<u>120,064,801</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>62,854,419</u></u>	<u><u>53,127,965</u></u>
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances	8	<u><u>62,854,419</u></u>	<u><u>53,127,965</u></u>

## PRINCIPAL MPF SCHEME SERIES 800

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 1. THE SCHEME

Principal MPF Scheme Series 800 (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 seventeen Constituent Funds as at 31 December 2019:

- Principal Age 65 Plus Fund
- Principal Asian Equity Fund
- Principal Capital Guaranteed Fund
- Principal Core Accumulation Fund
- Principal MPF Conservative Fund
- Principal China Equity Fund
- Principal Global Growth Fund
- Principal Hang Seng Index Tracking Fund
- Principal Hong Kong Bond Fund
- Principal Hong Kong Dollar Savings Fund
- Principal Hong Kong Equity Fund
- Principal International Bond Fund
- Principal International Equity Fund
- Principal Long Term Accumulation Fund
- Principal Long Term Guaranteed Fund
- Principal Stable Yield Fund
- Principal U.S. Equity Fund

## PRINCIPAL MPF SCHEME SERIES 800

### NOTES TO FINANCIAL STATEMENTS

31 December 2019

#### 1. THE SCHEME (continued)

With effect from 1 April 2019, the Scheme offers tax deductible voluntary contributions ("TVC") account to eligible persons. TVC paid into a TVC account will be eligible for tax concessions starting from the year of assessment 2019/2020 in accordance with the Inland Revenue Ordinance. Though it is voluntary in nature, TVC is subject to the same vesting, preservation and withdrawal restrictions applicable to mandatory contributions.

#### 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> <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>1</sup>

<sup>1</sup> 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.

### 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

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.



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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

*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 the statement of 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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

*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.

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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, accrued 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.

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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.

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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.

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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																		Total HK\$
	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$		
Realised gains	4,066,208	70,630,108	6,862,562	12,290,387	14,062,040	90,783,315	62,190,052	9,864,456	13,052,022	24,987,986	85,324,518	18,937,524	42,919,741	37,087,601	15,338,966	23,330,097	72,338,257	604,065,840	
Unrealised gains	18,311,205	388,287,718	32,990,363	110,556,070	13,990,749	335,201,295	242,751,805	77,064,194	6,937,739	15,029,854	278,260,276	42,804,243	188,071,261	119,030,650	70,103,215	103,545,867	287,928,679	2,330,865,183	
Total gains on investments	22,377,413	458,917,826	39,852,925	122,846,457	28,052,789	425,984,610	304,941,857	86,928,650	19,989,761	40,017,840	363,584,794	61,741,767	230,991,002	156,118,251	85,442,181	126,875,964	360,266,936	2,934,931,023	
Unrealised losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total losses on investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net gains on investments	22,377,413	458,917,826	39,852,925	122,846,457	28,052,789	425,984,610	304,941,857	86,928,650	19,989,761	40,017,840	363,584,794	61,741,767	230,991,002	156,118,251	85,442,181	126,875,964	360,266,936	2,934,931,023	
	2018																		
	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	Total HK\$	
Realised gains	208,151	187,417,171	3,683,486	4,408,474	7,972,167	227,635,522	93,230,212	40,710,823	1,549,351	14,332,592	184,621,526	8,747,441	72,601,997	46,066,718	12,255,513	23,381,419	111,349,357	1,040,171,920	
Unrealised gains	-	-	20,610,570	-	9,017,892	-	-	-	6,614,610	11,829,750	-	-	-	-	-	-	-	48,072,822	
Total gains on investments	208,151	187,417,171	24,294,056	4,408,474	16,990,059	227,635,522	93,230,212	40,710,823	8,163,961	26,162,342	184,621,526	8,747,441	72,601,997	46,066,718	12,255,513	23,381,419	111,349,357	1,088,244,742	
Unrealised losses	(2,170,224)	(871,101,243)	-	(40,927,467)	-	(557,362,783)	(322,135,828)	(168,968,323)	-	-	(581,090,348)	(18,473,118)	(232,761,682)	(145,780,464)	(40,343,432)	(81,512,977)	(195,570,627)	(3,258,198,516)	
Total losses on investments	(2,170,224)	(871,101,243)	-	(40,927,467)	-	(557,362,783)	(322,135,828)	(168,968,323)	-	-	(581,090,348)	(18,473,118)	(232,761,682)	(145,780,464)	(40,343,432)	(81,512,977)	(195,570,627)	(3,258,198,516)	
Net (losses)/ gains on investments	(1,962,073)	(683,684,072)	24,294,056	(36,518,993)	16,990,059	(329,727,261)	(228,905,616)	(128,257,500)	8,163,961	26,162,342	(396,468,822)	(9,725,677)	(160,159,685)	(99,713,746)	(28,087,919)	(58,131,558)	(84,221,270)	(2,169,953,774)	

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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				Management Fee		
	Class D	Class I	Class N	Class D	Class I	Class N		
Principal Age 65 Plus Fund	Nil	N/A	N/A	0.50	0.25	N/A	N/A	0.75
Principal Asian Equity Fund	0.20	0.65	0.99	N/A	0.40	1.25	1.59	N/A
Principal Capital Guaranteed Fund	0.20	0.95	1.10	N/A	0.10	1.25	1.40	N/A
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 China Equity Fund	0.20	0.65	0.99	N/A	0.40	1.25	1.59	N/A
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 Bond Fund	0.20	N/A	N/A	0.54	0.25	N/A	N/A	0.99
Principal Hong Kong Dollar Savings Fund	0.20	0.69	0.69	N/A	0.10	0.99	0.99	N/A
Principal Hong Kong Equity Fund	0.20	0.65	0.75	N/A	0.40	1.25	1.35	N/A



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6. RELATED PARTY TRANSACTIONS (continued)

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

	Constituent Fund Level (% p.a. of net assets value)							
	Sponsor Fee	2019			Investment Management Fee	2018		
		Trustee/Administrator Fee				Management Fee		
		Class D	Class I	Class N		Class D	Class I	Class N
Principal International Bond Fund	0.20	0.80	0.80	N/A	0.25	1.25	1.25	N/A
Principal International Equity Fund	0.20	0.65	0.99	N/A	0.40	1.25	1.59	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
Principal U.S. Equity Fund	0.20	0.65	0.99	N/A	0.40	1.25	1.59	N/A

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

- (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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6. RELATED PARTY TRANSACTIONS (continued)

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

	2019																
	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$
<b>For the year ended 31 December 2019</b>																	
Investment management fee	480,776	9,872,135	1,322,859	1,609,616	987,666	8,000,090	5,968,288	392,139	1,000,490	1,278,505	9,117,627	1,790,573	3,790,717	3,518,923	1,811,716	3,580,434	4,972,707
Management fee	344,242	12,301,598	5,608,907	1,211,848	2,823,880	10,138,351	7,775,973	2,126,856	1,143,225	3,958,202	9,510,728	2,528,305	4,510,644	4,576,310	5,435,738	4,405,051	5,410,591
Sponsor fee	-	4,936,067	2,645,717	-	1,975,332	4,000,045	3,410,450	1,568,557	800,392	2,557,010	4,558,813	1,432,458	1,895,358	2,010,813	1,811,716	2,045,962	2,486,354
Trustee and administrator fee	961,551	23,911,937	14,442,761	3,219,231	6,419,830	19,305,645	15,720,280	5,019,383	2,161,058	8,821,683	16,966,010	5,729,834	8,877,902	9,145,872	13,874,695	9,437,472	12,006,642
<b>As at 31 December 2019</b>																	
Investment management fee payable	74,966	1,335,198	179,623	245,500	134,386	1,083,840	810,749	53,388	131,399	166,232	1,231,477	252,308	520,909	472,444	239,360	498,483	740,422
Sponsor fee payable	-	667,599	359,246	-	268,771	541,920	463,285	213,552	105,120	332,464	615,738	201,846	260,454	269,968	239,360	284,848	370,211
Trustee and administrator fee payable	149,932	3,234,489	1,961,336	491,000	873,506	2,616,133	2,135,627	683,365	283,823	1,146,999	2,292,033	807,384	1,221,243	1,228,080	1,833,347	1,315,241	1,789,163
	2018																
	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$
<b>For the year ended 31 December 2018</b>																	
Management fee	1,004,218	54,006,555	18,548,141	3,697,111	9,601,279	42,369,537	31,659,498	7,994,055	3,984,644	13,379,366	37,551,634	9,473,493	19,293,508	18,429,383	21,309,609	16,083,455	21,133,848
<b>As at 31 December 2018</b>																	
Management fee payable	42,817	1,513,796	725,953	144,923	926,484	1,210,346	960,741	263,417	145,567	508,926	1,143,595	326,710	537,862	573,629	702,673	555,134	642,237

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7. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019																		Total	
	Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$			
<b>Collective investment schemes</b>																				
Listed securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,112,195,850
Unit trust	311,552,520	3,464,613,344	1,824,067,313	1,017,876,259	1,375,993,184	2,844,457,712	2,389,878,088	-	534,095,534	1,695,685,974	3,211,641,474	1,024,256,127	1,348,435,083	1,387,524,479	1,218,819,275	1,459,110,980	1,926,805,398	27,034,812,744	-	
<b>Total</b>	<u>311,552,520</u>	<u>3,464,613,344</u>	<u>1,824,067,313</u>	<u>1,017,876,259</u>	<u>1,375,993,184</u>	<u>2,844,457,712</u>	<u>2,389,878,088</u>	<u>1,112,195,850</u>	<u>534,095,534</u>	<u>1,695,685,974</u>	<u>3,211,641,474</u>	<u>1,024,256,127</u>	<u>1,348,435,083</u>	<u>1,387,524,479</u>	<u>1,218,819,275</u>	<u>1,459,110,980</u>	<u>1,926,805,398</u>	<u>28,147,008,594</u>		
	2018																		Total	
Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$				
<b>Collective investment schemes</b>																				
Listed securities	-	-	-	-	-	-	-	902,710,650	-	-	-	-	-	-	-	-	-	-	-	902,710,650
Unit trust	174,982,039	2,966,214,057	1,596,818,724	594,928,191	1,161,996,428	2,382,062,179	2,005,787,721	-	449,700,752	1,563,884,210	2,610,899,154	797,654,565	1,085,724,606	1,206,194,044	1,115,498,194	1,155,195,010	1,280,760,726	22,148,300,600	-	
<b>Total</b>	<u>174,982,039</u>	<u>2,966,214,057</u>	<u>1,596,818,724</u>	<u>594,928,191</u>	<u>1,161,996,428</u>	<u>2,382,062,179</u>	<u>2,005,787,721</u>	<u>902,710,650</u>	<u>449,700,752</u>	<u>1,563,884,210</u>	<u>2,610,899,154</u>	<u>797,654,565</u>	<u>1,085,724,606</u>	<u>1,206,194,044</u>	<u>1,115,498,194</u>	<u>1,155,195,010</u>	<u>1,280,760,726</u>	<u>23,051,011,250</u>		

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8. CASH AND CASH EQUIVALENTS

		2019																		
		Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	Scheme level HK\$	Total HK\$
Cash at banks		-	-	-	-	-	-	3,740,458	-	-	-	-	-	-	-	-	-	-	59,113,961	62,854,419
		2018																		
		Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$	Scheme level HK\$	Total HK\$
Cash at banks		-	-	-	-	-	-	1,076,881	-	-	-	-	-	-	-	-	-	-	52,051,084	53,127,965

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9. UNITS IN ISSUE

	2019																
	Principal Age 65 Plus Fund	Principal Asian Equity Fund	Principal Capital Guaranteed Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal China Equity Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal Hong Kong Bond Fund	Principal HK Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund	Principal U.S. Equity Fund
Class D																	
Balance at 1 January 2019	-	5,187,725.7990	8,178,877.9130	-	-	12,713,155.3910	6,882,422.3650	-	-	14,129,160.6510	6,272,629.4880	3,577,108.0160	11,273,578.3650	8,592,297.6400	12,855,350.4150	5,416,581.9020	5,992,688.2180
Issued during the year	-	1,509,202.1190	4,160,360.4820	-	-	4,437,244.3100	1,650,797.8340	-	-	9,585,491.9260	3,319,480.9850	2,019,424.7480	1,714,920.4080	1,464,735.5300	2,234,031.0250	1,407,799.0250	2,645,480.8140
Redeemed during the year	-	(1,578,821.4940)	(3,880,262.3660)	-	-	(4,725,124.1530)	(1,431,932.7020)	-	-	(9,527,510.9130)	(3,450,701.6570)	(1,287,196.1770)	(2,009,598.4140)	(1,483,301.0180)	(2,674,412.3880)	(1,530,330.4750)	(2,088,671.1500)
Balance at 31 December 2019	-	5,118,106.4240	8,458,976.0290	-	-	12,425,275.5480	7,101,287.4970	-	-	14,187,141.6640	6,141,408.8160	4,309,336.5870	10,978,900.3590	8,573,732.1520	12,414,969.0520	5,294,050.4520	6,549,497.8820
Class I																	
Balance at 1 January 2019	-	78,310,842.3730	131,143,756.8750	-	-	160,360,593.3810	85,000,146.3030	-	-	128,970,443.1120	99,027,884.1750	43,576,451.2180	59,776,245.4050	58,353,521.9110	79,165,129.2190	62,569,764.6120	74,027,666.0270
Issued during the year	-	18,993,622.0980	77,355,347.0760	-	-	56,874,483.8120	23,012,184.2530	-	-	91,059,214.5650	45,327,862.7910	25,124,716.7640	16,669,345.4220	15,953,903.4960	22,084,180.6420	27,921,544.9070	40,897,022.1210
Redeemed during the year	-	(16,631,166.4530)	(59,398,456.0940)	-	-	(51,893,892.9640)	(18,481,711.3210)	-	-	(82,501,523.2230)	(35,034,090.0920)	(16,042,559.3640)	(13,312,319.4160)	(13,578,156.1020)	(18,467,077.3910)	(17,012,195.4440)	(24,351,897.0360)
Balance at 31 December 2019	-	80,673,298.0180	149,100,647.8570	-	-	165,341,184.2290	89,530,619.2350	-	-	137,528,134.4540	109,321,656.8740	52,658,608.6180	63,133,271.4110	60,729,269.3050	82,782,232.4700	73,479,114.0750	90,572,791.1120
Class N																	
Balance at 1 January 2019	17,334,637.8810	-	-	58,064,482.8320	103,027,805.4640	-	-	63,906,682.0370	42,157,019.0410	-	-	-	-	-	-	-	-
Issued during the year	18,859,866.2340	-	-	50,001,180.5730	80,591,503.9950	-	-	60,597,807.0090	31,967,702.6240	-	-	-	-	-	-	-	-
Redeemed during the year	(8,067,783.5730)	-	-	(22,733,219.2200)	(63,051,388.0340)	-	-	(54,129,086.0400)	(25,709,343.5610)	-	-	-	-	-	-	-	-
Balance at 31 December 2019	28,126,720.5420	-	-	85,332,444.1850	120,567,921.4250	-	-	70,375,403.0060	48,415,378.1040	-	-	-	-	-	-	-	-

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9. UNITS IN ISSUE (continued)

	2018																
	Principal Age 65 Plus Fund	Principal Asian Equity Fund	Principal Capital Guaranteed Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal China Equity Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal Hong Kong Bond Fund	Principal HK Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund	Principal U.S. Equity Fund
Class D																	
Balance at 1 January 2018	-	5,929,538.7270	6,844,646.2730	-	-	14,990,149.0770	7,096,096.3760	-	-	10,217,412.0290	6,744,416.6630	3,514,299.4390	12,070,220.2080	8,795,019.2990	13,003,159.5480	5,216,515.7090	6,325,439.3260
Issued during the year	-	994,883.8820	5,973,188.0190	-	-	3,377,461.7930	1,590,307.9060	-	-	11,195,227.9100	2,493,115.2800	1,245,175.6670	1,627,076.6940	1,479,688.1750	2,687,534.4680	1,585,703.3610	2,662,779.3500
Redeemed during the year	-	(1,736,696.8100)	(4,638,956.3790)	-	-	(5,654,455.4790)	(1,803,981.9170)	-	-	(7,283,479.2880)	(2,964,902.4550)	(1,182,367.0900)	(2,423,718.5370)	(1,682,409.8340)	(2,835,343.6010)	(1,385,637.1680)	(2,995,530.4580)
Balance at 31 December 2018	-	5,187,725.7990	8,178,877.9130	-	-	12,713,155.3910	6,882,422.3650	-	-	14,129,160.6510	6,272,629.4880	3,577,108.0160	11,273,578.3650	8,592,297.6400	12,855,350.4150	5,416,581.9020	5,992,688.2180
Class I																	
Balance at 1 January 2018	-	72,627,789.8770	84,760,019.3360	-	-	149,341,479.0120	76,980,027.3650	-	-	90,092,443.1970	84,117,572.4540	35,888,172.6470	58,368,209.6740	53,133,077.1730	71,534,859.3880	46,185,539.4990	65,500,261.3300
Issued during the year	-	25,029,597.3510	100,314,707.1120	-	-	67,789,439.8940	27,347,379.7260	-	-	108,502,941.5720	50,343,423.4560	22,368,108.2570	16,888,044.8590	18,775,888.8880	27,776,803.0980	32,888,035.7340	38,332,588.7430
Redeemed during the year	-	(19,346,544.8550)	(53,930,969.5730)	-	-	(56,770,325.5250)	(19,327,260.7880)	-	-	(69,624,941.6570)	(35,433,111.7350)	(14,679,829.6860)	(15,480,009.1280)	(13,555,444.1500)	(20,146,533.2670)	(16,503,810.6210)	(29,805,184.0460)
Balance at 31 December 2018	-	78,310,842.3730	131,143,756.8750	-	-	160,360,593.3810	85,000,146.3030	-	-	128,970,443.1120	99,027,884.1750	43,576,451.2180	59,776,245.4050	58,353,521.9110	79,165,129.2190	62,569,764.6120	74,027,666.0270
Class N																	
Balance at 1 January 2018	6,567,281.3510	-	-	30,122,689.5210	66,841,041.6700	-	-	52,306,252.1050	31,832,156.7840	-	-	-	-	-	-	-	-
Issued during the year	16,630,115.8180	-	-	45,867,445.6630	96,502,044.4070	-	-	67,790,116.7980	26,889,642.9680	-	-	-	-	-	-	-	-
Redeemed during the year	(5,862,759.2880)	-	-	(17,925,652.3520)	(60,315,280.6130)	-	-	(56,189,686.8660)	(16,564,780.7110)	-	-	-	-	-	-	-	-
Balance at 31 December 2018	17,334,637.8810	-	-	58,064,482.8320	103,027,805.4640	-	-	63,906,682.0370	42,157,019.0410	-	-	-	-	-	-	-	-

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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	1,049,417,439	949,264,231
- additional voluntary	260,466,110	245,985,384
From members		
- mandatory	974,141,889	881,080,592
- additional voluntary	76,894,548	73,064,117
	<u>2,360,919,986</u>	<u>2,149,394,324</u>
Transfer in from		
- other schemes	3,038,760,075	3,629,253,949
- same scheme	1,454,951,195	1,924,326,050
	<u>4,493,711,270</u>	<u>5,553,579,999</u>
Switching in	4,425,009,498	5,171,945,480
Others	91,638,467	98,015,341
Proceeds on issue of units	<u>11,371,279,221</u>	<u>12,972,935,144</u>

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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	458,623,809	457,966,900
Transfers out	3,957,884,660	3,355,522,374
Forfeitures	51,349,125	67,707,200
Switching out	4,425,000,282	5,171,945,480
Others	1,713,225	523,534
Payments on redemption of units	<u>8,894,571,101</u>	<u>9,053,665,488</u>

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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NOTES TO FINANCIAL STATEMENTS

31 December 2019

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	2,138		7,524	
- Bank charges	1,546		5,167	
- Legal and professional fees	3,228		10,532	
- Miscellaneous expenses	10,062		11,532	
- Printing and postage expenses	17,131		63,316	
	<u>34,105</u>	0.01	<u>98,071</u>	0.01
Payments for service				
- Investment management fee	480,776		1,609,616	
- Management fee	344,242		1,211,848	
- Trustee and administrator fee	961,551		3,219,231	
	<u>1,786,569</u>		<u>6,040,695</u>	
Other payments				
- Legal and professional fees (non-recurring)	13,844		66,884	
	<u>1,834,518</u>		<u>6,205,650</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	2,138		7,524	
- Bank charges	863		3,154	
- Miscellaneous expenses	38,067		125,250	
- Printing and postage expenses	16,619		61,424	
- Sub-custodian fees	21		82	
	<u>57,708</u>	0.04	<u>197,434</u>	0.04
Payments for service				
- Management fee	<u>1,004,218</u>		<u>3,697,111</u>	
Other payments				
- Legal and professional fees (non-recurring)	27,688		133,767	
	<u>1,089,614</u>		<u>4,028,312</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 as at the end of the reporting period are as follows:

Financial assets

	2019			2018		
	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$
Investments measured at fair value through profit or loss	28,147,008,594	-	28,147,008,594	23,051,011,250	-	23,051,011,250
Subscriptions in transit	-	56,360,123	56,360,123	-	43,666,655	43,666,655
Contributions receivable						
- by employers	-	108,678,587	108,678,587	-	104,526,293	104,526,293
- by employees	-	87,105,481	87,105,481	-	83,275,762	83,275,762
Amounts receivable from brokers	-	2,986,933	2,986,933	-	3,886,229	3,886,229
Cash and cash equivalents	-	62,854,419	62,854,419	-	53,127,965	53,127,965
Others	-	404	404	-	61,033	61,033
	<u>28,147,008,594</u>	<u>317,985,947</u>	<u>28,464,994,541</u>	<u>23,051,011,250</u>	<u>288,543,937</u>	<u>23,339,555,187</u>

Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts pending for allocation	16,653,877	16,322,492
Amounts payable on redemptions	70,833,804	63,947,194
Amounts payable to brokers	1,508,326	435,451
Accrued expenses and other payables	61,878,049	25,880,607
	<u>150,874,056</u>	<u>106,585,744</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\$27,034,812,744 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 get 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).

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(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.

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.

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

*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 Asian Equity Fund	Principal Capital Guaranteed Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal China Equity Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal Hong Kong Bond Fund	Principal HK Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund	Principal U.S. Equity Fund
Change in NAV		(0.9004)%	3.1002%	-	0.5682%	-	0.1002%	2.0579%	-	-	-	0.1136%	1.9364%	2.0968%	1.9833%	0.2357%	1.7616%	-
		As at 31 December 2018																
		Principal Age 65 Plus Fund	Principal Asian Equity Fund	Principal Capital Guaranteed Fund	Principal Core Accumulation Fund	Principal MPF Conservative Fund	Principal China Equity Fund	Principal Global Growth Fund	Principal Hang Seng Index Tracking Fund	Principal Hong Kong Bond Fund	Principal HK Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Long Term Accumulation Fund	Principal Long Term Guaranteed Fund	Principal Stable Yield Fund	Principal U.S. Equity Fund
Change in NAV		(1.0933)%	2.4649%	-	0.4176%	-	0.0882%	2.0073%	-	0.0001%	-	0.0878%	2.3121%	2.0761%	2.0350%	0.1951%	1.9422%	-

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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.

PRINCIPAL MPF SCHEME SERIES 800

NOTES TO FINANCIAL STATEMENTS

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

*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 HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Index Tracking Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$
Increase 100 basis points in interest rate	(1.26)%	-	(0.56)%	(0.59)%	(0.03)%	-	(1.61)%	-	(4.26)%	(0.37)%	-	(6.63)%	-	(2.90)%	(3.46)%	(3.90)%	-	
Decrease 100 basis points in interest rate	1.26%	-	0.56%	0.59%	0.03%	-	1.61%	-	4.65%	0.37%	-	6.63%	-	2.90%	3.59%	3.90%	-	
		As at 31 December 2018																
		Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Index Tracking Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$
Increase 100 basis points in interest rate	(1.30)%	-	(0.58)%	(0.65)%	(0.04)%	-	(1.55)%	-	(3.66)%	(0.35)%	-	(6.13)%	-	(2.75)%	(3.35)%	(3.69)%	-	
Decrease 100 basis points in interest rate	1.30%	-	0.58%	0.65%	0.04%	-	1.55%	-	3.94%	0.35%	-	6.13%	-	2.76%	3.45%	3.69%	-	

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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.



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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

*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 HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$
Overall market exposure		311,552,520	3,464,613,344	1,824,067,313	1,017,876,259	1,375,993,184	2,844,457,712	2,389,878,088	1,112,195,850	534,095,534	1,695,685,974	3,211,641,474	1,024,256,127	1,348,435,083	1,387,524,479	1,218,819,275	1,459,110,980	1,926,805,398
% change in prices		10%	10%	10%	10%	10%	10%	10%	9.07%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV		31,155,252	346,461,334	182,406,731	101,787,626	137,599,318	284,445,771	238,987,809	100,876,164	53,409,553	169,568,597	321,164,147	102,425,613	134,843,508	138,752,448	121,881,928	145,911,098	192,680,540
		As at 31 December 2018																
		Principal Age 65 Plus Fund HK\$	Principal Asian Equity Fund HK\$	Principal Capital Guaranteed Fund HK\$	Principal Core Accumulation Fund HK\$	Principal MPF Conservative Fund HK\$	Principal China Equity Fund HK\$	Principal Global Growth Fund HK\$	Principal Hang Seng Index Tracking Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal HK Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Long Term Accumulation Fund HK\$	Principal Long Term Guaranteed Fund HK\$	Principal Stable Yield Fund HK\$	Principal U.S. Equity Fund HK\$
Overall market exposure		174,982,039	2,966,214,057	1,596,818,724	594,928,191	1,161,996,428	2,382,062,179	2,005,787,721	902,710,650	449,700,752	1,563,884,210	2,610,899,154	797,654,565	1,085,724,606	1,206,194,044	1,115,498,194	1,155,195,010	1,280,760,726
% change in prices		10%	10%	10%	10%	10%	10%	10%	13.61%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV		17,498,204	296,621,406	159,681,872	59,492,819	116,199,643	238,206,218	200,578,772	122,858,919	44,970,075	156,388,421	261,089,915	79,765,457	108,572,461	120,619,404	111,549,819	115,519,501	128,076,073

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22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(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.

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\$317,985,947 on which no loss allowance had been provided (31 December 2018: total of HK\$288,543,937 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.

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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 (continued)

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.

**(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.

31 December 2019

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 800**

We have audited the financial statements of Principal MPF Scheme Series 800 (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 800**

**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 800**

**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