

FORM APIF-AS/UT

MANDATORY PROVIDENT FUND SCHEMES ORDINANCE (CAP 485)

**ANNUAL STATEMENTS OF APPROVED POOLED INVESTMENT FUND
BEING AN AUTHORIZED UNIT TRUST**

Section 17(2)(h) of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation (Cap 485A)

NOTES:

- (1) The annual statement of an approved pooled investment fund (APIF) should be prepared by the approved trustee of the APIF.*
 - (2) The trustee should refer to the Guidelines on Annual Statements of Approved Pooled Investment Funds for the purpose of submitting the annual statement of the APIF.*
 - (3) The trustee is not required to adopt the format as specified in this Form and to disclose the items in the same order.*
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I Financial Statements

The financial statements of the APIF should include the following items:

(A) Statement of Assets and Liabilities

The following must be separately disclosed:

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

(B) Revenue Statement

The following must be separately disclosed:

1. Total investment income net of withholding tax, broken down by category;
2. Total other income, broken down by category including security lending;
3. Equalization on issue and cancellation of units;
4. An itemized list of various costs which have been debited from the fund including:
 - (a) fees paid to the investment manager;
 - (b) remuneration of the trustee/custodian;
 - (c) other amounts paid to any associates of the trustee, custodian, or investment manager;
 - (d) safe custody and bank charges;
 - (e) auditors' remuneration;
 - (f) interest on borrowings;
 - (g) legal and other professional fees; and
 - (h) any other expenses borne by the fund;
5. Taxes;
6. Amounts transferred to and from the capital account; and
7. Net income to be carried forward for distribution.

(C) Distribution Statement

The following must be separately disclosed:

1. Amount brought forward at the beginning of the year;
2. Net income for the year;
3. Interim distribution per unit and date of distribution;
4. Final distribution per unit and date of distribution; and
5. Undistributed income carried forward.

(D) Statement of Movement in Capital Account

The following must be separately disclosed:

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

(E) Notes to the Accounts

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

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

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

2. Transactions with associates

The following should be disclosed:

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

II Auditor's Report

The report of the auditor should state:

1. Whether in the auditor's opinion, the financial statements prepared for that year have been properly prepared in accordance with the relevant provisions of the constitutive documents of the fund, the Mandatory Provident Fund Schemes Ordinance (the Ordinance), the Mandatory Provident Fund Schemes (General) Regulation (the Regulation), the Code on MPF Investment Funds and other relevant guidelines issued by the Mandatory Provident Fund Schemes Authority (the Authority);
2. Without prejudice to the foregoing, whether in the auditor's opinion, a true and fair view is given of the disposition of the fund at the end of the year and of the transactions of the fund for the year then ended;
3. Whether or not the assets of the fund were at the end of that year encumbered by any encumbrance, otherwise than as permitted by section 65 of the Regulation, and, if they were, give particulars of the encumbrance;
4. Whether or not, in the auditor's opinion, the requirements specified in section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 37(2), 51 and 52 of, and Schedule 1 to, the Regulation and the relevant guidelines issued in respect of those sections have been complied with in all material respects as at:
 - (a) the end of that year; and
 - (b) two other dates in that year nominated by the auditor,
 and, if not, specify to what extent those requirements have, in the auditor's opinion, not been complied with. The intervening period between the two dates referred to in (b) must be not less than three months or, if the Authority has in a particular case allowed a shorter period, not less than that period;
5. If the auditor is of the opinion that proper books and records have not been kept by the fund and/or the statements prepared are not in agreement with the fund's books and records, that fact;
6. If the auditor has failed to obtain all the information and explanations which, to the best of his/her knowledge and belief, are necessary for the purposes of the audit, that fact; and
7. The auditor may include in the auditor's report such explanations and qualifications as the auditor thinks relevant.

III Investment Report

The investment report of the APIF should include the following items:

(A) Investment Portfolio

1. Number or quantity of each holding together with the description;
2. The market value of each holding:
 - (a) in the case of equities and warrants, categorize by country/region; and

- (b) in the case of debt securities and convertible debt securities, categorize by currency denomination;
- 3. The value of each holding as a percentage of the total net asset value (please specify whether trade day or settlement day basis is adopted);
- 4. The total investment stated at cost; and
- 5. Statement of movements in portfolio holdings since the end of the preceding financial year.

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

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

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

(B) Performance Table

- 1. A comprehensive table covering the last three financial years and including, for each financial year, at the end of the financial year:
 - (a) the total net asset value; and
 - (b) the net asset value per unit.
- 2. A performance record over the last 10 financial years, or if the fund has not been in existence during the whole of that period, over the whole period in which it has been in existence, showing:
 - (a) the highest issue price and the lowest redemption price of the units during each of those years;
 - (b) the net annualized investment return (percentage change in unit price) during each of those years, except that for the first year, the actual net investment return for the relevant period should be shown without annualization but with the relevant period disclosed; and
 - (c) the basis of calculation of the net investment return should be disclosed in a footnote.

IV Information on Costs and Expenses

The annual statement of the APIF should include the following information:

(A) Transaction Costs

1. The dollar cost incurred in performing any investment transactions for the APIF, or if relevant, each class of units of the APIF (including brokerage, commissions and taxes) should be disclosed.

(B) Fund Expense Ratio

1. The fund expense ratio of the APIF, or if relevant, each class of units of the APIF, for that financial period, as calculated in accordance with Part E of the Code on Disclosure for MPF Investment Funds, should be disclosed.

V Other Relevant Information

The annual statement of the APIF must include the following information:

1. A statement as to whether or not the trustee has, during the relevant financial year, become aware of any failures by the custodian, the investment manager, and their delegates to comply with the obligations imposed on them, if so, give particulars of those failures and any rectification of those failures.
2. A statement as to whether or not the trustee is aware of any events of a significant nature relating to the fund that occurred during the relevant financial year which have not been reported to the Authority, if so, give details of those events.
3. A statement as to whether or not the provisions of the constitutive documents, the Ordinance, the Regulation, the Code on MPF Investment Funds and other relevant guidelines issued by the Authority have been complied with in all material respects during the relevant financial year and, if those provisions have not been so complied with, a statement giving particulars of the failures to comply with those provisions.
4. Any material changes (including changes of custodians, investment managers and delegates of investment managers) which have not been reported to the Authority during the year.
5. A declaration that the trustee has, during the relevant financial year, supervised, and exercised proper control over, all persons appointed or engaged for the purposes of the fund.