

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

II.4 Guidelines on Annual Statements of Registered Schemes

INTRODUCTION

Section 22A(1) of the Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) provides that the approved trustee of a registered scheme must, by the end of the day that falls 6 months after the end of each financial period of the scheme, lodge with the Mandatory Provident Fund Schemes Authority (“the Authority”) an annual statement.

2. Section 81 of the Mandatory Provident Fund Schemes (General) Regulation (“the Regulation”) provides that the approved trustee of a registered scheme must prepare financial statements of the scheme for each of its financial period.

3. Section 87 of the Regulation provides that the approved trustee of a registered scheme must prepare an investment report of the scheme for each of its financial period.

4. The financial statements and the investment report form part of the consolidated report prescribed under section 89 of the Regulation. Section 110(3)(a) of the Regulation stipulates that the consolidated report must be included in the annual statement prescribed under section 22A(1) of the Ordinance.

5. Section 110(2)(a) to (c) of the Regulation specifies the information that must be included in the annual statement submitted under section 22A(1) of

the Ordinance. Section 110(2)(d) of the Regulation further provides that the Authority may prescribe guidelines to specify such other information to be included in the annual statement.

6. Section 6H of the Ordinance provides that the Authority may issue guidelines for the guidance of approved trustees, service providers, participating employers and their employees, self-employed persons, regulated persons and other persons concerned with the Ordinance.

7. The Authority hereby issues guidelines to prescribe:

- (a) the statistical information in relation to a registered scheme under section 110(2)(d) of the Regulation; and
- (b) the information in relation to the constituent funds of a registered scheme which should be included in the financial statements and the investment report of the scheme under sections 81 and 87 of the Regulation respectively.

8. These guidelines also specify the format of submission of the statistical information and the means that the annual statement and its accompanying documents should be submitted to the Authority.

EFFECTIVE DATE

9. These revised Guidelines (Version 12 – March 2017) shall become effective on the date of commencement of operation of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2016, i.e. 1 April 2017. The previous version of these Guidelines (Version 11 – February 2016) shall be superseded on that day.

ANNUAL STATEMENTS

Prescribed Information and Format

10. The statistical information and format prescribed for the purpose of section 110(2)(d) of the Regulation are set out in:

- (a) Annex A (Form MPF(S)-AR/STAT) in respect of a registered employer sponsored scheme or master trust scheme; or
- (b) Annex B (Form MPF(S)-AR/STAT(IS)) in respect of a registered industry scheme.

11. The information in relation to the constituent funds of a registered scheme to be included in the financial statements and the investment report of the scheme is set out in Annex C (Form CF-AS).

12. The prescribed format of the forms in the Annexes can be downloaded from the Authority's website at:

www.mpfa.org.hk

Submission of Annual Statement and Accompanying Documents

13. When submitting the annual statement to the Authority, an approved trustee of a registered scheme is required to:

- (a) send the annual statement and the accompanying documents specified in section 110(3) of the Regulation, in hard copies, to:

Mandatory Provident Fund Schemes Authority
Level 8, Tower 1, Kowloon Commerce Centre
51 Kwai Cheong Road, Kwai Chung
Hong Kong;

and

- (b) in addition to the hard copies described in (a) above, send the statistical information prescribed in Annex A or B (as where applicable) in a diskette using the software of “Microsoft Excel”.

DEFINITION OF TERMS

14. Where a term used in the Guidelines is defined in the Ordinance or the subsidiary legislation then, except where specified in the Guidelines, that term carries the meaning as defined in the Ordinance or the subsidiary legislation.

WARNING

15. It is an offence under section 43E of the Ordinance if a person, in any document given to the Authority, makes a statement that he knows to be false or misleading in a material respect, or recklessly makes a statement which is false or misleading in a material respect.

FORM MPF(S)-AR/STAT

**MANDATORY PROVIDENT FUND SCHEMES ORDINANCE (CAP. 485)
("the Ordinance")**

**ANNUAL STATISTICAL INFORMATION ON REGISTERED
EMPLOYER SPONSORED SCHEMES/MASTER TRUST SCHEMES**

NOTES:

- (1) *The approved trustee ("the Trustee") of a registered employer sponsored scheme or master trust scheme ("the Scheme") should read the explanatory notes to this Form carefully before completing this Form.*
- (2) *Unless otherwise specified, all the statistics required in this Form are to be taken as at the last day of the financial period of the Scheme.*
- (3) *** means the requested information is not applicable to employer sponsored schemes.*
- (4) *Please insert "N.A." if not applicable.*

FOR OFFICIAL USE ONLY

Scheme registration no.: _____ **Date received:** _____

Subject officer: _____ **Input officer:** _____

SECTION I - THE SCHEME

- (1) Name of the Scheme: _____
- (2) Registration no. of the Scheme: _____
- (3) Type of the Scheme (tick where appropriate):
- Employer sponsored scheme
- Master trust scheme
- (4) The financial period to which this Form relates (“the Financial Period”):
- from

Day	Month			Year		
- to

Day	Month			Year		

SECTION II - GENERAL INFORMATION

- (1) *Number of scheme members by age and by account type*

Age <small>Note 1</small>	No. of scheme members <small>Note 2</small>		
	Contribution Account	Special Voluntary Contribution <small>Note 3</small> Account	Personal Account
<30			
≥30 but <50			
≥50 but <60			
≥60 but <65			
≥65			

- (2) *Number of participating employers by size of employees who were members of the Scheme*

Employee size	No. of participating employers
1-4 employees	
5-9 employees	
10-19 employees	
20-49 employees	
50-199 employees	
200-999 employees	
≥1,000 employees	

(3) *Self-employed persons* **

No. of self-employed persons who had made contributions during the Financial Period:

SECTION III - RETAINED BENEFITS^{NOTE 4}

(1) Number of scheme members who are retaining their accrued benefits in the Scheme after attaining retirement age during the Financial Period:

(2) Amount of retained benefits concerned (HK\$):

SECTION IV - SMALL BALANCE ACCOUNTS

Number of personal accounts where closing balance ^{Note 5} is less than or equal to HK\$ 5,000:

***Explanatory notes for completion of Form MPF(S)-AR/STAT for
employer sponsored schemes and master trust schemes***

- (1) For the purpose of SECTION II(1), the age of a scheme member refers to the age of the member attained at his/her last birthday falling on or before the end of the reported Financial Period of the Scheme.
- (2) “Scheme members” in SECTION II(1) refers to the persons who were members of the Scheme (in the capacity of employees of a employer participating in the schemes of the relevant trustee, self-employed persons, personal account holders and/or special voluntary contribution account holders) as at the last day of the Financial Period of the Scheme. If a contribution account holder was participating in the Scheme in more than one capacity (e.g., he/she was an employee of a employer participating in the scheme of the relevant trustee and was also a SEP with the same MPF scheme), he/she would still be regarded as “one” member in the Scheme for the purpose of SECTION II(1). If a member concurrently holds a contribution account, a personal account and/or a special voluntary contribution account under the same MPF scheme, the member should be reported under all relevant categories under Section II(1).
- (3) “Special voluntary contributions” refers to voluntary contributions paid directly by a relevant employee to the trustee. Unlike normal voluntary contributions, these contributions are non-employment related, i.e. contributions do not go through their employer, withdrawal of accrued benefits is neither tied to employment nor subject to preservation requirements.
- (4) Upon attaining the retirement age, a scheme member may retain his/her accrued benefits in the scheme. These accrued benefits are treated as retained benefits. Retained benefits should cover all accrued benefits in respect of the scheme members concerned, derived from both mandatory and voluntary contributions.
- (5) “Closing balance” means the accrued benefits derived from mandatory and voluntary contributions as at the end of the Financial Period of the Scheme as indicated in Section I(4) of this Form. The number of personal accounts with zero balance should be excluded.

FORM MPF(S)-AR/STAT(IS)

**MANDATORY PROVIDENT FUND SCHEMES ORDINANCE (CAP. 485)
("the Ordinance")**

**ANNUAL STATISTICAL INFORMATION ON REGISTERED INDUSTRY
SCHEMES**

NOTES:

- (1) *The approved trustee ("the Trustee") of a registered industry scheme ("the Scheme") should read the explanatory notes to this Form carefully before completing this Form.*
- (2) *Unless otherwise specified, all the statistics required in this Form are to be taken as at the last day of the financial period of the Scheme.*
- (3) *Please insert "N.A." if not applicable.*

FOR OFFICIAL USE ONLY

Scheme registration no. : _____ **Date received:** _____

Subject officer: _____ **Input officer:** _____

SECTION I - THE SCHEME

- (1) Name of the Scheme: _____
- (2) Registration no. of the Scheme: _____
- (3) The financial period to which this Form relates (“the Financial Period”):
- | | | | | | | | |
|------|-----|-------|--|--|------|--|--|
| from | | | | | | | |
| | Day | Month | | | Year | | |
| to | | | | | | | |
| | Day | Month | | | Year | | |

SECTION II - GENERAL INFORMATION

- (1) *Number of scheme members by age and by account type*

Age ^{Note 1}	No. of scheme members ^{Note 2}		
	Contribution Account	Special Voluntary Contribution ^{Note 3} Account	Personal Account
<30			
≥30 but <50			
≥50 but <60			
≥60 but <65			
≥65			

- (2) *Number of participating employers by size of employees who were members of the Scheme*

No. of employees other than casual employees	No. of participating employers
1-4 employees	
5-9 employees	
10-19 employees	
20-49 employees	
50-199 employees	
200-999 employees	
≥1,000 employees	

(3) Number of participating employers with casual employees only _____

(4) *Self-employed persons*

No. of self-employed persons who had made contributions during the Financial Period:

SECTION III - RETAINED BENEFITS^{NOTE 4}

(1) Number of scheme members who are retaining their accrued benefits in the Scheme after attaining retirement age during the Financial Period:

(2) Amount of retained benefits concerned (HK\$):

Explanatory notes for completion of Form MPF(S)-AR/STAT(IS) for industry schemes

- (1) For the purpose of SECTION II(1), the age of a scheme member refers to the age of the member attained at his/her last birthday falling on or before the end of the reported Financial Period of the Scheme.
- (2) “Scheme members” in SECTION II(1) refers to the persons who were members of the Scheme (in the capacity of employees of a employer participating in the schemes of the relevant trustee, self-employed persons, personal account holders and/or special voluntary contribution account holders) as at the last day of the Financial Period of the Scheme. If a contribution account holder was participating in the Scheme in more than one capacity (e.g., he/she was an employee of a employer participating in the schemes of the relevant trustee and was also a SEP with the same MPF scheme), he/she would still be regarded as “one” member in the Scheme for the purpose of SECTION II(1). If a member concurrently holds a contribution account, a personal account and/or a special voluntary contribution account under the same MPF scheme, the member should be reported under all relevant categories under Section II(1).
- (3) “Special voluntary contributions” refers to voluntary contributions paid directly by a relevant employee to the trustee. Unlike normal voluntary contributions, these contributions are non-employment related, i.e. contributions do not go through their employer, withdrawal of accrued benefits is neither tied to employment nor subject to preservation requirements.
- (4) Upon attaining the retirement age, a scheme member may retain his/her accrued benefits in the scheme. These accrued benefits are treated as retained benefits. Retained benefits should cover all accrued benefits in respect of the scheme members concerned, derived from both mandatory and voluntary contributions.

FORM CF-AS

**MANDATORY PROVIDENT FUND SCHEMES ORDINANCE (CAP. 485)
("the Ordinance")**

**DETAILS OF CONSTITUENT FUNDS TO BE INCLUDED
IN THE ANNUAL STATEMENTS OF REGISTERED SCHEME**

NOTES:

- (1) The approved trustee of the registered scheme ("the Trustee") should refer to the Guidelines on Annual Statements of Registered Schemes for the purpose of submitting details of the constituent funds to be included in the annual statements of the registered scheme.*
- (2) The Trustee is not required to adopt the format as specified in this form and to disclose the items in the same order.*

I Details of Constituent Fund to be Included in the Financial Statements of the Registered Scheme

The financial statements of the registered scheme should cover the information specified below in respect of each of its constituent funds.

(A) Statement of Assets and Liabilities

The following must be separately disclosed:

1. Total value of investments;
2. Bank balances;
3. Dividends and other receivables;
4. Amounts receivable on subscription;
5. Bank loans and overdrafts or other forms of borrowings;
6. Amounts payable on redemption;
7. Total value of all assets;
8. Total value of all liabilities;
9. Net asset value;
10. Number of units in issue for unitized fund; and
11. Net asset value per unit for unitized fund.

(B) Revenue Statement

The following must be separately disclosed:

1. Total investment income net of withholding tax, broken down by category;
2. Total other income, broken down by category including security lending;
3. Equalization on issue and cancellation of units for unitized fund;
4. An itemized list of various costs which have been debited from the constituent fund including:
 - (a) fees paid to the investment manager;
 - (b) remuneration of the trustee/custodian;
 - (c) compensation fund levy paid to the Mandatory Provident Fund Schemes Authority (“the Authority”);
 - (d) other amounts paid to any associates of the trustee, custodian, or investment manager;
 - (e) safe custody and bank charges;
 - (f) auditors’ remuneration;
 - (g) interest on borrowings;
 - (h) legal and other professional fees; and

- (i) any other expenses borne by the constituent fund;
5. Taxes; and
6. Amounts transferred to and from the capital account.

(C) Statement of Movement in Capital Account

The following must be separately disclosed:

1. Value of the fund as at the beginning of the year;
2. Number of units issued and the amounts received upon such issuance (after equalization if applicable) for unitized fund or amounts of subscriptions for non-unitized fund;
3. Number of units redeemed and the amount paid on redemption (after equalization if applicable) for unitized fund or amounts of redemptions for non-unitized fund;
4. Any items resulting in an increase/decrease in value of the constituent fund including:
 - (a) surplus/loss on sale of investments;
 - (b) exchange gain/loss; and
 - (c) unrealized appreciation/diminution in value of investments;
5. Amounts transferred to and from the revenue account; and
6. Value of the constituent fund as at the end of the year.

(D) Notes to the Accounts

The following matters should be set out in the notes to the accounts:

1. Principal accounting policies
 - (a) the basis of valuation of the assets of the constituent fund;
 - (b) the revenue recognition policy regarding dividend income and other income;
 - (c) foreign currency translation;
 - (d) the basis of valuation of financial futures and option contracts as well as currency forward contracts;
 - (e) taxation; and
 - (f) any other accounting policy adopted to deal with items which are judged material or critical in determining the transactions and in stating the disposition of the constituent fund.

Any changes to the above accounting policies and their financial effects upon the accounts should also be disclosed.

2. Transactions with associates

The following should be disclosed:

- (a) a description of the nature of any transactions entered into, during the financial year, between the constituent fund and the investment manager of the constituent fund (including any of its delegates) or any entity in which those parties or their associates have a material interest, together with a statement confirming that these

- transactions have been entered into in the ordinary course of business and on normal commercial terms;
- (b) (i) the total aggregate value of the transactions of the constituent fund effected through brokers who are associates of the trustee or investment manager of the constituent fund or of the investment manager's delegates;
 - (ii) the percentage of such transactions in value to the total transactions in value of the constituent fund during the year;
 - (iii) the total brokerage commission paid to such brokers in relation to transactions effected through them;
 - (iv) the total brokerage commission paid in respect of the constituent fund; and
 - (v) the average rate of commission effected through such broker;
- (c) details of all transactions which are outside the ordinary course of business or not on normal commercial terms entered into, during the year, between the constituent fund and the investment manager of the constituent fund (including any of its delegates) or any entity in which these parties or their associates have a material interest;
 - (d) name of the investment manager of the constituent fund (including any of its delegates) or any associates of such company if any of them becomes entitled to profits from management of the constituent fund and the amount of profits to which each of them becomes entitled;
 - (e) where the constituent fund does not have any transactions with associates of the investment manager or of its delegates during the year, a nil statement to that effect; and
 - (f) the basis of the fee charged for the investment management of the constituent fund and the name of the investment manager of the constituent fund (including any of its delegates). In addition, where a performance fee is charged to the constituent fund, the basis of calculation and amount of performance fee charged should be separately disclosed.
3. Details of any soft commission arrangements relating to dealings in the property of the constituent fund or a nil statement if no such arrangements exist during the year.
 4. Borrowings
State whether the borrowings entered into are secured or unsecured and the duration of the borrowings.
 5. Contingent liabilities and commitments
Details of any contingent liabilities and commitments of the constituent fund.
 6. If the free negotiability of any asset is restricted by statutory or contractual requirements, this must be stated.
 7. Marketing expenses
State whether there are any advertising expenses, promotional expenses or commissions or brokerage fees payable to the MPF intermediaries of the registered scheme deducted from the constituent fund during the year.
 8. Payments charged to default investment strategy ("DIS") constituent funds or scheme members who invest in the fund

- (a) an itemized list of all payments for services and the corresponding amounts that are charged to or imposed on
 - (i) the fund; or
 - (ii) a scheme member who invests in the fund,
under section 34DD(4)(a)(i) of the Ordinance in the financial period;
- (b) an itemized list of all payments for out-of-pocket expenses (“OPE”) and the corresponding amounts that are charged to or imposed on
 - (i) the fund; or
 - (ii) a scheme member who invests in the fund,
under section 34DD(4)(b) of the Ordinance in the financial period;
- (c) an itemized list of all payments and the corresponding amounts, other than the payments listed in the above notes (a) and (b), that are charged to or imposed on
 - (i) the fund; or
 - (ii) a scheme member who invests in the fund,
in the financial period; and
- (d) the total amount of payments for OPE under I(D)8(b) above in the financial period expressed as a percentage of net asset value of the fund. Please refer to the Guidelines on Default Investment Strategy (Guidelines III.14) for the basis of calculating the net asset value of the fund.

Note: For the avoidance of doubt, the total amount of payments charged under I(D)8(a)(i), (b)(i) and (c)(i) above should tally with the total costs which have been debited from the fund as disclosed on the face of the Revenue Statement in I(B)4 above.

II Details of Constituent Fund to be Included in the Investment Report of the Registered Scheme

The investment report of the registered scheme should cover the information specified below in respect of each of its constituent funds.

(A) Investment Portfolio

1. Number or quantity of each holding together with the description;
2. The market value of each holding:
 - (a) in the case of equities and warrants, categorize by country; and
 - (b) in the case of debt securities and convertible debt securities, categorize by currency denomination;
3. The value of each holding as a percentage of the total net asset value (please specify whether trade day or settlement day basis is adopted);
4. The total investment stated at cost; and
5. Statement of movements in portfolio holdings since the end of the preceding year of the registered scheme.

Note: For II(A)5, the Trustee is expected to choose the most appropriate illustration of portfolio holdings taking into account the objective and nature of the constituent fund. Any one of the following methods may be considered acceptable to the Authority:

- (a) detailed holdings in individual securities;*
- (b) holdings in different sectors of a particular market;*
- (c) holdings in different countries (in the case of, for example, a global equity fund);*
or
- (d) holdings in various kinds of securities such as equities, bonds, warrants and options etc., (in the case of a diversified fund).*

Except for (a) above, movements in portfolio holdings can be expressed in percentages.

(B) Performance Table

1. A comprehensive table covering the last 3 financial years and including, for each financial year, at the end of the financial year:
 - (a) the total net asset value; and
 - (b) the net asset value per unit for unitized fund.
2. A performance record over the last 10 financial years, or if the constituent fund has not been in existence during the whole of that period, over the whole period in which it has been in existence, showing:

- (a) the highest issue price and the lowest redemption price of the units during each of those years for unitized fund;
- (b) the net annualized investment return (percentage change in unit price for unitized fund and the declared investment return for non-unitized fund) during each of those years, except that for the first year, the actual net investment return for the relevant period should be shown without annualization but with the relevant period disclosed; and
- (c) the basis of calculation of the net investment return should be disclosed in a footnote.

III Information on Costs and Expenses of Constituent Fund

The annual statement of the registered scheme should include the information specified below in respect of each of its constituent funds.

(A) Transaction Costs

1. The dollar cost incurred in performing any investment transactions for the constituent fund, or a particular class of units of a constituent fund (including brokerage, commissions and taxes) should be disclosed.

(B) Fund Expense Ratio

1. The fund expense ratio (“FER”) of each constituent fund, or a particular class of units of a constituent fund, for that financial period, calculated to two decimal places, should be disclosed.