

Annual Report and Audited Financial Statements

PRINCIPAL MPF - SIMPLE PLAN

31 December 2019

PRINCIPAL MPF - SIMPLE PLAN

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PRINCIPAL MPF - SIMPLE PLAN

DIRECTORY OF PARTIES

Trustee and Custodian

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

Administrator

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

Investment Manager of all Constituent Funds

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

Legal Advisor

Baker & McKenzie
14/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Auditor

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

PRINCIPAL MPF - SIMPLE PLAN

MANAGER'S REPORT

Principal Age 65 Plus Fund

Principal Balanced Fund

Principal Core Accumulation Fund

Principal Growth Fund

Principal Stable 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.

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 Dynamic Asia Pacific Equity Fund

Market Review

Asia Pacific ex Japan equities advanced during the last quarter of 2019. Monetary policy easing by central banks globally and signs of negotiations between the US and China supported investor sentiment. In key developments, both countries agreed on a "phase one" trade deal that is likely to be signed in January. Against this backdrop, Chinese and Hong Kong equities advanced. Investor sentiment towards Chinese equities received further support from stimulus measures announced by the Chinese government. Taiwanese and Korean equities attracted investor interest amid advances in the information technology (IT) sector. The Korean technology sector was boosted by improved sentiment towards the memory chip market. Meanwhile, Indian and Australian equities underperformed the broader market due to concerns over weak macroeconomic data. At a sector level, IT and consumer discretionary led gains, while utilities and consumer staples lagged.

Shares in biopharmaceuticals company CSL were driven by robust demand for immunoglobulin in a highly concentrated plasma market. Global player in the obstructive sleep apnea market Fisher & Paykel Healthcare delivered strong results and upgraded its full-year guidance in recent months. Conversely, Westpac Banking weighed on performance as the Australian regulator filed a civil lawsuit against it for operational irregularities. The position was scaled down over the quarter. Shares in China's high-speed railway manufacturer Zhuzhou CRRC Times Electric declined as the company reported disappointing results on weak revenue growth and higher expenses. It is, however, expected to gain from the government's road to rail initiative.

Principal Dynamic Global Bond Fund

Market Review

Fixed income markets posted mixed returns over the quarter, with corporate bonds outperforming government bonds as credit spreads tightened. Core government bond yields rose amid easing trade tensions, as US and China agreed to an in-principle phase one trade deal. The US Federal Reserve indicated that rates will remain at current levels, given a strong labour market and resilient consumer data. That said, soft economic data in the US remains under pressure. Economic activity in the US manufacturing sector contracted for the fourth straight month in November. In the UK, government bond (Gilts) yields rose to their highest level since June, amid easing concerns over a no-deal Brexit after Prime Minister Boris Johnson's Conservatives won the national election. German bund yields also followed their counterparts higher. Emerging market bonds posted positive returns over the quarter with local currency bonds outperforming hard currency. Most emerging market currencies strengthened against the US dollar supporting local currency bond returns.

The fund generated negative returns over the quarter. Fund's duration (measure of its sensitivity to interest rate changes) position detracted from performance. Yields in core developed bond markets rose in line with US Treasury yields. As a result, the exposure to the euro and US dollar held back gains. Conversely, the fund's underweight stance in sovereign bonds of Italy contributed to performance as Italian government bond yields followed their counterparts higher. However, small allocation to corporate bonds supported performance. Exposure to communication, consumer cyclical, and consumer non-cyclical sectors contributed to returns, led by holdings in Time Warner Cable and Volkswagen.

Principal Dynamic Global Equity Fund

Market Review

Global equities performed positively in the fourth quarter and ended 2019 with strong gains. Accommodative monetary policies from major central banks continued to support equities during the period. Investor sentiment improved further in December as the US and China agreed to a "phase one" trade deal and as election results in the UK raised hopes for an orderly Brexit, which is currently scheduled for 31 January 2020. On the monetary policy front, the US Federal Reserve cut interest rates for the third time this year in October. The European Central Bank and Bank of Japan said that they would retain key interest rates at current or lower levels to achieve their inflation targets. Japan also announced a fiscal stimulus package, while China introduced measures to support growth. Against this global backdrop, all key equity markets ended higher, with strong returns from Asia Pacific and European equities.

Principal Dynamic Hong Kong Equity Fund

Market Review

In the fourth quarter, the Hang Seng Index was up 8.3%. The Principal Hong Kong Index, the index of the Hong Kong equity portfolio, returned 7.9% 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.

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 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.

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 one 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 MPF - SIMPLE PLAN

MANAGER'S REPORT (continued)

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 12 months returns to 3.8%.

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.

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



Hong Kong
19 June 2020

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INVESTMENT REPORT

Investment portfolio

<i>Constituent Funds</i>	2019			
	<i>* Units</i>	<i>Cost HK\$</i>	<i>Fair value HK\$</i>	<i>% of net asset value</i>
Principal Age 65 Plus Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Age 65 Plus Fund	2,343,805	24,957,346	26,681,877	99.78%
Principal Balanced Fund				
– Holdings in Principal MPF Fund Series				
– Principal MPF Balanced Fund	2,151,183	251,038,323	324,742,658	100.09%
Principal Core Accumulation Fund				
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal Core Accumulation Fund	3,828,714	42,542,042	46,949,227	99.51%
Principal Dynamic Asia Pacific Equity Fund				
– Holdings in Fidelity Global Investment Fund				
– Fidelity Asia Pacific Equity Fund	20,991,337	324,817,116	371,126,845	86.36%
– Holdings in Schroder MPF Umbrella Fund				
– Schroder MPF Asian Fund	1,089,661	52,877,204	59,103,250	13.75%
Principal Dynamic Global Bond Fund				
– Holdings in Templeton Global Bond Fund				
– Templeton Global Bond Fund	7,163,804	89,016,177	93,201,094	79.23%
– Holdings in Principal Unit Trust Umbrella Fund				
– Principal International Bond Fund	1,015,879	23,662,528	24,834,699	21.11%
Principal Dynamic Global Equity Fund				
– Holdings in Fidelity Global Investment Fund				
– Fidelity Global Equity Fund	9,384,419	174,587,849	209,741,770	74.97%
– Holdings in Schroder MPF Umbrella Fund				
– Schroder MPF International Fund	3,047,345	58,195,949	69,479,484	24.84%
Principal Dynamic Hong Kong Equity Fund				
– Holdings in Principal Life Style Fund				
– Principal Hong Kong Equity Fund (Pension class)	15,520,988	637,393,863	690,508,606	81.32%
– Holdings in JPMorgan SAR Hong Kong Fund				
– JPMorgan SAR Hong Kong Fund	898,506	70,821,540	77,630,922	9.14%
– Holdings in Franklin MPF Hong Kong Equity Fund				
– Franklin MPF Hong Kong Equity Fund	8,119,735	78,690,600	81,197,351	9.56%
Principal Growth Fund				
– Holdings in Principal MPF Fund Series				
– Principal MPF Growth Fund	3,131,812	374,219,476	507,478,829	100.07%
Principal - MPF Conservative Fund				
– Holdings in Principal MPF Fund Series				
– Principal MPF Conservative Fund	4,159,415	437,686,212	452,170,046	98.95%
Principal Stable Fund				
– Holdings in Principal MPF Fund Series				
– Principal MPF Stable Fund	1,659,375	187,028,694	215,536,258	100.03%

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

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Statement of movements in portfolio holdings

	<i>% of net assets as at 31 December 2019</i>	<i>% of net assets as at 31 December 2018</i>
<i>Constituent Funds</i>		
Principal Age 65 Plus Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Age 65 Plus Fund	99.78%	99.80%
Principal Balanced Fund		
– Holdings in Principal MPF Fund Series		
– Principal MPF Balanced Fund	100.09%	100.11%
Principal Core Accumulation Fund		
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal Core Accumulation Fund	99.51%	99.46%
Principal Dynamic Asia Pacific Equity Fund		
– Holdings in Fidelity Global Investment Fund		
– Fidelity Asia Pacific Equity Fund	86.36%	85.86%
– Holdings in Schroder MPF Umbrella Fund		
– Schroder MPF Asian Fund	13.75%	14.28%
Principal Dynamic Global Bond Fund		
– Holdings in Templeton Global Bond Fund		
– Templeton Global Bond Fund	79.23%	84.67%
– Holdings in Principal Unit Trust Umbrella Fund		
– Principal International Bond Fund	21.11%	15.13%
Principal Dynamic Global Equity Fund		
– Holdings in Fidelity Global Investment Fund		
– Fidelity Global Equity Fund	74.97%	74.04%
– Holdings in Schroder MPF Umbrella Fund		
– Schroder MPF International Fund	24.84%	25.40%
Principal Dynamic Hong Kong Equity Fund		
– Holdings in Principal Life Style Fund		
– Principal Hong Kong Equity Fund (Pension class)	81.32%	81.16%
– Holdings in JPMorgan SAR Hong Kong Fund		
– JPMorgan SAR Hong Kong Fund	9.14%	-
– Holdings in Franklin MPF Hong Kong Equity Fund		
– Franklin MPF Hong Kong Equity Fund	9.56%	9.88%
– Holdings in Allianz Global Investors Choice Fund		
– Allianz Choice Hong Kong Fund	-	9.01%
Principal Growth Fund		
– Holdings in Principal MPF Fund Series		
– Principal MPF Growth Fund	100.07%	100.11%
Principal - MPF Conservative Fund		
– Holdings in Principal MPF Fund Series		
– Principal MPF Conservative Fund	98.95%	99.31%
Principal Stable Fund		
– Holdings in Principal MPF Fund Series		
– Principal MPF Stable Fund	100.03%	99.96%

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment income and performance

	2019									
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Investment performance										
Net gains of investments - realised	287,062	9,861,010	786,584	62,617,411	748,621	33,256,311	23,310,338	18,553,698	5,444,933	5,051,310
Net gains of investments - unrealised	<u>1,838,209</u>	<u>33,730,559</u>	<u>5,477,218</u>	<u>6,325,422</u>	<u>6,499,647</u>	<u>27,361,542</u>	<u>81,926,075</u>	<u>59,492,190</u>	<u>4,173,854</u>	<u>15,077,766</u>
	2018									
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Investment performance										
Net gains/(losses) of investments - realised	19,250	19,013,307	385,685	25,966,633	(291,993)	22,693,075	47,224,856	36,169,348	4,020,023	6,815,020
Net gains/(losses) of investments - unrealised	<u>(208,454)</u>	<u>(48,332,723)</u>	<u>(2,236,171)</u>	<u>(75,569,388)</u>	<u>(706,738)</u>	<u>(48,557,278)</u>	<u>(172,914,735)</u>	<u>(95,579,999)</u>	<u>2,858,088</u>	<u>(15,675,912)</u>
	2017									
	#Principal Age 65 Plus Fund	Principal Balanced Fund	#Principal Core Accumulation Fund	*Principal Dynamic Asia Pacific Equity Fund	*Principal Dynamic Global Bond Fund	*Principal Dynamic Global Equity Fund	*Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Investment performance										
Net gains/(losses) of investments realised	28,296	13,017,494	77,411	38,530,987	(393,550)	28,569,189	206,566,527	22,397,337	2,856,196	4,226,394
Net gains of investments - unrealised	<u>94,777</u>	<u>58,804,666</u>	<u>1,166,138</u>	<u>90,259,561</u>	<u>4,211,759</u>	<u>20,270,279</u>	<u>95,508,257</u>	<u>112,101,047</u>	<u>597,114</u>	<u>21,904,877</u>

* Principal Dynamic Asia Pacific Equity Fund is formerly known as Principal - Fidelity Asia Pacific Equity Fund
Principal Dynamic Global Bond Fund is formerly known as Principal - Templeton Global Bond Fund
Principal Dynamic Global Equity Fund is formerly known as Principal - Fidelity Global Equity Fund
Principal Dynamic Hong Kong Equity Fund is formerly known as Principal - RCM Hong Kong Fund

These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment income and performance (continued)

	2019									
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$

Income derived from investments

Rebate income	-	-	-	60,961	25,681	31,678	-	-	-	-
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	2018									
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$

Income derived from investments

Rebate income	-	-	-	4,263,499	1,130,603	2,448,121	93,363	-	-	-
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	2017									
	#Principal Age 65 Plus Fund	Principal Balanced Fund	#Principal Core Accumulation Fund	*Principal Dynamic Asia Pacific Equity Fund	*Principal Dynamic Global Bond Fund	*Principal Dynamic Global Equity Fund	*Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$

Income derived from investments

Rebate income	-	-	-	2,132,281	566,354	1,285,245	312,443	-	-	-
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* Principal Dynamic Asia Pacific Equity Fund is formerly known as Principal - Fidelity Asia Pacific Equity Fund
Principal Dynamic Global Bond Fund is formerly known as Principal - Templeton Global Bond Fund
Principal Dynamic Global Equity Fund is formerly known as Principal - Fidelity Global Equity Fund
Principal Dynamic Hong Kong Equity Fund is formerly known as Principal - RCM Hong Kong Fund

These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Performance table

Investment record as at 31 December 2019

	Net asset value per unit HK\$	Total net asset value HK\$
Principal Age 65 Plus Fund	11.00	26,739,558
Principal Balanced Fund	17.59	324,435,986
Principal Core Accumulation Fund	11.78	47,180,632
Principal Dynamic Asia Pacific Equity Fund	15.65	429,767,462
Principal Dynamic Global Bond Fund	11.06	117,626,225
Principal Dynamic Global Equity Fund	13.52	279,764,179
Principal Dynamic Hong Kong Equity Fund	28.82	849,101,113
Principal Growth Fund	19.51	507,146,381
Principal - MPF Conservative Fund	10.74	456,946,583
Principal Stable Fund	13.47	215,466,538

Investment record as at 31 December 2018

	Net asset value per unit HK\$	Total net asset value HK\$
Principal Age 65 Plus Fund	10.04	18,358,128
Principal Balanced Fund	15.52	291,864,490
Principal Core Accumulation Fund	10.14	32,332,161
Principal Dynamic Asia Pacific Equity Fund	13.43	382,405,733
Principal Dynamic Global Bond Fund	10.52	109,013,124
Principal Dynamic Global Equity Fund	10.80	225,449,222
Principal Dynamic Hong Kong Equity Fund	25.80	790,845,604
Principal Growth Fund	16.84	447,996,230
Principal - MPF Conservative Fund	10.62	459,887,710
Principal Stable Fund	12.44	203,637,075

Investment record as at 31 December 2017

	Net asset value per unit HK\$	Total net asset value HK\$
#Principal Age 65 Plus Fund	10.25	5,797,284
Principal Balanced Fund	17.35	347,054,018
#Principal Core Accumulation Fund	10.82	22,899,705
Principal Dynamic Asia Pacific Equity Fund (formerly known as "Principal - Fidelity Asia Pacific Equity Fund")	15.29	479,979,032
Principal Dynamic Global Bond Fund (formerly known as "Principal - Templeton Global Bond Fund")	10.69	104,428,890
Principal Dynamic Global Equity Fund (formerly known as "Principal - Fidelity Global Equity Fund")	12.17	276,169,089
Principal Dynamic Hong Kong Equity Fund (formerly known as "Principal - RCM Hong Kong Fund")	30.33	1,065,644,607
Principal Growth Fund	19.37	558,776,555
Principal - MPF Conservative Fund	10.57	394,011,248
Principal Stable Fund	13.18	212,916,277

These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2019

	Fund expense ratio (%) [#]	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	1.06%	11.03	10.04	9.56%
Principal Balanced Fund	1.69%	17.61	15.33	13.34%
Principal Core Accumulation Fund	1.09%	11.80	10.06	16.17%
Principal Dynamic Asia Pacific Equity Fund	1.74%	15.73	13.15	16.53%
Principal Dynamic Global Bond Fund	1.50%	11.29	10.52	5.13%
Principal Dynamic Global Equity Fund	1.74%	13.55	10.61	25.19%
Principal Dynamic Hong Kong Equity Fund	1.64%	30.31	24.99	11.71%
Principal Growth Fund	1.70%	19.55	16.56	15.86%
Principal - MPF Conservative Fund	1.03%	10.74	10.62	1.13%
Principal Stable Fund	1.67%	13.47	12.40	8.28%

Performance record for the year ended 31 December 2018

	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Age 65 Plus Fund	1.00%	10.34	9.94	(2.05)%
Principal Balanced Fund	1.69%	18.42	15.27	(10.55)%
Principal Core Accumulation Fund	1.00%	11.29	9.90	(6.28)%
Principal Dynamic Asia Pacific Equity Fund	1.82%	16.44	12.92	(12.16)%
Principal Dynamic Global Bond Fund	1.60%	10.82	10.33	(1.59)%
Principal Dynamic Global Equity Fund	1.79%	13.01	10.36	(11.26)%
Principal Dynamic Hong Kong Equity Fund	1.66%	33.59	24.53	(14.94)%
Principal Growth Fund	1.70%	20.86	16.50	(13.06)%
Principal - MPF Conservative Fund	1.13%	10.57	10.62	0.47%
Principal Stable Fund	1.68%	13.56	12.33	(5.61)%

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 - SIMPLE PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2017

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
#Principal Age 65 Plus Fund	10.27	9.97	2.50%
Principal Balanced Fund	17.35	14.11	23.05%
#Principal Core Accumulation Fund	10.83	9.99	8.20%
Principal Dynamic Asia Pacific Equity Fund (formerly known as "Principal - Fidelity Asia Pacific Equity Fund")	15.29	11.46	33.65%
Principal Dynamic Global Bond Fund (formerly known as "Principal - Templeton Global Bond Fund")	10.86	10.32	3.29%
Principal Dynamic Global Equity Fund (formerly known as "Principal - Fidelity Global Equity Fund")	12.19	10.23	19.31%
Principal Dynamic Hong Kong Equity Fund (formerly known as "Principal - RCM Hong Kong Fund")	30.57	22.71	34.32%
Principal Growth Fund	19.37	15.11	28.36%
Principal - MPF Conservative Fund	10.57	10.57	0.00%
Principal Stable Fund	13.18	11.70	12.46%

Performance record for the year ended 31 December 2016

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Balanced Fund	14.73	12.58	1.66%
Principal - MPF Conservative Fund	10.57	10.56	0.00%
Principal Growth Fund	15.72	13.00	1.96%
Principal - RCM Hong Kong Fund	24.38	18.73	0.27%
Principal Stable Fund	12.28	11.23	0.86%
Principal - Fidelity Global Equity Fund	10.32	8.84	2.00%
Principal - Fidelity Asia Pacific Equity Fund	12.35	9.63	4.76%
Principal - Templeton Global Bond Fund	10.83	10.33	(3.18)%

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

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

These Constituent Funds were newly launched on 1 April 2017.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Performance table (continued)

Performance record for the year ended 31 December 2015

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)
Principal Balanced Fund (formerly known as "AXA Balanced Fund")	16.34	13.24	(5.71)%
Principal - MPF Conservative Fund (formerly known as "AXA MPF Conservative Fund")	10.57	10.57	0.09%
Principal Growth Fund (formerly known as "AXA Growth Fund")	17.67	13.24	(5.43)%
Principal - RCM Hong Kong Fund (formerly known as "AXA-RCM Hong Kong Fund")	29.72	21.05	(6.59)%
Principal Stable Fund (formerly known as "AXA Stable Fund")	12.99	11.44	(5.52)%
Principal - Fidelity Global Equity Fund (formerly known as "AXA - Fidelity Global Equity Fund")	10.86	9.34	(1.09)%
Principal - Fidelity Asia Pacific Equity Fund (formerly known as "AXA - Fidelity Asia Pacific Equity Fund")	13.25	10.06	(6.90)%
Principal - Templeton Global Bond Fund (formerly known as "AXA - Templeton Global Bond Fund")	11.46	10.65	(6.55)%

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 (%)
AXA Balanced Fund	15.31	13.99	-
AXA MPF Conservative Fund	10.56	10.56	-
AXA Growth Fund	16.33	14.57	0.45%
AXA - RCM Hong Kong Fund	24.77	20.86	4.55%
AXA Stable Fund	12.77	12.19	(0.97)%
AXA - Fidelity Global Equity Fund	10.34	9.22	4.12%
AXA - Fidelity Asia Pacific Equity Fund	12.65	10.60	3.71%
AXA - Templeton Global Bond Fund	11.97	11.44	(2.30)%

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

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

PRINCIPAL MPF - SIMPLE PLAN

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 (%)
AXA Balanced Fund	14.72	13.01	9.44%
AXA MPF Conservative Fund	10.56	10.56	-
AXA Growth Fund	15.58	13.34	13.06%
AXA - RCM Hong Kong Fund	23.45	19.23	5.06%
AXA Stable Fund	12.50	11.73	1.22%
AXA - Fidelity Global Equity Fund	9.71	7.97	24.33%
AXA - Fidelity Asia Pacific Equity Fund	11.60	9.97	3.47%
AXA - Templeton Japan Equity Fund	7.76	-	-
AXA - Templeton Global Bond Fund	12.05	11.46	(1.51)%

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 (%)
AXA Balanced Fund	13.51	11.86	12.27%
AXA MPF Conservative Fund	10.56	10.56	-
AXA Growth Fund	13.84	11.73	15.51%
AXA - RCM Hong Kong Fund	21.95	17.78	21.81%
AXA Stable Fund	12.34	11.66	5.05%
AXA - Fidelity Global Equity Fund	7.89	6.67	16.05%
AXA - Fidelity Asia Pacific Equity Fund	10.96	8.92	20.35%
AXA - Templeton Japan Equity Fund	6.21	5.27	7.58%
AXA - Templeton Global Bond Fund	11.91	11.09	7.50%

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

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

PRINCIPAL MPF - SIMPLE PLAN

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 (%)
AXA Balanced Fund (formerly known as "Multi-Manager Balanced Fund")	14.10	11.27	(11.59)%
AXA MPF Conservative Fund (formerly known as "MPF Conservative Fund")	10.56	10.56	-
AXA Growth Fund (formerly known as "Multi-Manager Growth Fund")	14.56	10.94	(14.42)%
AXA - RCM Hong Kong Fund (formerly known as "Multi-Manager Hong Kong Equity Fund")	23.64	15.38	(20.76)%
AXA Stable Fund (formerly known as "Multi-Manager Stable Fund")	12.54	11.43	(4.02)%
AXA - Fidelity Global Equity Fund (formerly known as "Multi-Manager Global Equity Fund")	8.11	6.08	(10.74)%
AXA - Fidelity Asia Pacific Equity Fund (formerly known as "Multi-Manager Asia Pacific (ex-Japan) Equity Fund")	11.45	8.19	(16.07)%
AXA - Templeton Japan Equity Fund (formerly known as "Multi-Manager Japan Equity Fund")	6.88	5.38	(14.24)%
AXA - Templeton Global Bond Fund (formerly known as "Multi-Manager Global Bond Fund")	11.68	10.92	0.18%

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 (%)
Multi-Manager Balanced Fund	13.85	11.47	8.40%
MPF Conservative Fund	10.56	10.56	-
Multi-Manager Growth Fund	14.23	11.41	9.25%
Multi-Manager Hong Kong Equity Fund	24.38	17.69	15.02%
Multi-Manager Stable Fund	12.54	11.04	6.38%
Multi-Manager Global Equity Fund	7.57	6.24	5.90%
Multi-Manager Asia Pacific(ex- Japan)Fund	11.16	8.56	6.49%
Multi-Manager Japan Equity Fund	6.67	5.63	5.90%
Multi-Manager Global Bond Fund	11.51	10.46	5.04%

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

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

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies

Principal Age 65 Plus Fund

Principal Age 65 Plus Fund provides stable growth for the retirement savings to members by investing in a globally diversified manner.

Principal Balanced Fund

Principal Balanced Fund currently invests in the Principal MPF Fund – Principal Balanced Fund, a unit trust APIF. The fund, via the underlying unit trust APIF, gains exposure to a diversified portfolio of equities, bonds and deposit. Normally around 55% to 85% of the assets will be invested in global equities and around 10% to 40% in global bonds. The remaining assets will be invested in deposits as appropriate.

Principal Core Accumulation Fund

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.

Principal Dynamic Asia Pacific Equity Fund

Principal Dynamic Asia Pacific Equity Fund currently invests in two or more APIFs and/or ITCISs managed by different managers, which in turn, invest directly into the Asia Pacific equity markets and have the flexibility to invest in the money market in a limited manner. Normally, around 95% of the assets will be invested in equities and around 5% in cash or cash equivalent. The actual portfolio will at times vary considerably from the above as market, political, structural, economic and other conditions change. Neither the constituent fund nor the underlying APIFs and/or ITCISs will enter into any securities lending agreement, repurchase agreement or enter into any financial futures contracts or financial options contracts.

Principal Dynamic Global Bond Fund

Principal Dynamic Global Bond Fund currently invests in two or more APIFs and/or ITCISs managed by different managers so that at least 70% of the assets of the constituent fund are invested in fixed income securities issued by governments, governmental agencies and corporates globally. Investment assets include debt obligations (bonds), preferred stocks, corporate debt obligations and convertible securities. Neither the constituent fund nor the underlying APIFs and/or ITCISs will enter into any securities lending agreement, repurchase agreement or enter into any financial futures contracts or financial options contracts.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Principal Dynamic Global Equity Fund

Principal Dynamic Global Equity Fund currently invests in two or more APIFs and/or ITCISs managed by different managers, which in turn, invest in a diversified portfolio of global equities and have the flexibility to invest in fixed income securities and money market in a limited manner. Normally, around 98% of the assets will be invested in equities and around 2% in cash or cash equivalent. The actual portfolio will at times vary considerably from the above as market, political, structural, economic and other conditions change. Neither the constituent fund nor the underlying APIFs and/or ITCISs will enter into any securities lending agreement, repurchase agreement or enter into any financial futures contracts or financial options contracts.

Principal Dynamic Hong Kong Equity Fund

Principal Dynamic Hong Kong Equity Fund pursues its investment objective by investing in two or more Unit Trust APIFs and/or Approved Index-Tracking Funds, which in turn, invest in a diversified portfolio of Hong Kong equities. Such underlying Unit Trust APIFs and Approved Index-Tracking Funds may or may not be managed by PAM and/or its affiliates. Normally 95% of the assets of the constituent fund will be invested in Hong Kong equities, while the remaining will be held in cash or short-term deposits. Any holding of cash or short term deposits is to provide liquidity and/or for any other purpose as the investment manager considers appropriate.

Principal Growth Fund

Principal Growth Fund currently invests in the Principal MPF Fund – Principal Growth Fund, a unit trust APIF. The fund, via the underlying unit trust APIF, gains exposure to a diversified portfolio of equities, bonds and deposits, with heavier weighting in equities. Normally around 75% to 100% of the assets will be invested in global equities and up to 25% global bonds. The remaining assets will be invested in deposits as appropriate.

Principal - MPF Conservative Fund

Principal MPF Conservative Fund currently invests in the Principal MPF Fund – Principal Conservative Fund, a unit trust APIF. The fund, via the underlying unit trust APIF may invest in Hong Kong dollar denominated deposits and debt securities issued by financial institutions, sovereign issuers and corporate issuers, subject to restrictions applicable to MPF conservative funds imposed by the MPF Ordinance, Regulation, relevant codes and guidelines.

Principal Stable Fund

Principal Stable Fund currently invests in the Principal MPF Fund – Principal Stable Fund, a unit trust APIF. The fund, via the underlying unit trust APIF, gains exposure to a diversified portfolio of equities, bonds and deposits. Normally around 15% to 45% of the assets will be invested in global equities and around 45% to 75% in global bonds. The remaining assets will be invested in deposits as appropriate.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee

During this 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

Launch Date: 1 April 2017

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

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	9.56	N/A	N/A	3.53
Benchmark/Performance Target#	9.63	N/A	N/A	7.17
Deviation	-0.07	N/A	N/A	-3.64

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 - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Balanced Fund

Launch Date: 20 January 2005

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

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	13.34	3.63	3.44	3.88
Benchmark/Performance Target#	15.73	6.04	5.95	N/A
Deviation	-2.39	-2.41	-2.51	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. Bond portfolios added value on issuer and term structure level. Although the underlying bond investments posed good performance against its benchmark, the overall fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Core Accumulation Fund

Launch Date: 1 April 2017

Reference Benchmark: MPF DIS Reference Portfolio - Core Accumulation Fund

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	16.17	N/A	N/A	6.15
Benchmark/Performance Target#	17.03	N/A	N/A	4.18
Deviation	-0.86	N/A	N/A	1.97

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 - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Asia Pacific Equity Fund

Launch Date: 19 December 2006

Reference Benchmark: FTSE MPF Asia Pacific ex Japan & HK (35% HKD hedged)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	16.53	5.92	4.35	3.53
Benchmark/Performance Target#	17.60	6.07	5.57	5.32
Deviation	-1.07	-0.15	-1.22	-1.79

Gross return of the fund outperformed its benchmark in 2019. Australia and New Zealand were one of the best performing regions over the past year. Sector allocation dragged down the performance with consumer services as the largest detractor. In terms of stock selection, technology and health care were the main drivers and added value to the portfolio.

Principal Asset Management Company (Asia) Limited takes continuous effort in reviewing the underlying managers and making appropriate adjustment to the strategic underlying fund allocation to enhance the risk-adjusted performance.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Global Bond Fund

Launch Date: 19 December 2006

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

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	5.13	-0.69	0.49	0.78
Benchmark/Performance Target#	6.47	3.80	2.34	3.45
Deviation	-1.34	-4.49	-1.85	-2.67

The fund's gross performance outperformed its benchmark in 2019. Allocations to corporate bonds contributed to the performance as credit spread tightened, providing advantages in both yield and price appreciation over government bonds during the year. The fund continued to maintain lower duration compared to benchmark.

Principal Asset Management Company (Asia) Limited takes continuous effort in reviewing the underlying managers and making appropriate adjustment to the strategic underlying fund allocation to enhance the risk-adjusted performance.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Global Equity Fund

Launch Date: 19 December 2006

Reference Benchmark: FTSE MPF All-World (35% HKD hedged)

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	25.19	5.99	6.58	2.36
Benchmark/Performance Target#	26.32	8.86	9.33	5.91
Deviation	-1.13	-2.87	-2.75	-3.55

The fund had a positive return in 2019 as global equity markets rebounded, especially in 1Q. Overweighting the North American market contributed as US economy continued to thrive compared to other regions. The fund's underweight position in Hong Kong also helped during the year. In terms of stock selection, holdings in Europe and Japan market took the lead and generated positive effect.

Principal Asset Management Company (Asia) Limited takes continuous effort in reviewing the underlying managers and making appropriate adjustment to the strategic underlying fund allocation to enhance the risk-adjusted performance.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Dynamic Hong Kong Equity Fund

Launch Date: 20 January 2005

Reference Benchmark: FTSE MPF Hong Kong

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	11.71	3.63	3.81	7.37
Benchmark/Performance Target#	14.36	6.75	5.95	9.39
Deviation	-2.65	-3.12	-2.14	-2.02

The fund's gross return lagged market benchmark in 2019. The fund relies heavily on bottom up investing strategies and the main detractors came from stock selection. To a slight extent, Financials and Real Estate were the two sectors which provide the strongest contribution to absolute performance.

Principal Asset Management (Asia) Limited takes continuous effort in reviewing the underlying managers and making appropriate adjustment to the strategic underlying fund allocation to enhance the risk-adjusted performance.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Growth Fund

Launch Date: 20 January 2005

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

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	15.86	4.51	4.30	4.60
Benchmark/Performance Target#	18.78	7.02	6.91	N/A
Deviation	-2.92	-2.51	-2.61	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. Bond portfolios added value on issuer and term structure level. Although the underlying bond investments posed good performance against its benchmark, the overall fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

PRINCIPAL MPF - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal - MPF Conservative Fund

Launch Date: 20 January 2005

Reference Benchmark: MPF Prescribed Savings Rate

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	1.13	0.34	0.17	0.48
Benchmark/Performance Target#	0.11	0.03	0.02	0.39
Deviation	1.02	0.31	0.15	0.09

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 - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Commentary by the Trustee (continued)

Principal Stable Fund

Launch Date: 20 January 2005

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

	1 year (%)	5 year ann. (%)	10 year ann. (%)	Since Launch ann. (%)
Fund Performance*	8.28	1.82	1.62	2.03
Benchmark/Performance Target#	9.61	3.84	3.82	N/A
Deviation	-1.33	-2.02	-2.20	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. Bond portfolios added value on issuer and term structure level. Although the underlying bond investments posed good performance against its benchmark, the overall fund lagged the market benchmark as stock selection from underlying equity portions underperformed.

* 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 - SIMPLE PLAN

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 - SIMPLE PLAN

INVESTMENT REPORT (continued)

Investment objectives and policies (continued)

Changes in the statement of investment policy

Principal Age 65 Plus Fund

Principal Balanced Fund

Principal Core Accumulation Fund

Principal Dynamic Asia Pacific Equity Fund

Principal Dynamic Global Bond Fund

Principal Dynamic Global Equity Fund

Principal Dynamic Hong Kong Equity Fund

Principal Growth Fund

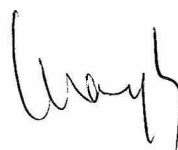
Principal - MPF Conservative Fund

Principal Stable 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 - SIMPLE PLAN

SCHEME REPORT

The Trustee hereby submits the scheme report of Principal MPF – Simple Plan (the "Scheme") for the year ended 31 December 2019 in accordance with section 86 of Mandatory Provident Fund Schemes (General) Regulation ("MPF Regulation").

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 5 January 2005, 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 2802-2812 or via the internet at www.principal.com.hk.

Directory of parties

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

Principal Financial Group, Inc. is the ultimate holding company of Principal Trust Company (Asia) Limited and Principal Insurance Company (Hong Kong) 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 Sixth Addendum to the Offering Document dated 15 February 2019 and the Seventh Addendum dated 30 December 2019.

The changes are in relation to the following: (1) Annual Fund Operating Charges & Expenses of Constituent Funds & Underlying APIFs; (2) Breakdown of management fees; (3) Authorisation by the Securities and Futures Commission; and (4) Miscellaneous changes.

PRINCIPAL MPF - SIMPLE PLAN

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 - SIMPLE PLAN

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 - SIMPLE PLAN

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 - SIMPLE PLAN

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 - Simple Plan****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Principal MPF – Simple Plan (the "Scheme") set out on pages 40 to 77, 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 ("HKSAs") 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 - Simple Plan

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.

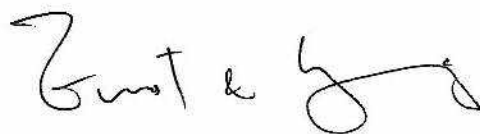
Independent auditor's report (continued)
To the Trustee of Principal MPF - Simple Plan

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 - SIMPLE PLAN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019											Total HK\$
		Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	
Income													
Gains on investments	3	2,125,271	43,591,569	6,263,802	68,942,833	7,248,268	60,617,853	105,236,413	78,045,888	9,618,787	20,129,076	-	401,819,760
Rebate income	4(j)	-	-	-	60,961	25,681	31,678	-	-	-	-	-	118,320
		<u>2,125,271</u>	<u>43,591,569</u>	<u>6,263,802</u>	<u>69,003,794</u>	<u>7,273,949</u>	<u>60,649,531</u>	<u>105,236,413</u>	<u>78,045,888</u>	<u>9,618,787</u>	<u>20,129,076</u>	<u>-</u>	<u>401,938,080</u>
Expenditure													
Audit fee		(408)	(7,868)	(740)	(10,313)	(2,936)	(6,069)	(21,303)	(12,069)	(12,382)	(5,486)	-	(79,574)
Investment management fee	4(a), 4(d)	(42,792)	(781,843)	(79,646)	(1,229,739)	(342,064)	(776,800)	(2,956,074)	(1,208,823)	(378,866)	(530,177)	-	(8,326,824)
Legal and professional fees		(16,989)	(8,304)	(65,624)	(11,001)	(3,018)	(7,144)	(21,800)	(12,978)	(4,346)	(5,518)	-	(156,722)
Management fee	4(b)	(37,231)	(1,194,991)	(66,081)	(1,618,491)	(369,774)	(959,521)	(3,353,598)	(1,856,831)	(1,090,168)	(814,032)	-	(11,360,718)
Operating expenses	4(e)	(39,264)	(50,834)	(50,574)	(63,741)	(24,344)	(42,898)	(129,059)	(73,158)	(105,618)	(36,027)	-	(615,517)
Sponsor fee	4(a), 4(f)	-	(592,306)	-	(768,587)	(219,272)	(487,910)	(1,572,380)	(915,775)	(861,059)	(401,649)	-	(5,818,938)
Trustee and administrator fee	4(a), 4(c)	(85,585)	(2,345,530)	(159,291)	(3,074,348)	(675,358)	(1,951,638)	(5,408,987)	(3,626,470)	(2,100,984)	(1,590,532)	-	(21,018,723)
		<u>(222,269)</u>	<u>(4,981,676)</u>	<u>(421,956)</u>	<u>(6,776,220)</u>	<u>(1,636,766)</u>	<u>(4,231,980)</u>	<u>(13,463,201)</u>	<u>(7,706,104)</u>	<u>(4,553,423)</u>	<u>(3,383,421)</u>	<u>-</u>	<u>(47,377,016)</u>
Increase in net assets available for benefits and total profit or loss and other comprehensive income for the year		<u>1,903,002</u>	<u>38,609,893</u>	<u>5,841,846</u>	<u>62,227,574</u>	<u>5,637,183</u>	<u>56,417,551</u>	<u>91,773,212</u>	<u>70,339,784</u>	<u>5,065,364</u>	<u>16,745,655</u>	<u>-</u>	<u>354,561,064</u>

PRINCIPAL MPF - SIMPLE PLAN

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

Year ended 31 December 2019

		2018											
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Income													
Gains/(losses) on investments	3	(189,204)	(29,319,416)	(1,850,486)	(49,602,755)	(998,731)	(25,864,203)	(125,689,879)	(59,410,651)	6,878,111	(8,860,892)	-	(294,908,106)
Rebate income	4(j)	-	-	-	4,263,499	1,130,603	2,448,121	93,363	-	-	-	-	7,935,586
		<u>(189,204)</u>	<u>(29,319,416)</u>	<u>(1,850,486)</u>	<u>(45,339,256)</u>	<u>131,872</u>	<u>(23,416,082)</u>	<u>(125,596,516)</u>	<u>(59,410,651)</u>	<u>6,878,111</u>	<u>(8,860,892)</u>	<u>-</u>	<u>(286,972,520)</u>
Expenditure													
Audit fee		(408)	(7,999)	(740)	(10,955)	(2,562)	(6,190)	(22,031)	(12,926)	(10,907)	(5,373)	-	(80,091)
Management fee	4(a),(b)	(104,641)	(5,221,571)	(208,947)	(8,618,933)	(1,861,923)	(5,067,542)	(15,306,633)	(8,288,428)	(4,594,956)	(3,363,400)	-	(52,636,974)
Operating expenses	4(e)	(27,493)	(99,950)	(54,979)	(134,020)	(49,347)	(86,953)	(259,876)	(148,746)	(131,665)	(70,483)	-	(1,063,512)
		<u>(132,542)</u>	<u>(5,329,520)</u>	<u>(264,666)</u>	<u>(8,763,908)</u>	<u>(1,913,832)</u>	<u>(5,160,685)</u>	<u>(15,588,540)</u>	<u>(8,450,100)</u>	<u>(4,737,528)</u>	<u>(3,439,256)</u>	<u>-</u>	<u>(53,780,577)</u>
Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income for the year													
		<u>(321,746)</u>	<u>(34,648,936)</u>	<u>(2,115,152)</u>	<u>(54,103,164)</u>	<u>(1,781,960)</u>	<u>(28,576,767)</u>	<u>(141,185,056)</u>	<u>(67,860,751)</u>	<u>2,140,583</u>	<u>(12,300,148)</u>	<u>-</u>	<u>(340,753,097)</u>

PRINCIPAL MPF - SIMPLE PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

Year ended 31 December 2019

		2019											
		Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Notes													
Assets													
Investments measured at fair value through profit or loss	5	26,681,877	324,742,658	46,949,227	430,230,095	118,035,793	279,221,254	849,336,879	507,478,829	452,170,046	215,536,258	-	3,250,382,916
Contributions receivable		-	-	-	-	-	-	-	-	-	-	14,576,196	14,576,196
Subscriptions in transit		517,577	1,002,057	577,907	633,911	628,797	1,861,391	4,391,796	1,379,040	8,130,027	855,785	-	19,978,288
Accounts receivable		-	354,149	5,346	571,962	683,139	369,006	4,873,623	844,515	1,917,093	129,452	-	9,748,285
Cash and cash equivalents	6	-	-	-	-	-	-	-	-	-	-	8,081,355	8,081,355
Others		-	-	-	-	146,503	-	-	-	-	-	-	146,503
		<u>27,199,454</u>	<u>326,098,864</u>	<u>47,532,480</u>	<u>431,435,968</u>	<u>119,494,232</u>	<u>281,451,651</u>	<u>858,602,298</u>	<u>509,702,384</u>	<u>462,217,166</u>	<u>216,521,495</u>	<u>22,657,551</u>	<u>3,302,913,543</u>
Liabilities													
Amounts pending for allocation		-	-	-	-	-	-	-	-	-	-	5,815,817	5,815,817
Amounts payable on redemptions		295,022	434,904	24,829	813,029	1,334,440	717,919	7,336,811	847,768	3,412,846	224,103	1,801,672	17,243,343
Amounts payable to brokers		80,598	651,935	141,761	69,737	331,910	456,130	665,733	818,362	1,302,867	443,218	-	4,962,251
Accrued expenses and other payables		84,276	576,039	185,258	785,740	201,657	513,423	1,498,641	889,873	554,870	387,636	463,866	6,141,279
		<u>459,896</u>	<u>1,662,878</u>	<u>351,848</u>	<u>1,668,506</u>	<u>1,868,007</u>	<u>1,687,472</u>	<u>9,501,185</u>	<u>2,556,003</u>	<u>5,270,583</u>	<u>1,054,957</u>	<u>8,081,355</u>	<u>34,162,690</u>
Net assets available for benefits													
		<u>26,739,558</u>	<u>324,435,986</u>	<u>47,180,632</u>	<u>429,767,462</u>	<u>117,626,225</u>	<u>279,764,179</u>	<u>849,101,113</u>	<u>507,146,381</u>	<u>456,946,583</u>	<u>215,466,538</u>	<u>14,576,196</u>	<u>3,268,750,853</u>

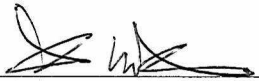
PRINCIPAL MPF - SIMPLE PLAN

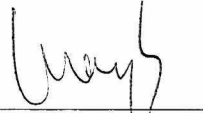
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

Year ended 31 December 2019

		2019 (continued)									
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Number of units in issue	7	<u>2,430,243.7998</u>	<u>18,440,020.3180</u>	<u>4,002,869.8992</u>	<u>27,444,637.3151</u>	<u>10,632,693.6051</u>	<u>20,684,561.6810</u>	<u>29,458,381.1486</u>	<u>25,982,472.3250</u>	<u>42,543,769.4714</u>	<u>15,993,984.8384</u>
Net asset value per unit		<u>11.00</u>	<u>17.59</u>	<u>11.78</u>	<u>15.65</u>	<u>11.06</u>	<u>13.52</u>	<u>28.82</u>	<u>19.51</u>	<u>10.74</u>	<u>13.47</u>

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


Director


Director

PRINCIPAL MPF - SIMPLE PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

Year ended 31 December 2019

		2018											
	Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Assets													
Investments measured at fair value through profit or loss	5	18,321,782	292,175,732	32,156,783	382,968,542	108,795,436	224,177,388	791,233,961	448,495,186	456,700,058	203,554,290	-	2,958,579,158
Contributions receivable		-	-	-	-	-	-	-	-	-	-	16,744,829	16,744,829
Subscriptions in transit		58,578	352,890	234,998	219,639	229,585	1,331,664	2,779,214	365,631	3,922,792	461,746	-	9,956,737
Accounts receivable		-	220,872	226,868	342,959	89,126	444,720	1,811,191	433,116	1,648,802	303,994	-	5,521,648
Cash and cash equivalents	6	-	-	-	-	-	-	-	-	-	-	7,804,898	7,804,898
Others		-	-	-	231,551	120,822	122,609	-	-	-	-	-	474,982
		<u>18,380,360</u>	<u>292,749,494</u>	<u>32,618,649</u>	<u>383,762,691</u>	<u>109,234,969</u>	<u>226,076,381</u>	<u>795,824,366</u>	<u>449,293,933</u>	<u>462,271,652</u>	<u>204,320,030</u>	<u>24,549,727</u>	<u>2,999,082,252</u>
Liabilities													
Amounts pending for allocation		-	-	-	-	-	-	-	-	-	-	742,403	742,403
Amounts payable on redemptions		-	470,283	230,805	1,069,061	157,761	452,173	2,878,153	662,133	1,887,987	388,853	2,167,224	10,364,433
Amounts payable to brokers		2,055	1,900	-	25,409	14,025	7,451	973,095	570	60,061	8,227	-	1,092,793
Accrued expenses and other payables		<u>20,177</u>	<u>412,821</u>	<u>55,683</u>	<u>262,488</u>	<u>50,059</u>	<u>167,535</u>	<u>1,127,514</u>	<u>635,000</u>	<u>435,894</u>	<u>285,875</u>	<u>4,895,271</u>	<u>8,348,317</u>
		<u>22,232</u>	<u>885,004</u>	<u>286,488</u>	<u>1,356,958</u>	<u>221,845</u>	<u>627,159</u>	<u>4,978,762</u>	<u>1,297,703</u>	<u>2,383,942</u>	<u>682,955</u>	<u>7,804,898</u>	<u>20,547,946</u>
Net assets available for benefits													
		<u>18,358,128</u>	<u>291,864,490</u>	<u>32,332,161</u>	<u>382,405,733</u>	<u>109,013,124</u>	<u>225,449,222</u>	<u>790,845,604</u>	<u>447,996,230</u>	<u>459,887,710</u>	<u>203,637,075</u>	<u>16,744,829</u>	<u>2,978,534,306</u>

PRINCIPAL MPF - SIMPLE PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (continued)

Year ended 31 December 2019

		2018 (continued)									
		Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
Notes											
Number of units in issue	7	<u>1,828,330.5641</u>	<u>18,804,054.4390</u>	<u>3,187,461.6715</u>	<u>28,466,115.1537</u>	<u>10,361,263.6576</u>	<u>20,883,813.7100</u>	<u>30,651,216.2315</u>	<u>26,597,298.5490</u>	<u>43,292,899.3985</u>	<u>16,367,539.2658</u>
Net asset value per unit		<u>10.04</u>	<u>15.52</u>	<u>10.14</u>	<u>13.43</u>	<u>10.52</u>	<u>10.80</u>	<u>25.80</u>	<u>16.84</u>	<u>10.62</u>	<u>12.44</u>

PRINCIPAL MPF - SIMPLE PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended 31 December 2019

2019												
Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Balance brought forward	18,358,128	291,864,490	32,332,161	382,405,733	109,013,124	225,449,222	790,845,604	447,996,230	459,887,710	203,637,075	16,744,829	2,978,534,306
Contributions received and receivable	8 13,081,396	40,098,148	23,589,880	50,384,369	33,825,450	41,958,920	175,584,391	62,941,340	185,963,761	37,381,796	(2,168,633)	662,640,818
Withdrawals paid and payable	9 (6,602,968)	(46,136,545)	(14,583,255)	(65,250,214)	(30,849,532)	(44,061,514)	(209,102,094)	(74,130,973)	(193,970,252)	(42,297,988)	-	(726,985,335)
Increase in net assets available for benefits and total profit or loss and other comprehensive income	<u>1,903,002</u>	<u>38,609,893</u>	<u>5,841,846</u>	<u>62,227,574</u>	<u>5,637,183</u>	<u>56,417,551</u>	<u>91,773,212</u>	<u>70,339,784</u>	<u>5,065,364</u>	<u>16,745,655</u>	<u>-</u>	<u>354,561,064</u>
Balance carried forward	<u>26,739,558</u>	<u>324,435,986</u>	<u>47,180,632</u>	<u>429,767,462</u>	<u>117,626,225</u>	<u>279,764,179</u>	<u>849,101,113</u>	<u>507,146,381</u>	<u>456,946,583</u>	<u>215,466,538</u>	<u>14,576,196</u>	<u>3,268,750,853</u>
2018												
Notes	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Balance brought forward	5,797,284	347,054,018	22,899,705	479,979,032	104,428,890	276,169,089	1,065,644,607	558,776,555	394,011,248	212,916,277	18,718,439	3,486,395,144
Contributions received and receivable	8 16,634,419	56,868,743	21,357,643	66,756,611	37,985,368	47,928,083	203,891,196	79,139,768	263,315,512	60,588,019	(1,973,610)	852,491,752
Withdrawals paid and payable	9 (3,751,829)	(77,409,335)	(9,810,035)	(110,226,746)	(31,619,174)	(70,071,183)	(337,505,143)	(122,059,342)	(199,579,633)	(57,567,073)	-	(1,019,599,493)
Increase/(decrease) in net assets available for benefits and total profit or loss and other comprehensive income	<u>(321,746)</u>	<u>(34,648,936)</u>	<u>(2,115,152)</u>	<u>(54,103,164)</u>	<u>(1,781,960)</u>	<u>(28,576,767)</u>	<u>(141,185,056)</u>	<u>(67,860,751)</u>	<u>2,140,583</u>	<u>(12,300,148)</u>	<u>-</u>	<u>(340,753,097)</u>
Balance carried forward	<u>18,358,128</u>	<u>291,864,490</u>	<u>32,332,161</u>	<u>382,405,733</u>	<u>109,013,124</u>	<u>225,449,222</u>	<u>790,845,604</u>	<u>447,996,230</u>	<u>459,887,710</u>	<u>203,637,075</u>	<u>16,744,829</u>	<u>2,978,534,306</u>

PRINCIPAL MPF - SIMPLE PLAN

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 HK\$	2018 HK\$
Cash flows from operating activities			
Rebate income received		446,799	8,392,236
Operating expenses paid		(45,152,649)	(54,783,967)
Net cash flows used in operating activities		<u>(44,705,850)</u>	<u>(46,391,731)</u>
Cash flows from investing activities			
Purchase of investment		(1,332,713,801)	(968,618,698)
Proceeds on sale of investment		<u>1,442,372,624</u>	<u>1,181,978,206</u>
Net cash flows generated from investing activities		<u>109,658,823</u>	<u>213,359,508</u>
Cash flows from financing activities			
Contributions received		659,861,314	855,934,675
Withdrawals paid		<u>(724,537,830)</u>	<u>(1,027,661,503)</u>
Net cash flows used in financing activities		<u>(64,676,516)</u>	<u>(171,726,828)</u>
Net increase/(decrease) in cash and cash equivalents		276,457	(4,759,051)
Cash and cash equivalents at beginning of the year		<u>7,804,898</u>	<u>12,563,949</u>
Cash and cash equivalents at end of year		<u>8,081,355</u>	<u>7,804,898</u>
Analysis of balances of cash and cash equivalents:			
Bank balances	6	<u>8,081,355</u>	<u>7,804,898</u>

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. THE SCHEME

Principal MPF - Simple Plan ("the Scheme") is a mandatory provident fund scheme constituted by a trust deed dated 5 January 2005 (the "Master Trust Deed") and is governed by the laws of the Hong Kong Special Administrative Region of the People's Republic of China. The Scheme is designed to provide retirement benefits to the members under the Scheme.

Effective from 4 July 2016, the Scheme's trustee has been changed from Principal Trust Company (Hong Kong) Limited to Principal Trust Company (Asia) Limited (the "Trustee"). 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 ten Constituent Funds as at 31 December 2019:

- Principal Age 65 Plus Fund
- Principal Balanced Fund
- Principal Core Accumulation Fund
- Principal Dynamic Asia Pacific Equity Fund
- Principal Dynamic Global Bond Fund
- Principal Dynamic Global Equity Fund
- Principal Dynamic Hong Kong Equity Fund
- Principal Growth Fund
- Principal - MPF Conservative Fund
- Principal Stable Fund

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.1 BASIS OF PREPARATION

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Scheme is as follows:

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.

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

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement(continued)

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 the statement of 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 contributions receivable, subscriptions in transit, accounts receivable, 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 ECLs 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 measuring 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.

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Revenue recognition

Revenue is recognised on the following base:

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

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

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

Expenses

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

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Related parties

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

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

or

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

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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.

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

3. GAINS AND LOSSES ON INVESTMENTS

	2019										
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Realised gains	287,062	9,861,010	786,584	62,617,411	748,621	33,256,311	23,310,338	18,553,698	5,444,933	5,051,310	159,917,278
Unrealised gains	1,838,209	33,730,559	5,477,218	6,325,422	6,499,647	27,361,542	81,926,075	59,492,190	4,173,854	15,077,766	241,902,482
Net gains on investments	<u>2,125,271</u>	<u>43,591,569</u>	<u>6,263,802</u>	<u>68,942,833</u>	<u>7,248,268</u>	<u>60,617,853</u>	<u>105,236,413</u>	<u>78,045,888</u>	<u>9,618,787</u>	<u>20,129,076</u>	<u>401,819,760</u>
	2018										
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Realised gains/(losses)	19,250	19,013,307	385,685	25,966,633	(291,993)	22,693,075	47,224,856	36,169,348	4,020,023	6,815,020	162,015,204
Unrealised gains/(losses)	(208,454)	(48,332,723)	(2,236,171)	(75,569,388)	(706,738)	(48,557,278)	(172,914,735)	(95,579,999)	2,858,088	(15,675,912)	(456,923,310)
Net gains/(losses) on investments	<u>(189,204)</u>	<u>(29,319,416)</u>	<u>(1,850,486)</u>	<u>(49,602,755)</u>	<u>(998,731)</u>	<u>(25,864,203)</u>	<u>(125,689,879)</u>	<u>(59,410,651)</u>	<u>6,878,111</u>	<u>(8,860,892)</u>	<u>(294,908,106)</u>

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. RELATED PARTY TRANSACTIONS

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. 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 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 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)					
			2019			2018
	Sponsor Fee		Trustee and Administrator Fee	Investment Management Fee	Maximum aggregate management fee	Maximum aggregate management fee
	Current	Maximum	Current	Current		
Principal – MPF Conservative Fund	0.25	1.50	0.61	0.11 - 0.13	4.00	0.99
Principal Growth Fund	0.25	1.50	0.99	0.33 - 0.35	4.00	1.59
Principal Balanced Fund	0.25	1.50	0.99	0.33 - 0.35	4.00	1.59
Principal Stable Fund	0.25	1.50	0.99	0.33 - 0.35	4.00	1.59
Principal Dynamic Global Equity Fund	0.25	1.50	1.00	0 - 0.50	2.00	1.75
Principal Dynamic Asia Pacific Equity Fund	0.25	1.50	1.00	0 – 0.50	2.00	1.75
Principal Dynamic Global Bond Fund	0.25	1.50	0.77	0 - 0.47	2.00	1.49
Principal Dynamic Hong Kong Equity Fund	0.25	1.50	0.86	0 - 0.48	2.00	1.59
Principal Core Accumulation Fund	Nil	N/A	0.50	0.25	N/A	0.75
Principal Age 65 Plus Fund	Nil	N/A	0.50	0.25	N/A	0.75

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

PRINCIPAL MPF - SIMPLE PLAN

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4. RELATED PARTY TRANSACTIONS (continued)

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

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

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4. RELATED PARTY TRANSACTIONS (continued)

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

	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<u>For the year ended 31 December 2019</u>										
Investment management fee	42,792	781,843	79,646	1,229,739	342,064	776,800	2,956,074	1,208,823	378,866	530,177
Management fee	37,231	1,194,991	66,081	1,618,491	369,774	959,521	3,353,598	1,856,831	1,090,168	814,032
Sponsor fee	-	592,306	-	768,587	219,272	487,910	1,572,380	915,775	861,059	401,649
Trustee and administrator fee	85,585	2,345,530	159,291	3,074,348	675,358	1,951,638	5,408,987	3,626,470	2,100,984	1,590,532
<u>As at 31 December 2019</u>										
Investment management fee payable	6,507	104,167	11,370	165,851	45,685	108,026	384,661	162,320	58,683	69,641
Sponsor fee payable	-	78,914	-	103,657	29,285	67,516	204,607	122,970	133,371	52,758
Trustee and administrator fee payable	13,015	312,502	22,741	414,628	90,199	270,066	703,848	486,961	325,426	208,923
<u>For the year ended 31 December 2018</u>										
Management fee	104,641	5,221,571	208,947	8,618,933	1,861,923	5,067,542	15,306,633	8,288,428	4,594,956	3,363,400
<u>As at 31 December 2018</u>										
Management fee payable	11,592	391,504	20,604	235,628	40,936	149,763	1,072,849	603,514	376,036	271,108

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

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4. RELATED PARTY TRANSACTIONS (continued)

- (j) During the year, Sponsor, Franklin Templeton Investments (Asia) Limited ("Templeton Manager") and FIL Investment Management (Hong Kong) Limited ("Fidelity Manager") rebate any amount of the management fee exceeding the agreed scale. The management fee rebates received and receivable from these parties were as follows:

	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
<u>For the year ended 31 December 2019</u>										
Management fee rebate	-	-	-	60,961	25,681	31,678	-	-	-	-
	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$
<u>For the year ended 31 December 2018</u>										
Management fee rebate	-	-	-	4,263,499	1,130,603	2,448,121	93,363	-	-	-

PRINCIPAL MPF - SIMPLE PLAN

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5. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

2019											
Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$	
Collective investment scheme											
Unit trust	26,681,877	324,742,658	46,949,227	430,230,095	118,035,793	279,221,254	849,336,879	507,478,829	452,170,046	215,536,258	3,250,382,916
2018											
Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Equity Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$	
Collective investment scheme											
Unit trust	18,321,782	292,175,732	32,156,783	382,968,542	108,795,436	224,177,388	791,233,961	448,495,186	456,700,058	203,554,290	2,958,579,158

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

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6. CASH AND CASH EQUIVALENTS

2019											
Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Cash at banks	-	-	-	-	-	-	-	-	-	8,081,355	8,081,355
2018											
Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Scheme level HK\$	Total HK\$
Cash at banks	-	-	-	-	-	-	-	-	-	7,804,898	7,804,898

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

7. UNITS IN ISSUE

	2019									
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
Balance at 1 January 2019	1,828,330.5641	18,804,054.4390	3,187,461.6715	28,466,115.1537	10,361,263.6576	20,883,813.7100	30,651,216.2315	26,597,298.5490	43,292,899.3985	16,367,539.2658
Issued during the year	1,224,696.1896	2,399,073.1953	2,128,032.0702	3,453,694.1307	3,089,757.3554	3,406,805.7573	6,324,787.8631	3,419,782.2617	17,410,662.1361	2,858,529.2111
Redeemed during the year	<u>(622,782.9539)</u>	<u>(2,763,107.3163)</u>	<u>(1,312,623.8425)</u>	<u>(4,475,171.9693)</u>	<u>(2,818,327.4079)</u>	<u>(3,606,057.7863)</u>	<u>(7,517,622.9460)</u>	<u>(4,034,608.4857)</u>	<u>(18,159,792.0632)</u>	<u>(3,232,083.6385)</u>
Balance at 31 December 2019	<u>2,430,243.7998</u>	<u>18,440,020.3180</u>	<u>4,002,869.8992</u>	<u>27,444,637.3151</u>	<u>10,632,693.6051</u>	<u>20,684,561.6810</u>	<u>29,458,381.1486</u>	<u>25,982,472.3250</u>	<u>42,543,769.4714</u>	<u>15,993,984.8384</u>
	2018									
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
Balance at 1 January 2018	565,161.1702	19,997,808.8578	2,115,702.8924	31,382,162.8905	9,768,260.1524	22,679,526.9483	35,131,845.2530	28,834,453.6365	37,270,612.4874	16,145,641.4989
Issued during the year	1,631,226.4643	3,319,330.1283	1,977,311.1256	4,460,187.1916	3,574,787.4522	3,962,719.1366	6,950,235.2873	4,158,535.8737	24,879,491.0091	4,655,735.4550
Redeemed during the year	<u>(368,057.0704)</u>	<u>(4,513,084.5471)</u>	<u>(905,552.3465)</u>	<u>(7,376,234.9284)</u>	<u>(2,981,783.9470)</u>	<u>(5,758,432.3749)</u>	<u>(11,430,864.3088)</u>	<u>(6,395,690.9612)</u>	<u>(18,857,204.0980)</u>	<u>(4,433,837.6881)</u>
Balance at 31 December 2018	<u>1,828,330.5641</u>	<u>18,804,054.4390</u>	<u>3,187,461.6715</u>	<u>28,466,115.1537</u>	<u>10,361,263.6576</u>	<u>20,883,813.7100</u>	<u>30,651,216.2315</u>	<u>26,597,298.5490</u>	<u>43,292,899.3985</u>	<u>16,367,539.2658</u>

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

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8. 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	97,079,500	104,400,348
- additional voluntary	27,366,785	29,137,255
From members		
- mandatory	75,159,705	82,050,838
- additional voluntary	5,112,097	6,056,120
	<u>204,718,087</u>	<u>221,644,561</u>
Transfer in from		
- other schemes	19,916,448	34,345,302
- same scheme	134,933,593	170,538,555
	<u>154,850,041</u>	<u>204,883,857</u>
Switching in	301,476,958	420,416,216
Others	1,595,732	5,547,118
Proceeds on issue of units	<u>662,640,818</u>	<u>852,491,752</u>

9. 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	67,538,288	74,889,798
Transfers out	353,632,543	517,689,102
Forfeitures	4,069,987	6,227,892
Switching out	301,470,894	420,416,216
Others	273,623	376,485
Payments on redemption of units	<u>726,985,335</u>	<u>1,019,599,493</u>

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NOTES TO FINANCIAL STATEMENTS

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10. 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.

11. 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.

12. FEES, CHARGES AND EXPENSES

Each constituent fund bears certain fees, charges and expenses which are directly attributable to it and indirect charges and expenses in proportion to its respective net asset value.

Only certain fees, charges and expenses of Principal - MPF Conservative Fund would only be reduced if the net return of the fund for a particular month is less than the prescribed savings rate published by the Mandatory Provident Fund Schemes Authority.

13. 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.

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

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14. 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	408		740	
- Bank charges	277		492	
- Legal and professional fees	686		1,199	
- Miscellaneous expenses	34,949		17,956	
- Printing and postage expenses	4,038		32,126	
	<u>40,358</u>	0.18	<u>52,513</u>	0.13
Payments for service				
- Administrator fee	68,468		127,433	
- Investment management fee	42,792		79,646	
- Management fee	37,231		66,081	
- Trustee fee	17,117		31,858	
	<u>165,608</u>		<u>305,018</u>	
Other payments				
- Legal and professional fees (non-recurring)	16,303		64,425	
	<u>222,269</u>		<u>421,956</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	408		740	
- Bank charges	200		389	
- Miscellaneous expenses	25,096		50,283	
- Printing and postage expenses	2,197		4,307	
	<u>27,901</u>	0.19	<u>55,719</u>	0.20
Payments for service				
- Management fee	104,641		208,947	
	<u>132,542</u>		<u>264,666</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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15. 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.

16. COMMITMENTS

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

17. CONTINGENT LIABILITIES

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

18. 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.

19. 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	3,250,382,916	-	3,250,382,916	2,958,579,158	-	2,958,579,158
Contributions receivable	-	14,576,196	14,576,196	-	16,744,829	16,744,829
Subscriptions in transit	-	19,978,288	19,978,288	-	9,956,737	9,956,737
Accounts receivable	-	9,748,285	9,748,285	-	5,521,648	5,521,648
Cash and cash equivalents	-	8,081,355	8,081,355	-	7,804,898	7,804,898
Others	-	146,503	146,503	-	474,982	474,982
	<u>3,250,382,916</u>	<u>52,530,627</u>	<u>3,302,913,543</u>	<u>2,958,579,158</u>	<u>40,503,094</u>	<u>2,999,082,252</u>

Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts pending for allocation	5,815,817	742,403
Amounts payable on redemptions	17,243,343	10,364,433
Amounts payable to brokers	4,962,251	1,092,793
Accrued expenses and other payables	<u>6,141,279</u>	<u>8,348,317</u>
	<u>34,162,690</u>	<u>20,547,946</u>

31 December 2019

20. 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\$3,250,382,916 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.

21. 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. 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.

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21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk

Market risk embodies the potential for both loss and gain 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

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since all financial assets and liabilities of the Scheme and the Constituent Funds are denominated in Hong Kong dollars, the Scheme and the Constituent Funds are not exposed to any currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is exposed to a minimal interest rate risk as the Scheme invests mainly in Constituent Funds and only the Scheme's cash at banks are exposed to interest rate risk which is considered to be minimal.

The Constituent Funds are not exposed to interest rate risk as the Constituent Funds invest only in unit trusts and there is no cash at bank in the Constituent Funds.

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.

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21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Other price risk (continued)

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 help 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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21. 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	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Overall market exposure	26,681,877	324,742,658	46,949,227	430,230,095	118,035,793	279,221,254	849,336,879	507,478,829	452,170,046	215,536,258
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	<u>2,668,188</u>	<u>32,474,266</u>	<u>4,694,923</u>	<u>43,023,010</u>	<u>11,803,579</u>	<u>27,922,125</u>	<u>84,933,688</u>	<u>50,747,883</u>	<u>45,217,005</u>	<u>21,553,626</u>
	As at 31 December 2018									
	Principal Age 65 Plus Fund	Principal Balanced Fund	Principal Core Accumulation Fund	Principal Dynamic Asia Pacific Equity Fund	Principal Dynamic Global Bond Fund	Principal Dynamic Global Equity Fund	Principal Dynamic Hong Kong Equity Fund	Principal Growth Fund	Principal - MPF Conservative Fund	Principal Stable Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Overall market exposure	18,321,782	292,175,732	32,156,783	382,968,542	108,795,436	224,177,388	791,233,961	448,495,186	456,700,058	203,554,290
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	<u>1,832,178</u>	<u>29,217,573</u>	<u>3,215,678</u>	<u>38,296,854</u>	<u>10,879,544</u>	<u>22,417,739</u>	<u>79,123,396</u>	<u>44,849,519</u>	<u>45,670,006</u>	<u>20,355,429</u>

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21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme.

The Scheme is exposed to risk on the creditability of the issuers of the funds and the banks. The Scheme limits its exposure by using funds' issuers and banks with high credit ratings.

Each Constituent Fund of the Scheme is a feeder fund and invests in unit trusts managed by appointed investment managers with high credit ratings.

The Scheme also manages its credit risk by placing deposits at Citibank, N.A., which has high credit rating.

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\$52,530,627 on which no loss allowance had been provided (31 December 2018: total of HK\$40,503,094 on which no loss had been incurred). 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 HKFRS 9 ECL model, the Scheme has adopted the simplified approach. The loss allowance is therefore based on lifetime ECLs.

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

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.

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

The Scheme provides the members with the right to redeem their benefits for cash equal to their proportionate share of the net assets value of the Scheme through their interests in the Constituent Funds under certain circumstances in accordance with the Mandatory Provident Fund Schemes Ordinance. The Scheme is therefore potentially exposed to benefit payment obligations to the members. As such, the Scheme and all Constituent Funds invest in the underlying investments that are readily disposed of in order to meet the benefit payments as needed.

The following table analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Constituent Funds

At 31 December 2019

	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$
Non-derivative financial liabilities											
<u>Less than 1 month</u>											
Amounts payable on redemptions	295,022	434,904	24,829	813,029	1,334,440	717,919	7,336,811	847,768	3,412,846	224,103	15,441,671
Amounts payable to brokers	80,598	651,935	141,761	69,737	331,910	456,130	665,733	818,362	1,302,867	443,218	4,962,251
Accrued expenses and other payables	84,276	576,039	185,258	785,740	201,657	513,423	1,498,641	889,873	554,870	387,636	5,677,413
<u>Repayable on demand</u>											
Net assets available for benefits	26,739,558	324,435,986	47,180,632	429,767,462	117,626,225	279,764,179	849,101,113	507,146,381	456,946,583	215,466,538	3,254,174,657
	<u>27,199,454</u>	<u>326,098,864</u>	<u>47,532,480</u>	<u>431,435,968</u>	<u>119,494,232</u>	<u>281,451,651</u>	<u>858,602,298</u>	<u>509,702,384</u>	<u>462,217,166</u>	<u>216,521,495</u>	<u>3,280,255,992</u>

At 31 December 2018

	Principal Age 65 Plus Fund HK\$	Principal Balanced Fund HK\$	Principal Core Accumulation Fund HK\$	Principal Dynamic Asia Pacific Equity Fund HK\$	Principal Dynamic Global Bond Fund HK\$	Principal Dynamic Global Equity Fund HK\$	Principal Dynamic Hong Kong Fund HK\$	Principal Growth Fund HK\$	Principal - MPF Conservative Fund HK\$	Principal Stable Fund HK\$	Total HK\$
Non-derivative financial liabilities											
<u>Less than 1 month</u>											
Amounts payable on redemptions	-	470,283	230,805	1,069,061	157,761	452,173	2,878,153	662,133	1,887,987	388,853	8,197,209
Amounts payable to brokers	2,055	1,900	-	25,409	14,025	7,451	973,095	570	60,061	8,227	1,092,793
Accrued expenses and other payables	20,177	412,821	55,683	262,488	50,059	167,535	1,127,514	635,000	435,894	285,875	3,453,046
<u>Repayable on demand</u>											
Net assets available for benefits	18,358,128	291,864,490	32,332,161	382,405,733	109,013,124	225,449,222	790,845,604	447,996,230	459,887,710	203,637,075	2,961,789,477
	<u>18,380,360</u>	<u>292,749,494</u>	<u>32,618,649</u>	<u>383,762,691</u>	<u>109,234,969</u>	<u>226,076,381</u>	<u>795,824,366</u>	<u>449,293,933</u>	<u>462,271,652</u>	<u>204,320,030</u>	<u>2,974,532,525</u>

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

The Scheme

	<u>Repayable on demand</u> HK\$	<u>Less than 1 month</u> HK\$
At 31 December 2019		
Amounts pending for allocation	-	5,815,817
Amounts payable on redemptions	-	1,801,672
Accounts payable and accruals	-	463,866
Net assets available for benefits	<u>14,576,196</u>	<u>-</u>
	<u>14,576,196</u>	<u>8,081,355</u>
	<u>Repayable on demand</u> HK\$	<u>Less than 1 month</u> HK\$
At 31 December 2018		
Amounts pending for allocation	-	742,403
Amounts payable on redemptions	-	2,167,224
Accounts payable and accruals	-	4,895,271
Net assets available for benefits	<u>16,744,829</u>	<u>-</u>
	<u>16,744,829</u>	<u>7,804,898</u>

(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.

PRINCIPAL MPF - SIMPLE PLAN

NOTES TO FINANCIAL STATEMENTS

31 December 2019

22. 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.

23. COMPARATIVE FIGURES

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

24. 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 - Simple Plan**

We have audited the financial statements of Principal MPF - Simple Plan (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 - Simple Plan

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 on 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.

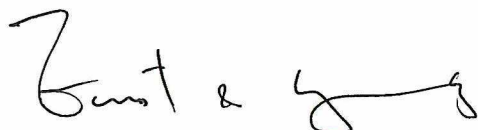
Independent auditor's assurance report (continued)
To the Trustee of Principal MPF - Simple Plan

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