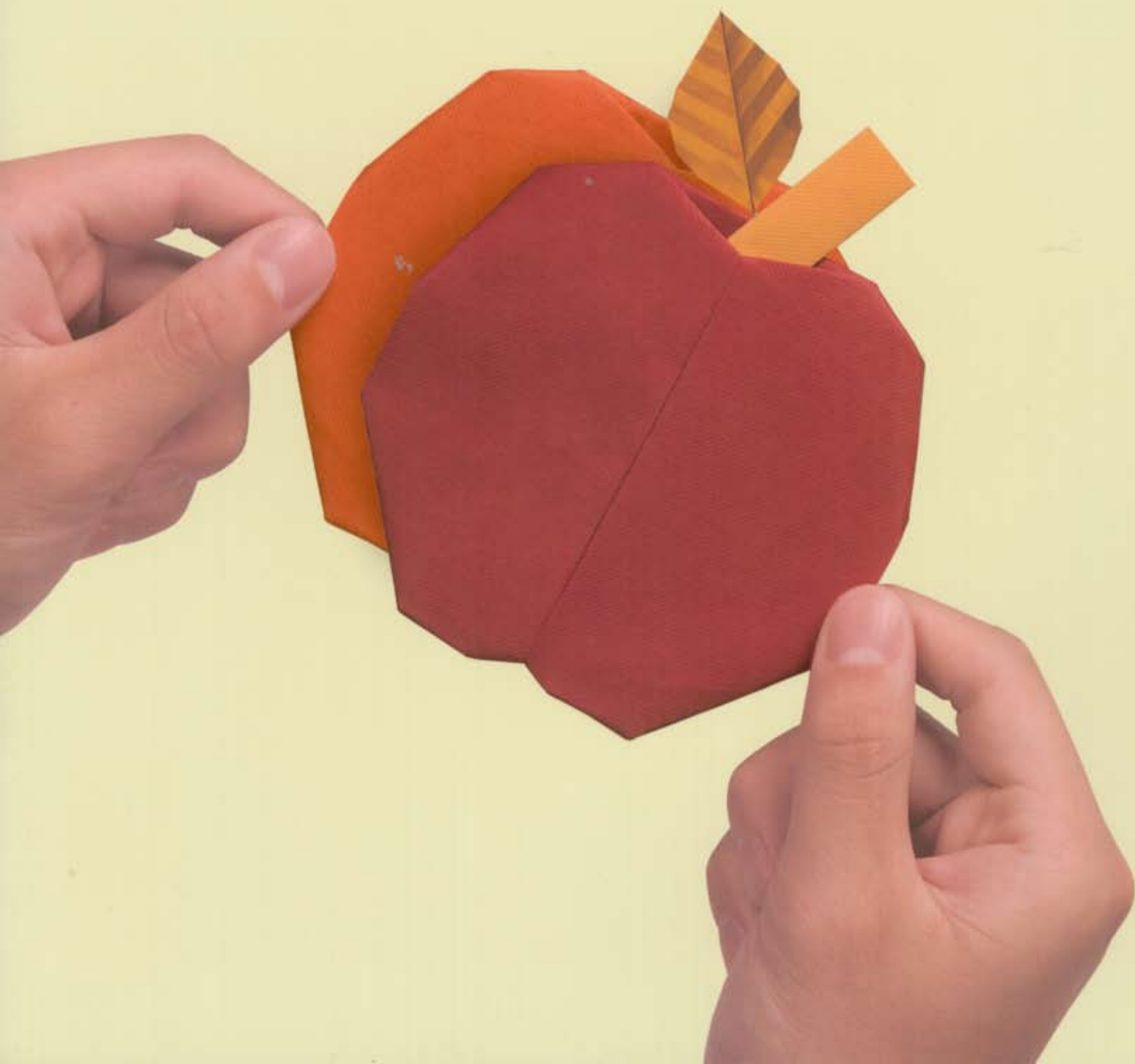




Mandatory Provident Fund Schemes Authority

Annual Report
2004/05



MISSION

To ensure the provision of retirement protection for Hong Kong's workforce through an effective and efficient system of prudential regulation and supervision of privately managed provident fund schemes.

MPF
“A way of *life*”



Highlights of Achievements

April 2004 – March 2005

In the beginning of the 2004-05 financial year, the Mandatory Provident Fund Schemes Authority (MPFA) set out to achieve the following objectives:

- (a) To strengthen the Mandatory Provident Fund (MPF) System;
- (b) To ensure compliance with the MPF legislation; and
- (c) To enhance MPFA's capabilities, integrity and accountability.

The following are highlights of the achievements in pursuing the above objectives.

Strengthen regulation of MPF and ORSO schemes

- Published the Code on Disclosure for MPF Investment Funds in June 2004
- Commenced developing proposals for improvements to member benefit statements
- Started a review on the model for regulation of constituent funds and approved pooled investment funds
- Developed 11 proposals to amend the MPF legislation, covering issues relating to investment regulation and scheme administration, for consideration by the Government of the Hong Kong Special Administrative Region (HKSAR)
- Assisted the HKSAR Government in the preparation of the amendment bills relating to proposals developed in 2002-03 and 2003-04 to amend the MPF legislation, as well as the proposals developed in 2002-03 to amend the Occupational Retirement Schemes Ordinance

Ensure supervision and enforcement strategies are effective

Supervision of trustees

- Reviewed approved trustees' compliance programmes and issued a set of draft Compliance Standards for comments by industry bodies
- Embarked on internal preparations for the introduction of the Compliance Standards
- Completed the seventh round of on-site visits to approved trustees, with focuses on reviewing investment compliance and following up on the specific weaknesses of individual trustees identified in earlier rounds of visits

Enforcement strategies

- Achieved enrolment rates of 97.9%, 96.7% and 80.8% for employers, employees and self-employed persons respectively
 - Completed investigation on over 9 000 complaint cases and conducted proactive inspections on over 3 000 business establishments
 - Adopted effective means to enhance recovery of outstanding default contributions and surcharges, including filing claims with District Court/ High Court, and use of garnishee and charging orders
 - Through the work of a Special Task Force, proactively investigated hard-core employers with multiple and long default contribution records as reported by trustees, and recovered from them the default contributions due
 - Filed 1 183, 45 and 3 claims with the Small Claims Tribunal, District Court and High Court respectively, made 391 applications to liquidators/receivers and laid 1 057 summonses to prosecute defaulters
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Highlights of Achievements (cont'd)

Strengthen community support and knowledge of the MPF System

- Disseminated knowledge on MPF investment through the print and electronic media including television and radio programmes and newspaper articles, seminars and exhibitions
- Continued educating the young on the concept of financial planning for retirement through competitions and talks
- Launched publicity campaigns targetting industry schemes and self-employed persons
- Strengthened networking with stakeholders through partnership programmes such as joint seminars and district carnivals, contribution of articles to labour union newsletters, talks for community groups, liaison meetings and gatherings, etc.

Enable efficient and effective decision making through improved information management

- Enhanced and developed IT systems to facilitate enforcement operations and supervision processes
- Completed the requirement study for a new information system for the supervision of ORSO schemes
- Promulgated a Records Management Policy Manual and prepared a set of draft records retention guidelines
- Examined the application of an electronic filing system and conducted a trial of the system in MPFA

Build corporate culture and enhance human resources capability

- Launched a formal staff recognition programme to award staff members who demonstrate MPFA's core values in concrete behaviours
- Developed departmental risk registers
- Promulgated the Crisis Management and Business Continuity Planning Manual and completed a comprehensive drill to familiarize staff members with the procedures for maintaining business continuity after a disaster that would render the MPFA's office premises inaccessible
- Launched multi-purpose programmes, including interest clubs and knowledge sharing sessions, to facilitate staff communication and culture building
- Completed top management structure review and implemented new structure
- Reviewed the structure and manpower needs of various divisions and departments
- Reviewed the work processes and organization structures of the Enforcement Division to enable a "through-train" service in complaints handling, investigation and debt recovery
- Developed and implemented the staff salary administration policy, and reviewed existing staff benefits
- Organized training and development programmes, including management development programmes and professional/technical skills training
- Implemented knowledge transfer and sharing programmes

Chairman's Statement



Charles Lee Yeh-Kwong

Chairman

Following the economic doldrums of 2003, the Hong Kong community has emerged with renewed hope and vigour. Quite notably, discussions about protection for the aged and financial provision for their retirement have become more prevalent. The challenges posed by ageing of the population are attracting greater attention worldwide, but these challenges are even more pressing for Hong Kong. According to the United Nations, 10% of the global population is 65 or older in 2005. This is expected to rise to 21% by 2050. According to HKSAR Government's projections, the rise is even steeper for us, with 11.9% of our population being 65 or older in 2004, and 27% by 2033.

Hong Kong people have a longer life expectancy at birth of 84.6 for females and 78.6 for males (2004) than the global average of 66 (2000-2005). Our birth rate is 0.93, well below the level needed to maintain the population. The projected dependency ratio tells us that the number of working age adults for each person over 65 will drop from around six now to close to two by 2033. All this shows that the working population of the future will have a larger number of retirees to support, and for a longer period due to their longevity.

Caring for the growing number of older people is becoming an increasingly critical issue, with financial provision for retirees at the heart of it. Ensuring their well-being encompasses financial, psycho-social and physical independence, which are inter-related. Financial self-reliance is the cornerstone. With the availability of adequate financial resources, the elderly will not only be able to take care of their physical needs, including basic living and health care, but can also pursue a lifestyle that enhances their psycho-social well-being.

As Chairman of the MPFA, I am very pleased to observe how, since December 2000, the MPF System has contributed to the working population's wealth accumulation in order to promote their future financial independence. With MPF compliance rates at 97.9%, 96.7% and 80.8% for employers, employees and self-employed persons respectively, and considering the proportion of the workforce covered by other retirement schemes, about 85% of the Hong Kong working population are now covered by retirement protection schemes. The net asset value of MPF has surpassed the \$100 billion mark, reaching \$124.3 billion at the end of March 2005. During the period between 1 April 2001 and 31 March 2005, the annualized rate of return for the MPF System weighted by net contributions was 4.3% net of expenses. The real rate of return is even better when the decline in living costs, as illustrated by the annualized composite CPI for the same period¹, is taken into account.

We must always be mindful that MPF is only one of the three pillars supporting retirement financial protection advocated by the World Bank. The other two pillars are the social security safety net and voluntary personal savings and insurance. While the government provides the social security safety net through public resources, individuals can, and should, do more to assure themselves of a self-reliant retirement by saving more and saving earlier.

1 Please see Part B of the Statistics section for the comparison.

All over the world, the role of the family is changing, and Hong Kong is no exception. Financial support from family may become less reliable for the elderly. Future generations of older people may not receive from their families the same care and financial support that their predecessors enjoyed. In addition, people increasingly aspire to a higher quality of life during retirement, such that they have the freedom to choose a lifestyle they desire. The availability of adequate financial resources, particularly to cover a longer life expectancy, is an important prerequisite for a fulfilling retirement. This will only be possible through savings and wealth accumulation over and above the MPF requirement during our working lives.

Besides a mandatory arrangement for employers and employees to jointly contribute to provident fund schemes, the MPF System also serves as an additional avenue for voluntary savings. According to data gathered from MPF trustees, voluntary MPF contributions consistently constitute approximately 9 – 10 % of total contributions. In 2004, a number of MPF trustees launched “special voluntary contribution” schemes, under which voluntary contributions can be made directly without involving employers. While there are still insufficient statistics for a better grasp of the contribution patterns of such schemes, this recent development indicates a positive trend in strengthening the other pillar for retirement financial protection.

With the MPF System on track, the MPFA continues to fortify its efforts to strengthen the System, ensure compliance with MPF legislation and enhance its own capabilities, integrity and accountability. In 2004-05, as detailed in the ensuing chapters of this report, considerable achievements were made in improving the disclosure of fees, charges and performance of MPF funds, developing new approaches to enhance compliance by MPF trustees and formulating further proposals to improve the MPF legislation. We also intensified our efforts in enforcement and public education to ensure the protection of employees' interests, and to sustain the high compliance rates achieved since the early years of MPF implementation.

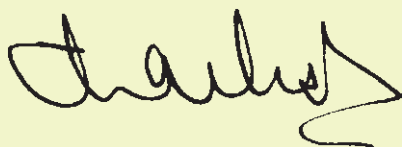
Chairman's Statement (cont'd)

For all these achievements, I wish to express my heartfelt appreciation for the support and dedication of my fellow Management Board and committee members. In particular, I wish to pay special tribute to Dr the Hon Li Kwok-po, Dr the Hon Lui Ming-wah, Mr Eddy Fong Ching, Ms Anna Wu Hung-yuk and Mr Joseph Yam Chi-kwong, who retired from the Management Board on 17 March 2005. Without their able guidance and significant contributions since the founding of the MPFA, we would not have come this far.

As in previous years, we received invaluable advice from the MPF Schemes Advisory Committee and the Industry Schemes Committee on the operation of the MPF System and the Industry Schemes. For their work, we are immensely grateful. A majority of the MPF Schemes Advisory Committee members ended their tenure at the end of the 2004-05 financial year, and we would like to thank them especially for their tremendous contributions all these years.

While we bid farewell to the outgoing Management Board and MPF Schemes Advisory Committee members, I would like to extend my warmest welcome to the new appointees and look forward to a fulfilling partnership with them.

During the past year, the staff of the MPFA continued to demonstrate their strength, perseverance and dedication under the leadership of Mrs Diana Chan, who has been appointed Managing Director by the Chief Executive of the HKSAR since July 2004. Their professionalism, energy and team effort have proven invaluable in taking the MPFA to new heights.



Charles Lee Yeh-Kwong
Chairman

Managing Director's Report



Diana Chan Tong Chee-ching

Managing Director

The MPF System entered into its fourth year of implementation during the 2004-05 financial year. As mentioned by the Chairman in his Statement, the MPF System has been playing an important role in helping the working population to accumulate wealth for their retirement. It is therefore imperative that the MPFA rigorously regulate and supervise the MPF System and the approved MPF trustees in order to protect employees' rights and scheme members' interests and benefits. It is equally important to sustain our law enforcement actions to uphold the integrity and credibility of the MPF System. Public education is also essential for enabling scheme members to understand their needs and rights, ensuring that they have the requisite knowledge to protect their interests, and impressing upon them the importance of saving early for retirement protection.

In respect of the regulatory framework, the MPFA has engaged in a project since 2002 to improve the disclosure of performance and fees and charges for MPF funds. On the basis of the research and discussions with the industry carried out in the previous years, the Code on Disclosure for MPF Investment Funds (the Disclosure Code) was promulgated in mid 2004 for implementation in phases. Implementation of the Disclosure Code serves to enhance transparency and to enable scheme members to make more informed and effective investment decisions. At the same time, the MPFA also made further advances in the review of the investment restrictions in the MPF legislation. During the year, a total of six proposals to amend the legislation were made including some to improve the investment rules by allowing flexibility to accommodate new developments in financial products. In addition, five proposals to improve scheme administration and to resolve technical issues were put forward as part of the continuing review of the operation of the MPF legislation to further enhance the efficiency and effectiveness of the MPF System.

Following the adoption of a risk-based approach in the supervision of approved MPF trustees in the previous financial year, the MPFA further developed regulatory tools to ensure that there is good corporate governance, proper risk management and a compliance culture within the approved trustees' organizations. With the assistance of international consultants, the MPFA formulated a set of draft Compliance Standards for the guidance of approved MPF trustees to establish a structured framework for monitoring their compliance with statutory duties and responsibilities. The Compliance Standards, which will be issued in mid-2005 after consultation with the industry, are expected to help the approved trustees review their compliance plans, and to encourage the cultivation of a culture of compliance among them.

In respect of law enforcement, the MPFA's objective has been to ensure that relevant employees, relevant employers and self-employed persons enrol in the MPF system and make timely MPF contributions. While the current high compliance rates indicate that the vast majority of the workforce has complied with the law, the MPFA has been dedicating its efforts to tackle the small percentage of hardcore defaulters who have failed to comply. Enforcement measures include conducting proactive inspection visits to employment premises, investigating complaints, imposing contribution surcharges on defaulting employers, filing civil claims and pursuing criminal prosecution. In 2004-05, we also adopted new and more effective means to handle repeated offenders and enhance recovery of outstanding default contributions and surcharges. The Special Task Force set up in December 2003 has continued to proactively investigate employers with multiple complaint records and long periods of default contribution. As there has been the need to make larger claims on behalf of more employees, we have taken

cases to the District Court and the High Court, in addition to the Small Claims Tribunal. Taking cases to the higher courts was found to be an effective avenue for making these claims, with many more employees covered in each case than those filed with the Small Claims Tribunal. In addition, to enforce court orders, the MPFA applied for garnishee orders and charging orders¹ against those employers who did not pay the judgement debt before the date set, successfully recovering outstanding contributions and surcharges in a number of cases. We also succeeded for the first time in prosecuting the directors of a liquidated company that had failed to meet MPF requirements.

Enforcement actions must go hand in hand with education to achieve the best result. While surveys have indicated general support for the MPF System, the MPFA is mindful that public understanding of MPF schemes and investment still needs to be enhanced. Thus, we have continued to disseminate information on MPF and MPF-related investment knowledge through various channels, including the print and electronic media, seminars and exhibitions. In the printed media alone, as many as 230 articles were written for newspaper columns in 2004-05 on various topics of MPF investment and the MPF System. As the impact of MPF is expected to cross generations, we have placed emphasis on educating the younger generation on the concept and benefit of early financial planning to ensure better protection for retirement. On top of these, we launched separate publicity campaigns targetting self-employed persons, and employers and employees of the two industries covered by the industry schemes to remind them of their rights and obligations under the MPF System.

Internally, the MPFA has conducted a number of reviews to further enhance operational efficiency. Among the most significant is a review of the work processes and organization structures of the Enforcement Division to enable a "through-train" service in complaints handling, investigation and debt recovery. A review of the Supervision Division's organization structure, job roles and skills required has also commenced in the light of the new supervisory approach accompanying the introduction of the Compliance Standards. In order to enhance the staff's ability to maintain business continuity during crisis situations, we also conducted a comprehensive drill to familiarize ourselves with the procedures to follow after a disaster that would render the MPFA's office premises inaccessible.

Hong Kong's unique experience in implementing the multi-pillar arrangement for old age security recommended by the World Bank has been of interest to many countries and organizations around the world, and we treasured the opportunity of exchanging views and sharing experiences with them. As in past years, the MPFA received a stream of visitors from overseas and the Mainland who wish to learn about the MPF System and our implementation experience. The MPFA also accepted an invitation from the World Bank to participate in the development and presentation of a distance learning course for pension regulators.

¹ These are means of executing a court judgement to recover debts due, under the District Court Ordinance (Cap. 336) and the High Court Ordinance (Cap. 4).

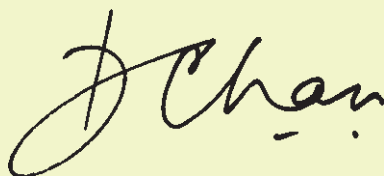
In the years to come, the MPFA will further develop and refine the MPF System, taking into account our operational experience. For 2005-06, we have resolved to strengthen public support and deepen their understanding of the MPF System and MPF investment; uphold the credibility and integrity of the MPF System through rigorous regulation, supervision and enforcement actions; and enhance the MPFA's capabilities, quality of service and accountability. To pursue these objectives, we have formulated three major strategies, namely:

- (a) enhance public education, focusing on the MPF System, investment and financial planning for retirement;
- (b) reinforce supervision and regulation of MPF and ORSO schemes and enforcement actions; and
- (c) drive organizational advancement through developing the corporate culture, human resources and support systems.

I am pleased to be given the opportunity to continue to serve the MPFA, as its Managing Director from 1 July 2004. In pursuing the objectives for the past year and developing the strategies and programmes for 2005-06, I am most thankful to the Chairman, other members of the Management Board, as well as members of the supporting committees established under the Management Board, for their guidance and support. My appreciation also goes to members of the MPF Schemes Advisory Committee and Industry Schemes Committee, who have given us valuable advice on various aspects of the MPF System and the operation of the Industry Schemes.

A number of members retired from the Management Board and the MPF Schemes Advisory Committee in March 2005. I would like to thank them especially for their advice and guidance over the years. I also look forward to working closely with the new members and benefit from their advice in the years to come.

Finally, I would like to express my deep appreciation for the dedication and commitment of my colleagues. Without their enthusiasm and hard work, we would not have been able to accomplish our goals set for the year.



Diana Chan Tong Chee-ching
Managing Director

The Mandatory Provident Fund Schemes Authority

The Mandatory Provident Fund Schemes Authority (MPFA) is a statutory body established pursuant to the Mandatory Provident Fund Schemes Ordinance (Cap.485) (MPFSO) to regulate and supervise the operations of Mandatory Provident Fund (MPF) schemes. This mandatory, employment-based and privately managed system of provident fund schemes (MPF System) has been in operation since December 2000.

Before the introduction of the MPF System, there were already retirement schemes set up voluntarily by some employers to provide retirement benefits for their employees. These schemes are regulated under the Occupational Retirement Schemes Ordinance (Cap.426) (ORSO). The MPFA is also the Registrar of ORSO schemes.

FUNCTIONS

The functions of the MPFA as provided under section 6E of the MPFSO are:

- (a) to be responsible for ensuring compliance with the MPFSO;
- (b) to register provident fund schemes as registered schemes;
- (c) to approve qualified persons to be approved trustees of registered schemes;
- (d) to regulate the affairs and activities of approved trustees and to ensure as far as reasonably practicable that those trustees administer the registered schemes for which they are responsible in a prudent manner;
- (e) to make rules or guidelines for the payment of mandatory contributions and for the administration of registered schemes with respect to those contributions;
- (f) to consider and propose reforms of the law relating to occupational retirement schemes or provident fund schemes;
- (g) to promote and encourage the development of the retirement scheme industry in Hong Kong, including the adoption of a high standard of conduct and sound prudent business practices by trustees and other service providers; and
- (h) to exercise such other functions as are conferred or imposed on the MPFA by or under the MPFSO or any other ordinance.

Pursuant to section 5 of ORSO, the MPFA is also responsible for overseeing the operation of occupational retirement schemes set up under the legislation.

THE MANAGEMENT BOARD

The MPFSO provides that the MPFA (to be referred to as the Management Board hereafter) is to consist of not fewer than 10 directors appointed by the Chief Executive of HKSAR (Chief Executive), and a majority of the directors should be non-executive directors. The Chief Executive is to appoint one of the non-executive directors as the Chairman of the MPFA, and one of the executive directors as the Managing Director who is, by virtue of holding that office, the Deputy Chairman of the MPFA. The roles of Chairman and Managing Director are segregated. As at 31 March 2005, the Management Board consists of eleven non-executive directors and five executive directors.

MEMBERS OF THE MANAGEMENT BOARD

As at 31 March 2005

CHAIRMAN



Mr Charles Lee Yeh-kwong, GBS, JP

One of the founders of Woo, Kwan, Lee & Lo; Chairman, Hong Kong Exchanges and Clearing Limited; Chairman, Council of the Open University of Hong Kong; Member, Executive Council (1997-2002); Member, Equal Opportunities Commission (1996-2003).

NON-EXECUTIVE DIRECTORS



Mr Lee Kai-ming, SBS, JP

Chairman, MPF Industry Schemes Committee; Adviser, Federation of Hong Kong and Kowloon Labour Unions; Vice-Chairman, Occupational Safety and Health Council; Adjudicator, Obscene Articles Tribunal; Member, Skills Upgrading Scheme Steering Committee; Member, Legislative Council (1995-2000).



The Hon Tam Yiu-chung, GBS, JP

Vice-Chairman, Hong Kong Federation of Trade Unions; Vice-Chairman, Democratic Alliance For Betterment of Hong Kong; Member, Legislative Council; Chairman, Employees Retraining Board; Chairman, Elderly Commission; Member, Standing Commission on Civil Service Salaries and Conditions of Service; Member, Manpower Development Committee; Member, Steering Committee on Civil Service Pay Adjustment Mechanism; Member, Executive Council (1997-2002).

NON-EXECUTIVE DIRECTORS



Mr Kenneth Ting Woo-shou, SBS, JP

Chairman, Kader Industrial Company Limited; Chairman, Federation of Hong Kong Industries; Honorary President, The Chinese Manufacturers' Association of Hong Kong; Honorary President, The Toys Manufacturers' Association of Hong Kong; President, Hong Kong Plastics Manufacturers Association; Member of the Court of the Hong Kong University of Science and Technology; Member, Manpower Development Committee; Member, Legislative Council (1998-2004).



Mr Edward Chan King-sang, SC, JP

Senior Counsel; Recorder of the High Court; Chairman, Noise Control Appeal Board; Deputy Chairman, Town Planning Appeal Board; Convenor, Disciplinary Committee, The Hong Kong Exchanges and Clearing Limited; Chairman, Hong Kong Bar Association (2003-04); Member, Advisory Committee on Legal Education (2001-04).



Mr Leo Kung Lin-cheng

Executive Vice President, Bangkok Bank Public Company Limited; Foreign Trade Counsellor of Luxembourg; Director, The Community Chest of Hong Kong; Member, University Grant Committee; Director, Ocean Park Corporation; Director, Helping Hand.



Mrs Angelina Lee Wong Pui-ling, JP

Partner, Woo, Kwan, Lee & Lo; Chairperson, Takeovers Appeal Committee, Securities and Futures Commission; Member, Takeovers and Mergers Panel, Securities and Futures Commission; Member, Main Board Listing Committee and Growth Enterprise Market Listing Committee, The Stock Exchange of Hong Kong Limited; Member, Town Planning Board; Member, Banking Advisory Committee.

NON-EXECUTIVE DIRECTORS



Mr David Sun Tak-kei

Chairman, Assurance and Advisory Business Services, Ernst & Young; Director, Hong Kong Mortgage Corporation Limited; Council Member, Hong Kong Institute of Certified Public Accountants; Member, Share Registrars' Disciplinary Committee and Public Shareholders Group, Securities and Futures Commission; Member, Main Board Listing Committee, Growth Enterprise Market Listing Committee and Investment Advisory Committee, The Stock Exchange of Hong Kong Limited; Member, Securities and Futures Appeals Tribunal; Member, Quality Education Fund Investment Committee.



The Hon Wong Ting-kwong, BBS

Member, Legislative Council; Member, Small and Medium Enterprises Committee; Member, The Hong Kong Export Credit Insurance Corporation Advisory Board; Member, Po Leung Kuk Advisory Board; Member, Working Group, Import and Export Industry Skills Upgrading Scheme, Education and Manpower Bureau; President, The Hong Kong Chinese Importers' and Exporters' Association; Committee Member, The Chinese General Chamber of Commerce; Director, The Hong Kong and Kowloon General Merchandise Merchants' Association.



The Hon Stephen Ip Shu-kwan, GBS, JP

Secretary for Economic Development and Labour; has worked in a number of departments including Housing Department, Urban Services Department, Lands and Works Branch and Monetary Affairs Branch; recent postings include Secretary for Financial Services (2000-02); Secretary for Economic Services (1996-2000); Commissioner for Labour (1994-96); Commissioner of Insurance and Registrar of Occupational Retirement Schemes (1993-94).



The Hon Frederick Ma Si-hang, JP

Secretary for Financial Services and the Treasury; Group Chief Financial Officer (executive director and member of Executive Committee), Pacific Century Cyberworks Limited (2001-02); has more than 20 years' experience in the global financial services industry, having served key positions in JP Morgan Private Bank, Chase Manhattan Bank, Kumagai Gumi (HK) Limited and RBC Dominion Securities Limited.

EXECUTIVE DIRECTORS



Mrs Diana Chan Tong Chee-ching

Deputy Chairman and Managing Director
Chief Operating Officer (Corporate Affairs), MPFA (2001-04); Executive Director (Corporate Services), MPFA (2000-01); commissioned the Wong Chuk Hang Hospital and appointed as its first Hospital Chief Executive (1995-2000); Deputy Director (Administration), Hospital Authority (1991-95); Administrative Officer to Principal Assistant Secretary in the Administrative Officer Grade, Hong Kong Government (1980-91).



Ms Hendena Yu

Chief Operating Officer (Compliance)
Qualified Actuary; Fellow of the Society of Actuaries of USA; Fellow of the Canadian Institute of Actuaries; Executive Director (ORSO Schemes), MPFA (1999-2001); seconded from the Government to the MPFA (1998-99); worked for an employee benefits consulting firm for 13 years before joining the Office of the Registrar of Occupational Retirement Schemes in 1995.



Mr Ernest Lee Shu-wing, BBS

Executive Director (Enforcement)
Registered Professional Planner; Fellow of the Chartered Institute of Logistics & Transport in Hong Kong; Member of The Hong Kong Institute of Planners; Assistant Commissioner for Transport (1990-2000).



Mr Darren McShane

Executive Director (Investment Regulation)
Qualified barrister; Director, Legal & Technical Operations, Financial Services Regulation, Australian Securities Investment Commission (ASIC) (2001-02); Director, Managed Investments, ASIC (1998-2001); Enforcement & Policy Consultant, Investment Management Regulatory Organisation Ltd, United Kingdom (1996-97); Principal Legal Officer, Australian Securities Commission (1990-96).



Mr Jimmy Woo Jack-man

Executive Director (Supervision)
Chartered Financial Analyst; has more than 20 years of experience in investment banking and asset management with major financial institutions, including Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch and JP Morgan.

NON-EXECUTIVE DIRECTORS

Retired with effect from 17 March 2005



Mr Eddy Fong Ching, SBS, JP

Certified Public Accountant; Non-executive Director, Securities and Futures Commission; Council Member and Treasurer, Open University of Hong Kong; Member, General Committee of the Federation of Hong Kong Industries; Director, Hong Kong Applied Science and Technology Research Institute Company Limited.



Dr the Hon David Li Kwok-po, GBS, JP

Chairman and Chief Executive Officer, The Bank of East Asia, Limited; Chairman, The Chinese Banks Association, Ltd; Chairman, Hong Kong Management Association; Member, Legislative Council; Member, Banking Advisory Committee; Member, Exchange Fund Advisory Committee; Director, Hong Kong Interbank Clearing Ltd; Director, Hong Kong Mortgage Corporation Ltd.



Dr the Hon Lui Ming-wah, JP

Managing Director, Keystone Electronics Co, Ltd; Advisor, Hong Kong International Arbitration Centre; Honorary Chairman, The Hong Kong Electronics Industries Association; Chairman, Hong Kong Shandong Business Association; Member, Legislative Council; Council Member, The Hong Kong Polytechnic University; Standing Committee Member, The Chinese Manufacturers' Association of Hong Kong; Member, Economic and Employment Council; Vice Chairman, Independent Police Complaints Council.



Ms Anna Wu Hung-yuk, SBS, JP

Chairperson, The University of Hong Kong Academic Board for the Postgraduate Certificate in Laws (PCLL); Member, Council of Lingnan University; Advisor, Shantou University Law School, China; Member, Legislative Council (1993-95); Chairman, Consumer Council (1997-99); Chairman, Operations Review Committee of Independent Commission Against Corruption (1997-2002); Chairperson, Equal Opportunities Commission (1999-2003); Non-executive Director, Securities and Futures Commission (1999-2004).



Mr Joseph Yam Chi-kwong, GBS, JP

Chief Executive, Hong Kong Monetary Authority; Director, Office of the Exchange Fund (1991-93); Deputy Secretary for Monetary Affairs (1985-91); Principal Assistant Secretary for Monetary Affairs (1982-85).

The Management Board is responsible for making decisions on key corporate strategies and policies, approving the corporate plan and budget of the MPFA, and ensuring that business operations are properly planned, authorized, undertaken and monitored. Besides being supported by a number of committees, the Management Board delegates the management of day-to-day operations to the executives of the MPFA. In the conduct of its business, Management Board convened five meetings during the year, and additionally considered 34 papers by circulation.

The Administration Committee, which consists of three non-executive directors and one executive director, advises the Management Board on the development of human resources policies and procedures as well as policies relating to general administration. It held four meetings during the year and additionally considered one paper by circulation.

The Finance Committee consists of four non-executive directors and one executive director. It advises the Management Board on the development of financial strategies and policies, examines and reviews the annual budget of the MPFA, oversees the financial position and investment of the funds of the MPFA and the MPF Schemes Compensation Fund, advises the Management Board on the appointment of auditor, and oversees the implementation of the auditor's recommendations. It held three meetings during the year and additionally considered 11 papers by circulation.

The Guidelines Committee consists of two non-executive directors, one executive director and six co-opted members who are representatives of industry and professional bodies. It scrutinizes draft MPF guidelines and reviews and updates issued guidelines. It met once and additionally considered five papers by circulation during the year.

The Tender Board consists of two non-executive directors, one executive director and one other executive director or head responsible for the subject under consideration. It considers the assessment of tender submissions conducted by the Assessment Panel comprising MPFA staff, reports tender assessment results, recommends the award of contract to a selected tender or the rejection of the tender submissions, and advises the Managing Director on matters regarding tender submissions. During the year, the Tender Board did not meet as no tendering exercise was carried out.

Membership lists of the Management Board and its supporting committees are set out in Appendix 1.

Mandatory Provident Fund Schemes Advisory Committee

The Mandatory Provident Fund Schemes Advisory Committee (MPFSAC) is established under the MPFSO to make recommendations to the MPFA as to the operation of the MPFSO and the effectiveness and efficiency of the MPFA. The MPFSAC consists of an executive director designated by the MPFA and ten other members appointed by the Chief Executive of HKSAR (Chief Executive). The chairman and deputy chairman of the MPFSAC are appointed by the Chief Executive from amongst its members.

MEMBERS OF THE MPFSAC

As at 29 March 2005

Chairman



Professor Nelson Chow Wing-sun, SBS, JP
Chair Professor, Department of Social Work and Social Administration, University of Hong Kong

Deputy Chairman



Mrs Diana Chan Tong Chee-ching
Managing Director, MPFA

Other Members



The Hon Bernard Chan, JP
Member, Executive Council
Member, Legislative Council



The Hon Chan Yuen-han, JP
Member, Legislative Council



Mr David Chu Yu-lin, JP
Member, Legislative Council
(1995-2004)



Mr Ho Sai-chu, SBS, JP
Honorary Chairman, The Chinese
General Chamber of Commerce



Mr Ng Leung-sing, SBS, JP
Member, Legislative Council
(1997-2004)



Mr Poon Siu-ping, MH
Vice-Chairman, Federation of Hong
Kong and Kowloon Labour Unions



The Hon Sin Chung-kai, JP
Member, Legislative Council



Mr Desmond Chan Kwok-kit
Chairman, Hong Kong Investment
Funds Association (1998)



Dr Danny Ngai Kam-fai, JP
Member, Small and Medium
Enterprises Committee

The Chief Executive has made the following new appointments for a term of two years with effect from 30 March 2005:

Mr Chan Kin-por

Chairman, the Hong Kong Federation of Insurers

Mr Bob Chong Hot-hoi

Chairman, Hong Kong Trade Development Council Watches & Clocks Advisory Committee

The Hon Albert Ho Chun-yan

Member, Legislative Council

Mr Lam Yim-nam

Deputy Chief Executive, the Bank of China Hong Kong (Holdings) Ltd

Mr Leung Fu-wah, MH, JP

Vice-chairman, the Hong Kong Federation of Trade Unions

The Hon Li Fung-ying, BBS, JP

Member, Legislative Council

Mr Alvin Wong Tak-wai

Partner, PricewaterhouseCoopers

Mr V-Nee Yeh

Director, Value Partners Ltd

The Hon Bernard Chan, the Hon Chan Yuen-han, Mr David Chu, Mr Ho Sai-chu, Mr Ng Leung-sing, Mr Poon Siu-ping, the Hon Sin Chung-kai and Mr Desmond Chan retired from the MPFSAC as from 30 March 2005.

During the year, the MPFSAC convened two meetings and additionally considered three papers by circulation. The Committee's views were sought on the proposed amendments to the MPF legislation made during the year, including proposals related to investment regulation and scheme administration. It received reports on various aspects of the MPFA's work, including supervision, enforcement, regulation and policy, and public education and publicity. It also gave valuable comments on the implementation of the Code on Disclosure for MPF Investment Funds and issues relating to capital preservation funds.

MPF Industry Schemes Committee

Industry schemes are special MPF schemes set up for casual employees of the catering and construction industries. The MPF Industry Schemes Committee (ISC) is established pursuant to the MPFSO to monitor the effectiveness of industry schemes and to advise on ways to improve the administration and operation of the schemes in the interests of scheme members. The ISC consists of a chairman, at least one but no more than two representatives of the approved trustee of each industry scheme nominated by that trustee, and not fewer than six other persons. All members are appointed by the Financial Secretary. In addition, an executive director of the MPFA is designated by the MPFA to serve on the ISC.

During the year, the ISC held four meetings. It received reports of the MPFA and the approved trustees on the enrolment, administration, enforcement and publicity matters of the industry schemes, and monitored and advised on the operational aspects of the construction and catering industries with a view to fostering support and enhancing compliance.

MEMBERS OF THE ISC

As at 31 March 2005

Chairman



Mr Lee Kai-ming, SBS, JP
Adviser, Federation of Hong Kong and
Kowloon Labour Unions

Other Members



Mr Chan Chi-leung
Chairman, Construction Site
Workers General Union



Mr Chan Wai-lun, MH
Chairman, Chinese & Western
Food Workers Union



Mr Valiant Cheung Wai-lam, MH
Director, Association of
Restaurant Managers



Mr Ho Sai-chu, SBS, JP
Council Member, Hong Kong
Construction Association Limited



Mr Ngan Chun-hung
Chairman, Eating Establishment
Employees General Union



Mr So Kim-hung
Representative, Hong Kong
Restaurants and Eating House
Merchants General Association



Mr Choi Chun-wa, MH
Chairman, Hong Kong Construction
Industry Employees General Union



Mr Billy Wong Wing-hoo
Council Member, Hong Kong
Construction Association Limited



Mr Chan Kay-cheung
Director, Bank of East Asia
(Trustees) Limited

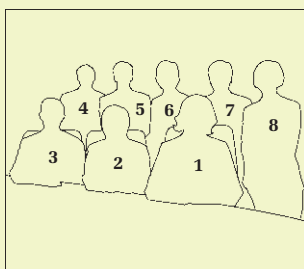


Ms Lau Ka-shi
Managing Director and Chief
Executive Officer, Bank Consortium
Trust Company Limited



Mr Ernest Lee Shu-wing, BBS
Executive Director (Enforcement),
MPFA

The Management of the Mandatory Provident Fund Schemes Authority



1. Diana Chan
2. Hendena Yu
3. Ernest Lee
4. Jimmy Woo
5. Darren McShane
6. Ingrid Lai
7. Thomas Yiu
8. Selina Lo

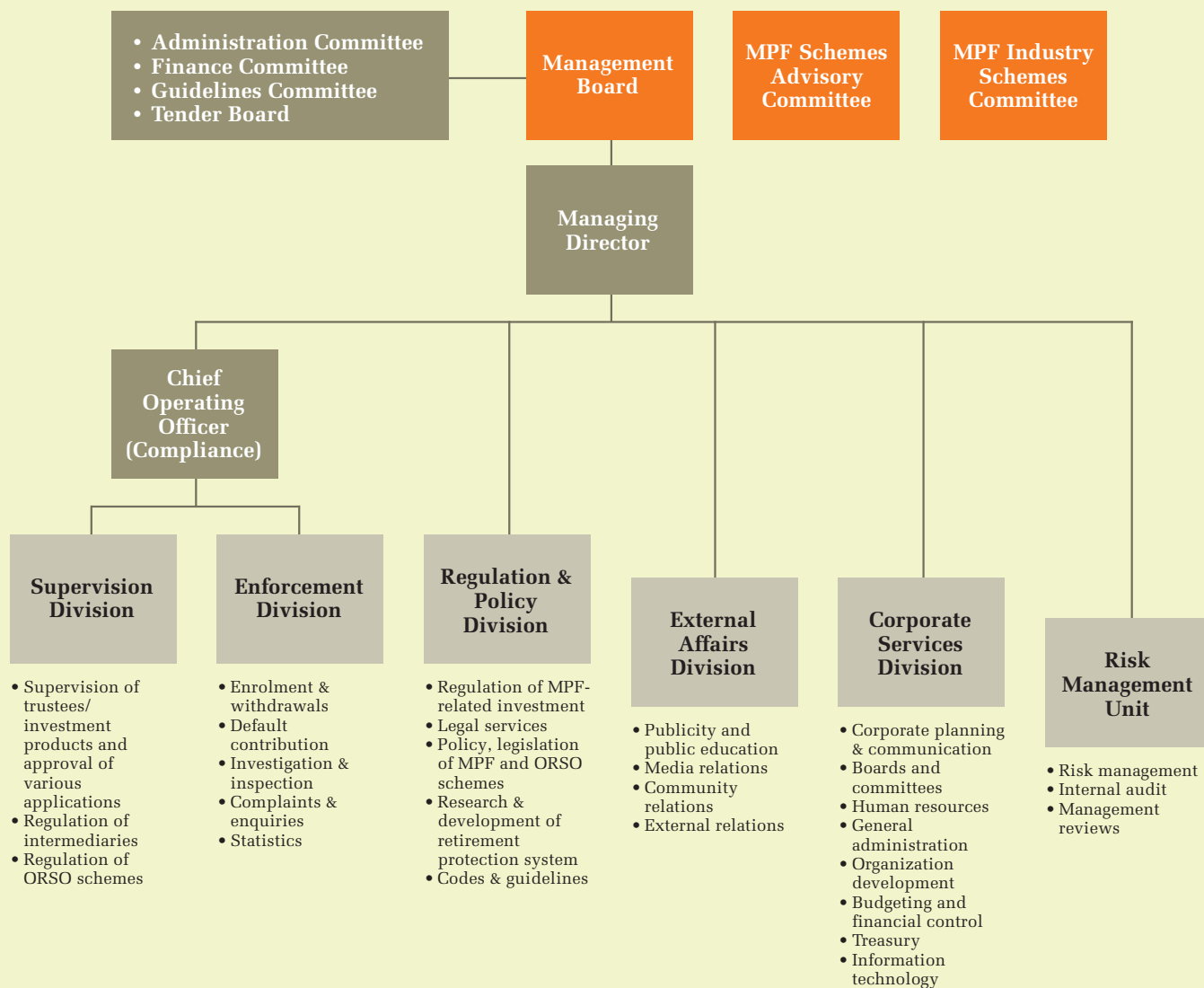
THE MANAGEMENT

As at 31 March 2005, the senior management of the MPFA consists of:

Mrs Diana Chan, Managing Director
 Ms Hendena Yu, Chief Operating Officer (Compliance)
 Mr Ernest Lee, Executive Director (Enforcement)
 Mr Darren McShane, Executive Director (Regulation & Policy)
 Mr Jimmy Woo, Executive Director (Supervision)
 Mr Thomas Yiu, Head (Corporate Services)
 Mrs Selina Lo, Head (External Affairs)
 Ms Ingrid Lai, General Counsel

THE ORGANIZATION STRUCTURE

As at 31 March 2005



Good planning ...

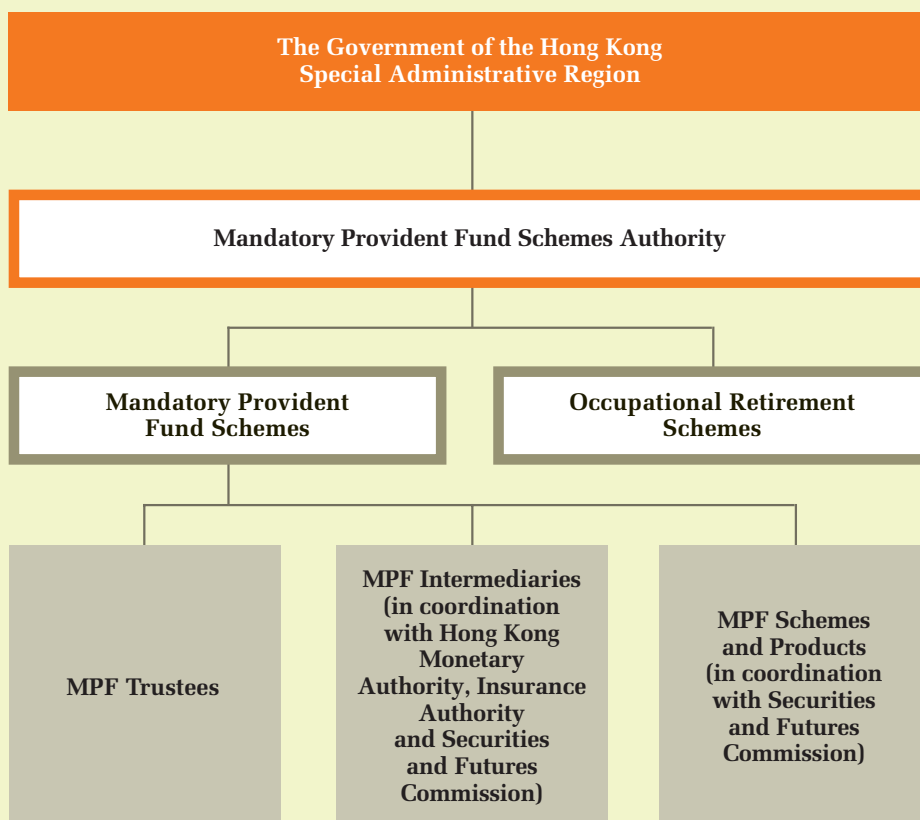
Plan for your retirement early



Regulatory Framework

REGULATORY STRUCTURE

Before the MPF System was launched in Hong Kong in December 2000, the retirement schemes set up voluntarily by employers to provide retirement benefits for their employees were regulated under the ORSO. To tie in with the implementation of the MPF System, ORSO schemes that fulfill certain conditions were exempted from MPF requirements as provided under the MPF Schemes (Exemption) Regulation. Members of such schemes may choose to remain in the existing ORSO scheme or join an MPF scheme. The MPFA is responsible for regulating both MPF schemes and ORSO schemes established pursuant to the MPFSO and ORSO respectively. The regulatory work is carried out on the basis of the legislation, guidelines and codes governing MPF schemes and ORSO schemes, under the following regulatory structure:



MPF LEGISLATION

Subsequent to its enactment in 1995, the MPFSO was amended in 1998, 2000 and 2002 and supplemented by several regulations and rules made in 1998, 1999 and 2000 respectively.

In order to further enhance the effectiveness and efficiency of the MPF System, the MPFA continuously reviews the MPF legislation in the light of operational experience. The MPF Schemes Operation Review Committee (SORC) was set up in August 2001 to review the administrative and operational aspects of the MPF legislation to ensure that the MPF System is efficient, effective and user-friendly. The SORC comprises representatives of employer and employee bodies, service providers, professional organizations, the HKSAR Government and the MPFA. The composition and membership of the SORC are set out in Appendix 1.

From September to December 2004, the SORC held two meetings to review the MPF legislation. A total of 11 proposals to amend the MPF legislation covering issues relating to investment and scheme administration, were endorsed at those meetings. These were subsequently approved by the Management Board and provided to the HKSAR Government for consideration.

Meanwhile, the MPFA has been working with the HKSAR Government in reviewing the working drafts of an amendment bill on the proposals to amend the MPF legislation developed by the SORC in 2002-03 and 2003-04. These amendment proposals cover issues on investment regulation, scheme administration, member protection and enforcement. Due to the unavailability of a legislative time slot, the above proposals are yet to be introduced into the Legislative Council.

A list of the subsidiary legislation and legislative amendments made in respect of the MPFSO since its enactment is at Appendix 2.

ORSO LEGISLATION

Enacted in 1992 and brought into operation in 1993, the ORSO regulates all voluntarily established occupational retirement schemes (ORSO schemes) operating in or from Hong Kong. It is supported by subsidiary legislation in the form of rules made by the Registrar of Occupational Retirement Schemes.

A list of the subsidiary legislation and legislative amendments made in respect of the ORSO since its enactment is at Appendix 3.

In 2002-03, the MPFA developed a number of proposals to amend the ORSO for the purposes of facilitating the administration of ORSO schemes and improving the overall effectiveness of ORSO schemes regulation. The MPFA is working closely with the HKSAR Government on a draft bill on the proposed amendments, with a view to introducing it into the Legislative Council as soon as a legislative timeslot is available.

GUIDELINES AND CODES

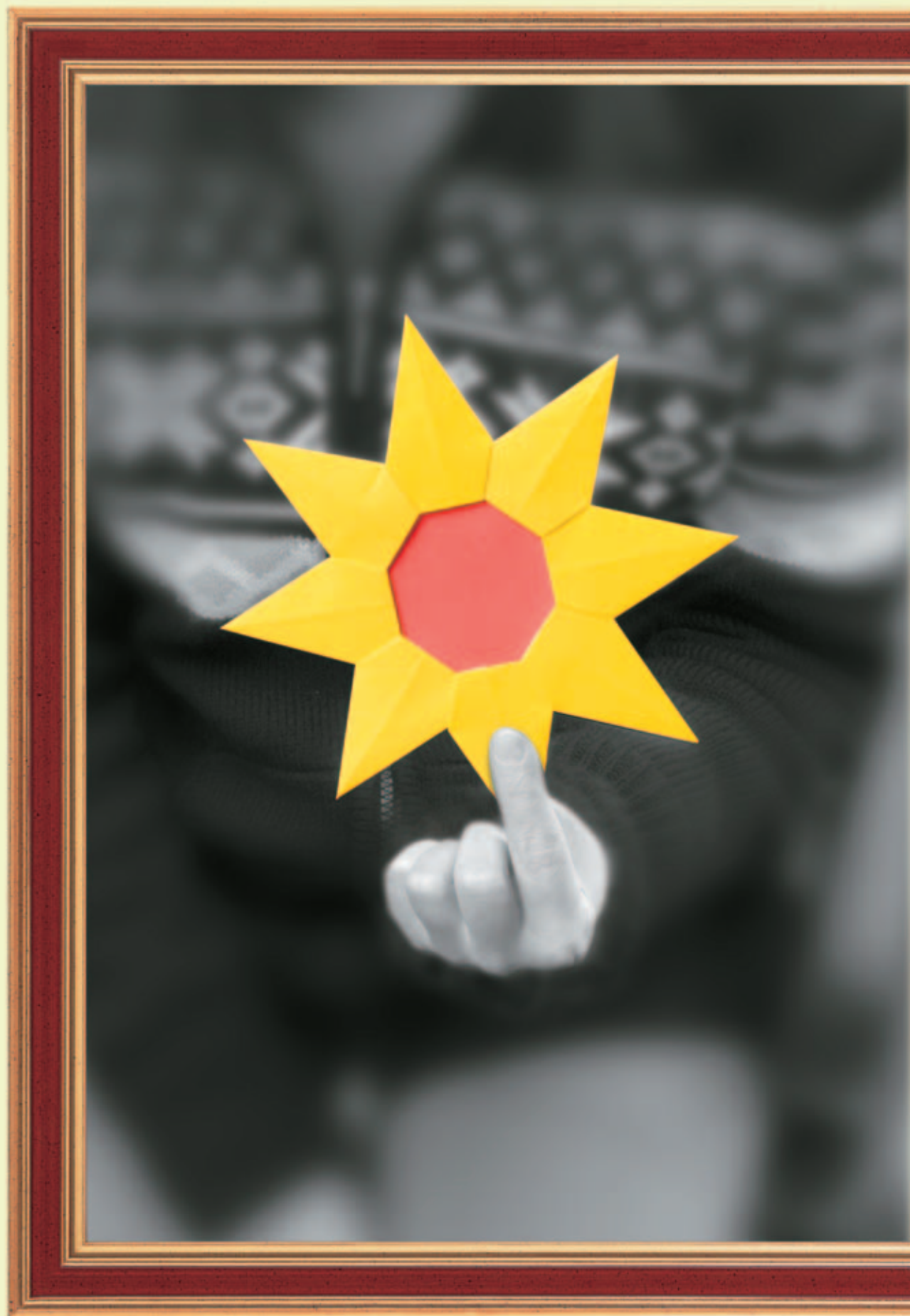
The MPFA issues guidelines and codes to elaborate on the legislative requirements and to facilitate compliance with the MPF and ORSO legislation. As at 31 March 2005, 58 sets of guidelines and three sets of codes were in force. Among these, four sets of guidelines on investment, four sets on reporting, two sets on schemes operation and one set on licensing were revised during the year. The revisions were made to amend the specified form of returns to be submitted by trustees in order to improve the consistency and usefulness of the information submitted, to include additional types of investments (such as real estate investment trusts authorized by the Securities and Futures Commission) as permissible investments, to clarify certain technical details and to reflect the changes in the list of approved exchanges and overseas regulatory authorities. The Guidelines on Disclosure of Annual Fees were repealed in June 2004 upon the publication of the Code on Disclosure for MPF Investment Funds. A complete list of all the guidelines and codes issued by the MPFA is set out in Appendix 4. These guidelines and codes are available at the MPFA's website.

CIRCULAR LETTERS

Apart from the guidelines and codes, the MPFA issued six circular letters to service providers during the year to clarify legislative requirements and to provide further assistance on compliance. These letters remind trustees of new developments (such as changes in relevant accounting standards) and deal with administrative issues (such as ORSO scheme administration matters and the transfer of minimum MPF benefits). A list of the circular letters issued during the year is set out in Appendix 5.

Early start ...

Start saving when you are young



Enforcement

ENROLMENT

With the compliance rates remaining high, the MPFA sustained its law enforcement efforts to fulfill its objectives of protecting employees' rights and scheme members' interests and benefits, and upholding the integrity and credibility of the MPF System. In addition, new measures were implemented to improve recovery of MPF contributions in arrears on behalf of employees.

Participation in the MPF System remained stable during the year. As at 31 March 2005, the enrolment rates for employers, employees and self-employed persons (SEPs) were 97.9%, 96.7% and 80.8% respectively, as compared with the March 2004 figures of 97.1%, 96% and 80.3%. In other words, about 224 000 employers, 1 889 000 employees and 292 000 SEPs have joined MPF by the end of March 2005.

Together with the employees who were already covered by existing occupational retirement schemes or statutory pension plans, about 85% of the total workforce in Hong Kong was covered under retirement protection schemes at the end of March 2005. The remaining 15% included 11% who were exempt from MPF (people aged below 18, people aged 65 or above, domestic employees and self-employed hawkers, etc), and 4% who should have joined but had not yet joined any MPF scheme. The employer and employee enrolment rates are close to optimum, considering that there are always employers and employees pending enrolment at any one time due to labour turnover and new businesses setting up¹.

Detailed statistics on enrolment are included in Part A of the Statistics section of this report.

¹ Under the MPF legislation, new companies have 60 days to enrol their employees, and employees do not need to join the MPF System if their employment period is less than 60 days.

ENQUIRIES AND COMPLAINTS

Industry Schemes

The industry schemes are set up for casual employees of the catering and construction industries which, due to seasonal or work nature of the jobs, might employ daily-rated employees who would otherwise not be protected under the MPF System. By nature, these workers are employed for 60 days or less.

At the end of March 2005, 14 500 employers have enrolled in the industry schemes. A total of 299 900 casual employees and 22 300 SEPs respectively have also registered with the two approved trustees of the industry schemes. Simultaneously, many employees who are employed on non-casual terms in the catering and construction industries have been enrolled and protected under the master trust schemes instead of the industry schemes.

The number of enquiries received by the MPFA in 2004-05 was 136 264 as compared with 139 539 in 2003-04, averaging about 460 per working day. The enquiries were mostly about enrolment and contribution arrangements, as well as default contributions and imposition of surcharges.

During the year, a total of 9 146 complaints were received as compared with 10 204 complaints received in 2003-04. Complaints relating to default contributions accounted for the majority of the cases recorded, followed by those relating to non-enrolment.

Statistics of enquiries and complaints are in Part D of the Statistics section.

ENFORCEMENT ACTIONS

To protect scheme members' interests, the MPFA adopted various practicable means to enforce the law against employers who fail to make MPF contributions for their employees or who do not enrol their employees in MPF schemes. In accordance with the MPF legislation, a surcharge calculated at 5% of the amount in arrears is imposed on employers who default in making MPF contributions for their employees. The surcharges received are credited into the employees' MPF accounts. During the year, 304 000 such payment notices were issued to 57 200 employers. In addition, 1 700 notices covering surcharge rates of 15% or 20% per annum were issued in respect of defaulting periods before February 2003².

Civil claims are an effective means to recover contributions and surcharges in arrears. In 2004-05, the MPFA filed 1 183 claims (on behalf of 2 734 employees) with the Small Claims Tribunal and made 391 applications (on behalf of 6 088 employees) to liquidators or receivers in respect of default contribution cases. In 2004-05, the MPFA also commenced filing cases with the District Court and the High Court for those claims whose amounts had exceeded the limit that might be processed by the Small Claims Tribunal. During the year, 45 claims were filed at the District Court and 3 at the High Court, on behalf of 1 176 employees in total.

As cases reported by complainants are investigated, the MPFA would, after obtaining legal advice, refer the cases to the Department of Justice and the Police for criminal prosecution if sufficient evidence and witnesses are available. During the year, the MPFA completed investigation into 9 465 complaint cases and applied for 1 057 summonses, exceeding the targets of 7 350 cases and 750 summonses set for the year. All of the 93 employers (involving 726 summonses) who had taken plea by 31 March 2005 pleaded guilty or were convicted. The total amount of fines imposed was \$1,370,800.

² The surcharge rates of 15% and 20% per annum apply to contribution periods before the legislative amendments which introduced the 5% surcharge flat rate came into effect in February 2003.

The MPFA is empowered under the MPF legislation to impose financial penalties on defaulting employers. In 2004, the MPFA started imposing financial penalties on employers with substantiated defaulting offences. They included multiple defaulters who owed substantial amounts of outstanding default contributions but had no complainants, and cases where there was prima facie evidence to proceed with prosecution but there was no willing witness. During the year 2004-05, financial penalties of \$5,000 for each case were imposed on eight defaulting employers, all of whom admitted the default and paid the penalties.

Proactive Measures

In addition to carrying out investigations in response to complaints, the MPFA proactively inspected business establishments to check on non-enrolment and defaults in contribution. The number of proactive inspections conducted in 2004-05 was 3 354, exceeding the target of 2 500 set at the beginning of the year. Major targets of these inspections included construction sites, catering establishments, retail outlets, as well as workplaces of government contractors providing general cleansing and security guard services.

A Special Task Force was set up at the end of the previous financial year to proactively investigate employers with multiple complaint records and long periods of default contribution as reported by trustees. In 2004-05, the Special Task Force covered over 2 000 such employers, out of which in-depth investigation was conducted on 284 employers. Among those employers investigated, 30% were false alarm cases, 46% of the employers subsequently rectified and paid the contributions and surcharge. Civil claims were pursued in respect of 19% of the cases. The remaining 5% was found non-pursuable because the employers concerned had ceased business.

The Special Task Force also investigated some employment establishments which had substantial amounts of default contributions. These employers generally rectified only the outstanding contributions for those employees who had complained, but not so for those who had not filed any complaint, or who had complained but wished to remain anonymous. As at 31 March 2005, a total of \$4 million was recovered from these employers for 535 employees, while civil proceedings to recover \$7 million were being processed.

Enforcement (cont'd)**New Initiatives**

In its continued efforts to enforce compliance with the MPF legislation, the MPFA employed more effective means to recover outstanding contributions and surcharges. Following the successful claims at the District Court, the MPFA filed its first claim at the High Court in December 2004. These claims have been found to be effective, as each claim at these courts involves more employees and a larger amount than those permitted under the Small Claims Tribunal claim mechanism. In 2004-05, about \$5 million of MPF contributions were recovered for over 1 100 employees through these channels.

The MPFA also applied for garnishee orders³ to enforce court orders where the employers did not pay the judgement debt before the date set. A total of nine garnishee orders were applied during the year, successfully recovering \$381,000 of outstanding MPF contributions and surcharges.

In its efforts to fight against non-compliance to protect scheme members' interests, the MPFA has pursued available remedies, even where defaulting companies have gone into liquidation. During the year, the MPFA successfully prosecuted the directors of a liquidated company, and more summonses of similar nature had been filed.

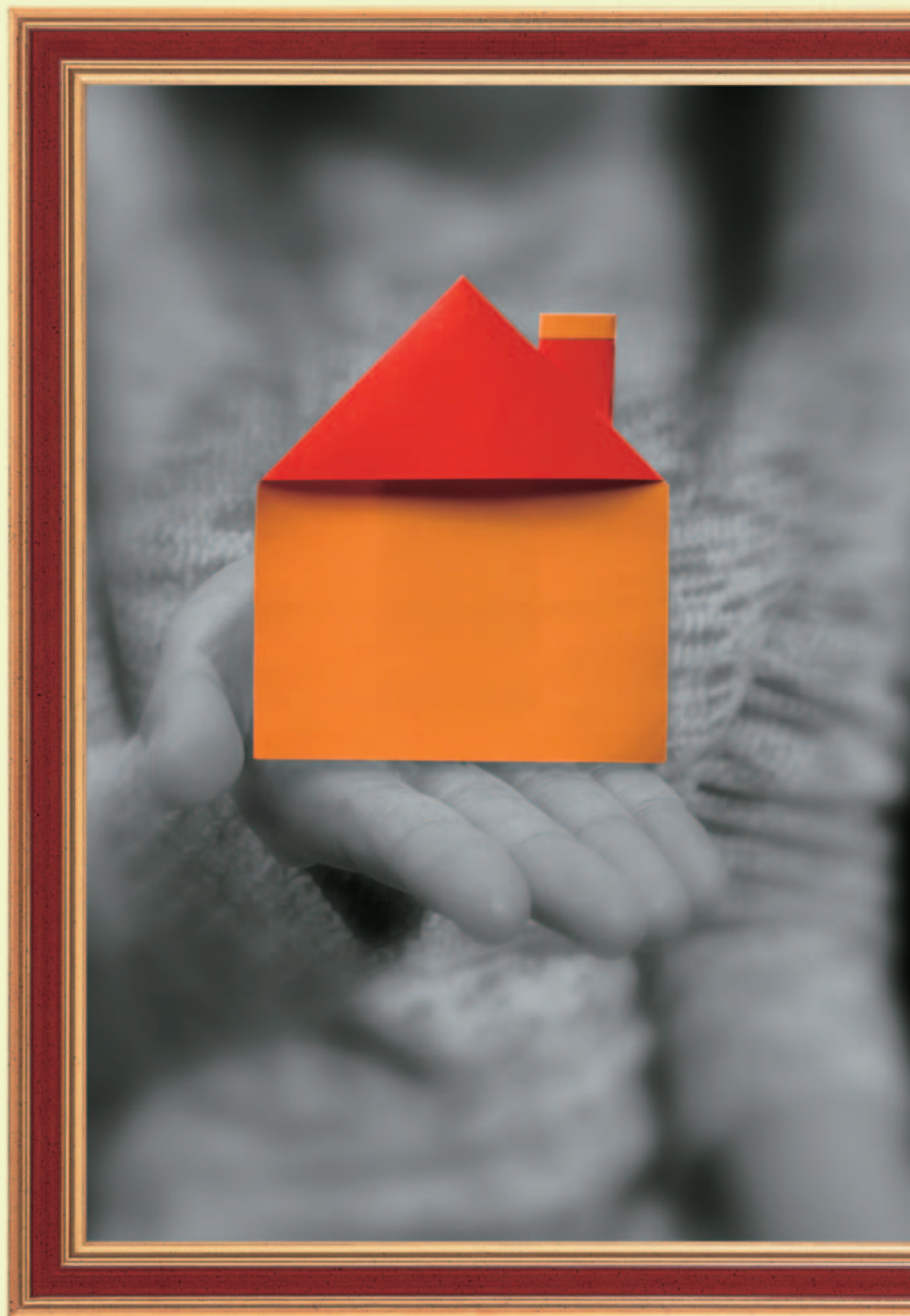
In view of the public concerns about the deprivation of MPF (and other employment-related) rights of the low-skilled workers by their employers who were government service contractors, the MPFA held joint inspections with the Labour Department at the work places of government contractors providing cleansing, pest control and security services. Special efforts were also devoted to education and publicity exercises, and to monitoring and handling complaints from these workers, in collaboration with the relevant Government departments and labour unions.

Statistics on enforcement actions are set out in Part E of the Statistics section.

³ This is a means of executing a court judgement to recover debts due. The court, upon application by the judgement creditor, could issue a garnishee order against a third person, such as a bank, to pay direct to the judgement creditor the debt due from him to the judgement debtor to satisfy the judgement debt.

Set our goal ...

Set clear investment objectives



Investment Regulation

DISCLOSURE OF MPF FUND PERFORMANCE, FEES AND CHARGES

Protecting the interests of members of MPF schemes through effective investment regulation is an important aspect of the MPFA's work. Building on the work done in previous years with respect to fund disclosure practices and the framework for MPF investment policy, the MPFA continued with a number of projects, including better disclosure of information to scheme members and the review of existing regulatory arrangements.

In 2002-03, the MPFA initiated a project to review the disclosure of performance and fees and charges for MPF funds (the Disclosure Project). The aim of the project was to improve the disclosure of information to enable MPF scheme members to make more informed and effective MPF investment decisions.

After formulating reform proposals in consultation with the industry, the MPFA issued a draft "Code on Disclosure for MPF Investment Funds" (the Disclosure Code) for consultation among a wide spectrum of stakeholders in February 2004. Following the consultation period and after further industry consultation, the MPFA issued a set of consultation conclusions setting out the key issues raised in the submissions and the MPFA's responses on 2 June 2004. The draft Disclosure Code was revised in the light of the comments received at various stages of the consultation exercise and the final version was published on 30 June 2004 for implementation in phases.

Among the key reforms, the requirement of providing prospective scheme members and current scheme members, upon request, with a copy of the offering document of a registered scheme, came into effect on 1 July 2004. Fee tables were made available to prospective employers and scheme members in a standardized format from March 2005 onwards. In addition, a fund fact sheet containing the required minimum contents should be provided to scheme members with all annual benefit statements provided after 28 February 2005. For this purpose, the industry has agreed on a set of performance presentation standards which will become effective in mid-2005.

Following the publication of the Disclosure Code, the MPFA proceeded to review member benefit statements with a view to developing proposals for improvements to the content of the statements, in consultation with the industry and a broad spectrum of stakeholders. Information collected from the trustees on existing practices, including the content and method of delivery of these statements, is being analyzed. Proposals for changes will be formulated after the review, followed by consultation and discussion with the industry.

REVIEW OF PERMISSIBLE INVESTMENT RULES

A study was started in 2002-03 on making general improvements to Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation to ensure that the Schedule is delivering the underlying policy objectives of the MPF System. During 2003-04, a list of proposals to reform the investment rules in the Schedule was developed and prioritized. The MPF Schemes Operation Review Committee (SORC) endorsed the first group of six proposals in 2003-04, while another six proposals were endorsed in 2004-05. These proposals have been submitted to the HKSAR Government for consideration. Further proposals will be deliberated by the SORC in mid-2005.

REGULATION OF APPROVED POOLED INVESTMENT FUNDS

After reviewing the consistency of regulation between Constituent Funds and Approved Pooled Investment Funds (APIFs) in the previous financial year, the MPFA planned to review the entire model for the regulation of Constituent Funds and APIFs in 2004-05. An initial review of the roles and responsibilities of scheme operators and an analysis of the comparative risks between the use of unit trust based APIFs and insurance policy APIFs have commenced. The review is expected to span beyond 2005.

INDEX-TRACKING COLLECTIVE INVESTMENT SCHEMES

The MPFA started processing applications for approval of index-tracking collective investment schemes (ITCISs) in 2002-03. During 2004-05, eight new applications were processed and approved, and one approved ITCISs was withdrawn. The total number of approved ITCISs grew to 83 as at 31 March 2005.

INVESTMENT-RELATED GUIDELINES

During the year, four sets of investment-related guidelines were revised. The Guidelines on Debt Securities were amended to provide guidance on the interpretation of credit rating requirements. As a result of a revision to the Securities and Futures Commission (SFC)'s Code on MPF Products, the list of regulatory authorities recognized by the MPFA as set out in the Guidelines on Investment Managers was also revised. These two sets of revised guidelines were published in May 2004. The Guidelines on Other Securities were amended to include additional types of securities and authorized unit trusts/mutual funds (such as real estate investment trusts authorized by the SFC) as permissible investments. This set of revised guidelines was released in August 2004. A further set of revised guidelines, Guidelines on Approved Exchanges, was published in March 2005 to reflect the change in names of certain approved exchanges.

Following the publication of the Disclosure Code in June 2004, the Guidelines on Disclosure of Annual Fees were repealed.

Prudence ...

Monitor your investments regularly



Supervision of the Industry

SUPERVISION OF APPROVED TRUSTEES

The MPFA has primary responsibility for supervising approved trustees and works with other financial regulators in overseeing MPF products and MPF intermediaries to ensure safety and soundness in the operation of the MPF system. As the Registrar of Occupational Retirement Schemes, the MPFA is also responsible for overseeing the effective operation of occupational retirement schemes.

The approved trustees are entrusted with the overall responsibility for the administration and management of MPF schemes, including approved pooled investment funds. While they may delegate some of their functions to other service providers, they have to comply with the provisions of the MPF legislation and discharge their responsibilities with due care, and to exercise their fiduciary duties as required.

A list of the approved trustees and their background as at 31 March 2005 is at Appendix 6.

The Compliance Standards

To ensure the smooth operation of the MPF System, the MPFA seeks to promote good corporate governance, proper risk management and a strong compliance culture among the approved trustees. The MPFA commenced an initiative in 2004-05 to develop a set of standards for the guidance of trustees in establishing a structured framework for monitoring their compliance with statutory duties and responsibilities. With the help of international consultants, the compliance frameworks of selected approved trustees were reviewed to determine an appropriate set of standards for the MPF industry.

The consultants then drew up a set of draft Compliance Standards, which reflects internationally recognized compliance methodology. The fundamentals of the methodology are:

- ownership of compliance at the highest levels within an organization;
- the existence of documented procedures to facilitate the understanding throughout an organization of the statutory obligations in day-to-day operations;
- the implementation of monitoring and supervision measures to assess whether compliance has occurred; and
- the presence of review and reporting mechanisms.

The draft Compliance Standards were sent to relevant industry associations for comments in late 2004 and were revised in early 2005 based on comments received. The MPFA will consult various stakeholders before issuing the Standards in mid-2005.

Ongoing Monitoring

The MPFA continued to monitor developments in the MPF market, which has been stable, with the number of approved trustees remaining unchanged at 19 during 2004-05. The MPFA conducts on-site visits of approved trustees to assess compliance with the regulatory requirements. The latest round of on-site visits, which started in 2003-04, continued in the 2004-05 financial year. The focus was to review the valuation of investment holdings and investment compliance, as well as to ensure that weaknesses in scheme administration processes identified previously had been addressed. The visits to all the approved trustees were completed in March 2005.

The approved trustees are required to submit regular returns to MPFA. The review of these returns ensures that the approved trustees comply with the statutory requirements and relevant governing rules, and allows for early detection of issues that may call for proposals to amend overall regulatory policy settings.

As part of the ongoing monitoring, approved trustees are also required to report significant events under section 62 of the Mandatory Provident Fund Schemes (General) Regulation. The MPFA followed up these notices to ensure that the reported events did not adversely affect scheme members' interests and that rectification actions were taken as and when necessary.

During the year, the MPFA issued a number of warning and reminder letters to the approved trustees involved in breaches. These breaches were either identified by the MPFA through enquiries and complaints received, during on-site visits or reported by the trustees themselves. In addition, the MPFA issued two financial penalty notices in relation to two breaches. Details of the financial penalty notices are set out under item 8 in Part E of the Statistics section.

The analysis of complaints has been, and will continue to be, one of the major means of the ongoing monitoring of the performance of approved trustees. At the same time, it is also an effective avenue for identifying scheme administration issues and areas requiring policy development considerations. A total of 222 complaints (compared with 164 in the previous financial year) were lodged with the MPFA against approved trustees, most of which were related to scheme administration. The number of complaints has increased with the increase in scheme members' awareness of their MPF rights.

To improve the effectiveness and efficiency of the administration of MPF schemes, a Trustees Operations Liaison Group was set up during the year, comprising representatives from all approved trustees and the MPFA. Quarterly meetings were held to discuss operational issues of MPF schemes which are of interest across the industry, and to share information on the latest developments of the MPF System.

REGISTRATION AND APPROVAL OF MPF SCHEMES AND FUNDS

Recent Developments

During the year, an increasing number of trustees began to offer special voluntary contribution arrangements under which employee scheme members could make voluntary MPF contributions directly to the trustees without channeling through their employers. The MPFA has been working with approved trustees to address operational issues that may arise in connection with such arrangements. Several MPF Guidelines on trustees' statistical returns have also been revised to include data on special voluntary contributions to facilitate the monitoring of market development in this respect.

The registration and approval of MPF schemes and funds involves a detailed review of various aspects of the application, including the scheme rules, their operations and disclosure, particularly in respect of compliance with MPF legislation and protection of scheme members' interests. Table 1 sets out the processing statistics of these applications during the year, and Table 2 shows an analysis of the structure of approved pooled investment funds. As at the end of March 2005, there were 47 registered MPF schemes, 324 approved

Table 1. Processing statistics on registration and approval of MPF schemes and funds

	Number as at 31 March 2004	De-registration/ Revocation during the year	Registration/ Approval during the year	Number as at 31 March 2005
Registered Schemes	48	2	1	47
Master Trust Schemes	44	2	1	43
Industry Schemes	2	0	0	2
Employer Sponsored Schemes	2	0	0	2
Approved Constituent Funds	321	9	12	324
Approved Pooled Investment Funds	253	2	23	274
Approved Index-Tracking Collective Investment Schemes	76	1	8	83

Table 2. Analysis of approved pooled investment funds

	Unit Trust		Insurance Policy		Total	
	as at 31 March 2004	as at 31 March 2005	as at 31 March 2004	as at 31 March 2005	as at 31 March 2004	as at 31 March 2005
By fund valuation bases						
Unitized	187	204	63	67	250	271
Non-unitized	0	0	3	3	3	3
Total	187	204	66	70	253	274
By fund structures						
Umbrella funds	22	23	4	4	26	27
Internal portfolios	130	150	29	29	159	179
Feeder funds	6	6	22	22	28	28
Portfolio management funds	29	25	11	15	40	40
Total	187	204	66	70	253	274

constituent funds and 274 approved pooled investment funds. A full list of the registered schemes and their underlying constituent funds is available at Appendix 7.

As can be seen from Table 1 above, there was an increase in the number of funds during the year as compared with the last. This was due to the introduction of new products in response to changes in the global financial markets, so as to provide members with a wider range of investment options. The decrease in the number of schemes was due to the consolidation of the MPF System through merger of MPF schemes.

Apart from the registration and approval of new applications, the MPFA also approves amendments to governing rules of MPF schemes and funds on an ongoing basis. Following the publication of the Code on Disclosure for MPF Investment Funds in June 2004, the MPFA also approved fee tables and reviewed Fund Fact Sheets of MPF schemes, which are required to be provided to scheme members under the Code.

Statistics on MPF schemes and funds are included in Part B of the Statistics section.

SUPERVISION OF MPF INTERMEDIARIES

MPF intermediaries play an important role within the MPF System through serving MPF scheme members and providing advice on scheme and fund selection. The MPFA is responsible for registering and supervising MPF intermediaries. It also coordinates the efforts of other regulators, i.e. the Securities and Futures Commission (SFC), the Insurance Authority (IA) and the Hong Kong Monetary Authority (HKMA), in supervising MPF intermediaries with a view to ensuring regulatory consistency and minimizing regulatory overlap. Whilst the MPFA is mainly responsible for daily monitoring and handling of complaints against MPF intermediaries, the HKMA, the IA and the SFC are responsible for supervising those MPF intermediaries falling under their regulatory regimes.

During the year, the work in respect of supervision of intermediaries continued to focus on monitoring their compliance with the Code of Conduct for MPF Intermediaries and improving their professional standard through the Continuing Professional Development (CPD) requirement.

Registration of MPF Intermediaries

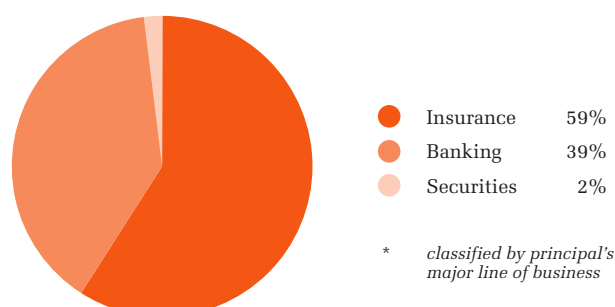
During the year, the MPFA processed around 3 700 applications for registration as MPF intermediaries and 1 700 applications for renewal of registration. The number of MPF intermediaries remained about the same during the past two years at around 25 000. As at 31 March 2005, there was a total of 24 502 registered MPF intermediaries, comprising 433 corporations and 24 069 individuals (see Table 3).

Table 3. Number of Registered MPF Intermediaries *(as at 31 March 2005)*

Total number of registered MPF intermediaries	24 502
Corporate intermediaries	433
Individual intermediaries	24 069
Permitted to advise on insurance policies	12 918
Permitted to advise on securities	5 707
Permitted to advise on both securities and insurance policies	4 014
Permitted to sell MPF schemes without rendering specific investment advice	1 430

Figure 1 shows the distribution of individual intermediaries among three industries (banking, insurance and securities), classified by the major line of business of the intermediary's primary sponsoring corporation. The distribution of MPF intermediaries among the three industries has been quite stable over the past few years.

Figure 1. MPF Intermediaries by Industry* *(as at 31 March 2005)*



The MPFA started a review on the registration of MPF intermediaries with a view to streamlining the registration process and tightening CPD compliance. Proposed reforms include replacing MPF intermediaries cards with MPF intermediary certificates and stipulating CPD compliance as one of the criteria in assessing the fitness and properness of applicants and registrants. The recommended changes will be introduced in 2005-06 after industry consultation.

Ongoing Monitoring

During the year, the MPFA processed around 6 000 changes of information relating to MPF intermediaries. As in the past years, most of the changes were related to change of employment of individual intermediaries and change of name of their sponsoring corporations as a result of corporate mergers and restructuring.

Complaints against MPF intermediaries remained at a low level, with less than 10 complaints lodged in the year, accounting for less than 1% of the total number of complaints received by the MPFA.

Continuing Professional Development

The CPD requirement for MPF intermediaries has been implemented since January 2002. The objectives are to enhance the technical knowledge and professional expertise of individual intermediaries and to provide reasonable assurance to MPF scheme participants and the public at large that individual intermediaries remain fit and proper to be registered. MPF intermediaries are required to undertake a minimum of 10 hours of CPD activities in each calendar year, with at least 20% of the minimum CPD hour requirement devoted to core subject areas such as MPF or related legislation, relevant codes and guidelines, and up-to-date developments of the MPF System.

As at 31 March 2005, six institutions/professional bodies have been recognized by the MPFA for the provision of training activities for CPD subjects. They are Caritas Adult & Higher Education Service, Hong Kong Securities Institute, Management and Executive Development Centre of The Hong Kong Polytechnic University, The Hong Kong Retirement Schemes Association, School of Professional and Continuing Education of The University of Hong Kong, and Financial Services Development Centre of Vocational Training Council. The MPFA continued to assess whether certain programmes or courses were eligible to be qualified as core CPD activities. In 2004-05, a total of 16 programmes/courses were recognized as core CPD courses.

REGULATION OF OCCUPATIONAL RETIREMENT SCHEMES

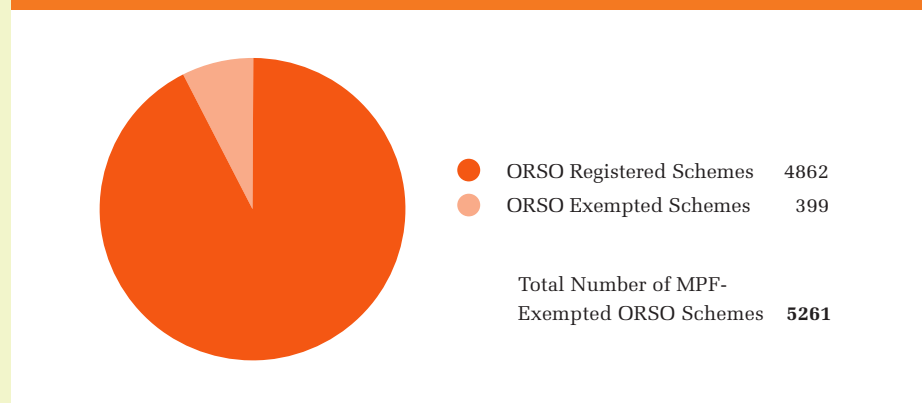
The MPFA is the Registrar of Occupational Retirement Schemes (RORS) and has the functions conferred on it by ORSO. It is responsible for regulating occupational retirement schemes (ORSO schemes) established voluntarily by employers. As at 31 March 2005, there were a total of 7 913 ORSO schemes, with a total asset size of \$179.38 billion. The work of the RORS during the year is reported below.

Withdrawal of Exemption Certificate

Prior to the launch of the MPF System, the employers operating existing ORSO schemes might choose to apply for exemption from MPF requirements. Members of MPF-exempted ORSO schemes had a one-off option to choose between the existing scheme and an MPF scheme.

Employers of MPF-exempted ORSO schemes may withdraw their MPF exemption certificates. During the year, 255 MPF-exempted ORSO schemes, covering about 3 000 members, had relinquished their exemption status. The number of remaining MPF exempted ORSO schemes as at 31 March 2005 was 5 261, covering about 7 000 employers and 500 000 scheme members. A breakdown of the number of MPF exempted ORSO schemes is shown in Figure 2.

Figure 2. Number of MPF-Exempted ORSO Schemes *(as at 31 March 2005)*



Winding Up of ORSO Schemes

For those ORSO schemes which have not obtained MPF exemption status, the relevant employers may choose amongst the options of making an interface arrangement to retain them as top-up schemes, freeze the schemes or terminate the schemes. During the year, 363 ORSO schemes (comprising 228 MPF-exempted schemes and 135 non MPF-exempted schemes) had been wound up. As at 31 March 2005, 130 ORSO schemes were in the process of being terminated, pending the transfer of scheme assets and/or provision of the necessary information to the MPFA. After the termination of these schemes, the number of remaining ORSO schemes would be 7 783, including 5 206 MPF-exempted schemes (covering about 500 000 scheme members) and 2 577 non MPF-exempted schemes (covering about 60 000 employees). The number of termination notices received by the MPFA has shown a decreasing trend towards the end of the financial year.

Based on the information obtained from termination notices submitted and the latest annual returns of ORSO registered schemes, the asset arrangements of the terminated ORSO registered schemes (including those schemes undergoing termination processes) are set out in Table 4.

Table 4. Asset arrangements for terminated ORSO registered schemes for the period from 1 April 2004 to 31 March 2005

Asset Arrangement	Number of Schemes	%	Asset Size (HK\$ million)	%
Transferred to MPF Scheme	94	28	413	20
Transferred to another ORSO Scheme	30	9	1,133	55
Paid out to scheme members	212	63	515	25
Total	336	100	2,061	100

Funding of ORSO Schemes

According to the ORSO, employers operating ORSO schemes should ensure proper funding of the schemes to meet the scheme members' benefit claims. The MPFA monitors the funding situation of the schemes by examining the annual returns and audited financial statements in respect of the schemes. In the case of defined benefit schemes, actuarial certificates have to be supplied to the MPFA at least every three years. The certificate may be a full certificate certifying that the scheme's assets are sufficient to meet the scheme's aggregate vested liabilities, or a qualified certificate showing that the scheme assets are not sufficient to meet the vested liabilities. Where a qualified certificate is supplied, the actuary shall make recommendations as to the amount of contributions to be made by the employer in order to make up the shortfall in funding within three years. Under such circumstances, actuarial certificates will have to be supplied more frequently, every year instead of every three years, until the assets of the scheme have returned to a level sufficient to meet the scheme's aggregate vested liabilities.

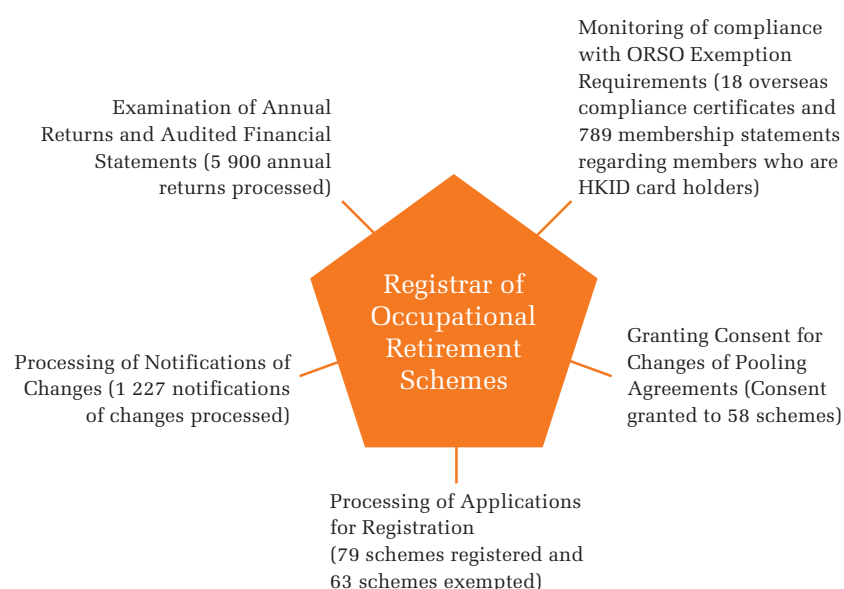
As indicated in the actuarial certificates received as at 31 March 2005, 23 ORSO schemes (7.4% of the total of 311 defined benefit schemes) were insolvent. The total asset size of these schemes was \$5,969 million and the total shortfall was \$277 million. The amount of shortfall involved represented about 4.6% of the aggregate assets of the 23 under-funded schemes. This is a marked improvement over the situation a year ago, when the number of insolvent defined benefit schemes was 48, with a total shortfall of \$753 million (5.9% of the aggregate assets of the underfunded schemes). The MPFA has been monitoring the situation closely by seeing to it that contributions are made according to scheme terms and rules, and in accordance with the actuarial recommendations.

Other Work of the Registrar of Occupational Retirement Schemes

In addition to handling the withdrawal of exemption certificates and applications for winding up, and monitoring the funding of defined benefit schemes, the MPFA, as the Registrar of Occupational Retirement Schemes (RORS), is also responsible for ongoing monitoring of ORSO registered/exempted schemes. The work of the RORS in this aspect includes ensuring the effective administration of such schemes and processing of changes to the schemes. Statistics on some major areas of the RORS' work are summarized in Figure 3.

Figure 3. Work of Registrar of Occupational Retirement Schemes

Note: Figures denote workload for the year ended 31 March 2005



A list of the corporate administrators who administer pooling agreements for ORSO schemes is in Appendix 8.

Statistics

Statistics on ORSO schemes are set out in Part C of the Statistics section.

Patience ...

MPF is a long-term investment



Public Education and Publicity

INVESTMENT EDUCATION

Public education and publicity programmes are essential in fostering continuous community support for the MPF System and educating the workforce on their MPF rights and obligations. The focus of MPFA's public education and publicity efforts during the year was on MPF investment education as well as impressing upon the public, particularly the younger generation, the importance of saving early for retirement protection.

The MPFA has continued to educate the public on MPF investment and the individual's MPF rights, using a multi-media approach. Under this approach, four 30-minute MPF segments were broadcast on Metro Radio from mid-August to mid-September 2004, and a 12-episode radio series on Commercial Radio was broadcast in January 2005. A 10-episode television series produced in partnership with Radio Television Hong Kong was launched in early March 2005.



"MPF for the Future" TV series produced by MPFA in partnership with RTHK.

In view of the public's interest in capital preservation funds and guaranteed funds, initiatives were taken to educate members of the public on the features of these two types of funds. Information was disseminated through media interviews, press releases, and articles contributed to newspapers.

In addition, the MPFA has partnered with key stakeholders in organizing 10 seminars for professionals in the human resources and legal fields and for senior executives in the MPF industry.



Getting to know more about MPF investment through seminars and other activities.

The MPFA participated as an exhibitor in a Financial World Expo and conducted three MPF investment seminars for visitors to the Expo. Another MPF investment seminar was jointly organized for members of the public by the MPFA, HK Retirement Schemes Association and a Chinese newspaper to enrich scheme members' MPF investment knowledge.

Meanwhile, 230 articles were published in newspapers on various topics of MPF investment and the MPF System. By the end of the financial year, in partnership with seven Chinese newspapers, a selection of these articles was collected for publication in the form of a booklet, *MPF Investment Guide 2005*, to be distributed through various public outlets.

EDUCATING THE YOUNG

For the younger generation, school programmes were implemented to promote the concept of life-long financial planning. A financial planning competition for secondary school students was held in the last quarter of 2004 to educate them on the concept and purposes of financial planning and MPF.



Educating the younger generation on the need for early retirement planning through different programmes.



At primary school level, an MPF slogan design competition was held in the first quarter of 2005. In partnership with the Institute of Financial Planners of Hong Kong, a case writing competition for tertiary students was organized in March 2005 on the theme of "MPF Investment and Retirement Planning Strategies".

A total of 150 talks have been conducted for universities, secondary schools, youth training schemes and other education institutions. The MPFA also took part in the Education and Careers Expo held in February 2005, staging an exhibition booth under the theme of "Start Early, Gain More" to enhance public awareness of the concept and benefits of life-long financial planning.



Visitors at Education & Careers Expo 2005 taking a closer look at MPF information.

COMMUNITY OUTREACH

The MPFA has continued to consolidate community support by networking with various parties, including community groups, political parties and District Councils, establishing a partnering relationship with them. We took part in district events to disseminate MPF information to the local community, and gave talks and seminars to labour unions, political parties, professional bodies, business associations and community groups.

As in the previous financial year, the MPFA participated in the Hong Kong Products Expo organized by the Chinese Manufacturers' Association of Hong Kong in December 2004 to promote the MPF System through drama, game booths and quizzes. In partnership with political parties, 22 MPF carnivals were organized to take place from April 2004 to March 2005. The carnivals featured game booths, information display, information counters and stage performances.

To ensure that minority groups also know their MPF rights, the MPFA produced MPF fact sheets in Nepali, Pakistani and Sinhalese for distribution to members of these groups. A pamphlet on *What Employees Should Know About MPF* was also published for distribution to the general public.



Reaching out to the community.

PUBLICITY PROGRAMMES

To pave the way for the phased implementation of the Disclosure Code published in mid-2004, a press release announcing its publication was issued in early July 2004. At the same time, a “Disclosure Corner” was launched at the MPFA’s website to publicize the Disclosure Code and educate the public on the new initiatives. Three pamphlets are being produced for release at different stages to tie in with the implementation of the reforms set out in the Disclosure Code. Information on the Disclosure Code was also incorporated into the education programmes on MPF investment and disseminated through articles contributed to newspapers and panels displayed at exhibitions and district carnivals.

A mini-publicity campaign was held from August to October 2004 to remind self-employed persons of their obligations under the MPF System. Campaign materials, including a leaflet and souvenirs, were produced and distributed to labour unions and at taxi stands. A publicity campaign on industry schemes was also launched from August to December 2004. A leaflet was published for distribution to employees of catering and construction industries.

MEDIA RELATIONS

Through regular gatherings with editors and reporters, the MPFA endeavoured to enhance their understanding of MPF and update them on new initiatives. During the year, a total of 201 press releases were issued and 230 articles were written for newspaper columns on topics related to member protection and MPF investment.

The lists of major publicity activities and articles contributed to newspaper columns are set out at Appendices 9 and 10.



Promoting industry schemes to catering and construction employees.

More savings ...

Save more than the minimum



Supporting Services

HUMAN RESOURCES MANAGEMENT

In 2004-05, the MPFA continued to strengthen the MPF System, ensure compliance with the MPF legislation and enhance the organization's own capabilities, integrity and accountability. The various departments of the Corporate Services Division and the Legal Department worked alongside other divisions/departments in developing and implementing work programmes for achieving these objectives. They also provided the essential supporting services for the smooth operation of the whole organization.

Organization Reviews

Since its inception in 1998, the MPFA has undertaken a series of reviews of its structure, operations and human resources strategies in order to enhance efficiency and increase its productivity. In the light of the outcomes of various reviews in the previous years, and with the new Managing Director in post from 1 July 2004, another review was conducted in 2004 on the overall organization structure. The recommendations of the review were implemented, with the top management structure strengthened in early 2005 by the filling of two vacant senior positions, the Executive Director (Supervision) and the Head (Corporate Services), responsible for the Supervision Division and the Corporate Services Division respectively.

At the departmental level, management reviews were conducted on the Information Technology Department, the Human Resources Department, the Legal Department, the Library Section of the Corporate Affairs Department, the Member Protection Department, the Complaints & Investigation Department, the ORSO Schemes Department, the Intermediaries/Trustees Department, the Community Relations Department and the Publicity and Education Department. The reviews focused on a variety of subjects including business objectives and processes, organization structure, job analyses, human resources needs, work strategies, policies, controls, and administrative support services.

At the divisional level, the work processes and organization structures of the Enforcement Division were also reviewed with a view to enabling a "through-train" service in complaints handling, investigation and debt recovery in the Member Protection Department and Complaints & Investigation Department. A review of the Supervision Division's organization structure, job roles and skills required has commenced in the light of the promulgation of the new Compliance Standards. The review will continue in 2005-06.

Staffing and remuneration

The establishment of the MPFA was downsized from 327 in 2001 to 280 in 2003, and has remained stable since then. The staff cost to total expenditure ratio for the year 2004-05 was 66.2%, and the staff turnover rate was 14.42%. During the year, 28 recruitment exercises were conducted to fill vacancies

arising from natural attrition at manager and supporting grades. The recruitment exercises of the Managing Director, the Executive Director (Supervision) and Head (Corporate Services) were also completed.

A salary review of all staff by grades was completed in August 2004. This was followed by an exercise to align staff's salary with the market in two stages.

Regarding the remuneration of the senior staff, the total cash remuneration of the Managing Director from 1 July 2004 to 31 March 2005 was \$3,621,357.00, of which \$3,125,070.00 was fixed pay. Her total cash remuneration for the period from 1 April 2004 to 30 June 2004, during which she was Acting Managing Director, was \$1,102,950.00, of which \$937,530.00 was fixed pay. The annual average salaries of the four executives in the second and third tiers were \$2,898,600.00 and \$2,667,226.22 respectively¹. The average performance-linked variable pay amounts of the second and third tiers for the year were \$272,747.00 and \$490,631.61 respectively.

All three tiers of senior executives are entitled to annual leave, contributions to MPF schemes, and life and medical insurance coverage. Provision of such benefits amounted to \$387,651.39 and \$118,800.23 for the Managing Director and Acting Managing Director respectively in 2004-05. For the second and third tiers, the average amounts were \$342,297.49 and \$339,419.28 respectively. There are no other allowances or benefits-in-kind.

ORGANIZATION DEVELOPMENT AND CULTURE BUILDING

Development of Corporate Culture

In the previous financial year, a staff recognition programme was rolled out to promote the corporate core values (i.e. community perspective, commitment, quality and teamwork) and reward staff members who demonstrate such values in concrete behaviours. A more formal staff recognition programme, the Internal/External Customer Service Award scheme, was developed and implemented in the year. There was strong support for the scheme, with active participation in the nomination and voting processes. A total of 120 staff members received the awards, which were presented in December 2004.

Externally, MPFA staff members were publicly recognized for their good work for the second consecutive year. One of the MPFA's Inspectors won the Ombudsman Award (Complaint-Related) in July 2004. This is an affirmation and recognition of MPFA's professionalism in complaints handling and commitment to customer service.

¹ The actual remuneration, including fixed pay and performance-linked variable pay, received by staff not serving a full year at a particular rank is annualized for the purpose of calculating the average annual package of the rank.

Supporting Services (cont'd)

As in previous years, special briefing sessions were conducted for staff before the start of the financial year to cascade the 2004-05 Corporate Plan, its objectives, directions and emphases. Following the announcement of the appointment of the Managing Director in June 2004, special staff communication sessions were held in small groups or individually with the Managing Director for her to listen to staff's views.

Other multi-purpose programmes have been devised to facilitate staff communication, further enhance cohesion and instil a sense of belonging amongst staff members. These programmes include the formation of 13 interest clubs under the Staff Welfare Committee and various formal and informal competitions and knowledge-sharing programmes.

Training and Development

As part of our continuous effort to enhance human resources capability, we implemented various training and staff development programmes during the year. These include management development programmes aiming at developing analytical thinking skills, sharing sessions on the handling of difficult complainants, stress management programmes for frontline staff of the Member Protection Department, and team building programmes for the senior management team as well as for all staff through staff social activities. In addition, training sessions were conducted to equip our staff with business knowledge and job-related skills, such as those related to legal, accounting and investment knowledge, inspection and investigation, and information technology.

Knowledge management/sharing programmes were continued, including briefings on current affairs and issues related to occupational safety and health, crisis management and business continuity planning, etc. A summary of all the staff training and development sessions, together with the organization development and culture building programmes organized during the year, is at Appendix 11. Over 130 sessions were held with a total attendance of over 3 000.

Other Staff Activities

During the year, the MPFA published three issues of the Staff Newsletter *The Orchard*, five issues of *Staff Express* and three issues of *Staff Bulletin*. A total of seven events were organized by the Staff Welfare Committee, including movie evenings, a photo contest, a bowling competition and a Christmas party. In addition, a staff discount scheme was implemented.

The MPFA took part in the Supervisory Cup Basketball Competition and the Public Organizations Challenge League of 2004, both jointly organized by six financial regulators. The events provided an opportunity for our basketball and soccer teams to demonstrate their skills and team spirit.



Participation in the Po Leung Kuk Lunar New Year Charity Walk.

We were involved in various community and fund-raising activities during the year. All our staff participated in the Dress Casual Day 2004 and won, for the fourth time, and the second consecutive year, the award for the Highest Participation Rate in the Companies and Organization Category. A blood donation day was held in the office premises on 28 February 2005. In response to appeals for donations in the wake of the tsunami disaster in South Asia, the MPFA staff raised a total of \$100,000 in January 2005. Staff representatives also participated in the Sixth Sowers Action Challenging 12 Hours Charity Marathon in October 2004 and the Po Leung Kuk Lunar New Year Charity Walk in February 2005, and raised \$17,060 for the education of children in mountainous regions of China and \$8,630 for supporting the services of Po Leung Kuk.

FINANCIAL CONTROL

In order to achieve efficient allocation of resources within the organization, we applied stringent cost controls to contain expenses, including those necessitated by the stepping up of enforcement actions. Total expenditure for the MPFA in 2004-05 was \$198.9 million, representing a 1.3% reduction from the previous year.

Having fully implemented the new investment strategy for MPFA's reserve during the year, we also reviewed the approach of presenting the MPFA's budget. To facilitate internal resources monitoring, we revised the presentation of our budget and distinguished it into the Operation Account and the Fund Management Account. The Operation Account covers all income and expenditure related to regulatory and supporting activities, while the Fund Management Account covers all income and expenditure related to the investment of the MPFA's reserve.

The MPFA continued its efforts in ensuring value for money in the procurement of services and goods through transparent and accountable procurement processes. The Procurement Policies and Procedures were fine-tuned and assessment panels were formed to evaluate proposals received in several major procurement exercises.

To improve efficiency and effectiveness, we revamped the process of handling default contribution receipts and payments. The process of checking and recording investment transactions was also streamlined after the global diversification of our investment portfolio.

TREASURY

As at 31 March 2005, the balance of the \$5 billion Capital Grant from the HKSAR Government was \$5.2 billion. Meanwhile, the value of investment of the Compensation Fund², which includes the \$600 million seed money from the HKSAR Government and the levies collected pursuant to the MPFSO, was \$852.5 million.

In early 2004, the MPFA Management Board approved the long-term investment strategy for the Capital Grant. A new strategic asset allocation was adopted whereby cash holding was reduced and the investment in fixed income instruments and equity was increased. The new asset mix included global diversification. Three fund managers were appointed to manage the Capital Grant's securities investments. The new investment strategy was implemented in phases, with funds transferred to the new fund managers in batches. The last batch was transferred in December 2004. The services and performance of the external fund managers and the master custodian were closely monitored in order to ensure high service standards.

Pursuant to the MPFSO, the approved MPF trustees may be required to pay to the MPFA an annual registration fee in respect of registered schemes. Such fee has been waived since the implementation of the MPF System.

INFORMATION TECHNOLOGY

We continued to enhance and develop information systems to facilitate business operations, including a review study on ORSO business processes with a view to re-developing the existing computer system for ORSO schemes supervision. The project to rewrite the old system into a new ORSO Record Management System (ORMS) was kicked off by the end of 2004. In respect of supervision of MPF intermediaries, the information system for processing the registration and de-registration of intermediaries was streamlined. Work has also been commenced to facilitate the new processes of registration renewal and issuance of MPF certificates for intermediaries to replace the MPF intermediaries cards.

Meanwhile, we completed a review of enforcement-related information systems and assessed the need for enhancement. A number of new systems and modules were built, including a system to automate the processing of liquidation cases, and a module in the Inspection System to facilitate proactive inspection on repeatedly defaulting employers. Furthermore, a prosecution knowledge database was set up to allow information sharing among members of the investigation and prosecution teams.

² The Compensation Fund is set up under the MPFSO to compensate MPF scheme members for any loss in MPF accrued benefits caused by misfeasance or illegal conduct committed by MPF trustees or any other person engaged in the administration of the MPF scheme. Assets of the Fund include the \$600 million seed money injected by the HKSAR Government and an annual levy of 0.03% of the net asset value of all MPF schemes.

Other information technology projects accomplished during the year included the launch of a Simplified Chinese version of the MPFA's website to facilitate the dissemination of information to more users. To ensure our information assets are well-protected, an external consultant was engaged to perform a comprehensive security assessment on our information systems. In addition, we started a review of the existing computer equipment to identify the need for replacement or upgrading.

RECORDS MANAGEMENT

During the year, we completed a Records Management Policy Manual, which sets out our corporate records management strategies. Staff members were briefed on the concept of records management and the strategies adopted by the MPFA. A set of records retention guidelines was issued to facilitate the consideration of records disposal schedules of individual functional units. We continued to explore the feasibility of applying information technology to records management with a view to implementing a more efficient and space-saving filing system. The General Office & Registry Information Automation (GLORIA) system, an electronic filing system, was installed for trial in the MPFA, courtesy of the HKSAR Government's Efficiency Unit. With encouraging results from the trial by selected functional units, we have made plans to roll out the GLORIA system to more departments for trial.

BUSINESS CONTINUITY DRILL

Since 2002-03, the MPFA has been working on a Disaster Contingency Plan to ensure business continuity in a crisis situation. The Plan was refined in the light of the experience gained in a number of drills during the year. In September 2004, the Crisis Management and Business Continuity Planning Manual was promulgated, setting out the policies, procedures and operation guidelines in relation to the management of crises that may threaten the MPFA's normal operation, staff, customers or reputation. A comprehensive drill was successfully conducted in September 2004 to familiarize staff members with the procedures for maintaining business continuity after a disaster that would render the MPFA's office premises inaccessible. The drill involved recovering the MPFA's computer information systems in an alternate site, and continuing normal business operation. In addition, a crisis command team was set up and housed in another alternate office site to monitor critical operations and maintain communication with staff and relevant external parties.

RISK MANAGEMENT, MANAGEMENT REVIEW AND INTERNAL AUDIT

In the year, a risk management programme was launched to identify, assess and manage risks in a timely and systematic manner. A list of risks at the corporate level was identified and compiled into a corporate risk register, and preliminary treatment plans were drawn up. In the meantime, all departments in the MPFA were provided with appropriate guidance in developing their own departmental risk management plans. All the departmental risk registers, except that for the Trustees Department, were completed by June 2004, and the related risk management plans were put into operation. The Trustees Department will finalize their risk management plan in 2005 to take into account the changes in the work arrangements required for the introduction and operation of the Compliance Standards for MPF trustees.

Apart from the management reviews described under the section on Organization Reviews in this chapter, six internal audit exercises were carried out during the year. The Call Centre and complaints and investigation functions were audited as to whether there was sufficient segregation of roles and responsibilities, whether standard procedures were followed and whether there were adequate internal control measures. The enrolment and withdrawal operations of the Member Protection Department were audited in regard to their efficiency and effectiveness and to ascertain whether there were adequate monitoring and reporting. Improvement measures identified in internal audits conducted in the previous year were reviewed as to whether they have been fully implemented. Other reviews include those conducted on specific topics, such as business continuity and disaster recovery measures, information technology project monitoring processes and write-off procedures for MPFA's assets.

MANAGEMENT BOARD AND OTHER COMMITTEES

On 16 March 2005, the HKSAR Government announced the retirement of five non-executive directors and the new appointments of four non-executive directors for a term of two years, with effect from 17 March 2005. As to the MPF Schemes Advisory Committee, the HKSAR Government announced on 29 March 2005 the retirement of eight members and the appointments of eight new members for a term of two years, with effect from 30 March 2005. The relevant membership lists are set out in Appendix 1.

All existing members of the MPF Industry Schemes Committee were re-appointed by the HKSAR Government for a term of two years with effect from 25 August 2004.

LEGAL SUPPORT

The Legal Department provides legal support to many aspects of MPFA's operation. During the year, the Department advised the Supervision Division on issues related to the monitoring of trustees, intermediaries and ORSO schemes. It also advised on legal issues arising from scheme administration, investment restrictions, scheme re-structuring, non-compliance and exemption.

On the enforcement side, the Legal Department worked closely with the Enforcement team in ensuring enrolment in and contributions to MPF schemes. It provided advice during the inspection and investigation stages, and liaised with the Department of Justice and prosecutors in prosecution cases. It also advised on civil actions for the recovery of outstanding contributions on behalf of scheme members and the enforcement of judgments.

The Department contributed to the review and refinement of the MPF System by providing legal support to the development of proposals to amend the MPF legislation, and to the revision of related guidelines. Its service also covers legal issues that may arise in the day-to-day operation of MPFA.

External Relations

The MPF System is a privately managed, employment-based mandatory system of provident fund schemes, and one of the three pillars of protection for the elderly recommended by the World Bank. Hong Kong's unique experience in implementing the System has been of interest to many countries and organizations around the world. During the year, the MPFA received visitors from overseas and the Mainland, including representatives of government or non-government organizations, exchanging views as well as sharing experiences with them. Our representatives also participated in several international conferences to maintain contact with the industry and regulators worldwide. Highlights of these activities are given below.

2004

13 May

At MPFA, Chief Operating Officer (Compliance) gave an overview of the MPF System to a delegation from the Ministry of Labour and Social Security of the PRC.

4-6 August

Executive Director (Regulation & Policy) attended the Annual Conference of the Investment and Financial Services Association (IFSA) in Queensland, Australia, exchanging views with participating regulators and senior industry representatives on key issues and new developments in the financial services and fund management industry.

15-17 September

Chief Operating Officer (Compliance) led a delegation to attend the Annual Conference of the Australian Compliance Institute in Queensland, Australia to exchange views with participants on issues relating to ethics, governance, risk management and compliance.

25-26 October

Chief Operating Officer (Compliance) attended the Annual Asian Pension Fund Roundtable organized by the Pacific Pension Institute in Tokyo, Japan to discuss issues of common interest with the leaders of public pension funds in Asia.

2005

4 January

At MPFA, the Managing Director and Chief Operating Officer (Compliance) met Mr Michael Pomery, President of the Institute of Actuaries of the United Kingdom, and briefed him on the features and regulatory framework of the MPF System.

18 January

At MPFA, the Chairman, Managing Director and Chief Operating Officer (Compliance) received Mr Xiang Huai Cheng, Chairman of the National Council for Social Security Fund of the PRC, and gave a presentation on the supervision of MPF service providers and the regulation of MPF investments.



25 February

At MPFA, the Chairman, Managing Director, Chief Operating Officer (Compliance) and Executive Director (Regulation & Policy) received a delegation of the Government Pension Fund of Thailand, and briefed delegates on the regulation of MPF investment choice as well as public education in relation to MPF.



Apr 2004 – Mar 2005

Ten groups of civil servants from the Mainland visited the MPFA, as part of their training programme, and were briefed on the operation of the MPF System.



“We create our own
beautiful future”



FINANCIAL STATEMENTS

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

66	Auditor's Report
67	Income and Expenditure Account
68	Balance Sheet
69	Statement of Changes in Capital and Reserve
70	Cash Flow Statement
71	Notes to the Financial Statements

MANDATORY PROVIDENT FUND SCHEMES COMPENSATION FUND

76	Auditor's Report
77	Income and Expenditure Account
78	Balance Sheet
79	Statement of Changes in Capital and Reserve
80	Cash Flow Statement
81	Notes to the Financial Statements

MPFA
AUDITORS' REPORT
TO THE MANDATORY
PROVIDENT FUND
SCHEMES AUTHORITY
("THE MPFA")

*Established in Hong Kong under
the Mandatory Provident Fund
Schemes Ordinance*

We have audited the financial statements on pages 67 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF THE MPFA AND THE AUDITORS

The Mandatory Provident Fund Schemes Ordinance ("the Ordinance") requires the MPFA to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 6P(2) of the Mandatory Provident Fund Schemes Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the MPFA in the preparation of the financial statements, and of whether the accounting policies are appropriate to the MPFA's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the MPFA's affairs as at 31 March 2005 and of its deficit and cash flows for the year then ended, and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
2 July 2005

MPFA INCOME AND EXPENDITURE ACCOUNT

*For the year ended
31 March 2005*

	Notes	2005 HK\$	2004 HK\$
INCOME			
Fee income		9,470,850	9,964,300
Interest income on bank deposits		7,439,889	34,659,933
Net investment income	3	155,349,468	175,695,997
		172,260,207	220,320,230
Other income		2,221	18,593
		172,262,428	220,338,823
EXPENDITURE			
Staff costs		131,713,334	132,872,251
Depreciation		10,244,702	18,763,283
Premises expenses		20,661,628	25,842,218
Public education and publicity expenses		3,878,615	3,796,625
Investment expenses		10,936,463	1,955,603
Other operating expenses		21,434,435	18,329,560
		198,869,177	201,559,540
(DEFICIT) SURPLUS FOR THE YEAR	5	(26,606,749)	18,779,283

MPFA BALANCE SHEET

At 31 March 2005

	Notes	2005 HK\$	2004 HK\$
ASSETS			
Property and equipment	6	9,765,272	16,051,651
Projects in progress	7	507,826	853,229
Investments in securities	8	4,748,579,197	2,957,760,442
Unrealized gain on foreign exchange forward contracts	9	3,606,596	—
Unsettled investment receivables		11,787,355	—
Debtors, deposits and prepayments		32,230,394	13,500,243
Interest receivables		26,117,280	28,340,457
Bank deposits		252,140,000	2,212,508,061
Bank balances and cash		512,007,176	22,795,247
		5,596,741,096	5,251,809,330
LIABILITIES			
Unsettled investment payables		345,701,152	—
Creditors and accrued charges		38,976,017	12,800,804
Fees received in advance		4,277,550	4,615,400
		388,954,719	17,416,204
NET ASSETS		5,207,786,377	5,234,393,126
CAPITAL AND RESERVE			
Capital grant	10	5,000,000,000	5,000,000,000
Income and expenditure account		207,786,377	234,393,126
		5,207,786,377	5,234,393,126

The financial statements on pages 67 to 75 were approved and authorized for issue by the Mandatory Provident Fund Schemes Authority on 2 July 2005 and are signed on its behalf by:

Diana Chan
Managing Director

MPFA
STATEMENT OF
CHANGES IN CAPITAL
AND RESERVE

For the year ended
31 March 2005

	Capital Grant HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2003	5,000,000,000	215,613,843	5,215,613,843
Surplus for the year	—	18,779,283	18,779,283
At 31 March 2004 and at 1 April 2004	5,000,000,000	234,393,126	5,234,393,126
Deficit for the year	—	(26,606,749)	(26,606,749)
At 31 March 2005	5,000,000,000	207,786,377	5,207,786,377

MPFA CASH FLOW STATEMENT

*For the year ended
31 March 2005*

	2005 HK\$	2004 HK\$
OPERATING ACTIVITIES		
(Deficit) surplus for the year	(26,606,749)	18,779,283
Adjustments for:		
Amortization of premium on held-to-maturity securities	459,751	2,349,626
Depreciation for property and equipment	10,244,702	18,763,283
Loss (gain) on disposals of property and equipment	650	(58,414)
Interest income on bank deposits	(7,439,889)	(34,659,933)
Interest income on investments in securities	(116,784,188)	(94,205,703)
Dividends from investments in securities	(19,604,509)	(7,359,500)
Net gain on investments in securities	(36,912,362)	(76,480,420)
Net realized loss on foreign exchange forward contracts	21,098,436	–
Net unrealized gain on foreign exchange forward contracts	(3,606,596)	–
Operating cashflows before movements in working capital	(179,150,754)	(172,871,778)
(Increase) decrease in debtors, deposits and prepayments	(18,730,151)	5,169,375
Increase (decrease) in creditors and accrued charges	26,164,628	(5,065,548)
Decrease in fees received in advance	(337,850)	(170,250)
NET CASH USED IN OPERATING ACTIVITIES	(172,054,127)	(172,938,201)
INVESTING ACTIVITIES		
Dividends received	15,577,346	7,359,500
Interest received	126,447,254	144,383,966
(Payment for) proceeds from disposals of property and equipment	(650)	89,115
Proceeds from disposals of investments in securities	9,820,635,497	1,867,639,986
Payment of property and equipment	(3,602,335)	(9,141,705)
Payment for purchase of investments in securities	(11,237,060,681)	(2,131,519,356)
Decrease in bank deposits	1,960,368,061	308,391,939
Settlement of foreign exchange forward contracts	(21,098,436)	–
Decrease in bank balances held for investment purposes	(489,334,484)	(12,757,500)
NET CASH FROM INVESTING ACTIVITIES	171,931,572	174,445,945
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(122,555)	1,507,744
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,043,704	1,535,960
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,921,149	3,043,704
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	512,007,176	22,795,247
Less : Bank balances held for investment purposes	(509,086,027)	(19,751,543)
	2,921,149	3,043,704

MPFA NOTES TO THE FINANCIAL STATEMENTS

*For the year ended
31 March 2005*

1. BACKGROUND AND FUNCTIONS OF THE MANDATORY PROVIDENT FUND SCHEMES AUTHORITY ("THE MPFA")

The MPFA was established under section 6 of the Hong Kong Mandatory Provident Fund Schemes Ordinance ("the Ordinance") which came into effect on 24 July 1998. The functions of the MPFA are stated under section 6E of the Ordinance.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Revenue recognition

Fee income consists of application fees and annual fees arising from the Occupational Retirement Schemes Ordinance schemes and Mandatory Provident Fund schemes and is accounted for on an accrual basis.

Interest income on bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Interest income on investments in securities is recognized on a time basis, by reference to the principal outstanding and at the coupon rate applicable.

Dividend income from investments in securities is recognized when the shareholders' rights to receive payment have been established.

Realized gains and losses on investments in securities are recognized when a sales contract is entered into.

Operating leases

Rentals under operating leases are charged to the income and expenditure account on a straight-line basis over the relevant lease term.

Retirement benefit costs

Contributions to Mandatory Provident Fund schemes are charged as expenses on an accrual basis.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property and equipment over their estimated useful lives after taking into account their estimated residual value, using the straight-line method, as follows:

Leasehold improvements	Over the remaining terms of the leases or 4 years, whichever is shorter
Computer equipment and software	3 - 4 years
Office equipment and furniture	4 years
Motor vehicles	4 years

The gain or loss arising from disposals or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income and expenditure account.

MPFA NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*For the year ended
31 March 2005*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Projects in progress

Property and equipment in the course of development are carried out at cost less any identified impairment loss. The cost of completed projects in progress are transferred to the appropriate category of property and equipment. No depreciation will be charged on items under this category.

Impairment

At each balance sheet date, the MPFA reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Investments in securities

Investments in securities are recognized on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the MPFA has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognized in each period represents a consistent yield on the investment.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealized gains and losses included in the income and expenditure account.

Foreign exchange forward contracts

Foreign exchange forward contracts are initially recorded at cost, if any, and are remeasured at subsequent reporting dates at fair value. Fair values are obtained from quoted market prices and equivalent instruments as appropriate. Realized and unrealized gains and losses are recognized in the income and expenditure account.

MPFA
NOTES TO THE FINANCIAL
STATEMENTS (cont'd)

For the year ended
31 March 2005

3. NET INVESTMENT INCOME

	2005 HK\$	2004 HK\$
Interest income on investments in securities	116,784,188	94,205,703
Amortization of premium on held-to-maturity securities	(459,751)	(2,349,626)
	116,324,437	91,856,077
Dividends from investments in securities	19,604,509	7,359,500
Net gain on investments in securities	36,912,362	76,480,420
Net realized loss on foreign exchange forward contracts	(21,098,436)	—
Net unrealized gain on foreign exchange forward contracts	3,606,596	—
	155,349,468	175,695,997

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the MPFA is exempt from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance.

5. (DEFICIT) SURPLUS FOR THE YEAR

(Deficit) surplus for the year has been arrived at after charging (crediting):

	2005 HK\$	2004 HK\$
Staff costs		
Directors' emoluments:		
— fee	—	—
— contributions to the Mandatory Provident Fund schemes	1,492,335	1,532,700
— other emoluments	15,033,791	15,597,843
Salaries, variable pay and other benefits	107,840,282	108,652,904
Contributions to the Mandatory Provident Fund schemes	7,346,926	7,088,804
	131,713,334	132,872,251
Auditors' remuneration	89,000	83,000
Loss (gain) on disposals of property and equipment	650	(58,414)
Operating lease charges – property rentals	13,600,139	18,601,856

The emoluments for the five highest paid individuals include salary, variable pay, employer's MPF contributions, and medical and life insurance. Their emoluments fell within the following ranges:

	2005 Number of staff	2004 Number of staff
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	—	2
HK\$3,500,001 to HK\$4,000,000	1	—
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	—	1
HK\$5,000,001 to HK\$5,500,000	1	—
	5	5

MPFA NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*For the year ended
31 March 2005*

6. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$	Computer equipment and software HK\$	Office equipment and furniture HK\$	Motor vehicles HK\$	Total HK\$
COST					
At 1 April 2004	22,252,569	61,109,547	9,014,491	802,684	93,179,291
Additions	858,607	2,970,558	129,158	–	3,958,323
Disposals	–	–	(23,594)	–	(23,594)
At 31 March 2005	23,111,176	64,080,105	9,120,055	802,684	97,114,020
ACCUMULATED DEPRECIATION					
At 1 April 2004	22,252,569	46,736,090	7,336,297	802,684	77,127,640
Charge for the year	18,941	9,290,174	935,587	–	10,244,702
Eliminated on disposals	–	–	(23,594)	–	(23,594)
At 31 March 2005	22,271,510	56,026,264	8,248,290	802,684	87,348,748
NET BOOK VALUES					
At 31 March 2005	839,666	8,053,841	871,765	–	9,765,272
At 31 March 2004	–	14,373,457	1,678,194	–	16,051,651

7. PROJECTS IN PROGRESS

Projects in progress consist of capital project expenditure not completed at 31 March 2005 of HK\$507,826 (2004: HK\$ 853,229).

8. INVESTMENTS IN SECURITIES

	Held to maturity securities		Other investments		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed	–	–	1,105,462,643	231,555,000	1,105,462,643	231,555,000
Debt securities:						
Listed	–	81,338,191	1,310,699,961	1,680,928,817	1,310,699,961	1,762,267,008
Unlisted	–	406,793,691	2,332,416,593	557,144,743	2,332,416,593	963,938,434
	–	488,131,882	3,643,116,554	2,238,073,560	3,643,116,554	2,726,205,442
Total:						
Listed	–	81,338,191	2,416,162,604	1,912,483,817	2,416,162,604	1,993,822,008
Unlisted	–	406,793,691	2,332,416,593	557,144,743	2,332,416,593	963,938,434
	–	488,131,882	4,748,579,197	2,469,628,560	4,748,579,197	2,957,760,442
Market value of listed Securities	–	82,128,741	2,416,162,604	1,912,483,817	2,416,162,604	1,994,612,558

The MPFA adopted a new investment strategy of more diversified investments and intended not to hold the investments to maturity from 9 June 2004, resulting in reclassification of all held-to-maturity debt securities to other investments at fair value. This change in classification brought an unrealized gain of approximately HK\$4.3 million to the income and expenditure account.

MPFA
NOTES TO THE FINANCIAL
STATEMENTS (cont'd)

For the year ended
31 March 2005

9. FOREIGN EXCHANGE FORWARD CONTRACTS

At the balance sheet date, the MPFA had entered the following notional amounts of foreign exchange forward contracts:

	2005 HK\$	2004 HK\$
Selling of Australian Dollar	(10,853,449)	—
Buying of Euro	16,480,278	—
Selling of Euro	(162,835,885)	—
Buying of Japanese Yen	18,865,514	—
Selling of Japanese Yen	(100,188,509)	—
Selling of Norwegian Kroner	(3,336,078)	—
Buying of Pounds Sterling	6,509,368	—
Selling of Pounds Sterling	(172,387,254)	—
Selling of Singapore Dollar	(5,967,690)	—
Selling of Swedish Krona	(13,243,914)	—
Selling of Swiss Franc	(35,095,436)	—
Buying of US Dollar	508,015,821	—
Selling of US Dollar	(42,265,467)	—

10. CAPITAL GRANT

On 3 April 1998, the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region approved a capital grant of HK\$5 billion as initial funding to cover the establishment and operating costs of the MPFA.

11. LOANS TO DIRECTORS AND EXECUTIVES

There were no loans to directors or executives during the year and no loans were outstanding at the balance sheet date.

12. OPERATING LEASE COMMITMENTS

At the balance sheet date, the MPFA had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises (office properties and storage space) which fall due as follows:

	2005 HK\$	2004 HK\$
Within one year	10,187,886	10,187,886
In the second to sixth year inclusive	63,305,322	73,493,208
	73,493,208	83,681,094

13. MANDATORY PROVIDENT FUND SCHEMES COMPENSATION FUND

Section 17 of the Ordinance requires the MPFA to establish a compensation fund and the MPFA may appoint an administrator for the compensation fund or where there is no such administrator, the MPFA must administer the compensation fund. MPFA was appointed as the administrator of the compensation fund until 31 March 2007. The Mandatory Provident Fund Schemes (General) Regulation requires the compensation fund to be maintained in separate bank accounts and separate financial statements are to be prepared in respect of the fund.

**MPF SCHEMES
COMPENSATION
FUND
AUDITORS' REPORT
TO THE
ADMINISTRATOR OF
THE MANDATORY
PROVIDENT FUND
SCHEMES
COMPENSATION FUND
("THE FUND")**

*Established in Hong Kong under
the Mandatory Provident Fund
Schemes Ordinance*

We have audited the financial statements on pages 77 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF THE ADMINISTRATOR AND
AUDITORS**

The Mandatory Provident Fund Schemes Ordinance ("the Ordinance") requires the administrator to keep proper accounting records of the Fund and to prepare financial statements of the Fund which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 184(3)(a) of the Mandatory Provident Fund Schemes Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the administrator in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 31 March 2005 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
2 July 2005

**MPF SCHEMES
COMPENSATION
FUND
INCOME AND
EXPENDITURE
ACCOUNT**

*For the year ended
31 March 2005*

	Notes	2005 HK\$	2004 HK\$
INCOME			
Levy fee		37,366,309	29,571,387
Interest income on bank deposits		4,257,465	6,810,762
Net investment income	3	2,009,107	12,172,117
		43,632,881	48,554,266
EXPENDITURE			
Auditors' remuneration		43,000	40,000
Investment expenses		59,778	63,608
Other operating expenses		1,400	3,020
		104,178	106,628
SURPLUS FOR THE YEAR		43,528,703	48,447,638

MPF SCHEMES COMPENSATION FUND BALANCE SHEET

At 31 March 2005

	Notes	2005 HK\$	2004 HK\$
ASSETS			
Investments in securities	5	206,312,804	209,729,606
Levy fee receivables		36,826,884	28,386,936
Unsettled investment receivables		39,966,398	—
Interest receivables		2,759,517	2,783,467
Bank deposits		607,360,000	568,000,000
Bank balances		119,572	129,462
		893,345,175	809,029,471
LIABILITIES			
Creditors and accrued charges		47,744	57,062
Unsettled investment payables		40,796,319	—
		40,844,063	57,062
NET ASSETS		852,501,112	808,972,409
CAPITAL AND RESERVE			
Seed money	6	600,000,000	600,000,000
Income and expenditure account		252,501,112	208,972,409
		852,501,112	808,972,409

The financial statements on pages 77 to 82 were approved and authorized for issue by the Mandatory Provident Fund Schemes Authority on 2 July 2005 and signed on its behalf by:

Diana Chan
Managing Director

**MPF SCHEMES
COMPENSATION
FUND
STATEMENT OF
CHANGES IN CAPITAL
AND RESERVE**

*For the year ended
31 March 2005*

	Compensation Fund Seed Money HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2003	600,000,000	160,524,771	760,524,771
Surplus for the year	—	48,447,638	48,447,638
At 31 March 2004 and at 1 April 2004	600,000,000	208,972,409	808,972,409
Surplus for the year	—	43,528,703	43,528,703
At 31 March 2005	600,000,000	252,501,112	852,501,112

MPF SCHEMES COMPENSATION FUND CASH FLOW STATEMENT

*For the year ended
31 March 2005*

	2005 HK\$	2004 HK\$
OPERATING ACTIVITIES		
Surplus for the year	43,528,703	48,447,638
Adjustments for:		
Interest income on bank deposits	(4,257,465)	(6,810,762)
Interest income on investments in securities	(4,587,929)	(3,929,038)
Dividends from investments in securities	(978,180)	(688,010)
Net loss (gain) on investments in securities	3,557,002	(7,555,069)
Operating cashflows before movements in working capital	37,262,131	29,464,759
Increase in levy fee receivables	(8,439,948)	(10,827,353)
(Decrease) increase in creditors and accrued charges	(9,318)	4,075
NET CASH FROM OPERATING ACTIVITIES	28,812,865	18,641,481
INVESTING ACTIVITIES		
Dividends received	978,180	688,010
Interest received	8,869,344	11,978,769
Proceeds from disposals of investments in securities	439,815,202	248,571,550
Payment for purchase of investments in securities	(439,125,481)	(261,500,137)
Increase in bank deposits	(39,360,000)	(18,370,000)
(Increase) decrease in bank balances held for investment purposes	(4,771)	4,771
NET CASH USED IN INVESTING ACTIVITIES	(28,827,526)	(18,627,037)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,661)	14,444
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	84,233	69,789
CASH AND CASH EQUIVALENTS CARRIED FORWARD	69,572	84,233
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances	119,572	129,462
Less : Bank balances held for investment purposes	(50,000)	(45,229)
	69,572	84,233

**MPF SCHEMES
COMPENSATION
FUND
NOTES TO THE
FINANCIAL
STATEMENTS**

*For the year ended
31 March 2005*

1. PURPOSE AND CLAIM FOR PAYMENT

The Mandatory Provident Fund Schemes Compensation Fund (“the Fund”) is established for the purpose of compensating members of registered Mandatory Provident Fund schemes and other persons who have beneficial interests in those schemes for losses of accrued benefits that are attributable to misfeasance or illegal conduct committed by the approved trustees of those schemes or by other persons concerned with the administration of those schemes.

Application for compensation from the Fund has to be made to a court of law in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the Ordinance”). The administrator shall then make the compensation fund payment pursuant to the decisions of the court. During the year, the Mandatory Provident Fund Schemes Authority (“the MPFA”) was the administrator of the Fund. The MPFA has not charged any administration fee to the Fund during the year.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Revenue recognition

Levy fee consists of fees charged to the approved trustees of registered Mandatory Provident Fund schemes and is accounted for on an accrual basis.

Interest income on bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Interest income on investments in securities is recognized on a time basis, by reference to the principal outstanding and at the coupon rate applicable.

Dividend income from investments in securities is recognized when the shareholders’ rights to receive payment have been established.

Realized gains and losses on investments in securities are recognized when a sales contract is entered into.

Investments in securities

Investments in securities are recognized on a trade date basis and are initially measured at cost.

At subsequent reporting dates, investments in securities are measured at fair value, with unrealized gains and losses included in the income and expenditure account.

**MPF SCHEMES
COMPENSATION
FUND**
**NOTES TO THE FINANCIAL
STATEMENTS (cont'd)**

*For the year ended
31 March 2005*

3. NET INVESTMENT INCOME

	2005 HK\$	2004 HK\$
Interest income on investments in securities	4,587,929	3,929,038
Dividends from investments in securities	978,180	688,010
Net (loss) gain on investments in securities	(3,557,002)	7,555,069
	2,009,107	12,172,117

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Fund is exempt from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance.

5. INVESTMENTS IN SECURITIES

	2005 HK\$	2004 HK\$
Listed equity securities, at market value	32,023,750	30,044,100
Listed debt securities, at market value	55,594,100	179,685,506
Unlisted debt securities	118,694,954	—
	206,312,804	209,729,606

6. SEED MONEY

On 12 March 1999, an amount of HK\$600 million was injected from the Government of the Hong Kong Special Administrative Region, as the seed money of the Fund.

STATISTICS

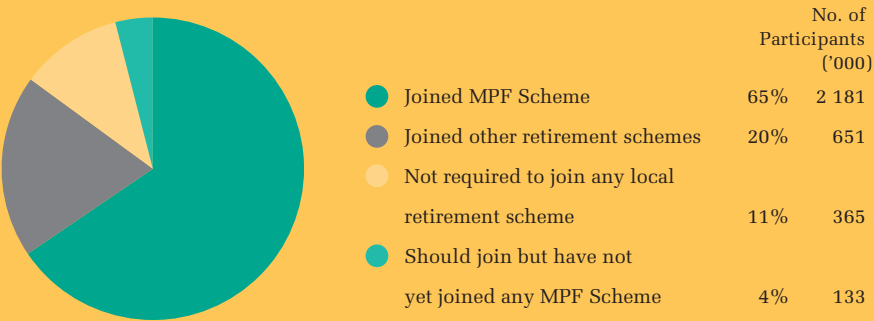
84	(A)	MPF Scheme Members
87	(B)	MPF Products
90	(C)	ORSO Schemes
94	(D)	Enquiries and Complaints
97	(E)	Enforcement

APPENDICES

101	(1)	Membership Lists of Boards and Committees
103	(2)	Mandatory Provident Fund Schemes Ordinance and Subsidiary Legislation
105	(3)	Occupational Retirement Schemes Ordinance and Subsidiary Legislation
108	(4)	List of MPF Guidelines and Codes
111	(5)	List of Circular Letters
112	(6)	List of Approved MPF Trustees and Their Background
115	(7)	List of Registered MPF Schemes and Constituent Funds
122	(8)	List of Corporate Administrators who Administer Pooling Agreements for ORSO Schemes
123	(9)	List of Major Public Education and Publicity Activities
126	(10)	List of Articles Contributed to Newspaper Columns
131	(11)	List of Staff Training and Development Programmes
132	(12)	Definition of Terms

STATISTICS
PART A
MPF SCHEME
MEMBERS

1. EMPLOYED POPULATION BY TYPE OF RETIREMENT
SCHEMES ENROLLED
(as at 31.3.2005)



2. THE MPF UNIVERSE

EMPLOYERS UNDER THE MPF SYSTEM:

	(‘000)
Number of main businesses ⁽¹⁾	297
Add	
- Number of owners’ corporations with employee(s) which are not covered in the Central Register of Establishments (CRE) ⁽²⁾	3
- Number of employers engaged in other industries which are not covered in the CRE	3
Less	
- Number of business establishments with no employee ⁽³⁾	71
- Number of business establishments engaging exempt persons only	3
Employers under the MPF System*	228

* Figures may not sum up to the total due to rounding.

Sources:

- (1) Estimation based on figures provided by the Central Register of Establishments and the Survey of Employment and Vacancies, Census and Statistics Department
- (2) Estimation based on figures provided by the Land Registry
- (3) Estimation based on figures provided by the Census and Statistics Department

Statistics (Cont'd)
PART A
MPF SCHEME
MEMBERS

RELEVANT EMPLOYEES UNDER THE MPF SYSTEM:

	('000)
Number of employees (excluding employees aged below 18 or above 65) ⁽¹⁾	2 874
Less	
- Civil servants who are covered by the Civil Service Pension System ⁽²⁾	154
- Teachers who are covered by the Grant Schools or Subsidized Schools Provident Fund ⁽³⁾	40
- Employees who choose to remain as members of MPF Exempted ORSO Registered Schemes ⁽⁴⁾	457
- Domestic employees ⁽⁵⁾	206
- Expatriates who do not have the right of abode in Hong Kong and are covered by overseas retirement schemes or who work in Hong Kong for not more than 13 months ⁽⁶⁾	45
- Employees who are employed for less than 60 days, excluding employees participating in construction and catering industries ⁽⁷⁾	19
Relevant Employees under the MPF System*	1 952

* Figures may not sum up to the total due to rounding.

Sources :

- (1) Estimation based on statistics obtained from the General Household Survey by Census and Statistics Department
- (2) Estimation based on the figures published by the Civil Service Bureau
- (3) Estimation based on the figures published by the Treasury Department
- (4) Estimation based on figures reported by Employers of MPF Exempted ORSO Registered Schemes
- (5) Estimation based on statistics obtained from the General Household Survey by Census and Statistics Department
- (6) Estimation based on figures provided by the Immigration Department
- (7) Estimation based on figures obtained from a special topic enquiry conducted via the General Household Survey in Q2 2003 by Census and Statistics Department

SELF-EMPLOYED PERSONS UNDER THE MPF SYSTEM:

	('000)
Number of SEPs based on General Household Survey (excluding SEPs aged below 18 or above 65) ⁽¹⁾	365
Less	
- SEPs who are licensed hawkers ⁽²⁾ (excluding licensed hawkers aged below 18 or above 65)	4
SEPs under the MPF System*	361

* Figures may not sum up to the total due to rounding.

Sources :

- (1) SEPs under the MPF System include both "self-employed persons" and "employers" as defined in the Quarterly Report on General Household Survey, Census and Statistics Department.
- (2) Estimation based on statistics obtained from the General Household Survey by Census and Statistics Department.

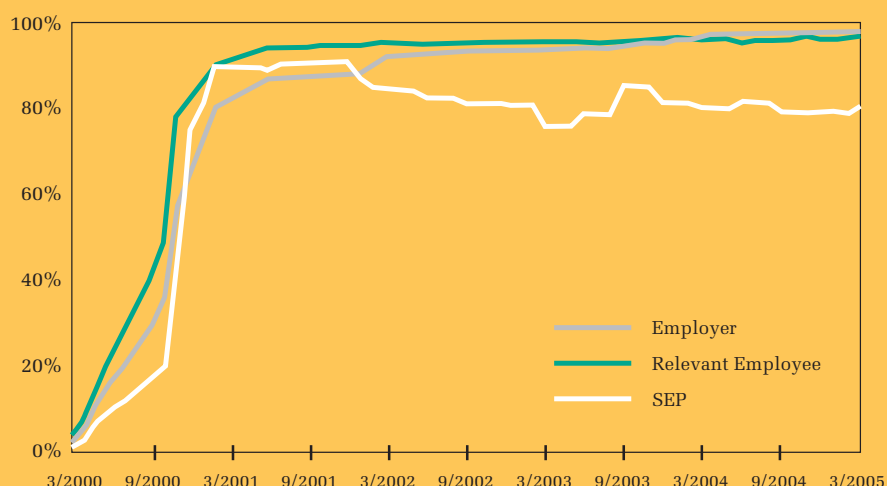
Statistics (Cont'd)

PART A

MPF SCHEME

MEMBERS

3. ENROLMENT IN MPF SYSTEM



4. NUMBER OF PARTICIPATING MEMBERS AND COMPLIANCE RATES (1.4.2004 - 31.3.2005)

As at	Employer		Relevant Employee		SEP		No. of Preserved Accounts
	Participating Employers ⁽¹⁾ (^{'000})	Compliance Rate (%)	Participating Members ⁽¹⁾ (^{'000})	Compliance Rate (%)	Participating Members ⁽¹⁾ (^{'000})	Compliance Rate (%)	
31.03.2004	220	97.1	1 747	96.0	297	80.3	1 267
30.06.2004	222	97.7	1 774	95.4	297	81.8	1 355
30.09.2004	223	97.7	1 800	95.8	296	79.4	1 455
31.12.2004	223	97.9	1 837	96.2	294	79.6	1 558
31.03.2005	224	97.9	1 889	96.7	292	80.8	1 647

- (1) As the MPF is an employment-based system, some employers and members may be participating in more than one scheme. Adjustments have been made for employers and members who are participating in more than one scheme in the same capacity.

5. MPF CONTRIBUTIONS RECEIVED AND BENEFITS PAID (1.4.2004 - 31.3.2005)

(HK\$ million)						
Quarter	Contributions Received			Benefits Paid		
	Mandatory	Voluntary	Total*	Mandatory	Voluntary	Total*
Q2 2004	5,423	557	5,980	332	253	585
Q3 2004	5,502	567	6,069	347	285	632
Q4 2004	5,655	586	6,241	379	305	684
Q1 2005	5,974	658	6,632	441	321	762
Total	22,554	2,368	24,922	1,498	1,164	2,663

* Figures may not sum up to the total due to rounding.

Statistics (Cont'd)
PART B
MPF PRODUCTS

1A. NET ASSET VALUES OF MPF SCHEMES BY TYPE

(1.4.2004 - 31.3.2005)

As at	Type of MPF Schemes			(HK\$ million)
	Master Trust Schemes	Industry Schemes	Employer Sponsored Schemes	
31.03.2004	94,026	2,275	740	97,041
30.06.2004	96,790	2,339	769	99,898
30.09.2004	104,446	2,478	826	107,750
31.12.2004	116,514	2,746	922	120,183
31.03.2005	120,521	2,820	975	124,316

* Figures may not sum up to the total due to rounding.

1B. NET ASSET VALUES OF MPF SCHEMES BY TYPE

(as at 31.3.2005)



2A. NET ASSET VALUES OF APPROVED CONSTITUENT FUNDS BY TYPE

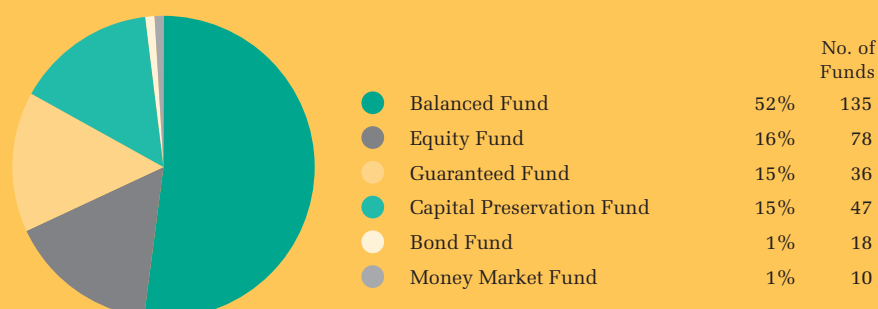
(1.4.2004 - 31.3.2005)

As at	Type of Approved Constituent Funds						(HK\$ million)
	Capital Preservation Fund	Money Market Fund	Guaranteed Fund	Bond Fund	Balanced Fund	Equity Fund	
31.03.2004	15,185	771	15,893	1,151	49,396	14,645	97,041
30.06.2004	16,143	799	16,428	1,190	50,105	15,232	99,898
30.09.2004	17,164	823	17,430	1,308	53,915	17,110	107,750
31.12.2004	18,237	856	18,528	1,486	61,526	19,550	120,183
31.03.2005	19,204	904	19,020	1,568	63,354	20,266	124,316

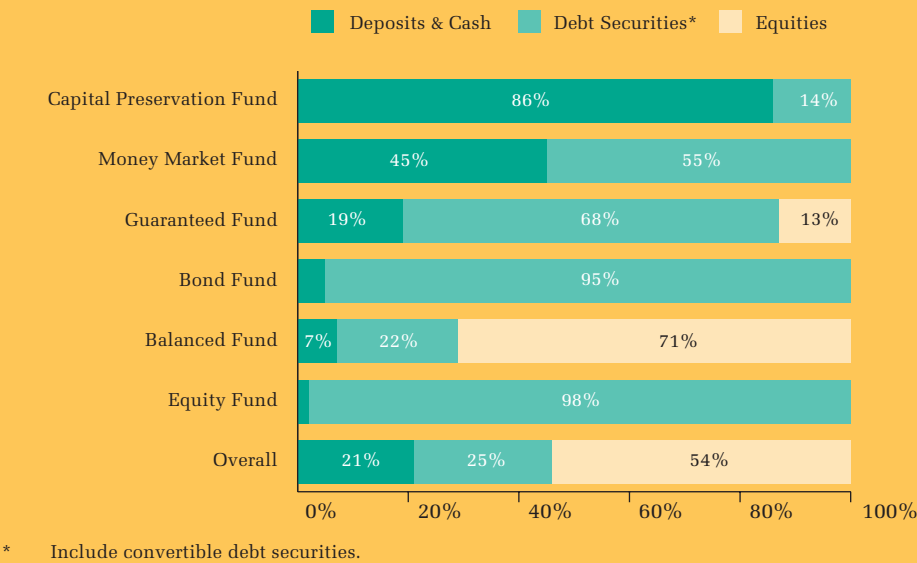
* Figures may not sum up to the total due to rounding.

2B. NET ASSET VALUES OF APPROVED CONSTITUENT FUNDS BY TYPE

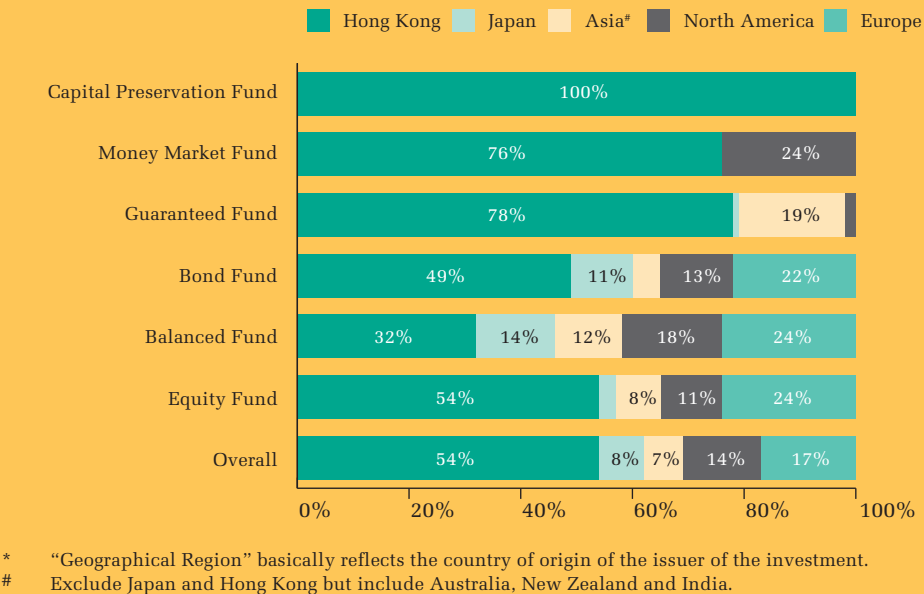
(as at 31.3.2005)



3. ASSET ALLOCATION OF CONSTITUENT FUNDS BY ASSET CLASS
(as at 31.3.2005)



4. ASSET ALLOCATION OF CONSTITUENT FUNDS BY GEOGRAPHICAL REGION* *(as at 31.3.2005)*



Statistics (Cont'd)
PART B
MPF PRODUCTS

5. ASSET ALLOCATION OF CONSTITUENT FUNDS BY ASSET CLASS AND GEOGRAPHICAL REGION¹ (as at 31.3.2005)

	Deposits & Cash	Debt Securities ²	Equities	Overall*
Hong Kong	21%	13%	20%	54%
Japan	§	2%	5%	8%
Asia [#]	§	§	7%	7%
North America	1%	5%	9%	14%
Europe	§	5%	12%	17%
Overall	21%	25%	54%	100%

1 "Geographical Region" basically reflects the country of origin of the issuer of the investment.

2 Including convertible debt securities.

* Figures may not sum up to the total due to rounding.

Exclude Japan and Hong Kong but include Australia, New Zealand and India.

§ Less than 0.5%.

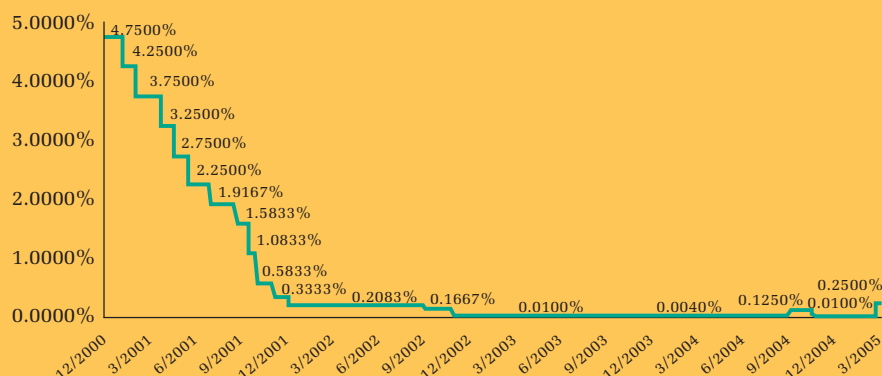
6. ANNUALIZED RATE OF RETURN OF THE MPF SYSTEM WEIGHTED BY NET CONTRIBUTIONS[#]

	Annualized Rate of Return	Annualized Composite CPI* % Change
1.4.2001 - 31.3.2002	-2.9%	-2.15%
1.4.2002 - 31.3.2003	-12.1%	-2.09%
1.4.2003 - 31.3.2004	19.2%	-2.13%
1.4.2004 - 31.3.2005	4.0%	0.87%
1.4.2001 - 31.3.2005	4.3%	-1.38%

This method calculates the rate of return, net of expenses, of the whole MPF System over a particular period by taking into account the timing of contributions into and benefit withdrawals from the System.

* Different series of Consumer Price Indices (CPIs) are compiled by the Census and Statistics Department to reflect the impact of consumer price changes on households in different expenditure ranges. The CPI(A), CPI(B) and CPI(C) are compiled based on the expenditure patterns of households in the relatively low, medium and relatively high expenditure ranges respectively. A Composite CPI is compiled based on the overall expenditure pattern of all the above households taken together to reflect the impact of consumer price changes on the household sector as a whole.

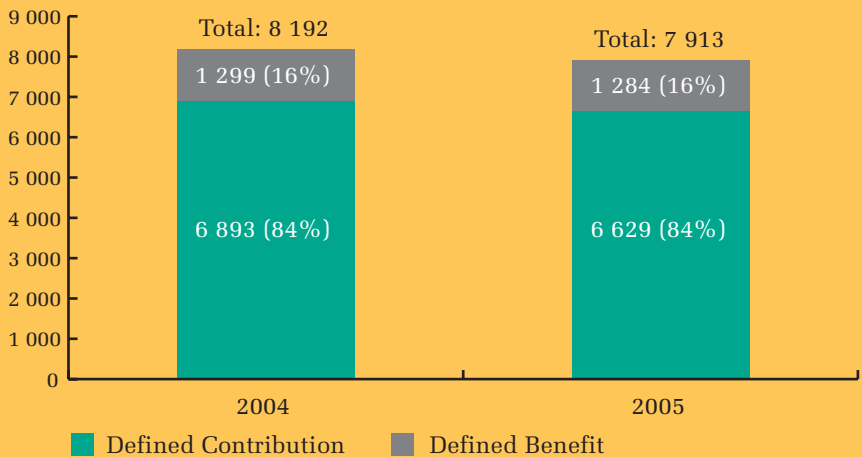
7. PRESCRIBED SAVINGS RATES (PSR)⁽¹⁾
(1.12.2000 - 31.3.2005)



(1) The PSR is prescribed by the MPFA pursuant to section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation for the operation of Capital Preservation Funds.

ORSO SCHEMES

1. NUMBER OF ORSO SCHEMES – BY BENEFIT TYPE
(two year comparison)



2. NUMBER OF ORSO SCHEMES – BY BENEFIT TYPE
(as at 31.3.2005)

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	No. of Schemes	%	No. of Schemes	%	No. of Schemes	%
Registered Scheme						
– MPF exempted	4 585	69	277	21	4 862	61
– Non-MPF exempted	991	15	34	3	1 025	13
	5 576	84	311	24	5 887	74
Exempted Scheme						
– MPF exempted	229	4	170	13	399	5
– Non-MPF exempted	824	12	803	63	1 627	21
	1 053	16	973	76	2 026	26
Total	6 629	100	1 284	100	7 913	100

MPF EXEMPTED ORSO SCHEMES

3. NUMBER OF MPF EXEMPTED ORSO SCHEMES

(as at 31.3.2005)

Statistics (Cont'd)

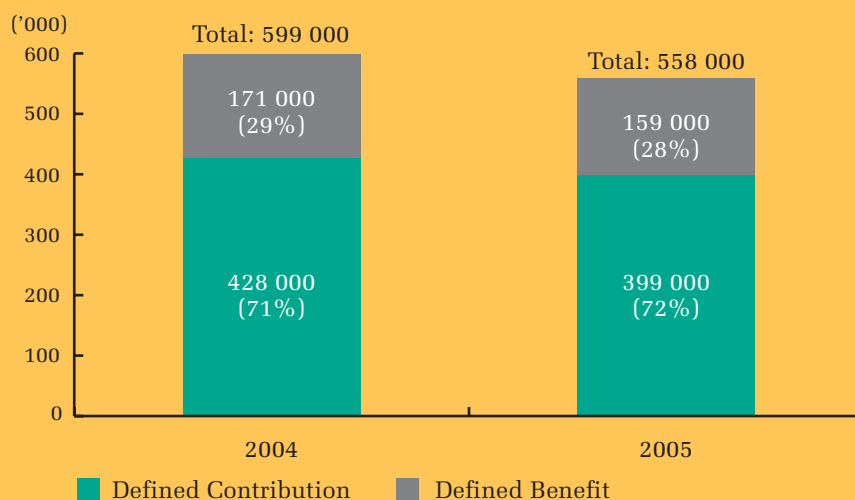
PART C

ORSO SCHEMES

	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(a) Number of MPF Exempted ORSO Schemes approved as at 31.3.2004	5 069	435	5 504
(b) Number of new applications approved during the period from 1.4.2004 to 31.3.2005 (Note)	12	0	12
(c) Number of withdrawals of MPF Exemption Certificates during the period from 1.4.2004 to 31.3.2005	219	36	255
(d) Number of MPF Exempted ORSO Schemes as at 31.3.2005 [i.e. (d) = (a) + (b) - (c)]	4 862	399	5 261

Note: This refers to the application for MPF exemption in respect of newly established ORSO registered schemes whereby all or a substantial portion of the members and assets of the schemes were transferred from 1 or more MPF exempted ORSO schemes as a result of scheme restructuring or bona fide business transactions.

ORSO REGISTERED SCHEMES

4. NUMBER OF MEMBERS COVERED BY ORSO REGISTERED SCHEMES – BY BENEFIT TYPE *(two year comparison)*

Statistics (Cont'd)
PART C
ORSO SCHEMES

**5. NUMBER OF MEMBERS COVERED BY ORSO REGISTERED SCHEMES –
BY BENEFIT TYPE** *(as at 31.3.2005)*

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	('000)	%	('0 00)	%	('000)	%
MPF exempted	349	70	150	30	499	100
Non-MPF exempted	50	85	9	15	59	100
Total	399	72	159	28	558	100

CONTRIBUTION AMOUNT

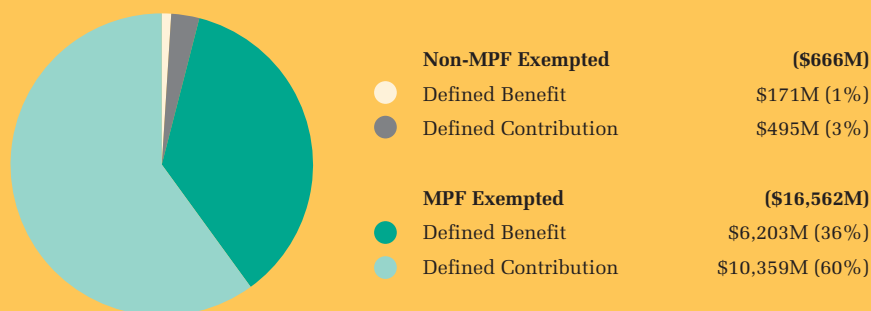
**6. ANNUAL CONTRIBUTION AMOUNT TO ORSO REGISTERED SCHEMES –
BY EMPLOYERS AND EMPLOYEES**

	MPF Exempted (in million HK\$)	Non-MPF Exempted (in million HK\$)	Total (in million HK\$)
Employer's Contributions			
– Ordinary	12,425 (75%)	451 (68%)	12,876 (75%)
– Initial/Special	790 (5%)	70 (10%)	860 (5%)
Sub-total	13,215 (80%)	521 (78%)	13,736 (80%)
Employee's Contributions	3,347 (20%)	145 (22%)	3,492 (20%)
Total Contributions	16,562 (100%)	666 (100%)	17,228 (100%)

Source: The latest annual returns in respect of 5 841 ORSO registered schemes.

Statistics (Cont'd)
PART C
ORSO SCHEMES

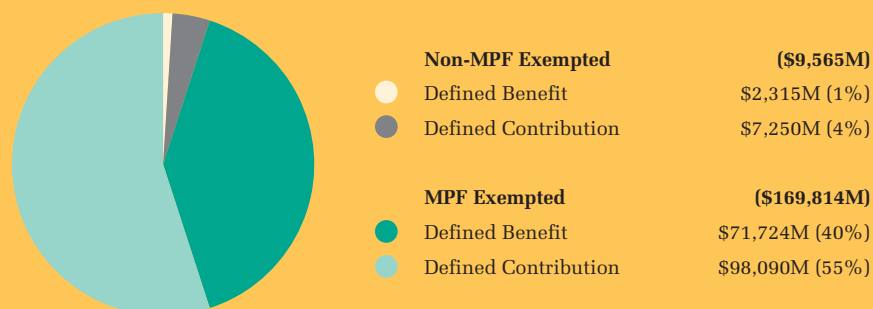
7. ANNUAL CONTRIBUTION AMOUNT TO ORSO REGISTERED SCHEMES – BY BENEFIT TYPE



Contribution Amount: HK\$17,228 million

Source: The latest annual returns in respect of 5 841 ORSO registered schemes.

8. ASSET SIZE OF ORSO REGISTERED SCHEMES – BY BENEFIT TYPE
(as at 31.3.2005)

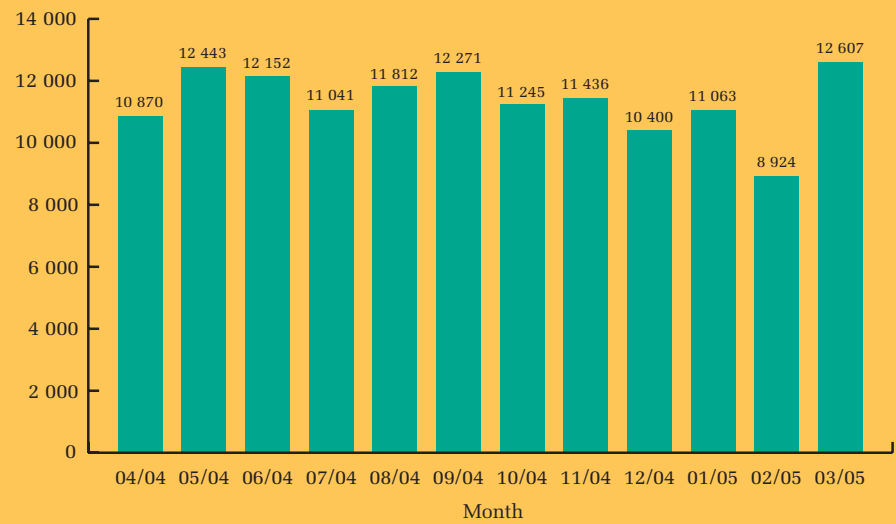


Asset Size: HK\$179,379 million

Source: The latest annual returns in respect of 5 841 ORSO registered schemes.

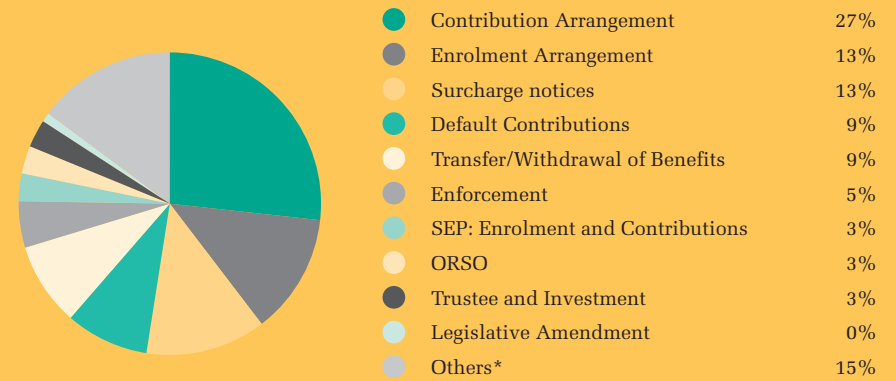
Statistics (Cont'd)
PART D
ENQUIRIES AND
COMPLAINTS

1. ENQUIRIES RECEIVED BY MONTH (1.4.2004 - 31.3.2005)



Mode of Enquiries	04												05		Total
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Jan	Feb	
Phone	10 610	12 181	11 848	10 753	11 558	11 992	10 961	11 149	10 169	10 789	8 730	12 314	10 789	8 730	133 054
Written	151	184	213	210	176	202	229	205	167	194	134	210	194	134	2 275
Walk-in	109	78	91	78	78	77	55	82	64	80	60	83	80	60	935
Total	10 870	12 443	12 152	11 051	11 812	12 271	11 245	11 436	10 500	11 063	8 924	12 607	11 063	8 924	136 264

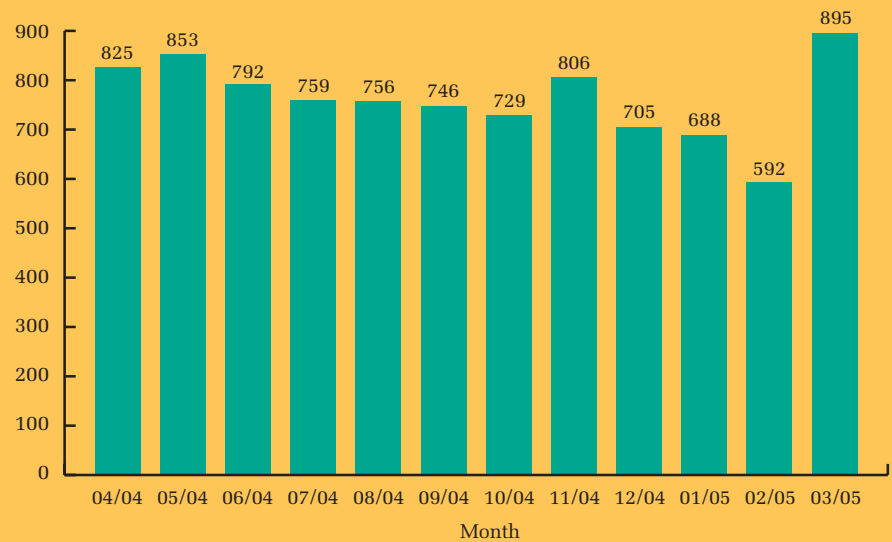
2. ENQUIRIES RECEIVED BY NATURE (1.4.2004 - 31.3.2005)



* Others include Offsetting long service payment/severance payment; Enrolment under the Industry Schemes; Miscellaneous

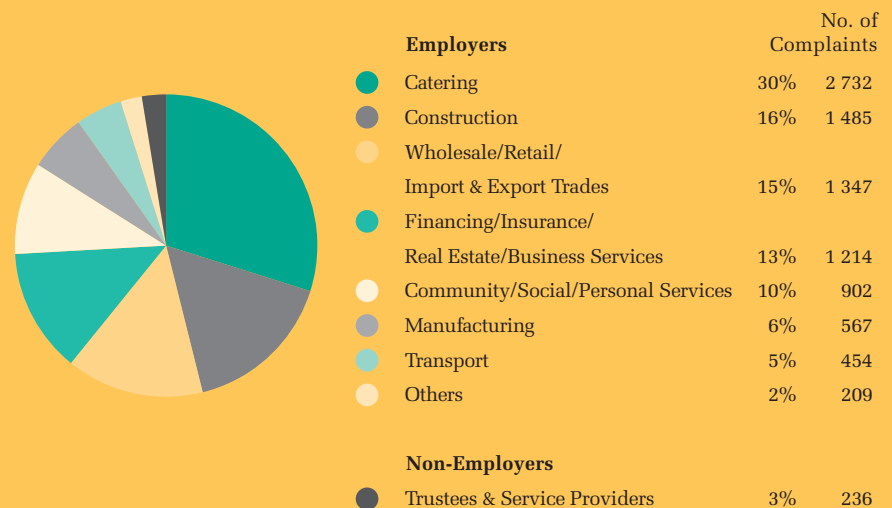
Statistics (Cont'd)
PART D
ENQUIRIES AND
COMPLAINTS

3. COMPLAINTS RECEIVED BY MONTH (1.4.2004 - 31.3.2005)

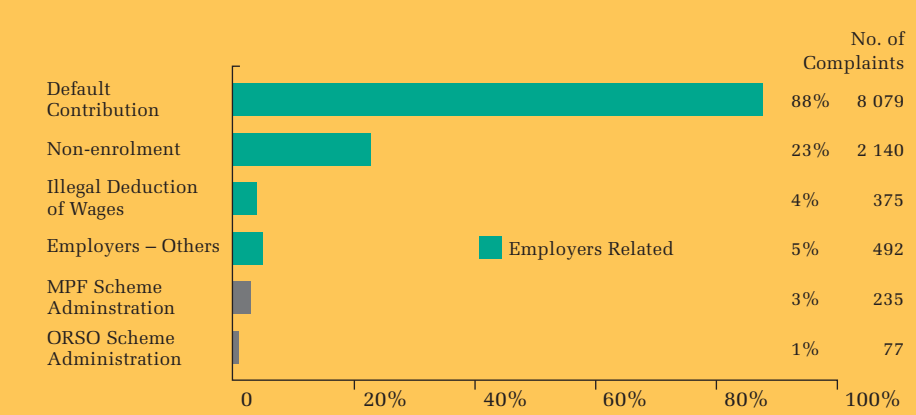


Mode of Complaints	04 Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	05 Jan	Feb	Mar	Total
Phone	678	752	697	692	688	668	649	684	640	617	532	768	8 065
Written	26	28	31	33	31	35	50	62	28	38	26	81	469
Walk-in	121	73	64	34	37	43	30	60	37	33	34	46	612
Total	825	853	792	759	756	746	729	806	705	688	592	895	9 146

4. COMPLAINTS RECEIVED BY TARGET (1.4.2004 - 31.3.2005)



5. COMPLAINTS RECEIVED BY NATURE* (1.4.2004 - 31.3.2005)



* Multiple selection of complaint categories allowed.

Statistics (Cont'd)

PART D
ENQUIRIES AND
COMPLAINTS

Statistics (Cont'd)

PART E

ENFORCEMENT

1. PROACTIVE INSPECTIONS CARRIED OUT, BY DISTRICT

(1.4.2004 - 31.3.2005)

District	Number	%
Yau Tsim Mong	559	17%
Central & Western	440	14%
Kwun Tong	322	10%
Eastern	259	8%
Wan Chai	239	7%
Kwai Tsing	227	7%
Kowloon City	218	7%
Sham Shui Po	203	6%
Tsuen Wan	175	5%
Sha Tin	171	5%
Yuen Long	170	5%
Tuen Mun	120	4%
North	44	1%
Tai Po	39	1%
Wong Tai Sin	29	1%
Southern	28	1%
Sai Kung	7	§
Islands	4	§
Total	3 254	100%

§ Less than 0.5%.

2. PROACTIVE INSPECTIONS CARRIED OUT, BY BUSINESS NATURE

(1.4.2004 - 31.3.2005)



3. PROACTIVE INSPECTIONS CARRIED OUT, BY RESULTS

(1.4.2004 - 31.3.2005)

Inspection Results	Number	(%)
No further action required (i.e. compliance verified on the spot)	1 509	46.4
Follow-up action required	1 745	53.6
– Investigation in progress	1 089	33.5
– No further action required after investigation	460	14.1
– Rectified after intervention by MPFA	157	4.8
– Claims to Small Claims Tribunal	27	0.8
– Claims to District Court	11	0.3
– Claims to High Court	1	§
Total	3 254	100.0

§ Less than 0.05%.

Statistics (Cont'd)

**PART E
ENFORCEMENT****4. NUMBER OF PAYMENT NOTICES ISSUED IN RESPONSE TO DEFAULT CONTRIBUTION REPORTS RECEIVED FROM TRUSTEES**
(1.4.2004 - 31.3.2005)

Month	1st Notice @ 15% p.a.	2nd Notice @ 20% p.a.	Notice @ 5% ⁽¹⁾	Total ⁽²⁾
Apr 2004	100	100	25 000	25 200
May 2004	200	100	24 100	24 400
Jun 2004	100	100	24 800	25 100
Jul 2004	100	100	25 400	25 600
Aug 2004	\$	200	25 800	26 000
Sep 2004	100	\$	25 400	25 500
Oct 2004	100	\$	25 600	25 800
Nov 2004	100	100	25 500	25 700
Dec 2004	100	\$	25 200	25 300
Jan 2005	\$	\$	25 700	25 700
Feb 2005	\$	\$	25 700	25 700
Mar 2005	\$	\$	25 800	25 900
Total⁽²⁾	1 000	700	304 000	305 700

(1) Notices imposing a surcharge @5% flat rate in respect of default periods after the relevant legislative amendments came into effect in February 2003.

(2) Figures may not sum up to total due to rounding.

\$ Less than 50

5. NUMBER OF INVESTIGATION CASES BY TYPE OF ALLEGED OFFENCES BY MONTH (1.4.2004 - 31.3.2005)

Month	Alleged Offences						Total*
	Deduction of wages	Forced change to SEP	Non-enrolment	Default Contribution	Failed to Issue Pay Record	Others [#]	
Apr 2004	35	2	177	760	6	33	805
May 2004	31	2	188	765	2	42	820
Jun 2004	54	0	182	707	5	26	767
Jul 2004	22	1	195	648	2	37	728
Aug 2004	31	0	180	656	1	48	725
Sep 2004	30	1	155	649	2	41	706
Oct 2004	25	1	166	620	1	47	695
Nov 2004	33	3	195	711	1	33	773
Dec 2004	22	4	194	626	1	31	681
Jan 2005	26	1	170	601	4	31	669
Feb 2005	24	3	138	537	1	26	580
Mar 2005	42	0	200	799	2	51	873
Total	375	18	2 140	8 079	28	446	8 822

Others include failure to notify trustees of termination of employment, etc.

* As one case may be related to several types of alleged offences, figures may not sum up to the row total.

Statistics (Cont'd)
PART E
ENFORCEMENT

**6. NUMBER OF SUMMONS APPLICATIONS REFERRED TO THE POLICE –
 BY NATURE OF OFFENCES COMMITTED AND BY RESULTS**
(1.4.2004 - 31.3.2005)

Nature of Offences	Prosecution Status as at 31.3.2005			Total Number of Summonses Applied
	Guilty	Not yet available	Withdrawn*	
Non-enrolment of Employee	13	16	1	30
Contributions in arrears	713	263	51	1 027
Total	726	279	52	1 057

* Summonses could not be effectively served by Police or Bailiff, as the defendants had moved away, closed, become untraceable or had wound up or become bankrupt after issuance of summonses.

**7A. NUMBER OF APPLICATIONS LODGED WITH A COURT OF
 COMPETENT JURISDICTION, BAILIFF AND LIQUIDATOR**
(1.4.2004 - 31.3.2005)

	Number of Cases	Related Number of Employees
Lodged with the Small Claims Tribunal	1 183	2 734
Lodged with the District Court	45	782
Lodged with the High Court	3	394
Lodged with Bailiff	487	924
Lodged with Liquidator	391	6 088

7B. NUMBER OF GARNISHEE ORDERS APPLIED *(1.4.2004 - 31.3.2005) : 9*

Statistics (Cont'd)

PART E

ENFORCEMENT

8. FINANCIAL PENALTY NOTICES ISSUED TO APPROVED TRUSTEES
(1.4.2004 - 31.3.2005)

Breaches	Number of Financial Penalty Notices Issued	Number of Breaches	Amount of Financial Penalty
			HK\$
Breach of section 153(2) of the General Regulation (Failure to transfer accrued benefits within statutory timeframe)	1	1	10,000
Breach of section 156(2) of the General Regulation (Failure to transfer accrued benefits within statutory timeframe after receiving the payment of surcharges)	1	1	20,000
Total	2	2	30,000

9. FINANCIAL PENALTY NOTICES ISSUED TO EMPLOYERS
(1.4.2004 - 31.3.2005)

Breach	Number of Financial Penalty Notices Issued	Amount of Financial Penalty
		HK\$
Breach of section 7A(8) of the MPFSO (Failure to pay MPF contributions in respect of an employee to the approved trustee within the prescribed period)	8	40,000

APPENDIX 1 MEMBERSHIP LISTS OF BOARDS AND COMMITTEES

As at 31 March 2005

MANAGEMENT BOARD

Chairman

Mr Charles Lee Yeh-kwong, *GBS, JP*

Deputy Chairman

Mrs Diana Chan Tong Chee-ching

Members

Mr Lee Kai-ming, *SBS, JP*

The Hon Tam Yiu-chung, *GBS, JP*

Mr Kenneth Ting Woo-shou, *SBS, JP*

Mr Edward Chan King-sang, *SC, JP*

(from 12 May 2004)

Mr Leo Kung Lin-cheng *(from 17 March 2005)*

Mrs Angelina Lee Wong Pui-ling, *JP*

(from 17 March 2005)

Mr David Sun Tak-kei *(from 17 March 2005)*

The Hon Wong Ting-kwong, *BBS*

(from 17 March 2005)

The Hon Stephen Ip Shu-kwan, *GBS, JP*

The Hon Frederick Ma Si-hang, *JP*

Mr Eddy Fong Ching, *SBS, JP*

(until 16 March 2005)

Dr the Hon David Li Kwok-po, *GBS, JP*

(until 16 March 2005)

Dr the Hon Lui Ming-wah, *JP*

(until 16 March 2005)

Ms Anna Wu Hung-yuk, *SBS, JP*

(until 16 March 2005)

Mr Joseph Yam Chi-kwong, *GBS, JP*

(until 16 March 2005)

Ms Hendena Yu

Mr Ernest Lee Shu-wing, *BBS*

Mr Darren McShane

Mr Jimmy Woo Jack-man *(from 1 February 2005)*

Note: The Hon Mr Justice Tang Ching, Robert, *SBS, JP*, resigned as a non-executive director on 2 April 2004 to take up the appointment as a Judge of the Court of First Instance.

MANDATORY PROVIDENT FUND SCHEMES ADVISORY COMMITTEE

Chairman

Prof Nelson Chow Wing-sun, *SBS, JP*

Deputy Chairman

Mrs Diana Chan Tong Chee-ching

Members

Dr Danny Ngai Kam-fai, *JP*

Mr Chan Kin-por *(from 30 March 2005)*

Mr Bob Chong Hot-hoi *(from 30 March 2005)*

The Hon Albert Ho Chun-yan

(from 30 March 2005)

Mr Lam Yim-nam *(from 30 March 2005)*

Mr Leung Fu-wah, *MH, JP (from 30 March 2005)*

The Hon Li Fung-ying, *BBS, JP*

(from 30 March 2005)

Mr Alvin Wong Tak-wai *(from 30 March 2005)*

Mr V-Nee Yeh *(from 30 March 2005)*

The Hon Bernard Chan, *JP*

(until 29 March 2005)

The Hon Chan Yuen-han, *JP*

(until 29 March 2005)

Mr David Chu Yu-lin, *JP*

(until 29 March 2005)

Mr Ho Sai-chu, *SBS, JP*

(until 29 March 2005)

Mr Ng Leung-sing, *SBS, JP*

(until 29 March 2005)

Mr Poon Siu-ping, *MH*

(until 29 March 2005)

The Hon Sin Chung-kai, *JP*

(until 29 March 2005)

Mr Desmond Chan *(until 29 March 2005)*

MPF INDUSTRY SCHEMES COMMITTEE

Chairman

Mr Lee Kai-ming, *SBS, JP*

Members

Mr Chan Chi-leung

Mr Chan Wai-lun, *MH*

Mr Cheung Wai-lam, Valiant, *MH*

Mr Ho Sai-chu, *SBS, JP*

Mr Ngan Chun-hung

Mr So Kim-hung

Mr Choi Chun-wa, *MH*

Mr Wong Wing-hoo, Billy

Mr Chan Kay-cheung

Ms Lau Ka-shi

Mr Ernest Lee Shu-wing, *BBS*

ADMINISTRATION COMMITTEE

Chairman

Dr the Hon Lui Ming-wah, *JP*

(until 16 March 2005)

Members

Mr Charles Lee Yeh-kwong, *GBS, JP*

Mr Lee Kai-ming, *SBS, JP*

Mrs Diana Chan Tong Chee-ching

FINANCE COMMITTEE

Chairman

Dr the Hon David Li Kwok-po, *GBS, JP*

(until 16 March 2005)

Members

Mr Charles Lee Yeh-kwong, *GBS, JP*

Mr Eddy Fong Ching, *SBS, JP*

(until 16 March 2005)

Mr Joseph Yam Chi-kwong, *GBS, JP*

(until 16 March 2005)

Mrs Diana Chan Tong Chee-ching

Appendix 1 (Cont'd)
**MEMBERSHIP LISTS
OF BOARDS AND
COMMITTEES**

As at 31 March 2005

TENDER BOARD

Chairman

Ms Anna Wu Hung-yuk, *SBS, JP*
(until 16 March 2005)

Members

Dr the Hon Lui Ming-wah, *JP*
(until 16 March 2005)
Mrs Diana Chan Tong Chee-ching
Ms Hendena Yu*
Mr Ernest Lee Shu-wing, *BBS**
Mr Darren McShane*

* One of these executive directors to attend
relevant Tender Board meetings

GUIDELINES COMMITTEE

Chairman

Ms Anna Wu Hung-yuk, *SBS, JP*
(from 26 April 2004 until 16 March 2005)

Members

Mr Edward Chan, *SC, JP (from 2 July 2004)*
Mr Duncan Abate
Ms Kerry Ching
Mr David Humphreys
Ms Lau Ka-shi
Mr Terry Lo *(from 2 July 2004)*
Mr Albert K K Li
Mr Edward Lau *(until 1 July 2004)*
Mr Darren McShane *(from 6 October 2004)*
Ms Hendena Yu *(until 5 October 2004)*

**MPF SCHEMES OPERATION REVIEW
COMMITTEE**

Chairman

Mr Ronald Arculli, *GBS, JP*

Employee Representatives

Mr Lee Kai-ming, *SBS, JP*
Mr Ting Kam Yuen
Ms Cheung Lai Ha

Employer Representatives

Ms Mary Tung Wai-mun
Ms Edith Lee

MPF Industry Representatives

Ms Lau Ka-shi
Mr Mark Bain
Mr Terry Lo *(from 20 May 2004)*
Ms Kerry Ching *(from 27 September 2004)*
Mr Duncan Abate
Mr Edward Lau *(until 19 May 2004)*
Mr Tony Archer *(until 26 September 2004)*

HKSAR Government Representatives

Miss Emma Lau, *JP (from 23 August 2004)*
Mr Alan Wong Kwok-lun
Mrs Clarie Lo *(until 22 August 2004)*

MPFA Representatives

Mr Lee Kai-ming, *SBS, JP*
Mrs Diana Chan Tong Chee-ching

**MANDATORY PROVIDENT FUND
SCHEMES APPEAL BOARD**

Chairman

Mr Patrick Fung Pak-tung, *SC*

Deputy Chairman

Mrs Angelina Lee Wong Pui-ling, *JP*
(until 16 March 2005)

Panel Members

Prof Fan Yiu-kwan, *JP*
Mr Joseph P Fok, *SC*
Mr Philip Hilliard
Prof Francis Lui Ting-ming
Mr So Wai-keung
Dr Anthony Tyen Kan-hee
Mr Roderick Woo Bun, *JP*

**OCCUPATIONAL RETIREMENT
SCHEMES APPEAL BOARD**

Chairman

Mr Patrick Fung Pak-tung, *SC*

Deputy Chairman

Mrs Angelina Lee Wong Pui-ling, *JP*
(until 30 September 2004)
Mr Roderick WOO Bun, *JP*
(from 1 October 2004)

Panel Members

Ms Chan Ching-chu *(from 1 October 2004)*
Mr Joseph Paul Fok, *SC*
(from 1 October 2004)
Mr Paul Tan Chuen-yan
(from 1 October 2004)
Mr Carlson Tong *(from 1 October 2004)*
Ms Maria Xuereb *(from 1 October 2004)*
Mr Desmond Chan Kwok-kit
(until 30 September 2004)
Mr Philip Hilliard *(until 30 September 2004)*
Mr Shiu Wai-kwok
(until 30 September 2004)
Mr So Wai-keung *(until 30 September 2004)*
Dr Anthony Tyen Kan-hee
(until 30 September 2004)

ADVISOR TO THE MPFA

Mr Rafael Hui Si-yan, *GBS, JP*

APPENDIX 10
LIST OF ARTICLES
CONTRIBUTED TO
NEWSPAPER COLUMNS
April 2004 - March 2005

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
Apple Daily	26-4-2004	積少日記 — 加強溝通改善強積金服務
	10-5-2004	積少日記 — 強積金可抵銷長服金遣散費
	24-5-2004	積少日記 — 受僱滿60日僱主須供強積金
	7-6-2004	積少日記 — 強積金退休保障非應急錢
	21-6-2004	積少日記 — 替去世親人領取強積金
	5-7-2004	積少日記 — 保證基金回報可調整
	19-7-2004	積少日記 — 短期市況無損強積金回報
	2-8-2004	積少日記 — 入稟區院加快追討欠款
	16-8-2004	積少日記 — 自僱人士緊記定時供款
	30-8-2004	積少日記 — 不要貿然轉為自僱人士
	13-9-2004	積少日記 — 公積金強積金領取規定有別
	27-9-2004	積少日記 — 保本基金也會虧損
	11-10-2004	積少日記 — 兩種低風險投資工具
	25-10-2004	積少日記 — 評估風險慎選基金
	8-11-2004	積少日記 — 對付欠供強積金僱主
	22-11-2004	積少日記 — 只將金錢作儲蓄回報不大
	6-12-2004	積少日記 — 自僱人士也須供強積金
	20-12-2004	積少日記 — 高院追欠款加強阻嚇
	3-1-2005	積少日記 — 加強檢控欠供款僱主
	17-1-2005	積少日記 — 強積金供款勿忘交結算書
	31-1-2005	積少日記 — 嚴打長期拖欠供款僱主
	14-2-2005	積少日記 — 解釋退休計劃僱主有責
	27-2-2005	有問「積」答 — 注意自願供款條款
	13-3-2005	有問「積」答 — 特定情況提早領取強積金
	27-3-2005	有問「積」答 — 駐外僱員享強積金權益
HK Daily News	27-4-2004	積金仔 — 強積金可購五隧一橋債券
	11-5-2004	積金仔 — 僱主供款可抵銷遣散費
	25-5-2004	積金仔 — 試用期亦需供強積金
	8-6-2004	積金仔 — 強積金非為應急之用
	22-6-2004	積金仔 — 去世後積金當遺產處理
	6-7-2004	積金仔 — 基金保證回報隨時有變
	19-7-2004	積金仔 — 應長綫看強積金投資
	8-8-2004	積金仔 — 循區院追討積金欠款
	15-8-2004	積金仔 — 自僱人士需供強積金
	5-9-2004	積金仔 — 公積金與強積金有別
	12-9-2004	積金仔 — 強積金資產穩步增長
	26-9-2004	積金仔 — 保本基金亦可虧損
	10-10-2004	積金仔 — 保本基金屬穩健之選
	31-10-2004	積金仔 — 按可承受風險投資強積金
	7-11-2004	積金仔 — 積金局嚴打無良僱主
	21-11-2004	積金仔 — 理財計劃助退休籌謀
	5-12-2004	積金仔 — 自僱人士應加入強積金
	25-12-2004	積金仔 — 投資債券基金要注意息率
	3-1-2005	積金仔 — 加強執法 保障僱員權益
	30-1-2005	積金仔 — 積金供款須附結算書
	6-2-2005	積金仔 — 兩大新措施加強執法
	14-2-2005	積金仔 — 了解退休計劃保權益
	6-3-2005	積金仔 — 自願供款要注意條款
	14-3-2005	積金仔 — 提早領取強積金須符條件

Appendix 10 (Cont'd) LIST OF ARTICLES CONTRIBUTED TO NEWSPAPER COLUMNS

April 2004 - March 2005

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
Sing Pao	7-4-2004	轉移合併強積金不當或招損
	22-7-2004	強積金投資宜長不宜短
	4-11-2004	人口老化 策劃強積金宜慎重
HK Economic Times	1-4-2004	均衡基金風險可調節
	8-4-2004	組合投資法分散風險
	20-4-2004	僱員供款扣稅上限12,000元
	30-4-2004	強積金供款有數計
	13-5-2004	新僱員享30日免供款期
	14-5-2004	指數基金被動管理
	11-6-2004	強積金投資嚴格監管
	18-6-2004	暑期工也要參加強積金
	16-7-2004	強積金毋須顧慮短期波動
	23-7-2004	強積金退休後滾存博增值
	30-7-2004	人生階段基金 定期調整組合
	20-8-2004	65歲生日前收入仍需供款
	27-8-2004	保證回報可調整
	10-9-2004	強積金逾半投資港資產
	17-9-2004	六成僱員選擇強積金
	8-10-2004	回報未達標保本基金不能收費
	22-10-2004	業務虧損可暫停供款
	5-11-2004	僱員應清楚自身權益
	19-11-2004	專責小組調查拖欠供款僱主
	26-11-2004	理財觀念宜及早培養
	10-12-2004	積金管理 僱主有責
	17-12-2004	債券基金表現 還看息率走勢
	24-12-2004	入稟高院向僱主追欠款
	31-12-2004	飲食建造業供款特別安排
	21-1-2005	如何區別自僱和受僱
	4-2-2005	年尾花紅亦須供款
	18-2-2005	僱主宜向員工詳解退休計劃
	25-2-2005	自願供款加強退休保障
	4-3-2005	均衡基金也有風險
	11-3-2005	5種情況可提早領取強積金
	18-3-2005	貨幣市場基金風險低
	25-3-2005	轉換基金須留意交易日

Appendix 10 (Cont'd)
LIST OF ARTICLES
CONTRIBUTED TO
NEWSPAPER COLUMNS

April 2004 - March 2005

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
Ta Kung Pao	4-4-2004	老積講金 — 披露資產項目增透明度
	18-4-2004	老積講金 — 低息期保本基金回報降
	25-4-2004	老積講金 — 債券基金屬穩健投資
	10-5-2004	老積講金 — 退休後強積金可續投資
	16-5-2004	老積講金 — 強積金投資項目規管嚴格
	23-5-2004	老積講金 — 強積金抵銷長服金遣散費
	30-5-2004	老積講金 — 不應視強積金為應急錢
	6-6-2004	老積講金 — 資料發放守則方向獲認同
	13-6-2004	老積講金 — 研討會介紹強積金投資
	20-6-2004	老積講金 — 供款期新增指引十月生效
	27-6-2004	老積講金 — 應留意保證回報可調整
	4-7-2004	老積講金 — 改選股票基金留意風險
	11-7-2004	老積講金 — 發出守則改善資料發放
	18-7-2004	老積講金 — 強積金回報須看長線
	25-7-2004	老積講金 — 長遠投資須定期檢討
	1-8-2004	老積講金 — 計算調整後的保證回報
	8-8-2004	老積講金 — 點到點比較未反映回報
	29-8-2004	老積講金 — 自僱人士宜增自願供款
	5-9-2004	老積講金 — 資產千億強積金基礎穩固
	12-9-2004	老積講金 — 自僱人士應按時供強積金
	19-9-2004	老積講金 — 公積金和強積金如何選擇
	26-9-2004	老積講金 — 保本基金投資亦會虧損
	3-10-2004	老積講金 — 保本基金錄得正回報
	10-10-2004	老積講金 — 保本保證基金可穩守投資成果
	17-10-2004	老積講金 — 認識強積金投資風險
	24-10-2004	老積講金 — 了解基金資料助強積金投資
	31-10-2004	老積講金 — 延遲提取強積金再投資
	7-11-2004	老積講金 — 對付長期拖欠供款僱主
	14-11-2004	老積講金 — 強積金權益不容剝削
	21-11-2004	老積講金 — 年輕人應妥善理財
	28-11-2004	老積講金 — 自僱人士籌劃積金投資
	5-12-2004	老積講金 — 管理強積金 僱主要留心
	12-12-2004	老積講金 — 散工可參加強積金行業計劃
	19-12-2004	老積講金 — 債券基金表現視乎息率
	9-1-2005	老積講金 — 勞資應檢討強積金服務
	12-1-2005	老積講金 — 僱主供款勿忘提交結算書
	23-1-2005	老積講金 — 分清自僱和受僱
	30-1-2005	老積講金 — 受託人資格有監管
	6-2-2005	老積講金 — 花紅屬強積金有關入息
	20-2-2005	老積講金 — 僱主應提供退休計劃詳情
	27-2-2005	老積講金 — 自願供款增退休保障
	6-3-2005	老積講金 — 退休儲蓄應早作部署
	13-3-2005	老積講金 — 提早領取強積金要宣誓
	20-3-2005	老積講金 — 轉換基金買賣需時
Wen Wei Po	2-4-2004	投資組合十大資產須披露
	16-4-2004	勞資應檢討積金受託人表現
	23-4-2004	債券基金回報穩定
	30-4-2004	資料助了解強積金投資
	7-5-2004	強積金可抵銷長服金
	14-5-2004	強積金投資項目有規管
	21-5-2004	退休後善用強積金再投資
	28-5-2004	提前領取強積金須合規定
	4-6-2004	資料發放守則方向獲認同
	11-6-2004	強積金投資要領推介
	18-6-2004	供款期指引最新修訂
	25-6-2004	保證基金回報可調整

Appendix 10 (Cont'd) LIST OF ARTICLES CONTRIBUTED TO NEWSPAPER COLUMNS

April 2004 - March 2005

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
Wen Wei Po	2-7-2004	爭取回報須注意風險
	9-7-2004	資料發放守則正式公布
	16-7-2004	強積金毋懼短線波幅
	23-7-2004	定期檢討配合長遠投資
	30-7-2004	保證回報條款須注意
	6-8-2004	點到點比較不反映實際回報
	13-8-2004	自僱人士須加入強積金
	20-8-2004	保本基金低風險選擇
	27-8-2004	強積金資產突破千億
	3-9-2004	公積金與強積金的區別
	10-9-2004	自僱人士須未雨綢繆
	17-9-2004	投資股票基金須考慮風險
	24-9-2004	保本投資亦會虧損
	8-10-2004	保本基金錄3.9%累積回報
	15-10-2004	投資強積金須留意風險
	22-10-2004	投資強積金須看資料
	29-10-2004	提取強積金應考慮市況
	5-11-2004	專責小組針對長期欠款僱主
	12-11-2004	認清有關入息定義
	19-11-2004	培育年青人理財觀念
	26-11-2004	僱主應妥善管理強積金
	3-12-2004	自僱人士應注意強積金投資
	10-12-2004	行業計劃保障退休生活
	17-12-2004	息率走勢影響債券基金表現
	24-12-2004	高院迫供款 更具阻嚇力
	31-12-2004	留意基金投資組合
	7-1-2005	電台節目教強積金投資
	14-1-2005	強積金供款須連同結算書
	21-1-2005	自僱人士與僱員的分別
	28-1-2005	強積金受託人受嚴謹監管
	4-2-2005	花紅須計強積金
	18-2-2005	僱主須解釋退休計劃
	25-2-2005	自願供款須留意條款
	4-3-2005	按個人需要作退休部署
	11-3-2005	提早領取強積金須宣誓
	18-3-2005	貨幣市場基金風險較低
	25-3-2005	轉換基金留意交易時間
Jump, Ming Pao	23-4-2004	花紅佣金強積金計法
	28-5-2004	強積金可與長服金遣散費抵消
	9-7-2004	強積金供款有稅務寬免
	6-8-2004	暑期工駐外僱員須供強積金
	27-8-2004	開舖虧蝕可暫停供強積金
	24-9-2004	常查強積金戶口免招損
	22-10-2004	強公積金四大不同
	17-12-2004	60歲退休可領強積金
	4-2-2005	強積金投資最忌跟風
Career Times	17-3-2005	強積金宜併合保留帳戶
	21-5-2004	Tax Exemption for MPF Contributions
	23-7-2004	Understanding MPF Offsetting Arrangements
	23-10-2004	Key Differences between ORSO schemes and MPF schemes
	31-12-2004	MPF coverage for employees working in Mainland China

Appendix 10 (Cont'd)

LIST OF ARTICLES
CONTRIBUTED TO
NEWSPAPER COLUMNS*April 2004 - March 2005*

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
Oriental Daily News	15-7-2004	強積金投資看長線
	24-9-2004	公積金與強積金之分別
	8-10-2004	強積金保本基金穩健
	13-10-2004	強積金看長線少擔憂
	20-10-2004	投資保證基金留意條款
	27-10-2004	按人生階段定風險取向
	10-11-2004	確保僱主履行供款責任
	17-11-2004	理財早起步 退休保障足
	24-11-2004	強積金管理僱主有責
	8-12-2004	散工享同等退休保障
	15-12-2004	勞資多溝通 積金更美滿
	22-12-2004	僱主供款可抵銷遣散費
	29-12-2004	區院高院追款 加強執法
	5-1-2005	強積金連續兩年正回報
	12-1-2005	僱主供款須提交結算書
	19-1-2005	均衡基金風險可調節
	2-2-2005	強積金受託人監管嚴
	16-2-2005	債券基金風險低回報穩
	23-2-2005	投放股票基金風險較高
	2-3-2005	評估退休支出早作部署
	9-3-2005	指數基金貼市較易評估
	16-3-2005	貨幣市場基金風險低
The Sun	22-7-2004	強積金策略重長線
	20-10-2004	回報未達標保本基金免行政費
Money Times, HK Economic Times	6-9-2004	自僱人士也須為退休籌謀
	20-9-2004	公積金與強積金有何分別
	4-10-2004	積克醒你 — 北上工作留意強積金權益
	18-10-2004	積克醒你 — 強積金投資應看長線
	1-11-2004	積克醒你 — 強積金制度下的「有關入息」
	15-11-2004	積克醒你 — 提前取回強積金權益的條件
	29-11-2004	積克醒你 — 保障自身權益 舉報違規僱主
	13-12-2004	積克醒你 — 妥善管理強積金保留帳戶
	28-12-2004	積克醒你 — 強積金可以抵銷長服金或遣散費
	17-1-2005	積克醒你 — 「持盈保泰」穩守強積金投資
Metropolis Daily	12-10-2004	永不放棄換來一份滿足感
Capital Entrepreneur	January 2005	僱主慎防觸犯強積金法例
Hong Kong Entrepreneur	January 2005	管理強積金 僱主有責
	February 2005	管理公積金 細節要關心
	March 2005	強積金日常行政事宜

APPENDIX 11 LIST OF STAFF TRAINING AND DEVELOPMENT PROGRAMMES

April 2004 - March 2005

TOPICS	TARGET	NUMBER OF SESSIONS ORGANIZED
MPF Business and General Knowledge Sharing e.g. Initial assessment of impact of the LegCo election 2004 on MPFA, Copyright, Crisis Management and Business Continuity Planning.	All staff	19 sessions with total attendance of 851.
Management Development Programme e.g. Team building,	All staff	Through staff social activities and formation of interest clubs.
How to better handle difficult complainants.	Staff of relevant Divisions/ Departments	On-going sharing sessions.
Professional Knowledge/ Technical Skills e.g. Subcontracting and payment issues in construction industry, Risk management, Inspection and investigation skills, IT Skills.	Staff of relevant Divisions/ Departments	91 sessions with total attendance of 1450.
Organization Development and Culture Building Programmes	All staff	18 sessions with total attendance of 818.

APPENDIX 12

DEFINITION OF TERMS

(A) OCCUPATIONAL RETIREMENT SCHEMES

Defined benefit scheme	Means an occupational retirement scheme which is not a defined contribution scheme.
Defined contribution scheme	Means an occupational retirement scheme which provides that the amount of a benefit under the scheme is to be an amount determined solely by reference to: <ol style="list-style-type: none"> the contributions to the scheme's funds by or in respect of the member concerned and any declared return in respect of such contributions (where such return may be subject to a minimum guaranteed rate but is otherwise unascertainable before it is declared); and where appropriate, the qualifying service and age of the employee.
Insurance arrangement	Means an agreement or arrangement: <ol style="list-style-type: none"> made in respect of an occupational retirement scheme with an authorized insurer under which the insurer is responsible for managing the scheme; and which is of a class or description specified in rules made by the Registrar of Occupational Retirement Schemes.
Member	Includes, in relation to an occupational retirement scheme, an individual who is entitled or prospectively entitled to benefits under the scheme by virtue of: <ol style="list-style-type: none"> his employment by the relevant employer (whether past or present) of the scheme; or an agreement made between the relevant employer of the first-mentioned scheme and the relevant employer of another occupational retirement scheme of which such individual was formerly a member, whether or not such individual is a party to the agreement, and where appropriate, "member" also includes the estate of a deceased member.
MPF exempted ORSO scheme	Means an occupational retirement scheme in respect of which an exemption has been granted under section 5 of MPFSO. Members of this ORSO scheme are exempted from the MPFSO.
Occupational retirement scheme	Means subject to section 2(6) of the ORSO any scheme, not being a contract of insurance under which benefits are payable only upon the death or disability of the insured, which: <ol style="list-style-type: none"> is comprised in one or more instruments or agreements; and has or is capable of having effect in relation to one or more descriptions or categories of employment so as to provide benefits, in the form of pensions, allowances, gratuities or other payments, payable on termination of service, death or retirement, to or in respect of persons gainfully employed (whether in Hong Kong or elsewhere) under a contract of service in any employment, and includes, where the context admits, a proposed such scheme.

Appendix 12 (Cont'd)

DEFINITION OF TERMS

ORSO exempted scheme	Means an occupational retirement scheme for which the Registrar of Occupational Retirement Schemes has issued an exemption certificate under section 7 of ORSO and any withdrawal under section 12 of ORSO has not come into effect.
ORSO registered scheme	Means an occupational retirement scheme which is registered under section 18 of ORSO.
ORSO scheme administrator	Means: <ol style="list-style-type: none"> in the case of a scheme or pooling agreement governed by a trust, the trustee concerned; in the case of a scheme or pooling agreement which is the subject of or regulated by an insurance arrangement, the insurer concerned; in any other case, the person who is principally responsible for the management of the scheme and its assets otherwise than as a person who is solely concerned with the investment or custody of the assets.
Pooling agreement	Means an agreement or arrangement: <ol style="list-style-type: none"> which is: <ol style="list-style-type: none"> governed by a single trust; or the subject of or regulated by an insurance arrangement including a series of insurance arrangements which are of the same class or description; which applies to 2 or more individual occupational retirement schemes each of which is: <ol style="list-style-type: none"> governed by such trust; or (where appropriate) the subject of or regulated by such insurance arrangement, by virtue of such application; under which, in the case of an agreement or arrangement governed by such trust, the assets of its participating schemes are vested with the administrator of the agreement or arrangement, as the case may be; which is managed, in the case of an agreement or arrangement governed by such trust, by a registered trust company; in relation to which, and its participating schemes, proper accounts and records are kept; and under which the value of the assets attributable to, and the liabilities of, each of its participating schemes are readily determinable from such accounts and records.
Relevant employer	Means, in relation to an occupational retirement scheme, the employer who provides the employment which entitles or enables the employee to be a member of the scheme.
Top-up scheme	Means an occupational retirement scheme restructured to supplement the benefits provided under an MPF scheme.

Appendix 12 (Cont'd)

DEFINITION OF TERMS

(B) MPF SCHEMES

Accrued benefits	In relation to a registered scheme, means the amount of each scheme member's beneficial interest in the registered scheme at any time, including sums derived from the contributions made by or in respect of that scheme member, together with the income or profits arising from any investments thereof, but taking into account any losses in respect thereof.
Approved pooled investment fund	An investment fund which is an insurance policy, authorized unit trust or authorized mutual fund that <ol style="list-style-type: none"> complies with the requirements set out in section 17(2) of Schedule 1 to the General Regulation; and is approved by the MPFA.
Approved trustee	Means a company or a natural person approved by the MPFA as a trustee in accordance with section 20 of the MPFSO.
Casual employee	Means a relevant employee who is declared by an order made under section 2(2) of the MPFSO to be a casual employee for the purposes of the MPFSO. Section 2(2) of the MPFSO provides that if relevant employees: <ol style="list-style-type: none"> are engaged in an industry for which a provident fund scheme is registered as an industry scheme; and employed in that industry by an employer on a day to day basis or for a fixed period of less than 60 days, the MPFA may, by order published in the Gazette, declare those employees to be casual employees for the purposes of the MPFSO.
Constituent fund	In relation to a registered scheme, means the fund that constitutes a registered scheme, or a fund that forms part of the scheme, and complies with the requirements set out in section 36 of the General Regulation.
Employer sponsored scheme	Means a registered scheme membership of which is: <ol style="list-style-type: none"> in the case of an employer who is not a company, open only to the employees of that employer; or in the case of an employer that is a company, open only to the employees of that company or an associated company.
Industry scheme	Means a provident fund scheme registered under section 21A of the MPFSO as an industry scheme. Such a scheme may be for the persons engaged (whether as employees or as self-employed persons) in a particular industry or a particular class of industries or in two or more industries or classes of industries.
Mandatory contribution	Means <ol style="list-style-type: none"> an amount that is required to be paid as a contribution to a registered scheme under section 7A or 7C of the MPFSO; or minimum MPF benefits, to which section 5(1) of Schedule 2 to the Exemption Regulation applies, that have been transferred to a registered scheme.

Appendix 12 (Cont'd)

DEFINITION OF TERMS

Master trust scheme	Means a registered scheme membership of which is open to: a) the employees of more than one employer; and b) self-employed persons; and c) persons who, having accrued benefits in another registered scheme, wish to have those benefits transferred to the first-mentioned scheme; and d) persons who, having benefits in an ORSO exempted scheme or an ORSO registered scheme, within the meaning of section 2(1) of the Exemption Regulation, wish to have those benefits transferred to the first-mentioned scheme, but does not include an industry scheme.
Provident fund scheme	Means a scheme governed by a trust: a) the terms of which are set out in one or more documents; and b) that: i) provides for the payment of pecuniary benefits to the members of the scheme when they reach the retirement age, or any other prescribed event occurs in relation to them; or ii) in the case of members who die before reaching that age or before the occurrence of such an event, provides for the payment of those benefits to the personal representatives or beneficiaries of the estates of those members, and includes a proposed provident fund scheme.
Registered scheme	Means a provident fund scheme registered under section 21 of the MPFSO as an employer sponsored scheme or a master trust scheme or registered under section 21A of the MPFSO as an industry scheme.
Relevant employee	Means an employee of 18 years of age or over and below retirement age.
Relevant income	Means: a) in the case of a relevant employee, any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (other than a housing allowance or other housing benefit), expressed in monetary terms, paid or payable by an employer (directly or indirectly) to that relevant employee in consideration of his employment under that contract, but does not include severance payments or long service payments under the Employment Ordinance (Cap. 57); b) in the case of a self-employed person, income of that person as ascertained in accordance with the regulations made under section 46 of the MPFSO.
Scheme member	In relation to a registered scheme, means a person who has a beneficial interest in the registered scheme.
Self-employed person	Means a person whose relevant income (otherwise than in the capacity as an employee) derives from his production (in whole or in part) of goods or services in Hong Kong, or his trade in goods or services in or from Hong Kong.

Appendix 12 (Cont'd)

DEFINITION OF TERMS

Service provider	In relation to a provident fund scheme, means an investment manager, custodian of scheme assets or other person appointed or engaged by the trustee of the scheme to provide services for the purposes of the scheme, and includes a person to whom the provision of those services is delegated by such a manager, custodian or other person, but does not include a person appointed or so engaged as an auditor, solicitor or actuary.
Voluntary contribution	Means a contribution paid to a registered scheme in accordance with section 11 of the MPFSO.

(C) ABBREVIATIONS

APIF	stands for	Approved pooled investment fund
Disclosure Code	stands for	Code on Disclosure for MPF Investment Funds
General Regulation	stands for	Mandatory Provident Fund Schemes (General) Regulation
HKMA	stands for	Hong Kong Monetary Authority
HKSAR	stands for	Hong Kong Special Administrative Region
IA	stands for	Insurance Authority
ISC	stands for	Industry Schemes Committee
ITCIS	stands for	Index-tracking collective investment scheme
MPF	stands for	Mandatory Provident Fund
MPFA	stands for	Mandatory Provident Fund Schemes Authority
MPFSAC	stands for	Mandatory Provident Fund Schemes Advisory Committee
MPFSO	stands for	Mandatory Provident Fund Schemes Ordinance
ORSO	stands for	Occupational Retirement Schemes Ordinance
RORS	stands for	Registrar of Occupational Retirement Schemes
SEP	stands for	Self-employed person
SFC	stands for	Securities and Futures Commission
SORC	stands for	MPF Schemes Operation Review Committee

APPENDIX 2 MANDATORY PROVIDENT FUND SCHEMES ORDINANCE AND SUBSIDIARY LEGISLATION

As at 31 March 2005

LEGISLATION	REFERENCE
Ordinance	
Mandatory Provident Fund Schemes Ordinance	Ordinance No.80 of 1995
Provident Fund Schemes Legislation (Amendment) Ordinance 1998	Ordinance No.4 of 1998
Mandatory Provident Fund Schemes (Amendment) Ordinance 2002	Ordinance No. 2 of 2002
Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002	Ordinance No.29 of 2002
Consequential Amendments to the MPFSO and its subsidiary legislation under:	
Adaptation of Laws (No.12) Ordinance 1999	Ordinance No.31 of 1999
Statute Law (Miscellaneous Provisions) Ordinance 2000	Ordinance No. 32 of 2000
Companies (Amendment) Ordinance 2000	Ordinance No. 46 of 2000
Securities and Futures Ordinance	Ordinance No. 5 of 2002
Professional Accountants (Amendment) Ordinance 2004	Ordinance No. 23 of 2004
Subsidiary Legislation	
Mandatory Provident Fund Schemes (General) Regulation	L.N. 201 of 1998
Mandatory Provident Fund Schemes (Exemption) Regulation	L.N. 203 of 1998
Mandatory Provident Fund Schemes (Fees) Regulation	L.N. 120 of 1999
Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2000	L.N. 222 & 223 of 2000
Mandatory Provident Fund Schemes Rules	L.N. 226 & 227 of 2000
Mandatory Provident Fund Schemes (Compensation Claims) Rules	L.N. 342 of 2000
Mandatory Provident Fund Schemes (Winding Up) Rules	L.N. 343 of 2000
Related Notice / Order	
Declaration of Change of Titles (General Adaptation) Notice 1997	L.N. 362 of 1997
Mandatory Provident Fund Schemes (Amendment of Schedule 6) Notice 1998	L.N. 205 of 1998
Mandatory Provident Fund Schemes Ordinance (Cap. 485) (Commencement) Notice 1998	L.N. 292 of 1998
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 1998	L.N. 293 of 1998

Appendix 2 (Cont'd)

MANDATORY PROVIDENT FUND SCHEMES ORDINANCE AND SUBSIDIARY LEGISLATION

As at 31 March 2005

LEGISLATION	REFERENCE
Mandatory Provident Fund Schemes (General) Regulation (L.N. 201 of 1998) (Commencement) Notice 1998	L.N. 294 of 1998
Mandatory Provident Fund Schemes Ordinance (80 of 1995) (Commencement) Notice 1999	L.N. 68 of 1999
Mandatory Provident Fund Schemes (General) Regulation (Cap. 485 sub. leg.) (Commencement) Notice 1999	L.N. 69 of 1999
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 1999	L.N. 70 of 1999
Rectification of Errors Order 1999	L.N. 95 of 1999
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) (No. 2) Notice 1999	L.N. 296 of 1999
Mandatory Provident Fund Schemes (Exemption) Regulation (Specification of Date Under Sections 5 and 16) Notice	L.N. 53 of 2000
Mandatory Provident Fund Schemes Ordinance (80 of 1995) (Commencement) Notice 2000	L.N. 119 of 2000
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 2000	L.N. 120 of 2000
Mandatory Provident Fund Schemes (General) Regulation (Cap. 485 sub. leg.) (Commencement) Notice 2000	L.N. 121 of 2000
Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order	L.N. 179 of 2000
Mandatory Provident Fund Schemes (Specification of Permitted Periods) Notice	L.N. 180 of 2000
Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 1) Notice 2000	L.N. 224 & 225 of 2000
Interpretation and General Clauses Ordinance – Resolution of the Legislative Council	L.N. 106 of 2002
Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002 (29 of 2002) (Commencement) Notice 2002	L.N. 173 of 2002
Rectification of Errors Order 2004	L.N. 29 of 2004

APPENDIX 3 OCCUPATIONAL RETIREMENT SCHEMES ORDINANCE AND SUBSIDIARY LEGISLATION

As at 31 March 2005

LEGISLATION	REFERENCE
Ordinance	
Occupational Retirement Schemes Ordinance	Ordinance No.88 of 1992
Occupational Retirement Schemes (Amendment) Ordinance 1995	Ordinance No.53 of 1995
Occupational Retirement Schemes (Amendment) Ordinance 1999	Ordinance No.52 of 1999
Consequential Amendments to the ORSO under:	
Insurance Companies (Amendment) Ordinance 1993	Ordinance No.59 of 1993
Inland Revenue (Amendment) (No.5) Ordinance 1993	Ordinance No.76 of 1993
Law Reform (Miscellaneous Provisions and Minor Amendments) Ordinance 1997	Ordinance No.80 of 1997
Provident Fund Schemes Legislation (Amendment) Ordinance 1998	Ordinance No.4 of 1998
Adaptation of Laws (Courts and Tribunals) Ordinance	Ordinance No. 25 of 1998
Adaptation of Laws (No. 12) Ordinance 1999	Ordinance No.31 of 1999
Statute Law (Miscellaneous Provisions) Ordinance 2000	Ordinance No.32 of 2000
Securities and Futures Ordinance	Ordinance No.5 of 2002
Professional Accountants (Amendment) Ordinance 2004	Ordinance No.23 of 2004

Appendix 3 (Cont'd) OCCUPATIONAL RETIREMENT SCHEMES ORDINANCE AND SUBSIDIARY LEGISLATION

As at 31 March 2005

LEGISLATION	REFERENCE
Subsidiary Legislation	
Occupational Retirement Schemes (Authentication and Certification of Documents) Rules	L.N. 400 of 1993
Occupational Retirement Schemes (Consultative Committees) Rules	L.N. 401 of 1993
Occupational Retirement Schemes (Exemption from Audit) Rules	L.N. 402 of 1993
Occupational Retirement Schemes (Fees) Rules	L.N. 403 of 1993
Occupational Retirement Schemes (Insurance Arrangement) Rules	L.N. 404 of 1993
Occupational Retirement Schemes (Member's Request for Information on Scheme Assets) Rules	L.N. 405 of 1993
Occupational Retirement Schemes (Payment of Benefits) Rules	L.N. 406 of 1993
Occupational Retirement Schemes (Fees) (Amendment) Rules 1995	L.N. 55 of 1995
Occupational Retirement Schemes (Preparation of Actuarial Certificates) Rules	L.N. 41 of 1997
Occupational Retirement Schemes (Periodic Certification of Registered Defined Benefit Schemes) Rules	L.N. 42 of 1997
Occupational Retirement Schemes (Notices of Changes) Rules	L.N. 360 of 1998
Occupational Retirement Schemes (Authentication and Certification of Documents) (Amendment) Rules 1998	L.N. 361 of 1998
Occupational Retirement Schemes (Fees) (Amendment) Rules 1998	L.N. 362 of 1998
Occupational Retirement Schemes (Member's Request for Information on Scheme Assets) (Amendment) Rules 1999	L.N. 238 of 1999
Occupational Retirement Schemes (Recovery of Arrears) Rules	L.N. 285 of 2000
Interpretation and General Clauses Ordinance – Resolution of the Legislative Council	L.N. 106 of 2002

Appendix 3 (Cont'd)

OCCUPATIONAL RETIREMENT SCHEMES ORDINANCE AND SUBSIDIARY LEGISLATION

As at 31 March 2005

LEGISLATION	REFERENCE
Related Notice / Order	
Declaration of Change of Title (Secretary for Monetary Affairs) Notice	L.N. 96 of 1993
Occupational Retirement Schemes Ordinance (Cap. 426) (Commencement) Notice 1993	L.N. 407 of 1993
Rectification of Errors (No. 2) Order 1994	L.N. 650 of 1994
Occupational Retirement Schemes (Preparation of Actuarial Certificates) Rules (L.N. 41 of 1997) (Commencement) Notice 1997	L.N. 115 of 1997
Occupational Retirement Schemes (Periodic Certification of Registered Defined Benefit Schemes) Rules (L.N. 42 of 1997) (Commencement) Notice 1997	L.N. 116 of 1997
Declaration of Change of Titles (General Adaptation) Notice 1997	L.N. 362 of 1997
Official Languages (Alteration of Text Under Section 4D) Order 1998	L.N. 150 of 1998
Official Languages (Alteration of Text Under Section 4D) (No. 2) Order 1998	L.N. 315 of 1998
Occupational Retirement Schemes (Notices of Changes) Rules (L.N. 360 of 1998) (Commencement) Notice 1999	L.N. 72 of 1999
Occupational Retirement Schemes (Authentication and Certification of Documents) (Amendment) Rules 1998 (L.N. 361 of 1998) (Commencement) Notice 1999	L.N. 73 of 1999
Occupational Retirement Schemes (Fees) (Amendment) Rules 1998 (L.N. 362 of 1998) (Commencement) Notice 1999	L.N. 74 of 1999

APPENDIX 4 LIST OF MPF GUIDELINES AND CODES

As at 31 March 2005

GUIDELINE NO.	NAME OF GUIDELINES	VERSION DATE
Part I Guidelines on Licensing		
I.1	Guidelines on Application for Approval as Trustees	12/98
I.2	Guidelines on Application for Registration of Provident Fund Schemes	12/98
I.3	Guidelines on Custodians	5/03
I.4	Guidelines on Eligible Insurers	12/98
I.5	Guidelines on Application for Approval of Constituent Funds	5/03
I.6	Guidelines on Application for Approval of Pooled Investment Funds	12/98
I.7	Guidelines on Central Securities Depositories	10/04
I.8	Guidelines on Custodial / Subcustodial Agreement	10/00
Part II Guidelines on Reporting Requirements		
II.1	Guidelines on Monthly Returns of Registered Schemes	8/02
II.2	Guidelines on Monthly Returns of Approved Pooled Investment Funds being Capital Preservation Funds	7/01
II.3	Guidelines on Quarterly Returns of Registered Schemes	3/05
II.4	Guidelines on Annual Statements of Registered Schemes	3/05
II.5	Guidelines on Annual Statements of Approved Pooled Investment Funds	7/01
II.6	Guidelines on Internal Control Report for each Registered Scheme	5/99
II.7	Guidelines on Quarterly Returns of Approved Pooled Investment Funds	4/01
II.8	Guidelines on Monthly Statistical Returns of Registered Schemes	3/05
II.9	Guidelines on Notification of Events of Significant Nature	8/02
Part III Guidelines on Investment		
III.1	Guidelines on Debt Securities	5/04
III.2	Guidelines on Other Securities	8/04
III.3	Guidelines on Eligible Overseas Banks	5/03
III.4	Guidelines on Approved Exchanges	3/05
III.5	Guidelines on Investment Managers	5/04
III.6	Guidelines on Capital Preservation Funds	10/01
III.7	Guidelines on Securities Lending	5/03
III.8	Guidelines on Repurchase Agreements	3/99
III.9	Guidelines on Reserving Standards for Investment Guarantees	2/01
III.10	Guidelines on Index-Tracking Collective Investment Schemes	5/03

Appendix 4 (Cont'd)

LIST OF MPF GUIDELINES AND CODES

As at 31 March 2005

GUIDELINE NO.	NAME OF GUIDELINES	VERSION DATE
Part IV Guidelines on Scheme Operations		
IV.1	[Repealed]	Repealed on 6/04
IV.2	Guidelines on Reports Relating to Payment of Mandatory Contributions	8/02
IV.3	Guidelines on Election Forms for Transfer of Accrued Benefits	7/01
IV.4	Guidelines on Payment of Accrued Benefits – Documents to be Submitted to Approved Trustees	5/04
IV.5	Guidelines on Payment of Accrued Benefits – Permanent Departure from Hong Kong	4/99
IV.6	Guidelines on Notice for Unclaimed Benefits	4/99
IV.7	Guidelines on Fees for Portability	5/99
IV.8	Guidelines on Enrolment and Contribution Arrangements for Relevant Employees other than Casual Employees	8/02
IV.9	Guidelines on Enrolment and Contribution Arrangements for Casual Employees	5/02
IV.10	Guidelines on Enrolment and Contribution Arrangements for Self-employed Persons	5/02
IV.11	Guidelines on Contribution Period in respect of a Relevant Employee	5/04
IV.12	Guidelines on Relevant Income in respect of a Relevant Employee	7/00
IV.13	Guidelines on Compensation Fund	1/01
IV.14	Guidelines on Remittance Statement	8/02
IV.15	Guidelines on Person Exempt under section 4(3) of the Mandatory Provident Fund Schemes Ordinance	5/02
IV.16	Guidelines on MPF Coverage on Employees Working Outside Hong Kong	5/02
IV.17	Guidelines on Contribution Arrangement of a Self-employed Person	8/02
IV.18	Guidelines on Contribution Arrangement of a Self-employed Person who Sustains a Loss	8/02
IV.19	Guidelines on Minimum and Maximum Levels of Relevant Income of a Self-employed Person	8/02
IV.20	Guidelines on Prepayment of Contributions	5/02
IV.21	Guidelines on Reports Relating to the Notification of Unclaimed Benefits	8/02

Appendix 4 (Cont'd) LIST OF MPF GUIDELINES AND CODES

As at 31 March 2005

GUIDELINE NO.	NAME OF GUIDELINES	VERSION DATE
Part V Guidelines on ORSO Interface		
V.1	Guidelines on MPF Exempted ORSO Schemes – Application for Exemption of ORSO Exempted Schemes	12/99
V.2	Guidelines on MPF Exempted ORSO Schemes – Application for Exemption of ORSO Registered Schemes	12/99
V.3	Guidelines on MPF Exempted ORSO Schemes – Treatment of Accrued Rights of Existing Members who join MPF Schemes	4/99
V.4	Guidelines on MPF Exempted ORSO Schemes – Preservation of Benefits	4/99
V.5	Guidelines on MPF Exempted ORSO Schemes – Illustrative Examples	5/99
V.6	Guidelines on MPF Exempted ORSO Schemes – Application for Approval of Appointment of Trustees	6/99
V.7	Guidelines on MPF Exempted ORSO Schemes – Application for Approval of Appointment of Directors of Trustees	6/99
V.8	Guidelines on MPF Exempted ORSO Schemes – Application for Withdrawal of Exemption Certificate of an ORSO Exempted Scheme	5/00
V.9	Guidelines on MPF Exempted ORSO Schemes – Application for Withdrawal of Exemption Certificate of an ORSO Registered Scheme	5/00
V.10	Guidelines on MPF Exempted ORSO Schemes – Filing of Annual Report	6/04
V.11	Guidelines on MPF Exempted ORSO Schemes – Withdrawal of Minimum MPF Benefits	12/00
Codes and Guides		
	Code of Conduct for MPF Intermediaries	11/02
	Code on MPF Investment Funds	12/99
	Erratum to the Code on MPF Investment Funds	5/00
	Guide to Registration as MPF Intermediaries	4/03
	Code on Disclosure for MPF Investment Funds	6/04

APPENDIX 5 LIST OF CIRCULAR LETTERS

1 April 2004 – 31 March 2005

DATE OF LETTER	ADDRESSEE	SUBJECT
13 August 2004	All Approved Trustees of Registered Schemes	Incentive Rebates Offered to Employers
31 August 2004	All Corporate and Individual trustees/administrators of ORSO schemes	Matters Relating to the Changes of ORSO Schemes Administration
14 December 2004	All employers (or representative employers of schemes with multiple employers) / trustees of MPF exempted ORSO registered schemes	Transferability requirement of minimum MPF benefits (MMB)
17 December 2004	All approved trustees of registered MPF schemes	Requirements for Members' Information
23 February 2005	All Approved Trustees of MPF Registered Schemes	Hong Kong Accounting Standards
23 February 2005	All trustees/designated persons of ORSO schemes	Hong Kong Accounting Standards

APPENDIX 6

LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND

As at 31 March 2005

AMERICAN INTERNATIONAL ASSURANCE COMPANY (TRUSTEE) LIMITED

American International Assurance Company (Trustee) Limited is a member of the American International Group, Inc. (AIG). AIG is an international insurance and financial services organization, with operations in approximately 130 countries and jurisdictions. AIG member companies serve commercial, institutional and individual customers through its extensive worldwide property-casualty and life insurance networks. AIG's global businesses also include financial services, retirement savings and asset management.

AXA CHINA REGION TRUSTEES LIMITED

AXA China Region Trustees Limited is a member of the global AXA Group, which provides financial protection and wealth management services. AXA has a history dating back to the early 19th century and commenced business in Hong Kong in 1986. AXA offers a wide range of products and services in provident funds, life and non-life insurance, reinsurance, and other related financial services.

BANK CONSORTIUM TRUST COMPANY LIMITED

Bank Consortium Trust Company Limited ("BCT") was established in June 1999 and registered as a "Trust Company" under the Trustee Ordinance. BCT acts as trustee, administrator and custodian of the pension schemes under its management.

Backed by a consortium of local banks in Hong Kong with over 250 branches, BCT offers a full array of pension products including master trust scheme, industry scheme, employer-sponsored scheme, ORSO schemes, and third-party administration services.

BANK OF COMMUNICATIONS TRUSTEE LIMITED

Bank of Communications Trustee Limited is a wholly owned subsidiary of the Bank of Communications which is engaged in a full range of retail banking business and corporate banking business focusing on exploring the international settlement business.

BANK OF EAST ASIA (TRUSTEES) LIMITED

Bank of East Asia (Trustees) Limited is a wholly owned subsidiary of The Bank of East Asia, Limited. The bank offers a full spectrum of retail and wholesale banking services through its Personal Banking, Corporate Banking, Wealth Management, Investment Banking, and China divisions. These include deposit-taking, foreign currency savings, retail investment and wealth management services, mortgage loans, consumer loans, credit cards, Cyberbanking, bancassurance, Mandatory Provident Fund services, trade finance, syndication loans, remittances and foreign exchange margin trading.

BOCI-PRUDENTIAL TRUSTEE LIMITED

BOCI-Prudential Trustee Limited is a joint-venture company between the subsidiaries of Bank of China and the Prudential Group. The business activities of Bank of China are principally corporate banking, retail banking, investment banking, insurance and other financial services. The Prudential Group provides a broad range of financial and insurance services as well as engages in fund management business.

Appendix 6 (Cont'd) LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND

As at 31 March 2005

CHINA LIFE TRUSTEES LIMITED

China Life Trustees Limited is a subsidiary of China Life Insurance (Overseas) Company Limited Hong Kong Branch which is a member of China Life Insurance (Group) Company. The business activities of China Life Insurance (Overseas) Company Limited Hong Kong Branch are principally life insurance, provident fund, retirement scheme and other related financial operations.

CITITRUST LIMITED

Cititrust Limited is a member of Citigroup Inc. Citigroup Inc. is a global financial services company, providing a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, insurance, securities brokerage and asset management.

CMG ASIA TRUSTEE COMPANY LIMITED

CMG Asia Trustee Company Limited is owned by CMG Asia Limited, which is a wholly owned subsidiary of the Commonwealth Bank Group in Australia. The Group provides integrated financial services including retail, business and institutional banking, funds management, general and life insurance, and superannuation in 13 markets worldwide.

DEXIA TRUST SERVICES HONG KONG LIMITED

Dexia Trust Services Hong Kong Limited provides trustee, fund administration, custody and transfer agency services. It is part of Dexia Group which is a European domiciled international financial services company.

HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED

HSBC Institutional Trust Services (Asia) Limited is a wholly owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited, which is one of the commercial banks in Hong Kong. The HSBC Group is also trustee or administrator of ORSO Schemes.

HSBC PROVIDENT FUND TRUSTEE (HONG KONG) LIMITED

HSBC Provident Fund Trustee (Hong Kong) Limited is a wholly owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited, which is one of the commercial banks in Hong Kong. The HSBC Group is also trustee or administrator of ORSO Schemes.

ING PENSION TRUST LIMITED

ING Pension Trust Limited is a member of ING Group, which is a global integrated financial services provider active in the fields of banking, insurance and asset management. ING Pension Trust Limited is a registered trust company and provides corporate trust services to pension schemes.

Appendix 6 (Cont'd) LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND

As at 31 March 2005

MANULIFE PROVIDENT FUNDS TRUST COMPANY LIMITED

Manulife Provident Funds Trust Company Limited is a member of the Manulife Financial group of companies, which provides a diverse range of financial protection products and wealth management services to individuals, families, business and groups in selected international markets.

MASSMUTUAL TRUSTEES LIMITED

MassMutual Trustees Limited is a member of the MassMutual Financial Group. Family of companies serves more than 11 million clients worldwide with a broad-based portfolio of financial products and services, including life insurance, annuities, disability income insurance, long-term care insurance, mutual funds, retirement planning, money management and trust services. "MassMutual Financial Group" is a marketing designation for the Massachusetts Mutual Life Insurance Company and its affiliates.

MLC TRUSTEES (HONG KONG) LIMITED

MLC Trustees (Hong Kong) Limited is a subsidiary of MLC Group, the Wealth Management division of the National Australia Group, providing financial planning and quality advice services, wealth creation (investments, superannuation, private banking), and wealth protection (insurance) solutions to retail and corporate customers.

PACIFIC CENTURY TRUSTEES LIMITED

Pacific Century Trustees Limited is a wholly-owned subsidiary of Pacific Century Insurance Holdings Limited which, together with its other subsidiaries, is principally engaged in individual life insurance, medical and disability insurance, retirement scheme administration, group insurance, life personal accident insurance, general insurance and asset management.

PRINCIPAL TRUST COMPANY (ASIA) LIMITED

Principal Trust Company (Asia) Limited is a member of the Principal Financial Group. The Principal Financial Group provides integrated financial services including life, disability and health insurance, mutual funds, residential mortgages, investment management and pension plans.

ROYAL BANK OF CANADA TRUST COMPANY (ASIA) LIMITED

Royal Bank of Canada Trust Company (Asia) Limited is a wholly owned subsidiary of Royal Bank of Canada, a financial services organization providing personal and commercial banking, corporate and investment banking, wealth management and insurance services.

APPENDIX 7

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

As at 31 March 2005

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
AIA-JF Comprehensive Retirement Benefit MPF Scheme	Capital Preservation Portfolio Guaranteed Portfolio
AIA-JF Mandatory Provident Fund Scheme	Asian Equity Fund Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Greater China Equity Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund North American Equity Fund
AIA-JF Premium MPF Scheme	Asian Equity Fund Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Greater China Equity Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund North American Equity Fund
Bank Consortium Industry Plan	BCT Asian Equity Fund BCT Balanced Fund BCT Capital Preservation Fund BCT Global Bond Fund BCT Global Equity Fund BCT Growth Fund BCT Hong Kong Equity Fund BCT Stable Fund
Bank Consortium MPF Plan	Bank Consortium Asian Equity Fund Bank Consortium Balanced Fund Bank Consortium Capital Preservation Fund Bank Consortium Global Bond Fund Bank Consortium Global Equity Fund Bank Consortium Growth Fund Bank Consortium Hong Kong Equity Fund Bank Consortium Stable Fund
BCOM Joyful Retirement MPF Scheme	BCOM Guaranteed (CF) Fund BCOM Joyful Capital Preservation (CF) Fund
BCOM Prosperous Retirement MPF Scheme	BCOM Balanced (CF) Fund BCOM Prosperous Capital Preservation (CF) Fund BCOM Stable Growth (CF) Fund
BEA (MPF) Industry Scheme	BEA (Industry Scheme) Balanced Fund BEA (Industry Scheme) Capital Preservation Fund BEA (Industry Scheme) Growth Fund BEA (Industry Scheme) Stable Fund

Appendix 7 (Cont'd)

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

As at 31 March 2005

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
BEA (MPF) Master Trust Scheme	BEA (MPF) Balanced Fund BEA (MPF) Capital Preservation Fund BEA (MPF) Growth Fund BEA (MPF) Long Term Guaranteed Fund BEA (MPF) Stable Fund
BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme	BOC-Prudential Balanced Fund BOC-Prudential Bond Fund BOC-Prudential Capital Preservation Fund BOC-Prudential Global Equity Fund BOC-Prudential Growth Fund BOC-Prudential Hong Kong Equity Fund BOC-Prudential Stable Fund
China Life MPF Master Trust Scheme	China Life Balanced Fund China Life Capital Preservation Fund China Life Growth Fund China Life Guaranteed Return Fund
CMG Rainbow 65	CMG Balanced Portfolio Fund CMG Capital Preservation Fund CMG Fixed Income Fund CMG Hong Kong Equity Fund CMG Progressive Growth Fund CMG Stable Income Fund
Double Easy Mandatory Provident Fund	Double Easy Balanced Fund Double Easy Capital Preservation Fund Double Easy Cash Fund Double Easy Growth Fund Double Easy Guaranteed Fund Double Easy Stable Fund Double Easy Top Select Fund
Dresdner RCM MPF Master Trust	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Stable Growth Fund
Dresdner RCM MPF Plan	Absolute Return Fund Asian Fund Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Hong Kong Fund Stable Growth Fund
Eagle Star MPF Scheme – Advance Planner	Eagle Star Accumulation Fund Eagle Star Capital Preservation Fund Eagle Star Global Growth Fund Eagle Star Guarantee Fund Eagle Star HK Dollar Savings Fund

Appendix 7 (Cont'd)

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

As at 31 March 2005

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
Eagle Star MPF Scheme – Security Planner	Eagle Star Capital Preservation Fund Eagle Star Guarantee Fund Eagle Star HK Dollar Savings Fund
Elite Mandatory Provident Fund	Capital Preservation Fund Multi-Manager Balanced Fund Multi-Manager Growth Fund Multi-Manager Hong Kong Equity Fund Multi-Manager Stable Fund
Fidelity Retirement Master Trust	Balanced Fund Capital Preservation Fund Capital Stable Fund Global Equity Fund Growth Fund Hong Kong Bond Fund Hong Kong Equity Fund Stable Growth Fund World Bond Fund
Hang Seng Mandatory Provident Fund – SuperTrust	Balanced Fund Capital Preservation Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund
Hang Seng Mandatory Provident Fund – SuperTrust Plus	Asian Equity Fund Balanced Fund Capital Preservation Fund European Equity Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund Hong Kong Equity Fund North American Equity Fund Stable Growth Fund
HSBC Mandatory Provident Fund – SuperTrust	Balanced Fund Capital Preservation Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund
HSBC Mandatory Provident Fund – SuperTrust Plus	Asian Equity Fund Balanced Fund Capital Preservation Fund European Equity Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund Hong Kong Equity Fund North American Equity Fund Stable Growth Fund

Appendix 7 (Cont'd) LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

As at 31 March 2005

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
ING MPF Master Trust Basic Scheme	ING MPF Basic Scheme Balanced Growth Basic Portfolio ING MPF Basic Scheme Capital Guaranteed Portfolio ING MPF Basic Scheme Capital Preservation Portfolio ING MPF Basic Scheme Hong Kong Equity Portfolio ING MPF Basic Scheme International Equity Portfolio ING MPF Basic Scheme Stable Growth Portfolio
ING MPF Master Trust Comprehensive Scheme	ING MPF Comprehensive Scheme Asian Equity Portfolio ING MPF Comprehensive Scheme Balanced Growth Portfolio ING MPF Comprehensive Scheme Capital Guaranteed Portfolio ING MPF Comprehensive Scheme Capital Preservation Portfolio ING MPF Comprehensive Scheme Growth Portfolio ING MPF Comprehensive Scheme Hong Kong Equity Portfolio ING MPF Comprehensive Scheme International Equity Portfolio ING MPF Comprehensive Scheme Stable Growth Portfolio ING MPF Comprehensive Scheme Stable Portfolio
INVESCO Strategic MPF Scheme	Balanced Fund Capital Preservation Fund Capital Stable Fund Global Bond Fund Growth Fund Guaranteed Fund Hong Kong Equity Fund
Jones Lang LaSalle Property Management Division Mandatory Provident Fund Scheme	Jones Lang LaSalle Capital Preservation Fund Jones Lang LaSalle Guarantee Fund
Kingsway MPF Master Trust	Kingsway Asia Pacific (excluding HK) Fund Kingsway Capital Preservation Fund Kingsway Global Diversification Fund Kingsway Hong Kong SAR Fund Kingsway Korea Fund
Manager Elite Master Trust	AXA Balanced Fund BNP Capital Preservation Fund Dresdner RCM Balanced Fund Fidelity Balanced Fund INVESCO Balanced Fund Managed Capital Stable Fund Managed Growth Fund Managed Stable Growth Fund Schroder Balanced Fund

Appendix 7 (Cont'd)

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

As at 31 March 2005

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
Manulife Global Select (MPF) Scheme	Manulife MPF Aggressive Fund Manulife MPF Capital Preservation Fund Manulife MPF European Equity Fund Manulife MPF Fidelity Growth Fund Manulife MPF Fidelity Stable Growth Fund Manulife MPF Growth Fund Manulife MPF Hong Kong Bond Fund Manulife MPF Hong Kong Equity Fund Manulife MPF Interest Fund Manulife MPF International Bond Fund Manulife MPF International Equity Fund Manulife MPF Japan Equity Fund Manulife MPF North American Equity Fund Manulife MPF Pacific Asia Equity Fund Manulife MPF Stable Fund
Manu-Lifestyle (MPF) Scheme	Manulife MPF Aggressive Fund Manulife MPF Capital Preservation Fund Manulife MPF Growth Fund Manulife MPF Interest Fund Manulife MPF Stable Fund
Mass Mandatory Provident Fund Scheme	Asian Balanced Fund Capital Preservation Fund Global Bond Fund Global Equity Fund Global Growth Fund Global Stable Fund Guaranteed Growth Fund
MLC MPF Master Trust Scheme	Templeton Global Equity Fund Balanced Fund Capital Preservation Fund Growth Fund
New-Alliance Mandatory Provident Fund Scheme	Capital Growth Fund Capital Preservation Fund Global Balanced Fund Income Fund
PCI Master Trust MPF Scheme	PCI Capital Preservation Fund PCI Fixed Income Fund PCI Global Balanced Fund PCI Hong Kong Fund
Principal MPF Scheme Series 200	Principal Capital Preservation Fund Principal HK Dollar Savings Fund Principal Long Term Guaranteed Fund
Principal MPF Scheme Series 500	Aggressive Growth Fund Balanced Growth Fund Capital Preservation Fund Guaranteed Fund Stable Growth Fund

Appendix 7 (Cont'd)

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

As at 31 March 2005

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
Principal MPF Scheme Series 600	Principal Capital Preservation Fund Principal Global Growth Fund Principal HK Dollar Savings Fund Principal Long Term Accumulation Fund Principal Long Term Guaranteed Fund
Principal MPF Scheme Series 800	Principal Asian Equity Fund Principal Capital Guaranteed Fund Principal Capital Preservation Fund Principal Global Growth Fund Principal HK Dollar Savings Fund Principal International Bond Fund Principal International Equity Fund Principal Long Term Accumulation Fund Principal Long Term Guaranteed Fund Principal Stable Yield Fund Principal US Dollar Savings Fund Principal US Equity Fund
Principal MPF Scheme Series B300	Principal Balanced Fund Principal Capital Preservation Fund Principal Conservative Fund Principal Growth Fund Principal International Bond Fund Principal Long Term Guaranteed Fund Principal U.S. Equity Fund
Schroder MPF Master Trust	Schroder MPF Asian Portfolio Schroder MPF Balanced Investment Portfolio Schroder MPF Capital Guaranteed Portfolio Schroder MPF Capital Preservation Portfolio Schroder MPF Capital Stable Portfolio Schroder MPF Growth Portfolio Schroder MPF HK Dollar Fixed Income Portfolio Schroder MPF Hong Kong Portfolio Schroder MPF International Portfolio Schroder MPF Stable Growth Portfolio
SHKP MPF Employer Sponsored Scheme	Dresdner Stable Growth Fund Fidelity Balanced Fund Fidelity Stable Growth Fund HSBC Capital Stable Fund New-Alliance Global Balanced Fund SHKP MPF Fund Standard Chartered Capital Preservation Fund – SHKP Standard Chartered Career Average Guaranteed Fund – SHKP
Standard Chartered MPF Plan – Advanced	Citi Balanced Fund Citi Conservative Fund Citi Hong Kong Equities Fund Dresdner RCM Balanced Fund Dresdner RCM Capital Stable Fund Dresdner RCM Growth Fund Fidelity Global Investment Fund – Balanced Fund Fidelity Global Investment Fund – Capital Stable Fund Fidelity Global Investment Fund – Growth Fund

Appendix 7 (Cont'd)

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

As at 31 March 2005

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
	HSBC MPF "A" – Balanced Fund HSBC MPF "A" – Hong Kong Equity Fund HSBC MPF "A" – Stable Fund INVESCO Global Balanced Fund INVESCO Global Equities Fund INVESCO MPF Bond Fund Merrill Lynch Strategy Trust – Flexible Balanced Fund Merrill Lynch Strategy Trust – Flexible BondPlus Fund Merrill Lynch Strategy Trust – Flexible EquityPlus Fund Schroder MPF Asian Fund Schroder MPF Balanced Investment Fund Schroder MPF HK Dollar Fixed Income Fund Standard Chartered Balanced Fund – Advanced Standard Chartered Capital Preservation Fund – Advanced Standard Chartered Career Average Guaranteed Fund – Advanced Standard Chartered Growth Fund – Advanced Standard Chartered Stable Fund – Advanced Templeton MPF Asian Balanced Fund Templeton MPF Global Bond Fund Templeton MPF Global Equity Fund
Standard Chartered MPF Plan – Basic	Standard Chartered Balanced Fund – Basic Standard Chartered Capital Preservation Fund – Basic Standard Chartered Career Average Guaranteed Fund – Basic Standard Chartered Growth Fund – Basic Standard Chartered Stable Fund – Basic
Tai Ping Retire-Easy MPF Master Trust Scheme	Tai Ping Retire-Easy Balanced Fund Tai Ping Retire-Easy Capital Preservation Fund Tai Ping Retire-Easy Capital Stable Fund Tai Ping Retire-Easy Growth Fund Tai Ping Retire-Easy Guarantee Fund
Zurich-Chinese Bank MPF Scheme – Premier	Zurich-Chinese Bank Capital Preservation Fund Zurich-Chinese Bank Guarantee Fund Zurich-Chinese Bank HK Dollar Savings Fund
Zurich-Chinese Bank MPF Scheme – PremierDELUXE	Zurich-Chinese Bank Accumulation Fund Zurich-Chinese Bank Asian Equity Fund Zurich-Chinese Bank Capital Guarantee Fund Zurich-Chinese Bank Capital Preservation Fund Zurich-Chinese Bank Global Growth Fund Zurich-Chinese Bank Guarantee Fund Zurich-Chinese Bank HK Dollar Savings Fund Zurich-Chinese Bank International Bond Fund Zurich-Chinese Bank International Equity Fund Zurich-Chinese Bank Stable Yield Fund Zurich-Chinese Bank US Dollar Savings Fund Zurich-Chinese Bank US Equity Fund

APPENDIX 8

LIST OF CORPORATE ADMINISTRATORS WHO ADMINISTER POOLING AGREEMENTS FOR ORSO SCHEMES

As at 31 March 2005

AUTHORIZED INSURERS

American International Assurance Company (Bermuda) Limited
 American International Assurance Company, Limited
 China Life Insurance (Overseas) Company Limited
 CMG Asia Limited
 Hang Seng Life Limited
 HSBC Life (International) Limited
 ING Life Insurance Company (Bermuda) Limited
 Manufacturers Life Insurance Company – The
 Manulife (International) Limited
 Pacific Century Insurance Company Limited
 Prudential Assurance Company Limited – The

CORPORATE TRUST COMPANIES

AIA Pension And Trustee Co. Ltd.
 American International Assurance Company (Trustee) Limited
 AXA China Region (Bermuda) Limited
 AXA China Region Trustees Limited
 Bank Consortium Trust Company Limited
 Bank of Communications Trustee Limited
 BOC Group Trustee Company Limited
 China Life Trustees Limited
 CMG Asia Trustee Company Limited
 Dexia Trust Services Hong Kong Limited
 HSBC International Trustee Limited
 HSBC Trustee (Hong Kong) Limited
 ING Pension Trust Limited
 Manulife Provident Funds Trust Company Limited
 MassMutual Trustees Limited
 MLC Trustees (Hong Kong) Limited
 Principal Trust Company (Asia) Limited
 Shanghai Commercial Bank Trustee Limited

APPENDIX 9 LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES

April 2004 – March 2005

OUTREACH PROGRAMMES – TO DISSEMINATE MPF MESSAGES AT THE COMMUNITY LEVEL

Jan – Feb 2005	The MPFA took part in 3 district carnivals to bring MPF messages to the local community.
Apr 2004 – Mar 2005	In partnership with political parties, the MPFA organized 22 “MPF Carnivals” throughout Hong Kong.
Apr 2004 – Mar 2005	A total of 77 talks and seminars were given to labour unions, political parties, professional bodies, business associations, and community groups.

INVESTMENT EDUCATION PROGRAMMES – TO EDUCATE THE PUBLIC ON MPF INVESTMENT

6 Jun 2004	In partnership with a political party, the MPFA conducted 2 sessions of MPF investment seminar for members of the public.
Aug 2004	The MPFA conducted 2 radio interviews on Capital Preservation Fund with Commercial Radio and Radio Television Hong Kong.
26 – 28 Aug 2004	The MPFA participated in the Financial World Expo held at the Hong Kong Convention and Exhibition Centre. 3 seminars on MPF investment were conducted for visitors to the Expo.
3 – 28 Jan 2005	A 12-episode radio series on MPF investment was produced and broadcast in partnership with Commercial Radio 1.
6 – 27 Mar 2005	A 10-episode TV series on MPF System and MPF investment was produced in partnership with Radio Television Hong Kong. The 1st to 4th episodes were broadcast during the report period.
17 Mar 2005	The MPFA, Hong Kong Retirement Schemes Association, Hong Kong Economic Times and ET Business College co-organized an MPF investment seminar for members of the public.
Mar 2005	In partnership with 7 Chinese newspapers, the MPFA published a booklet <i>MPF Investment Guide 2005</i> for distribution through convenient stores at MTR and KCR stations, labour unions, and various public outlets.
Apr 2004 – Mar 2005	A total of 103 articles were published in newspapers on various topics of MPF Investment.

Appendix 9 (Cont'd) LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES

April 2004 – March 2005

PUBLICITY PROGRAMMES ON THE DISCLOSURE PROJECT – TO INFORM THE PUBLIC OF THE PURPOSES AND BENEFITS OF THE PROJECT

Apr – Jul 2004	A total of 6 articles on the Disclosure Project were published in newspapers.
Jul 2004	The MPFA issued a press release introducing the Code on Disclosure for MPF Investment Funds to MPF trustees and service providers.
Jul 2004	A Disclosure corner was launched on the MPFA website to publicize the Disclosure Project.

YOUTH EDUCATION PROGRAMMES – TO EDUCATE THE YOUNGER GENERATION ON THE NEED FOR FINANCIAL PLANNING

Oct 2004 – Jan 2005	The MPFA, together with the Education and Manpower Bureau, Committee on Home-School Co-operation, Hong Kong Economic Times and ET Business College organized an inter-school financial planning competition.
Jan – Mar 2005	The MPFA and Whiz Kids Express Weekly jointly organized an MPF slogan competition for primary school students.
Mar 2005	The MPFA, together with the Institute of Financial Planners of Hong Kong, organized a case writing competition for tertiary students on the theme of “MPF Investment and Retirement Planning Strategies”.
Apr 2004 – Mar 2005	A total of 25 talks were delivered to education institutions, secondary schools and tertiary institutions.
Apr 2004 – Mar 2005	The MPFA gave a total of 125 talks to trainees of the Youth Pre-employment Training Programme, Youth Work Experience and Training Scheme, and Youth Self-employment Support Scheme on features of the MPF System and the rights of scheme members under the System.

Appendix 9 (Cont'd)

LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES

April 2004 – March 2005

OTHER PUBLICITY ACTIVITIES – TO DISSEMINATE MPF-RELATED INFORMATION TO THE PUBLIC

May 2004	A communication programme was launched to publicize the revised MPF guidelines on contribution period in respect of a relevant employee reaching the age of 65. The means of publicity included briefings and talks, distribution of information leaflets, and article contributions to newspaper.
19 Aug – 9 Sep 2004	A 4-episode radio series on MPF related topics for new immigrants was broadcast on Metro Radio.
Aug – Oct 2004	The MPFA conducted a mini-publicity campaign to remind self-employed persons (SEPs) of their MPF obligations, which included the production of a leaflet for distribution to existing and potential SEPs, outreach activities and article contribution to newspapers.
Aug – Dec 2004	The MPFA launched a publicity campaign on the MPF Industry Schemes. A leaflet was published for distribution to members of catering and construction industries. In partnership with the unions, the MPFA conducted 2 seminars and 1 outreach activity to promote the Industry Schemes.
Nov 2004	The MPFA produced MPF fact sheets in Nepali, Pakistani and Sinhalese for distribution to members of minority groups.
30 Dec 2004	The MPFA participated in the 39th Hong Kong Products Expo held in Victoria Park to publicize MPF messages to the general public.
19 – 22 Feb 2005	The MPFA took part in the 2005 Education and Careers Expo held at the Hong Kong Convention and Exhibition Centre which targeted at school-leavers and job seekers.
Mar 2005	The MPFA published a leaflet on <i>What Employee Should Know About MPF</i> for distribution to members of public.
Mar 2005	A poster on <i>Protect Your MPF Benefits</i> was produced for posting at various public outlets.
Apr 2004 – Mar 2005	The MPFA issued a total of 200 press releases on enforcement actions and other MPF topics.
Apr 2004 – Mar 2005	A total of 121 articles were published in newspapers on member protection measures.

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