



**Mandatory
Provident
Fund
Schemes
Authority
Annual
Report**

2002/03

Contents

4	Chairman's Statement
8	Managing Director's Report
12	Management Board
16	Mandatory Provident Fund Schemes Advisory Committee
18	MPF Industry Schemes Committee
21	Regulatory Framework
24	About the Mandatory Provident Fund Schemes Authority
27	Supervision of the Industry
37	Investment Regulation
39	Enforcement
43	Public Education and Publicity
47	Supporting Services
54	External Relations
57	Financial Statements
75	Statistics
	a. MPF Scheme Members
	b. MPF Products
	c. ORSO Schemes
	d. Enquiries and Complaints
	e. Enforcement
89	Appendices



Mission Statement

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”

REVIEW AND REFINEMENT OF MPF SYSTEM

- The MPF Schemes (Amendment) (No. 2) Ordinance 2002 was enacted to enhance the effectiveness and efficiency of the MPF System
- Developed another batch of 15 amendment proposals to improve the administrative and operational aspects of the MPF legislation for the Government's consideration
- Reviewed the ORSO legislation and submitted the proposed amendments to the Government
- Reviewed the strategy of supervision of approved trustees and adopted a risk-based strategy
- Reviewed MPF disclosure practices and identified areas for improvement
- Drew up and issued guidelines to set out the criteria for approval of index-tracking collective investment schemes, and approved 39 fund applications

ENROLMENT AND ENFORCEMENT

- Achieved enrolment rates of 93.8%, 95.7% and 75.8% for employers, employees and self-employed persons respectively
- Reviewed and refined enforcement policies and procedures
- Completed investigation on over 7 000 complaint cases and carried out over 3 000 proactive inspections of business establishments
- Filed around 680 claims with the Small Claims Tribunal, made applications to the Police for serving 756 summonses to non-complying employers and made around 200 applications to liquidators or receivers in respect of default contribution cases

PUBLIC EDUCATION AND PUBLICITY

- Carried out a campaign to publicize the amendments to the MPF legislation enacted in July 2002
- Educated the public on individuals' MPF rights and obligations and MPF-related investment knowledge through regular article contributions, seminars, publications, exhibitions, TV programmes and the MPFA's website
- Maintained close contact with the community through MPF Info-stations, MPF carnivals, as well as functions jointly organized with community groups, trade bodies and political parties
- Educated the younger generation by giving school talks, developing a teaching kit and launching a webpage design contest on ageing population for lower form students

MANAGEMENT INFORMATION SYSTEMS

- Set up a special team and took over from the contractor the maintenance and enhancement of the Information Management System (IMS)
- Made changes to the IMS as necessitated by the enactment of legislative amendments according to the Amendment Ordinance's implementation schedule
- Strengthened enforcement support systems and developed corporate services support systems

ORGANIZATION DEVELOPMENT AND CULTURE BUILDING

- Reviewed the Performance Management System for refinement of the Staff Appraisal Review System
- Organized training sessions to develop and enhance business knowledge, and management and technical skills
- Networked with other regulators and human resources professionals of other organizations for experience sharing, training and benchmarking
- Implemented job rotation
- Launched a staff communication programme to enhance communication across the organization
- Carried out culture building and team building activities
- Developed and reviewed both internal and external performance pledges for various levels of operation across the organizations



This Annual Report of the Mandatory Provident Fund Schemes Authority (MPFA) covers the year from 1 April 2002 to 31 March 2003, the second full year of operation of the Mandatory Provident Fund (MPF) System.

Having experienced rapid growth in the initial year of the implementation of the System, the rates of enrolment in MPF schemes stabilized during the year 2002-03. As at 31 March 2003, 93.8% of employers and 95.7% of relevant employees have joined MPF schemes, as compared with the respective rates of 92.1% and 95.5% as at the end of March 2002. The enrolment rate of self-employed persons decreased from 85% to 75.8% due to an increase in the self-employed persons' universe as reported by the Census and Statistics Department. The total numbers of employers, employees and self-employed persons participating in MPF were 217 000, 1 716 000 and 302 000 respectively. Taking into account members of the workforce who have participated in other retirement schemes, about 84% of the total workforce in Hong Kong was covered by some form of retirement protection as at the end of March 2003. This is a remarkable achievement in comparison with the situation in the pre-MPF era, when only about one-third of the workforce was covered by retirement protection schemes.

The high enrolment rates reflect not only the law-abiding attitude of the public but also the working population's acceptance of the MPF System as a long-term savings scheme for retirement. They are also the result of the arduous efforts made by the MPFA to reach out to all levels of the community to drive home the message of MPF benefits, as well as the enforcement actions taken to uphold the credibility and integrity of the System.

While the enrolment rates remain stable, the size of MPF assets has been steadily increasing. As at the end of March 2003, the aggregate net asset value of all MPF schemes, including assets transferred from ORSO schemes, amounted to \$59 billion. The amount of MPF contributions has been maintained at about \$2 billion per month. This continuously growing pool of funds is an important impetus to the local fund management industry. Furthermore, many consider that the high participation rate of the workforce in MPF has increased the awareness of the need for saving and retirement planning.

In the past years, the investment performance of MPF, as expected, had been affected by the depressed state of the global as well as the local investment markets. As to asset allocation, the overall asset allocation of approved constituent funds was approximately 26% deposits and cash, 30% debt securities and 44% equities as at end of March 2003. The proportion of local and overseas assets has been maintained at roughly 60% and 40% respectively.

In response to the demand for more flexibility in investment products, the MPFA had proposed to relax the restrictions on investment in index-tracking collective investment schemes. These proposals were effected by the passage of the relevant legislation in July 2002, and 39 of these funds were subsequently approved by the MPFA.

The MPFA has also monitored the investment preferences of scheme members to ensure that the product range and development would meet members' needs. Given the depressed economy and low interest rates, it was quite evident that MPF scheme members preferred conservative investments such as guaranteed funds and capital preservation funds. As at 31 March 2003, the net asset values of capital preservation funds and guaranteed funds accounted for 38% of the total net asset values of all approved constituent funds, while equity funds represented only 12% of the total asset values.

Chairman's Statement *Continued*

In the past year, there had been little activity in the MPF industry in terms of market rationalization. A case of a trustee withdrawing from scheme administration and another case of schemes merging were being processed. In the coming year, the MPFA expects that similar activities will continue, particularly the outsourcing of scheme administration functions. At the end of the financial year, within the MPF industry, there were 20 trustees, 318 constituent funds, 249 approved pooled investment funds and more than 26 000 registered intermediaries.

Having the MPF System up and running as one of the three pillars of protection for the elderly advocated by the World Bank does not mean that we can be complacent. We must not forget to keep in view the development and serious implications of an ageing profile of the population. According to the projection of the Census and Statistics Department, the proportion of people aged 65 or above will rise markedly from 11.5% in 2001 to 24% by 2031¹. The projected dependency ratio also indicates that in about 30 years' time, the number of persons aged between 18 and 65 available to support a person aged 65 or above will decrease from six to less than three². At the same time, with the advance in medicine and technology, we must not lose sight of Hong Kong's increasing average life expectancies of both males and females. In 2002, the average life expectancies of males and females were 78.7 years and 84.7 years respectively³. The increasing trend of average life expectancies will impact on the amount of savings required to support a person after retirement.

In the course of the past few years, there have been calls for the suspension of the MPF System or a reduction in MPF contribution, ostensibly as a measure to re-vitalize the economy. Whilst the short-term economic benefits to be derived from a suspension or reduction are at best dubious, the long-term damage to a key social programme in addressing the growing and inevitable problem of an ageing population is certain and irreparable.

After the successful launch of the MPF System and overcoming the initial teething problems in scheme administration in the first year of MPF operation, the MPFA has made fruitful efforts in reviewing and refining the System, whilst strengthening its own regulatory and enforcement abilities and building up the organization. It has also initiated a series of longer-term projects, which will take a few years to accomplish. The review of the operational and administrative aspects of both the MPF and ORSO legislation will continue at least into 2003-04. The projects on disclosure of MPF fees and charges and investment performance, and the adoption of a risk-based strategy in the supervision of MPF trustees, both initiated in 2002-03, will take three to five years to be fully developed and implemented.

1 *Hong Kong Population Projections 2002-2031*, Census and Statistics Department.

2 *ibid.*

3 *Women and Men in Hong Kong - Key Statistics (2003 Edition)*, Census and Statistics Department.

On account of all the above achievements, I must place on record the Management Board's appreciation of the significant contributions made by the Managing Director, Mr Rafael Hui, to the establishment and implementation of the MPF System. Without his inspiring leadership and an intimate understanding of the intricacies of the System, the operation of the MPFA would not have been so smooth. As this report is being prepared, it is known that Mr Hui has decided to retire from the position of Managing Director of MPFA in August 2003. His departure will be a great loss to the organization. However, we are fortunate, and grateful that he has laid down such a solid foundation and clear directions for his successors. We would like to convey our sincerest wishes to him for a happy retirement.

I would like to thank my fellow Management Board members as well as the members of its supporting committees for their hard work and assistance in steering the MPFA and laying down policies and guidelines in various aspects of management and operation. I am also deeply grateful to the MPF Schemes Advisory Committee and the Industry Schemes Committee who have given valuable advice on the proposals to enhance the effective operation of the MPF System and to improve the operation of the Industry Schemes.

My sincere appreciation also goes to the staff of the MPFA, who have shown their commitment and dedication by discharging their duties in a zealous manner. I am confident that the MPFA will continue to work as a cohesive team in meeting the future challenges of regulating the MPF System and perfecting its operations.



Charles Lee Yeh-kwong
Chairman



This is the last time that I present the MPFA's annual report as its Managing Director. When I wrote the report for last year, I thought it was my last but somehow I managed to continue for one more year.

To start, I am deeply thankful to all those who have contributed to the MPF System and the MPFA during my past three years as its Managing Director. Without the trust and support of the Management Board and its Committees during these crucial years, we would not have made such remarkable progress, both in operating the MPF System and the development of the organization. Our achievements also have been built on the invaluable counsel and assistance provided by the MPF Schemes Advisory Committee and the Industry Schemes Committee. I must express particularly my deep gratitude to the MPFA Chairman, Mr Charles Lee, and the Government, both for their steer, support and understanding during my years as Managing Director.

In this last report, it may be tempting to present a summary of the past and then make a few forward-looking remarks. I have chosen not to do so. First, it would be too lengthy to give a sufficiently ample account of what the MPFA has done. Second, the past is history: reminiscences of a retiring Managing Director are not particularly useful. Instead, I would like to use the space below to make a few observations, none of which is new but nonetheless need reiteration.

- The Chairman, in his Statement, has pointed out the rapidly ageing profile of our population, and the associated worsening dependency ratios. Whilst the gradual but deepening impact of this development may have just dawned on the people of Hong Kong, it is an unavoidable

reality that must be faced. By now, I think most people should have come to realize that the capacity and resources of the Government are finite. Having already heavily committed its resources to education, health, welfare, etc, the Government simply cannot be expected to carry the provision of retirement benefits from the public purse. If it were to take up and sustain such an unlimited programme, the only way would be to reduce other services and increase taxes at the same time.

- Mandatory retirement saving systems may take many forms. Some advocate a system with government guarantee and some prefer the system to operate on a “pay-as-you-go” basis. So far, to my knowledge, there has not been a single successful example of such a system continuing on a **sustainable** basis in the whole world. Indeed, the usual outcome (other than collapse of the system) has turned out to be either cutting back of benefits, substantial increase of contributions and taxes and/or deferment of the statutory retirement age. Starting relatively late, Hong Kong has been able to learn from others’ mistakes and not fall into the same traps, however enticing some of the models might have appeared at the beginning.
- At times of high asset price inflation, such as in the pre-1997 years, there was a good chance that a reasonable nest egg could be put together by repeated capital gains in, say, “trading up” in properties, and savings for retirement schemes (compulsory or otherwise) conceivably could be argued as unnecessary. But this is no longer a real option, even in the long term. People’s inclination to save and abilities to plan vary widely. Very often, individuals are so caught up with their more immediate financial concerns during the most productive period of their lives that they fail to accumulate an adequate sum for their retirement. A certain degree of compulsion therefore is necessary in order to furnish some assurance that an appropriate amount of assets is set aside for the future. Failing this, increasingly heavy reliance on the social safety net and a massive burden on future generations will be unavoidable.
- I would like to once again express my gratitude to the vast majority of employers, employees and self-employed persons for their forbearance and support, without which the MPF System would not have achieved such high compliance rates, despite the harsh economic circumstances. I must also pay tribute specially to the employers who are not only required to make contributions for their employees, but also have to go through the trouble of setting up and maintaining the administrative systems to comply with the MPF requirements.
- Certain employers however have expressed discontent with the mechanism of offsetting MPF benefits with severance payments/long service payments (SP/LSP), which in fact was a major concession very reluctantly made by the labour sector in exchange for the realization of a retirement protection scheme for the workforce. Many labour groups are still very dissatisfied about this offsetting mechanism because of the view that at least the offsetting against severance payment, if not long service payment, is unfair. Some employers complain about employees making high-risk investment choices, resulting, under the current volatile investment environment, in less accrued MPF benefits available

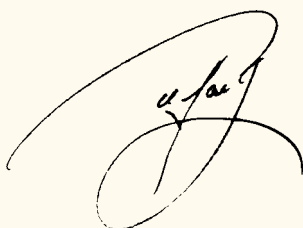
for SP/LSP offsetting. These employers should not forget that the converse is also true, i.e. when the investment environment is good, their contributions will generate income to lighten, if not eliminate, their SP/LSP responsibility. Besides, employers are the ones who are vested with the right to choose the MPF trustees and MPF schemes for their employees. The SP/LSP legislation pre-dated the MPF by many years. These employers' discontent leads one to think that, perhaps, some of them have never intended to provide for SP/LSP in any case, even without MPF coming into the picture.

- Under the MPF System, the trustee of a MPF scheme is the central party having an overall responsibility for the administration and management of the scheme. Trusteeship is not a new concept and Hong Kong's trust law has a long history. It was with the widely understood and accepted role of trustees in mind that MPF schemes were entrusted to them when the System was designed. Under the MPF legislation, a trustee has an explicit fiduciary duty to serve the best interests of fund members and are subject to legal liability. Part of the trustee's functions may be delegated to other service providers but a trustee has the duty to supervise and exercise proper control over these service providers. A trustee's responsibilities as provided under the Trustee Ordinance are not less stringent when applied to the MPF System.
- The MPF System is a social programme, first and foremost. The business opportunities for the financial services sector are only secondary. Means and ends should not be confused. It is not MPF's aim to boost the markets - local, overseas, financial, property, or whatever. The financial infrastructure is only an instrument to facilitate the social programme. It is therefore imperative for the MPFA to focus on protection of employees' rights and benefits and apply prudential regulation/supervision to MPF-related financial services. Investment vehicles for MPF should be evaluated in terms of return and security from the point of view of scheme members. In any case, even though the legally required proportion of Hong Kong dollar denominated assets of a MPF constituent fund is 30%, the actual proportion is around 60%. Matching of assets and liabilities and diversification are basic risk management principles crucial to regulators and service providers alike. It is not necessary for politicians to exercise themselves over such matters.
- With MPF being mandatory in nature, the basic approach of the regulation of MPF-related investment products, almost by definition and certainly of necessity, should be more stringent and detail-specific than those not intended for MPF where 'caveat emptor' should have a larger role in the overall scheme of things. It would be up to the service providers to decide whether they wish to enter into MPF business and abide by the MPF rules, in addition to coming under the ambit of other regulators with regard to their non-MPF businesses.
- Hong Kong always has maintained a free market philosophy. Price control will only be considered under special situations. Hence, there is no policy to control the fees and charges under the MPF System. Only the administrative charges of capital preservation funds are kept under some regulation. Instead, competition and transparency are two important elements to ensure a cost-effective and efficient market. In the coming few years, MPFA will focus its resources and attention on improving transparency and disclosure of MPF products. I hope that, with extensive consultation, measures to tighten regulation with regard to the disclosure

of fees and charges and investment performance will be implemented in stages with the MPF industry's support and cooperation. However, even with less than full consensus of the industry, it is still imperative that the System be improved and strengthened in these aspects. The argument that an average scheme member would not be able to understand or cannot be bothered with the information disclosed is unacceptable as scheme members should not be deprived of the opportunity to enhance their investment knowledge and their right to be properly informed. It is the responsibility of the authorities and the service providers to ensure that information concerning scheme members' rights and benefits is set out in a language that they can comprehend. In any case, we must never under-estimate the good sense and discerning power of the average scheme member. After all, it is his or her money.

Before I close, I wish to say that I have been very fortunate to have the staunch support of very capable, professional, dedicated and enthusiastic colleagues, whose commitment and hard work have been indispensable in enabling the MPFA to achieve its mission and to deliver the level and quality of performance clearly demonstrated since the inception of the MPF. The MPFA, as an organization, has always been under stringent public scrutiny. Its establishment (including staff's pay levels) was mapped out in the aftermath of the Asian financial turmoil and in a setting of deflation and high unemployment. In congruence with current philosophies on human resources management, a high proportion of performance-based variable pay has been a principal feature of the remuneration system right at the outset. Being a young organization, the MPFA does not have difficulty in maintaining a lean and relatively flat structure and flexibility in its remuneration system. It is therefore able to implement the remuneration recommendations of the Hay study¹ with ease, both at the directorate and other levels. Since its formation, the organization has been reviewed and downsized almost continually. Not only that salaries have never been increased since the organization was set up, it is also able to attain a staff cost to total expenditure ratio of 65.5%, which is nothing to feel ashamed about for any labour intensive public organization.

Among Hong Kong's public policies in the past decade, MPF is one of the biggest new initiatives. Now that we have laid down a foundation and have had a good start, I sincerely wish that MPF and the MPFA will continue to grow and prosper well into the future.



Rafael Hui Si-yan
Managing Director

1 The study commissioned by the Government on the remuneration of senior executives of ten selected statutory and other bodies in 2002.

CHAIRMAN



Mr Charles Lee Yeh-kwong, GBS, JP

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

NON-EXECUTIVE DIRECTORS



**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; Member, Land 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; Hon Chairman, The Hong Kong Electronic Industries Association; Executive Committee Member, The Chinese Manufacturers' Association of Hong Kong; Advisory Board Member, Hong Kong International Arbitration Centre; Member, Shandong Political Consultative Congress; Member, Legislative Council.



Mr Eddy Fong Ching, SBS, JP

Partner of PricewaterhouseCoopers; Member, Hong Kong Housing Authority; Member of General Committee, Federation of Hong Kong Industries; Director, Hong Kong Applied Science and Technology Research Institute Company Limited and Applied Research Council.



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, Manpower Development Committee; Member, Legislative Council (1995-2000).



Mr Robert Tang Ching, SC, JP

Recorder of the High Court; Chairman, Independent Police Complaints Council; Member, ICAC Complaints Committee; Member, Exchange Fund Advisory Committee; Chairman, Town Planning Appeal Board (1996-2000); Chairman, Securities and Futures Appeal Panel (1995-99); Chairman, Takeovers Appeal Committee (1994-98); Chairman, Criminal and Law Enforcement Injuries Compensation Boards (1986-92); Chairman, The Hong Kong Bar Association (1988-90).

**NON-EXECUTIVE
DIRECTORS**



Ms Anna Wu Hung-yuk, SBS, JP

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



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.



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).

EXECUTIVE DIRECTORS



Mr Rafael Hui Si-yan, GBS, JP

Deputy Chairman and Managing Director

Secretary for Financial Services (1995-2000); Commissioner for Transport (1992-95); Director, New Airport Projects Co-ordination Office (1991-92); Deputy Secretary for Works (1990-91); Deputy Secretary for Economic Services (1986-90); Deputy Secretary-General in the Office of the Unofficial Members of the Executive and Legislative Councils (UMELCO) (1985-86).



Mrs Diana Chan Tong Chee-ching

Chief Operating Officer (Corporate Affairs)

Hospital Chief Executive, Wong Chuk Hang Hospital (1995-2000); Deputy Director (Administration), Hospital Authority (1991-95); Administrative Officer, 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; seconded from the Government to the MPFA (1998-99); Senior Manager (ORSO Interface), Mandatory Provident Fund Office (1995-98); Senior Insurance Officer, Office of the Registrar of Occupational Retirement Schemes (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).

The Mandatory Provident Fund Schemes Advisory Committee (MPFSAC) is established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (MPFSO) to make recommendations to the Mandatory Provident Fund Schemes Authority (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 nine to eleven other members appointed by the Chief Executive. The chairman and deputy chairman of the MPFSAC are also appointed by the Chief Executive from amongst its members.

MEMBERS OF THE MPFSAC

as at 31 March 2003

Chairman

Professor Nelson Chow Wing-sun, SBS, JP

Chair Professor, Department of Social Work and Social Administration, University of Hong Kong

Deputy Chairman

Mr Rafael Hui Si-yan, GBS, JP

Managing Director, MPFA

Other Members

The Hon David Chu Yu-lin, JP

Member, Legislative Council

The Hon Ng Leung-sing, JP

Member, Legislative Council

The Hon Chan Yuen-han, JP

Member, Legislative Council

The Hon Bernard Chan, JP

Member, Legislative Council

The Hon Sin Chung-kai

Member, Legislative Council

Mr Desmond Chan Kwok-kit

Chairman, Hong Kong Investment Funds Association (1998)

Mr Ho Sai-chu, SBS, JP

Honorary Chairman, The Chinese General Chamber of Commerce

Mr Danny Ngai Kam-fai

Member, Small and Medium Enterprises Committee

Mr Poon Siu-ping, MH

Vice-Chairman, Federation of Hong Kong and Kowloon Labour Unions

During the year, the MPFSAC considered the proposed amendments to the MPF legislation. It gave valuable advice to the MPFA on various legislative proposals related to the simplification of MPF scheme administration and enhancement of protection for scheme members.



Professor Nelson Chow Wing-sun, SBS, JP



Mr Rafael Hui Si-yan, GBS, JP



The Hon David Chu Yu-lin, JP



The Hon Ng Leung-sing, JP



The Hon Chan Yuen-han, JP



The Hon Bernard Chan, JP



The Hon Sin Chung-kai



Mr Desmond Chan Kwok-kit



Mr Ho Sai-chu, SBS, JP



Mr Danny Ngai Kam-fai



Mr Poon Siu-ping, MH

The MPF Industry Schemes Committee (ISC) was 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 chairperson, 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. They are to be appointed by the Financial Secretary. In addition, an executive director of the MPFA is designated by the MPFA to serve on the ISC.

MEMBERS OF THE ISC

as at 31 March 2003

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 Kay-cheung

Director, Bank of East Asia (Trustees) Limited

Mr Chan Wai-lun

Chairman, Chinese & Western Food Workers Union

Mr Valiant Cheung Wai-lam

Vice Chairman, Association of Restaurant Managers

Mr Choi Chun-wah

Chairman, Hong Kong Construction Industry Employees General Union

Mr Ho Sai-chu, SBS, JP

Council Member, Hong Kong Construction Association Limited

Ms Lau Ka-shi

Chief Executive Officer, Bank Consortium Trust Company Limited

Mr Ngan Chun-hung

Chairman, Eating Establishment Employees General Union

Mr So Kim-hung

Director, Hong Kong Restaurants and Eating House Merchants General Association

Mr Billy Wong Wing-hoo

President, Hong Kong Construction Association Ltd.

Mr Ernest Lee Shu-wing, BBS

Executive Director (Enforcement), MPFA

During the year, the ISC held four meetings and 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 to foster compliance.



Mr Lee Kai-ming, SBS, JP



Mr Chan Chi-leung



Mr Chan Kay-cheung



Mr Chan Wai-lun



Mr Valiant Cheung Wai-lam



Mr Choi Chun-wah



Mr Ho Sai-chu, SBS, JP



Ms Lau Ka-shi



Mr Ngan Chun-hung



Mr So Kim-hung

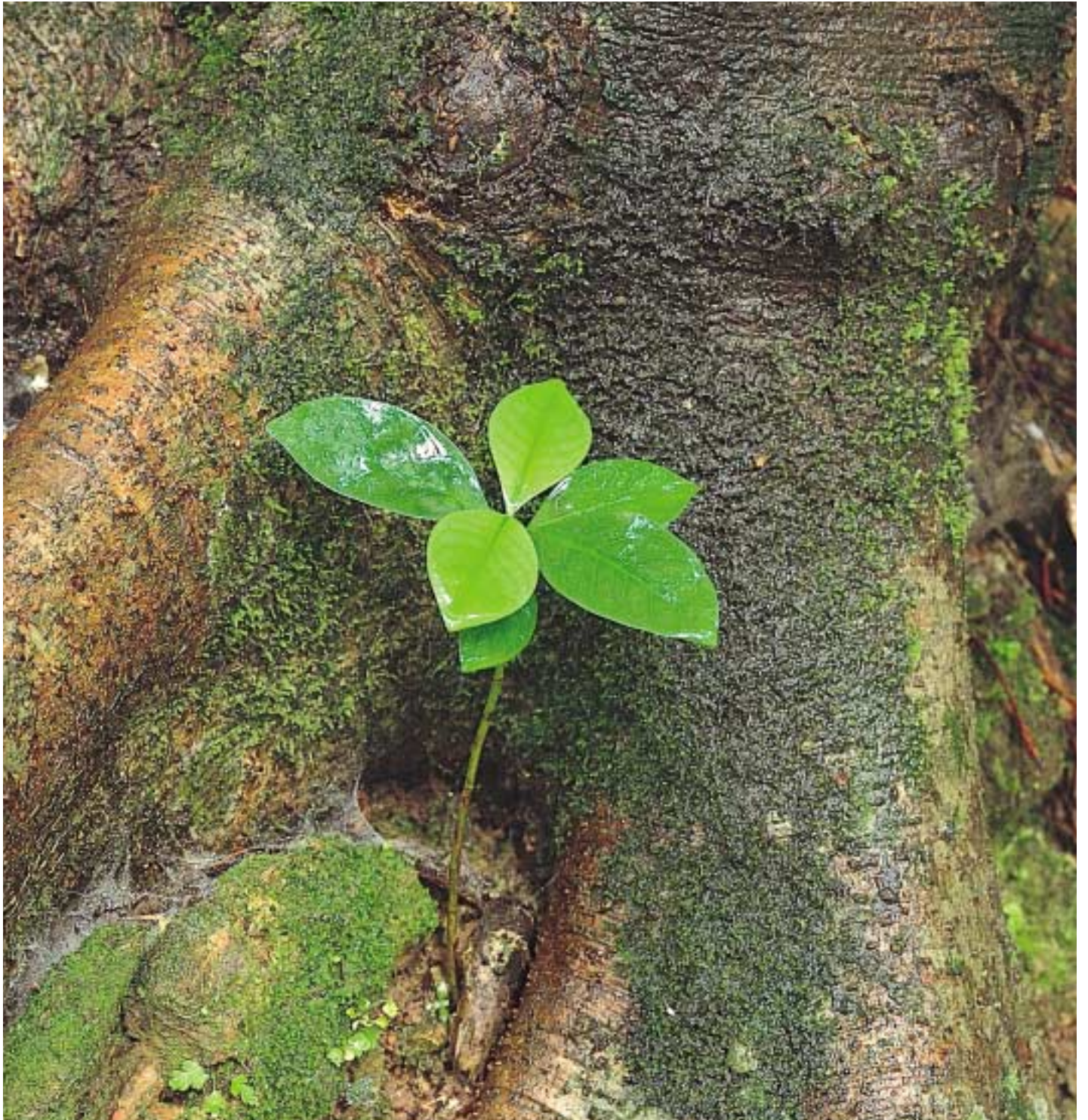


Mr Billy Wong Wing-hoo



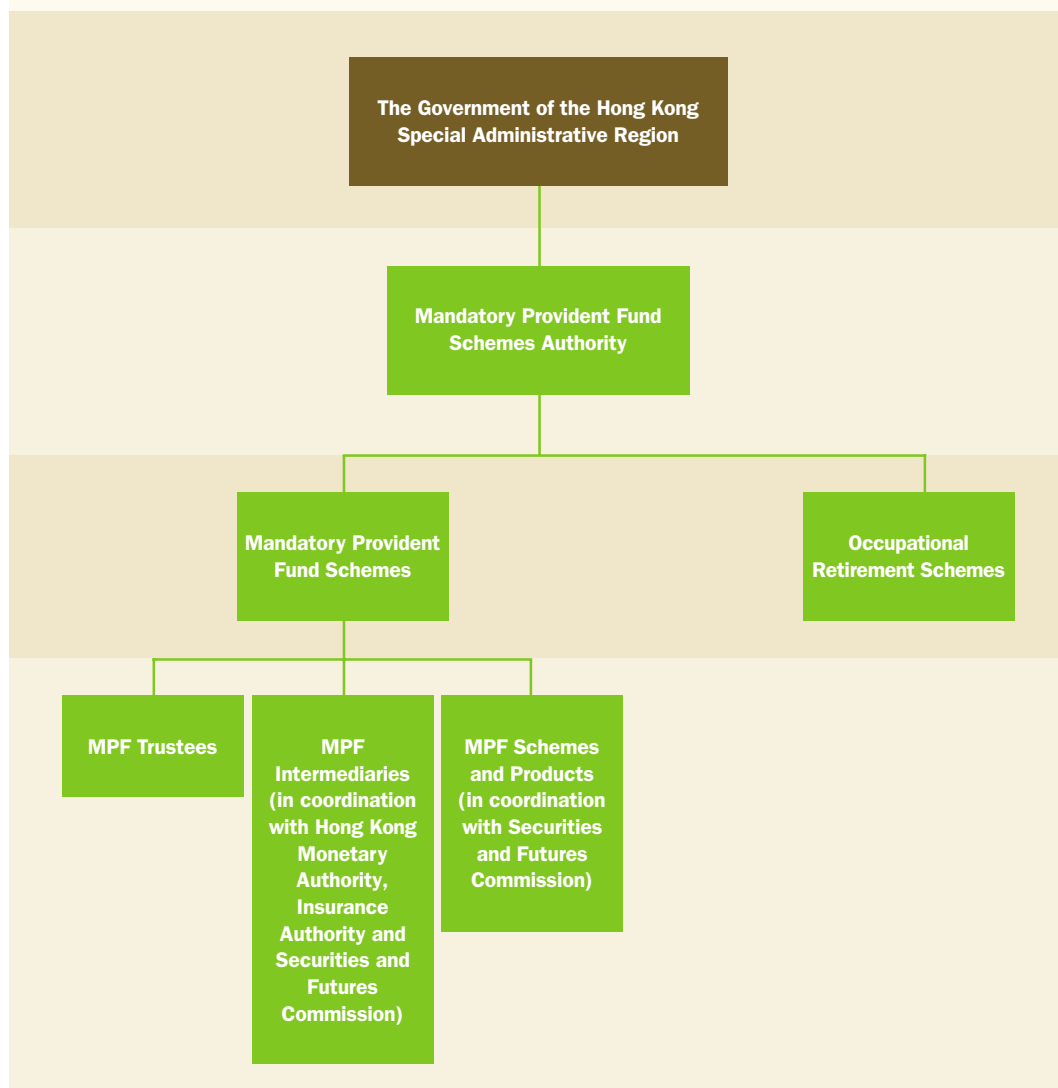
Mr Ernest Lee Shu-wing, SBS

Longing for wonders, a life hidden under



REGULATORY STRUCTURE

The MPFA is responsible for regulating retirement benefit schemes set up mandatorily or voluntarily in Hong Kong. The regulatory structure is as follows:



The regulatory work is carried out on the basis of legislation governing MPF schemes and occupational retirement schemes.

MPF LEGISLATION

Subsequent to its enactment in 1995, the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (MPFSO) was amended in 1998, 2000 and 2002 and supplemented by several regulations and rules made in 1998, 1999 and 2000 respectively.

Regulatory Framework *Continued*

In order to further enhance the effectiveness and efficiency of the MPF System, the MPFA continues to review the MPF legislation in the light of operational experience. The MPF Schemes Operation Review Committee (Review Committee) 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 Review Committee comprises representatives of employer and employee bodies, service providers, professional organizations, Government and MPFA. The composition of the Review Committee is included in Appendix 1.

The Review Committee completed the first phase of its work in late 2001 and made a number of proposals to amend the MPFSO. The proposed amendments were passed by the Legislative Council and gazetted as the Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002 in July 2002. Among the changes, those mainly relating to improved regulation of MPF schemes and investments and enhanced protection for scheme members became effective immediately. To allow time for service providers and employers to make adjustments to their systems and administration procedures, other changes that are mainly related to simplification of scheme administration and the raising of the minimum level of relevant income for MPF contributions became effective in February 2003. A summary of the major legislative changes is at Appendix 2.

From June 2002 to March 2003, the Review Committee held its second round of meetings and agreed on further proposals to improve the administrative and operational aspects of the MPF legislation. These include additional proposals to enhance protection for scheme members, simplify MPF scheme administration and resolve certain technical issues. The proposals have been presented to the Government for consideration.

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



ORSO LEGISLATION

Enacted in 1992 and brought into operation in 1993, the Occupational Retirement Schemes Ordinance (Cap. 426) (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 4.

During the year, the MPFA completed a review of the ORSO legislation for the purposes of facilitating the administration of ORSO schemes and improving the overall effectiveness of ORSO schemes regulation. A draft bill is under preparation on the basis of the proposed amendments.

GUIDELINES AND CODES

To elaborate on the legislative requirements and to facilitate compliance with the MPF and ORSO legislation, the MPFA has issued in total 59 sets of Guidelines and two sets of Codes as at 31 March 2003. Among those guidelines, three sets of new guidelines relating to index-tracking collective investment schemes, notification of significant events and unclaimed benefits were issued in the reporting year, and 16 existing guidelines covering reporting requirements, investment and scheme operations were revised during the year. The revisions were made largely to provide guidance on compliance with the amended MPF legislation which took effect either in July 2002 or February 2003. The Code of Conduct for MPF Intermediaries was revised to incorporate the latest developments of the MPF System and other regulatory developments. A complete list of all the guidelines and codes issued by the MPFA is set out in Appendix 5. These guidelines and codes are available on the MPFA's website.

CIRCULAR LETTERS

Apart from the guidelines and codes, the MPFA has issued 17 circular letters during the year to service providers to clarify certain legislative requirements and to provide further assistance on compliance. Many of such letters covered scheme administration issues, including the administrative procedures for a number of application and reporting items (especially the new arrangements after the coming into effect of the legislative amendments), and the renewal of registration as MPF intermediaries. A list of the circular letters issued during the year is set out in Appendix 6.

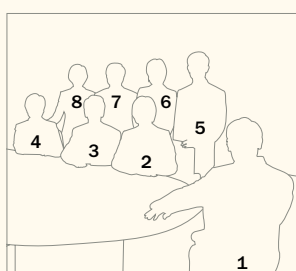
The MPFA was established in September 1998 pursuant to the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (MPFSO) to regulate, supervise and monitor the operation of the MPF System, which came into operation on 1 December 2000. It is also the Registrar of Occupational Retirement Schemes responsible for overseeing the operation of occupational retirement schemes regulated under the Occupational Retirement Schemes Ordinance (Cap. 426) (ORSO).

FUNCTIONS

As provided under section 6E of the MPFSO, the functions of the MPFA are:



1. Rafael Hui
2. Diana Chan
3. Darren McShane
4. Hendera Yu
5. Ernest Lee
6. Ingrid Lai
7. Peter Tsang
8. Selina Lo



- (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;
- (h)** to exercise such other functions as are conferred or imposed on the MPFA by or under the MPFSO or any other ordinance.

As the Registrar of Occupational Retirement Schemes, the MPFA has also taken up the functions conferred on the Registrar by the ORSO. Hence, the MPFA is responsible for ensuring the smooth operation of retirement benefit schemes in Hong Kong, whether set up mandatorily or voluntarily.

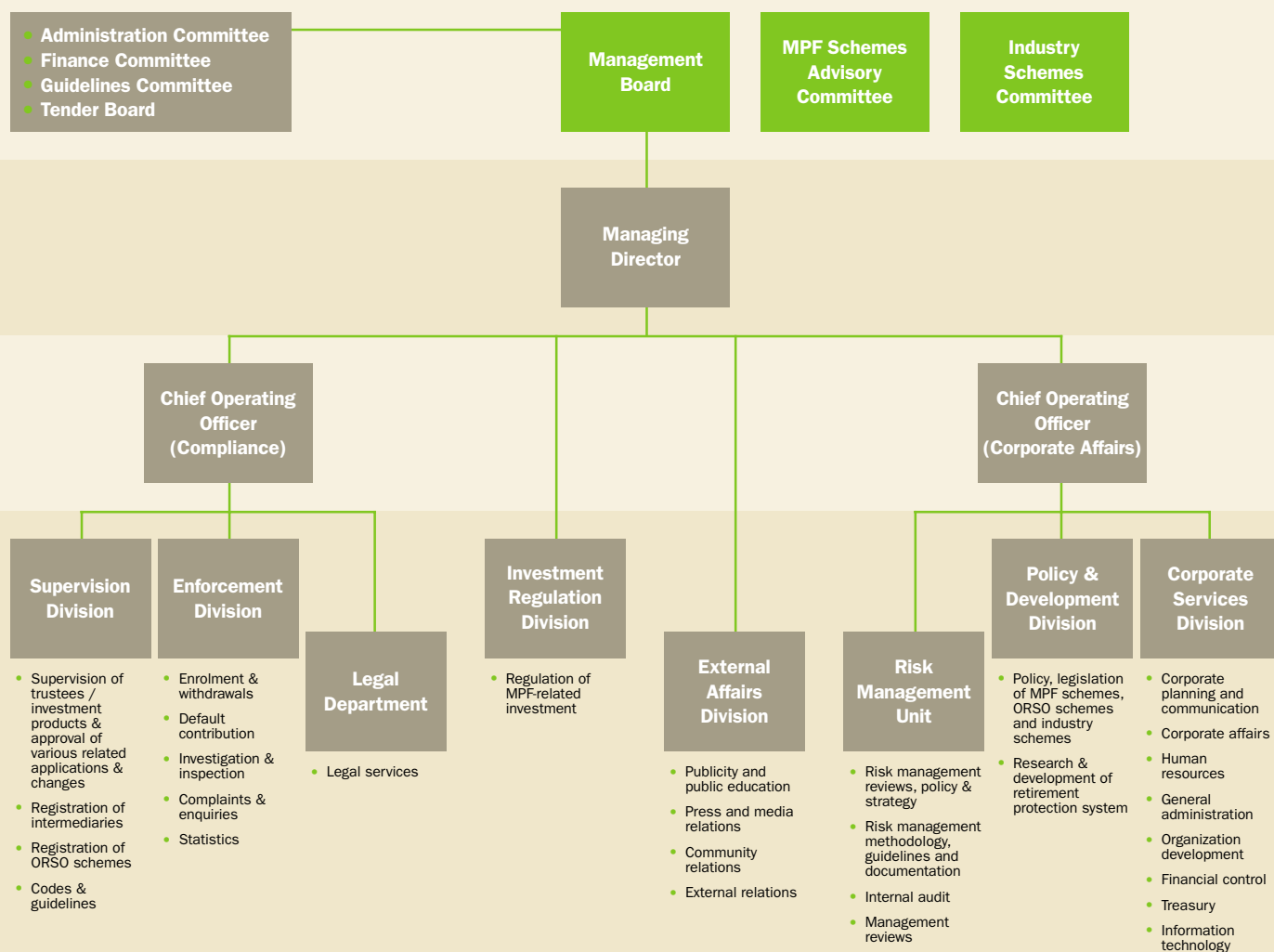
THE ORGANIZATION

The MPFA is governed by the Management Board which consists of ten non-executive directors and five executive directors. The executive directors are the Managing Director, the Chief Operating Officer (Corporate Affairs), the Chief Operating Officer (Compliance), the Executive Director (Enforcement) and the Executive Director (Investment Regulation).

The Management Board has established a number of supporting committees to give advice and assistance to the MPFA on various aspects of its management and regulatory work. Membership lists of the Management Board and its supporting committees are included in Appendix 1.

ORGANIZATION STRUCTURE

as at 31 March 2003



Springing up so bright, shooting out in light



SUPERVISION OF APPROVED TRUSTEES

Inspection Visits to Approved Trustees

As the approved trustees are entrusted with the overall responsibilities for the administration and management of the MPF schemes, the supervision of their performance remains one of the core functions of the MPFA. An approved trustee may delegate part of its functions to other service providers but they are required 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 2003 is at Appendix 7.

After more than two years' operation, employers and self-employed persons have become familiar with the MPF System. MPF trustees have also made considerable improvements in their scheme administration process. The MPFA continues to supervise the operation of the trustees and monitor the compliance of the investment funds with regulatory requirements.

During the year, the MPFA continued with its on-site inspection programme to ensure that the approved trustees comply with the MPF legislation. The focus of the latest round of regular on-site inspections was on scheme administration, which included the processing of contributions, fund switching, benefit transfers and investment monitoring etc.

Some non-compliance issues and internal control weaknesses were identified during inspection visits. Non-compliance issues included failure to complete transfer-out and payment of accrued benefit requests within the statutory timeframe and failure or delay in sending letters to scheme members (who have ceased to be employed by a participating employer or ceased to be self-employed) informing them of the different options that they have with respect to the transfer of their accrued benefits. With regard to these cases of non-compliance, the MPFA issued a total of 26 financial penalty notices to trustees during the year. Details of the notices are set out at item 8 under Part E of the Statistics section. The MPFA monitored all the breaches and internal control weaknesses closely and in some cases, follow-up inspections were made to ensure that corrective actions had been taken by the approved trustees and/or service providers.

In preparation for the commencement in February 2003 of those provisions of the Mandatory Provident Fund Schemes (Amendment) (No.2) Ordinance 2002 which concern scheme administration and the adjustment of the minimum relevant income for contribution from \$4,000 to \$5,000 per month, a special round of on-site inspection visits was paid to approved trustees. The inspections, which took place during the period from November 2002 to January 2003, were designed to assess trustees' readiness to comply with the legislative changes. The scope of inspection included reviewing the scheme administration systems, procedures, communication plans as well as customer service facilities to ensure that relevant enhancement or revision had been made to cater for changes as required by the amended legislation. In general, the approved trustees' readiness for compliance was considered satisfactory.

Ongoing Monitoring

As part of the ongoing process to refine the MPF System and to enhance MPFA's capabilities, integrity and accountability, the MPFA conducted initial studies for the development of a risk management regime to control risks. In this respect, preparatory work was carried out to review the strategy of supervision of approved trustees. A risk-based strategy was proposed, under which emphasis will be placed on investment-related aspects of MPF schemes and funds, MPF guaranteed funds and corporate governance issues. Tailor-made inspection programmes will be designed to tackle identified weaknesses of individual trustees. The proposed strategy was endorsed by the Management Board in December 2002.

To ensure that the approved trustees comply with the statutory requirements and to enable early detection of issues which call for potential legislative amendment, policy development, issuance of guidelines etc, trustees are required to submit returns, audited financial statements and reports in respect of the schemes under their trusteeship on monthly, quarterly and annual bases.

Also as part of the ongoing monitoring, approved trustees are required to report significant events under Section 62 of the Mandatory Provident Fund Schemes (General) Regulation. For protection of scheme members' interest, follow-up actions have been carried out to ensure that the issues have been rectified and that the reported events would not negatively impact scheme members' interest.

Upon the outbreak of atypical pneumonia in Hong Kong in March 2003, the MPFA requested from approved trustees their proposed contingency measures to ensure business continuity in case any member of their staff contracted the disease. After examining the trustees' proposed measures, the MPFA issued a letter to all approved trustees in April 2003 highlighting the major issues to be addressed in drawing up their contingency/business continuity plans.

The complaint mechanism 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 policy development areas. A total of 226 complaints received by the MPFA in the year were lodged against approved trustees, mostly related to scheme administration. The number of complaints has dropped significantly compared to a year ago as most approved trustees have continued to streamline and improve their operations.

Registration and Approval of MPF Schemes and Funds

The registration and approval of MPF schemes and funds involved a detailed review of various aspects, including scheme rules, operations, and disclosure focusing on compliance with MPF legislation and protection of scheme members' interest. Table 1 sets out the processing statistics during the year, and Table 2 shows an analysis of the structure of approved pooled investment funds. A full list of the registered schemes and their underlying constituent funds is at Appendix 8.

Table 1. Processing statistics at scheme and fund levels

	Number as at 31 March 2002	De-registration/ Revocation during the year	Registration/ Approval during the year	Number as at 31 March 2003
Registered Schemes	51	2	0	49
Master Trust Schemes	47	2	0	45
Industry Schemes	2	0	0	2
Employer Sponsored Schemes	2	0	0	2
Approved Constituent Funds	311	7	14	318
Approved Pooled Investment Funds	220	3	32	249
Approved Index-Tracking Collective Investment Schemes	0	0	39	39

Table 2. Analysis of approved pooled investment funds

	Unit Trust		Insurance Policy		Total	
	as at 31 March 2002	as at 31 March 2003	as at 31 March 2002	as at 31 March 2003	as at 31 March 2002	as at 31 March 2003
By fund valuation bases						
Unitized	156	185	61	61	217	246
Non-unitized	0	0	3	3	3	3
Total	156	185	64	64	220	249
By fund structures						
Umbrella funds	21	23	4	4	25	27
Internal portfolios	107	126	36	36	143	162
Feeder funds	5	7	15	15	20	22
Portfolio management Funds	23	29	9	9	32	38
Total	156	185	64	64	220	249

**SUPERVISION OF
INTERMEDIARIES****Registration of
MPF Intermediaries**

In the past year, considerable amendments were made to the constitutive and offering documents of MPF schemes and approved pooled investment funds by the approved trustees and service providers. These amendments included consequential changes due to legislative amendments, scheme/business restructuring, changes in fees and charges etc. Statistics on MPF schemes and funds are included in Part B of the Statistics section.

Part of the MPFA's regulatory effort is devoted to supervising MPF intermediaries who engage in selling MPF schemes or advising clients on the funds of MPF schemes. The MPFA cooperates with the Hong Kong Monetary Authority (HKMA), the Insurance Authority (IA) and the Securities and Futures Commission (SFC) in regulating MPF intermediaries. During the year, the work in respect of supervision of intermediaries focused on renewal of registration of MPF intermediaries, monitoring intermediaries' compliance with the Code of Conduct for MPF Intermediaries and improving the professional standard of MPF intermediaries.

During the year, the MPFA processed a total of 4 674 new applications for registration as MPF intermediaries. As at 31 March 2003, there was a total of 26 193 registered MPF intermediaries, comprising 428 corporations and 25 765 individuals respectively.

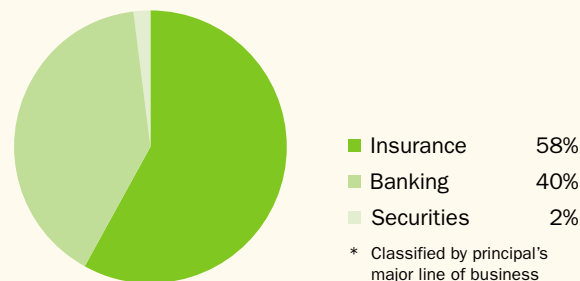
Following the enactment of the Securities and Futures Ordinance and the Banking Ordinance 2002, the MPFA has issued a new type of MPF intermediaries card to staff of authorized institutions who are permitted to sell MPF schemes without rendering specific investment advice.

Table 3 sets out the number of MPF intermediaries and Figure 1 shows the percentage share of individual registered intermediaries by the major line of business of the intermediary's primary sponsoring corporation.

Table 3. Number of Registered MPF Intermediaries as at 31 March 2003

Total number of registered MPF intermediaries	26 193
Corporate intermediaries	428
Individual intermediaries	25 765
Permitted to advise on insurance policies	14 015
Permitted to advise on securities	5 782
Permitted to advise on both securities and insurance policies	3 891
Permitted to sell MPF schemes without rendering specific investment advice	2 077

Figure 1. MPF Intermediaries by Industry* as at 31 March 2003



Ongoing Monitoring

Under the existing regulatory framework, the MPFA acts as the lead regulator in the regulation of MPF intermediaries, coordinating the regulatory efforts of the other three regulators with a view to ensuring regulatory consistency and minimizing regulatory overlap. Whilst the MPFA is mainly responsible for daily monitoring and handling of complaints, the HKMA, the IA and the SFC are responsible for supervising those MPF intermediaries falling under their regulatory regimes, including conducting inspections and taking enforcement/disciplinary actions where necessary on MPF intermediaries under their respective supervision.

During the year, the MPFA processed a total of 7 872 changes of information relating to MPF intermediaries. Most of the changes were related to change of employment of individual intermediaries and change of name of their sponsoring corporation as a result of corporate mergers and restructuring.

The registration of a MPF intermediary is valid for a period of three years. MPF intermediaries wishing to remain registered must apply to the MPFA for renewal prior to their expiry dates. The MPFA has started the renewal process in the latter part of 2002. As at 31 March 2003, registrations of 16 311 intermediaries have been renewed.

In the past year, there were three complaints against MPF intermediaries. This accounted for less than 1% of the total complaints received by the MPFA. One complaint case was referred to another regulator for information and consideration of follow-up action.

**Continuing
Professional
Development**

The Continuing Professional Development (CPD) requirement for MPF intermediaries has been implemented since January 2002 to ensure that intermediaries maintain their professional competence. MPF intermediaries are required to undertake a minimum of 10 hours of CPD activities in each calendar year. As at 31 March 2003, five institutions have been recognized by the MPFA for the provision of training activities for CPD subjects. They are Caritas Adult & Higher Education Service, the Financial Services Development Centre of the Vocational Training Council, Hong Kong Securities Institute, the Management and Executive Centre of the Hong Kong Polytechnic University, and the School of Professional and Continuing Education of the University of Hong Kong.

Following the enactment of the legislative amendments during the year, the salient points of the amended legislation have been set out in the study notes for MPF intermediaries' examinations to ensure that MPF intermediaries are apprised of the changes. Seminars on the legislative amendments were also given to instructors of the recognized CPD institutions and MPF intermediaries.

**REGULATION OF
OCCUPATIONAL
RETIREMENT
SCHEMES**

**Withdrawal of
Exemption
Certificate**

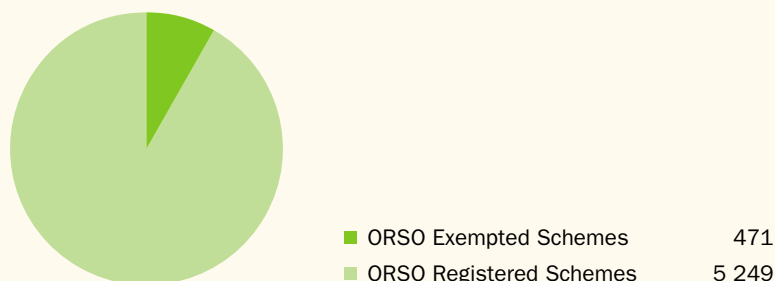
The MPFA is the Registrar of Occupational Retirement Schemes (RORS) and has the functions conferred on it by the Occupational Retirement Schemes Ordinance (Cap. 426) (ORSO). It is responsible for regulating occupational retirement schemes (ORSO schemes) voluntarily established by employers. Since the implementation of the MPF System, the number of ORSO schemes has been decreasing.

Prior to the launch of the MPF System, 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 a MPF scheme.

Owing to the additional costs of running two schemes (MPF and ORSO schemes) simultaneously and other reasons, employers of MPF exempted ORSO schemes may withdraw their MPF exemption certificates. During the year, 270 MPF exempted ORSO schemes had relinquished their exemption status covering about 4 200 members. The number of MPF exempted ORSO schemes as at 31 March 2003 was 5 720 covering about 8 100 employers and 567 000 scheme members. A breakdown of the number of schemes is shown in Figure 2.

Winding Up of ORSO Schemes

Figure 2. Number of MPF Exempted ORSO Schemes as at 31 March 2003



For those ORSO schemes which have not obtained MPF exemption status, the relevant employers may choose an interface arrangement to retain them as top-up schemes, freeze the schemes or terminate the schemes. During the year, 928 ORSO schemes (comprising 328 MPF exempted schemes and 600 non-MPF exempted schemes) were wound up. As at 31 March 2003, there were 307 termination notices still pending the MPFA's processing due to incomplete information or assets pending transfer. After completion of the processing of these notices, the number of ORSO schemes would be 8 268, including 5 650 MPF exempted schemes (covering about 566 000 scheme members) and 2 618 non-MPF exempted schemes (covering about 68 000 employees). The number of termination notices received by the MPFA has reduced towards the end of the financial year.

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

Table 4. Asset arrangements for terminated ORSO registered schemes for the period from 1 April 2002 to 31 March 2003

ORSO Asset Arrangement	No of Schemes	%	Asset Size (HK\$ million)	%
Transferred to MPF Scheme	394	46	765	44
Transferred to another ORSO Scheme	37	4	465	26
Paid out to scheme members	432	50	518	30
Total	863	100	1,748	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. The frequency of supplying the actuarial certificate will also be increased to annual submission until a full certificate is supplied.

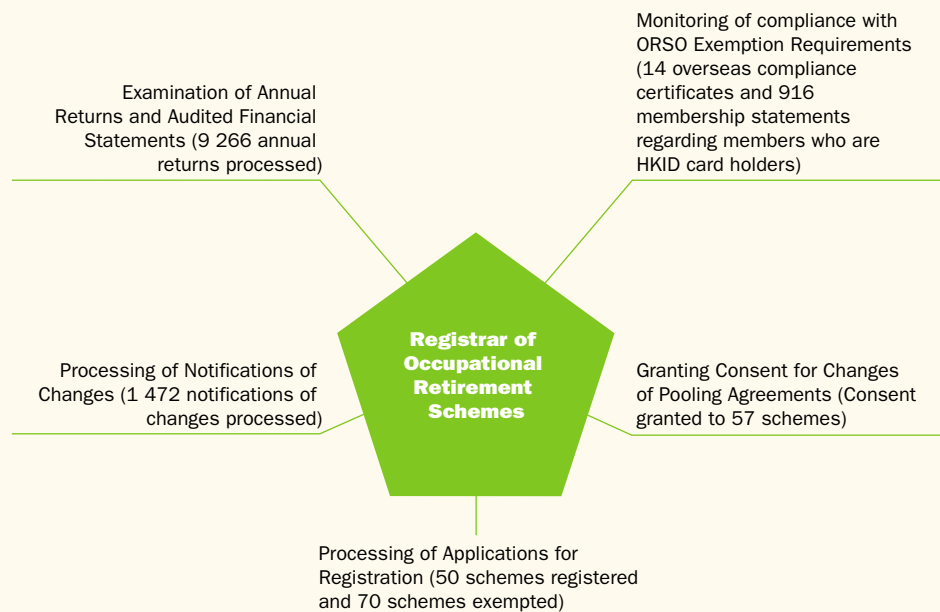
Due to poor investment performance, a small percentage of ORSO schemes were under-funded during the year. As at 31 March 2003, 22 defined benefit schemes were under-funded, with a total asset size of \$5,071 million and a total shortfall of \$287 million. The amount of shortfall involved represents about 5.7% of the aggregate assets of the 22 under-funded schemes. The MPFA has been monitoring the situation closely by seeing to it that contributions are made according to scheme terms and rules or in accordance with actuarial recommendations.

**Other Work of the
Registrar of
Occupational
Retirement Schemes**

As the RORS, the MPFA is also responsible for the effective administration of ORSO schemes. The work of the RORS in this aspect includes monitoring of ORSO registered/exempted schemes and processing of changes to the schemes. Statistics of some major work of the RORS are summarized in Figure 3.

Figure 3. Work of Registrar of Occupational Retirement Schemes

Note: Figures denote workload for the year



A list of the corporate administrators who administer pooling agreements for ORSO schemes is in Appendix 9.

Statistics

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

Shaping up day by day, stretching out all the way



DISCLOSURE OF PERFORMANCE AND FEES AND CHARGES FOR MPF FUNDS

Investment regulation is an important aspect of the MPFA's work in protecting the interests of members of MPF schemes. The MPFA started a number of reviews on existing regulatory arrangements and the disclosure of information to scheme members.

The review of the disclosure of performance and fees and charges for MPF Funds (the disclosure project) is the first major review on investment regulation issues. The aim of the project is to improve the disclosure of information about fees, charges and fund performance for MPF products so that MPF scheme members will have continuous access to clear and simple information that will enable them to make effective MPF investment decisions.

After conducting a detailed review of MPF disclosure practices, the MPFA identified a number of areas where disclosure practices should be improved. The MPFA has consulted the SFC and other regulators in the development of recommendations for improvement.

Preliminary discussions with industry bodies and focus groups show that the industry is generally supportive of the initiative to enhance the quality of disclosure in MPF products. The MPFA has progressively issued discussion papers on various areas for preliminary consultation with a view to developing specific proposals in 2003-04.

REVIEW OF PERMISSIBLE INVESTMENT RULES

A study was initiated 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. The investment policy framework under which the Schedule is to be amended was formulated, and a preliminary list of the items proposed to be changed was developed. Detailed development and consultation of reform proposals will be conducted in 2003-04.

INDEX-TRACKING COLLECTIVE INVESTMENT SCHEMES

In view of the continued demand for more flexibility in the choice of investment products, the MPFA proposed amendments to the legislation to relax restrictions on investments in index-tracking collective investment schemes (ITCISs). Following the enactment of the amendments, we developed new guidelines which set out the criteria for approval of ITCISs. These guidelines, including a list of recognized exchanges for the purpose of listed ITCISs, were issued in August 2002. As at 31 March 2003, 39 ITCISs were approved.

Holding on in wonder, striving through the thunder



ENROLMENT

With a view to upholding the MPF System's integrity and credibility, the MPFA has maintained its law enforcement actions despite the relatively gloomy state of the economy. Continuous efforts have been made to ensure enrolment in and contributions to MPF schemes to protect the interests of the relevant employees.

The enrolment rates for employers and employees were stable during the year, while that for self-employed persons (SEPs) decreased due to an increase in the SEP universe as reported by the Census and Statistics Department. At the end of March 2003, about 93.8% of the employers, 95.7% of the relevant employees and 75.8% of the SEPs covered by the MPF System have joined MPF schemes.

Together with the employees who were already covered by existing occupational retirement schemes or statutory pension plans, about 84% of the total workforce in Hong Kong was protected by retirement protection schemes at the end of March 2003. The remaining 16% included 11% who were exempt from MPF (people aged below 18, people aged 65 or above, domestic employees and self-employed hawkers, etc), and 5% who should have joined but had not yet joined any MPF scheme. Detailed statistics on enrolment are included in Part A of the Statistics section of this report.

The composition of Hong Kong's workforce has been changing. The number of employees continued to drop while self-employed persons continued to increase. With the very high overall compliance rates achieved within a short time after implementation of the MPF System, the MPFA has already moved into a situation where a small increase in compliance rate can only be achieved by putting in increasingly disproportionate resources. Furthermore, as the economy is still restructuring, the mobility of the workforce remains high and the overall employment pattern has become more volatile. Due to labour turnover and businesses closing down and setting up, inevitably there are always employers and employees pending enrolment at any one time. A 100% enrolment rate is therefore unrealistic. Taking this and the existence of a hard core of non-compliant employers into account, the optimal employer enrolment rate is estimated to be $95\% \pm 1\%$. We aim at sustaining this optimal rate, which we have already attained, in the coming year.

Industry Schemes

The Industry Schemes are set up to protect casual employees of the catering and construction industries which tend to employ more daily-rated employees who may otherwise not benefit from the MPF System, as they may not be employed for more than 60 days.

At the end of March 2003, 13 100 employers have enrolled in the Industry Schemes. A total of 231 400 and 23 000 casual employees and SEPs respectively have also registered with the two approved trustees under the Industry Schemes. Meanwhile, many employees and SEPs in the catering and construction industries have been enrolled and protected under the master trust schemes instead of the Industry Schemes, because many employees are employed on non-casual terms.

ENQUIRIES AND COMPLAINTS HANDLING

The number of enquiries received by the MPFA in 2002-03 was 186 935 as compared with 190 988 in 2001-02, averaging about 600 per working day. The enquiries were mostly about enrolment and contribution arrangements, default contributions and imposition of surcharges. We anticipated a surge in enquiries prior to the implementation of the provisions of the Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002 in February 2003. The provisions were mainly related to the adjustment of the minimum relevant income level for MPF contribution and other scheme administration issues. Appropriate contingency measures for the Call Centre were put in place and the increased demand for enquiry services was met effectively.

During the year, a total of 9 661 complaints were received as compared with 8 843 complaints received in 2001-02. Complaints relating to default contributions accounted for the majority of the cases recorded, followed by complaints relating to non-enrolment.

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

INSPECTION, INVESTIGATION AND PROSECUTION

In 2002-03, the MPFA proactively inspected 3 099 business establishments to check on non-enrolment and default contributions, exceeding the target of 3 000 set at the beginning of the year. These inspections covered construction sites, catering establishments, housing estates where cleaning and security guard contractors operate, commercial/retail outlets, as well as employers who were reported by trustees as frequent defaulters.

Inspections were also conducted reactively to complaints received. The MPFA looked into all complaints received in detail. Technical breaches by employers, committed due to oversight or ignorance, were usually rectified speedily after warnings were served by the MPFA. Where complaints were substantiated, the MPFA would prepare the cases and refer them to the Department of Justice and the Police for prosecution. Out of the 9 661 complaints received during 2002-03, we have completed investigation on 7 087 cases, exceeding the target of 7 000 cases for the year.

Most of the complaints received were related to default in making MPF contributions and the MPFA conducted thorough investigations into such cases. In respect of each of the substantiated cases as well as cases in default contribution reports submitted by trustees, the MPFA imposed a contribution surcharge at 15% per annum in the first instance according to law. A second notice imposing a surcharge at 20% per annum would be issued if the first surcharge were not paid on time. From February 2003 onwards, as a result of the relevant provisions in the Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002, the surcharge rate on default contribution is 5% flat of the amount of defaults in arrears. The surcharges received were credited into the employees' MPF accounts. During the year, 260 500 first payment notices and 160 400 second payment notices were issued to 53 100 employers.

Experience has shown that most employees would prefer to pursue the contributions in default through civil means rather than prosecution as they could recover the amount owed to them more effectively. During the year 2002-03, the MPFA has filed 687 claims with the Small Claims Tribunal and made 207 applications to liquidators or receivers in respect of default contribution cases.

In 2002-03, we had applied for 756 summonses. Of these summonses, among the 89 employers (involving 527 summonses) who had taken plea by 31 March 2003, 86 (involving 521 summonses) were found guilty (pleaded guilty or convicted). They were imposed fines of \$300 to \$10,000 per summons or \$2,600 to \$80,000 per case. The total amount of fines imposed was \$1,355,500.

Statistics on enforcement are in Part E of the Statistics section.

Strong arms jointly fly, reaching out to the sky



PUBLICITY CAMPAIGNS

The MPFA has sustained its public education and publicity efforts to foster continuous public support and to enable scheme members to make informed investment decisions. The focus of public education during the year was on investment education and youth education. Many of the activities were organized in partnership with community organizations and other bodies. Publicity was also carried out to publicize new developments related to MPF.

Following the enactment of the Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002, the MPFA launched a comprehensive community communications programme to explain to all sectors the changes to the administrative arrangements effected by the legislative amendments. The first phase of the campaign started upon the passage of the Ordinance in July 2002 and lasted until October 2002. In addition to the production of TV and radio advertisements, seminars were specially organized for employer groups, trade associations, labour unions, Area Committees and community groups. Special workshops were also conducted for human resources personnel in the public sector. A compact disk and a leaflet on the amendments were produced and distributed through a wide range of outlets and channels.

The second phase of the publicity campaign commenced in January 2003, preceding the coming into force in February of the legislative changes relating to the adjustment of the minimum relevant income level from \$4,000 to \$5,000 and other scheme administration issues. Publicity was carried out through TV and radio announcements, leaflets, compact disks, seminars and workshops. A reminder on the commencement of the amended provisions was sent by e-mail to human resources and professional groups. The broadcast of TV and radio announcements continued until mid-March.

INVESTMENT EDUCATION

In order to educate the public on individuals' MPF rights and obligations and MPF-related investment knowledge, the MPFA contributed 119 articles in regular MPF columns of newspapers, mostly on investment-related issues. A selection of these articles on general MPF features and investment issues was published in the form of a booklet, *MPF Easy Guide*, and distributed to newspaper readers and major trade unions. Quizzes were organized in conjunction with newspapers to arouse the readers' interest in MPF investment-related knowledge. We organized a number of investment seminars in collaboration with interested parties, including the Hong Kong Investment Funds Association and selected media organizations. We also supported an investment competition organized by the Hong Kong Institute of Investors.

In partnership with Cable TV, we launched a four-episode TV programme "Win Win MPF" in February 2003 on MPF investment knowledge. This was a new attempt to promote MPF investment knowledge through a TV show with games and an audience. The text form of the programme was published in two Chinese newspapers so that the messages could reach more people. Useful information about MPF investments was also disseminated through the MPFA's website.

Public Education and Publicity *Continued*

EDUCATING THE YOUNG

The MPFA has attached great importance to educating the younger generation. Apart from giving talks to schools and other educational and vocational institutions, we developed a MPF teaching kit to help teachers of lower form students understand the importance of retirement planning. Copies of the teaching kit were distributed to all secondary schools in late August 2002. To tie in with the launch of the kit, an on-line educational game and an education corner were installed at the MPFA's website.

In conjunction with the Elderly Commission and a local newspaper, we launched a web page design contest for secondary school students to encourage them to take an interest in MPF and issues associated with an ageing population. The contest attracted a total of 65 proposals. The final results would be announced in May 2003.

COMMUNITY OUTREACH

Community outreach continued to be a crucial part of the MPFA's public education programme. A total of 270 sessions of "MPF Info Station" were held at the Home Affairs Department's Public Enquiry Service Centres and community halls. Regular contacts were maintained with labour unions, business associations, community organizations, and political parties.

In partnership with the Democratic Alliance for the Betterment of Hong Kong and the Democratic Party, 14 MPF carnivals were organized from October to December 2002. The carnivals featured game booths, information display, Info Stations and stage performances. The response from the local community was encouraging. Following the success of the carnivals, the MPFA participated in a number of community events, including a carnival at Tan Loong Hui in Wong Tai Sin.



Legislative Councillors and community leaders in support of MPF at various carnivals



Ensuring an auspicious start to the MPF series on Cable TV



Visitors to the Education & Careers Expo 2003 are keen to find out more about MPF

MEDIA RELATIONS

MPFA'S WEBSITE

We maintained our presence in exhibitions, including the Symposium cum Exhibition on Challenges and Opportunities of an Ageing Population and the Financial Services Sector Exhibition held in June and July 2002 respectively. We also participated in the Education and Careers Expo 2003 in February 2003, with the long-term concept of MPF investments as this year's theme. Over 24 000 copies of MPF publications were distributed to job seekers and school leavers visiting our booth.

Close ties with the media were maintained through regular contacts, briefings and media workshops organized throughout the year. Efforts were made to update members of the press on the latest developments of the MPF System and the work of the MPFA, with a total of 159 press releases issued on various topics related to MPF.

The MPFA's website continued to be a popular source for information seekers. It underwent a major revamp during the year, incorporating interactive features and a more interesting layout. The website has been attracting about 20 000 visitors a month.

The lists of major publicity activities and articles contributed to newspaper columns are set out at Appendices 10 and 11.



The winning team in the Webpage Design Competition: Precious Blood Secondary School



The MPF online game is inspiring as well as interesting

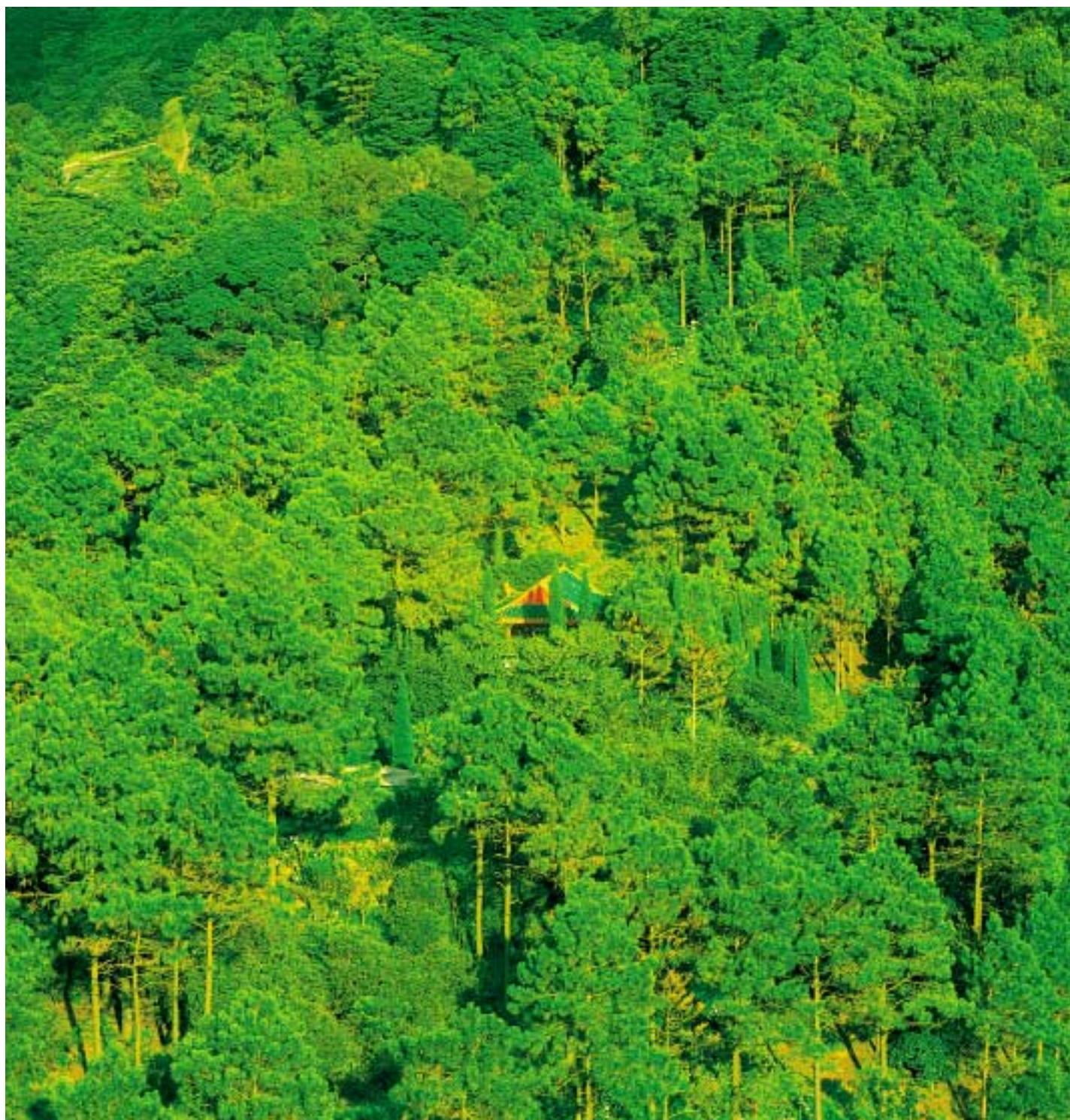


The Webpage Design Competition has aroused young people's interest in exploring the problem of ageing



Understanding more about MPF and its related investments

Fellows spawning all over, gathering in nature's clover



Courtesy of Kadoorie Farm and Botanic Garden from **Garden in the Sky**.

HUMAN RESOURCES MANAGEMENT

Staffing

After more than one full year's operation of the MPF System, the MPFA set out in the beginning of 2002-03 to review and refine the System, to strengthen enforcement of the MPF legislation and to enhance the organization's own capabilities, integrity and accountability. The various departments of the Corporate Services Division and the Legal Department worked together with other departments/divisions in developing and implementing work programmes for achieving these objectives, and provided the necessary supporting services for the whole of MPFA.

Since its inception in 1998, the MPFA has been undertaking a series of reviews and restructuring to enhance efficiency and increase its productivity, thereby reducing costs. It strives to operate under a lean structure and apply tight cost controls while at the same time achieve its objectives of strengthening its operation and capabilities. With continued efforts to streamline the structure of the organization, the establishment of MPFA had been downsized progressively from 327 in 2001 to 280 as at end of March 2003. The number of temporary staff was also reduced from 116 in 2001 to 37 at the end of March 2003. As a result, a staff cost to total expenditure ratio of 65.5% was attained. On the other hand, the staff turnover rate had reduced from 24.86% in 2001-02 to 18.50% in 2002-03. With a more stabilized staff, we were able to start devoting more efforts to organization development and culture building activities.

Hay Group Study

In 2001, following the evolution of its structure and functions, the MPFA conducted a review on its pay structure, which was first set up in 1998 by KPMG Management Consultants before the establishment of the Authority. The recommendations of the review were held in abeyance in view of the 2002 Hay Group study commissioned by the Government on the remuneration of the top three tiers of senior executives of selected statutory and other bodies, including the MPFA. Accepting the recommendations of the Hay study, the MPFA reviewed the remuneration of incumbents of senior positions in July 2002 and then the overall pay structure in late 2002. The resulting revised pay structure was submitted to the Financial Secretary for consideration in January 2003.

As to the disclosure of remuneration of the senior staff, the annual total cash remuneration of the Managing Director for the financial year 2002-03 was \$4,692,600, of which \$4,266,000 was fixed pay. The Managing Director volunteered to reduce the performance-linked variable pay awarded to him by half, to \$426,000. The annual average salaries of the four executives in the second and third tiers were \$3,000,000 and \$2,931,540 respectively. No salaries adjustment has been made since the MPFA's establishment in September 1998. The average performance-linked variable pay amounts of the second and third tiers for the year were \$192,430 and \$263,577 respectively.

Supporting Services *Continued*

All three tiers of senior executives are entitled to annual leave, contributions to the MPF schemes, and life and medical insurance coverage, which amounted to \$488,061 (first tier), \$349,594 (average of second tier) and \$348,072 (average of third tier) respectively. There are no other allowances or benefits-in-kind.

As part of the process to enhance performance management, we identified core competencies of various groups of staff and linked them to the corporate core values in the Staff Appraisal Review system. These core values are Commitment, Quality, Teamwork and Community. Communication of the core values and core competencies was conducted through staff forums and workshops for staff at manager level and above.

A team building workshop was organized for staff of the Complaints and Investigation Department. In addition, we have launched a staff communication programme for each department to take turns to host a briefing session for other staff members about the work of their own departments at bi-weekly forums. An award scheme for the best performing teams was introduced with an aim to enhance team spirit and encourage active participation in these forums. We are also developing a more formal Staff Recognition Programme to reinforce our core values.

To develop and enhance the management and professional/technical skills of staff, 11 management development sessions were organized with a total attendance of 235, and 132 professional, technical and job-related skills training sessions were conducted with a total attendance of 703. In addition, 18 MPF business knowledge training sessions were held with a total attendance of 1 069.

We have rolled out tailor-made orientation programmes for new staff to include experience-sharing sessions, and visits to business partners in the first and second months of appointment.

We have also networked with other regulators and human resources professionals of other public or large organizations for experience sharing, training and benchmarking. Experience sharing sessions on case handling were held with a number of relevant public bodies.

ORGANIZATION DEVELOPMENT AND CULTURE BUILDING

Performance Management System

Staff Communication and Team Building

Staff Training

Student Internship Program

Nine summer interns joined the MPFA during the period from June to August 2002 under the student internship programme coordinated by the Government's Advisory Ccommittee on Human Resources Development in the Financial Services Sector. The programme aims to prepare local undergraduates for their future participation in the financial services industry and provide them with real-life work experience before they formally enter the workforce.

Other Staff Activities

We have published four issues of the Staff Newsletter *The Orchard*, eleven issues of *Staff Express* and three issues of *Staff Bulletin*. During the year, a total of twelve events were organized by the Staff Welfare Committee, including yoga classes, line dance classes, movie evenings, a bowling competition, a boat trip, a fun day at the Ocean Park and a Christmas party. In addition, two staff discount schemes were implemented. As in past years, all MPFA staff participated in the Dress Casual Day 2002, and a blood donation day was held on 27 March 2003.

GENERAL ADMINISTRATION

During the year, we have reviewed our office administration activities, and identified eleven areas for cost saving programmes. These programmes had been implemented resulting in an annual saving of about \$0.34 million. We also completed a preliminary study on the long-term accommodation strategy for the MPFA.

In the face of the outbreak of atypical pneumonia (AP) in March 2003, we have embarked on a contingency programme to manage developments that may adversely affect MPFA's operations, work environment and the health of its staff. We have set up an AP Command Team to formulate, direct and coordinate contingency policies and measures in response to the AP outbreak. An AP Management Team was also formed to support, further develop and execute the directives of the AP Command Team. Precautionary measures introduced to minimize the risk of AP infection included stepping up of cleansing and disinfecting of office premises and equipment, ensuring proper ventilation and drainage systems in our offices, deferring non-essential meetings and activities involving large groups, and allowing flexible office/lunch hours. New human resources policy on leave/authorized absence in connection with prevention of spreading of AP has been put in place. We also activated our business continuity plans, which included staff segregation measures to ensure normal operation of all areas in case any group of staff needed to be quarantined for two weeks or more.

Supporting Services *Continued*

FINANCIAL CONTROL

As a result of stringent cost control, total expenditure in 2002-03 was \$216.9 million, representing a 11.2% reduction from the previous year. However, due to the continued decrease in fee income from ORSO schemes (as a result of a declining number of ORSO schemes) and the low investment return in the current poor investment environment, total income reduced by 9.4% to \$205.0 million.

In order to encourage and promote the value-for-money concept, we reviewed and refined the overall procurement procedures in the light of operational experience, and making reference to ICAC's guidelines on corruption prevention.

For process improvement and cost analysis purposes, a consultant was hired to conduct a pilot activity-based costing exercise on operations related to ORSO schemes and MPF intermediaries. The methodologies and rules developed will be applied in future to costing exercises of other work areas.

An integrated Financial Information System was launched at the end of March 2003. With the system in place, financial control has been further strengthened and integrity ensured.

TREASURY

As at 31 March 2003, the value of investment of the \$5 billion Capital Grant from the Government was recorded at \$5.20 billion. At the same time, the value of investment of the Compensation Fund, which includes the \$600 million seed money from the Government and the levies collected pursuant to the MPFSO, was \$760.50 million.

During the year, the investment strategies of the Capital Grant and the Compensation Fund were reviewed and their asset mix revised. So far, the Capital Grant and the Compensation Fund were both invested mainly in deposits and bonds. Included in their balanced portfolios was a small percentage of investment in the Tracker Fund. Floating rate notes were also introduced into the portfolio of the Capital Grant. The services and performance of the master custodian and the two external fund managers appointed to safe-keep and manage the MPFA's assets were closely monitored in order to ensure high service standards.

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

INFORMATION TECHNOLOGY

The Information Management System (IMS), the core information system of the MPFA, was fully delivered in 2001-02. The IMS facilitates the efficient processing of applications submitted by service providers for registration of MPF trustees, schemes, intermediaries and investment funds, and assists in the management and monitoring of enrolment and compliance. During 2002-03, an in-house team was set up to undertake the continued maintenance and enhancement of the IMS. The team has taken over the regular maintenance from the contractor since end of August 2002. Following the enactment of MPF legislative amendments in July 2002, changes to the IMS were made to tie in with the changes in administrative arrangements.

As part of our programme to strengthen the enforcement support systems, we have completed development work to improve the operational efficiency of the Complaints Handling System. The Investigation Handling System has been further enhanced by the implementation of a new method of case assignment and progress monitoring functions. A system for chasing and managing default contributions has been developed for detection of contribution defaults, and debt recovery through small claims and liquidation cases.

On improving management information for effective operation and decision support, we have taken steps to develop Management Information Systems (MIS) by embarking on a study of the management information needs of the MPFA. Using the management of default contributions as a pilot, we plan to develop a corporate MIS road map to provide guidance in studying the information needs and develop the MIS for other work areas.

CORPORATE AFFAIRS

The Management Board held five meetings during the year, whereas the MPF Schemes Advisory Committee and Industry Schemes Committee met once and thrice respectively. The Administration Committee, Finance Committee and Guidelines Committee held five, four and three meetings respectively during the year. Upon expiry of their first term of appointment of two years, most members of the Industry Schemes Committee were reappointed in August 2002 for a further term of two years.

During the year, we followed closely the development of legislation applicable to MPFA, such as those relating to intellectual property, personal data privacy and occupational safety and health. Related codes and guidelines were studied, and steps were taken to ensure compliance.

Supporting Services *Continued*

The policy for managing the records of boards and committees was drawn up. A study on the feasibility of electronic records management for two pilot areas was carried out. Implementation of electronic records management for closed investigation case files as recommended in the study has commenced. Similar studies will be extended to other areas in the coming year.

The automated library system for the MPFA library was implemented in mid-2002. During the year, comparisons of MPFA's collection with those of similar organizations were made and steps were taken to enhance our library collection and staff usage.

A total of six management reviews and three internal audits were conducted during the year. With regard to the Enforcement Division, complaints handling and investigation procedures were streamlined to speed up processing and enhance customer service. The operating machinery and staff structure for the handling of default contributions were reorganized to strengthen control and management, and to achieve significant increases in output.

With regard to the Supervision Division, a review was started to identify the functions and business areas that have to be developed in order to implement the new risk-based supervision strategy endorsed by the Management Board in December 2002. A Development Team was formed in March 2003 to draw up the policies, regulatory framework, standards, procedures, work programmes, communication plans and organizational structure of the Supervision Division for the new strategy.

With regard to corporate services, the role of the Corporate Affairs Department was expanded to encompass all corporate-wide matters including corporate planning, records management and corporate communications. The Human Resources Department was reorganized to strengthen its focus on human resources policies and procedures, to enhance performance management and to implement an organization development programme. The General Administration Department has reorganized its work processes and operations resulting in manpower savings. The work programme of the Information Technology Department was revised to enable it to take the lead in developing a management information framework for all other operating units.

MANAGEMENT REVIEW AND INTERNAL AUDIT

The External Affairs Division reviewed its publicity and communication strategies, and its focuses on MPF education and reaching out programmes, and reorganized its operating units to complement the changes.

The internal audit function was established and an internal audit programme drawn up initially to audit the financial, treasury and administrative functions. Policies and procedures regarding financial payment, staff recruitment and reimbursement of deposits were audited. Other areas under review include fees collection, inventory management and transactions settlement procedures.

Corporate wide, performance pledges were drawn up to better monitor performance and the achievement of targets, and write-off policies were reviewed to strengthen control and accountability. Business continuity is now being studied, with a view to drawing up policies and the machinery to maintain business continuity of the critical MPFA functions at all times.

LEGAL SUPPORT

The Legal Department provides legal support to many aspects of MPFA's operation. During the year, the Department assisted the Supervision team in monitoring the operations 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. In resolving legal issues in order to streamline the recovery of outstanding contributions and the payment of benefits, it co-operated with the Labour Tribunal, Labour Department, Official Receiver's Office and the Probate Registry.

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 which may arise in the day-to-day operation of MPFA, such as commercial contracts, leases and copyright.

2002

29 Apr - 3 May

Hong Kong's experience in practising the multi-pillar arrangement for old age security advocated by World Bank has been of interest to financial regulators, social agencies, and government and non-government organizations of various countries. During the year, the MPFA received a number of visitors from overseas and the Mainland, exchanging views as well as sharing experiences with them. Our representatives also participated in several international conferences. Highlights of these activities are given below.

Executive Director (Investment Regulation) attended the "Contractual Savings Conference" held in the United States and met with World Bank to discuss MPF issues.

22-24 May

Chief Operating Officer (Compliance) attended the Second OECD Conference on Private Pensions in Brazil and spoke on the implementation of MPF.

13 Jun

At MPFA, Chief Operating Officer (Compliance) gave an overview of the MPF System to Mr N. Rangachary, Chairman of Insurance Regulatory and Development Authority, India.

7 Aug

At MPFA, Chief Operating Officer (Compliance) briefed the delegation of China Securities Regulatory Commission on the regulatory framework and MPF investments.



19 Sep

At MPFA, Chief Operating Officer (Compliance) met Mauritius Ministry of Finance and Ministry of Social Security and briefed them on the operation of the MPF System.

24 Oct



At MPFA, Executive Director (Enforcement) gave a briefing to Azhar Muchlis, Vice Chairman of Legislation Board, Parliament of the Republic of Indonesia, on the practice and governance of the MPF System.

24-26 Oct

Chief Operating Officer (Compliance) addressed the OECD/INPRS/KOREA Conference on Private Pensions in Asia held in South Korea.

5 Nov

At MPFA, a delegation from the Retirement Benefits Authority of Kenya was briefed by Chief Operating Officer (Compliance) on the regulatory governance of the MPF System.



19 Nov

At MPFA, Chief Operating Officer (Compliance) gave a briefing to the delegation of Singapore Central Provident Fund Board on the regulation and governance of the MPF System and exchanged experience on the implementation of retirement protection scheme.



3-4 Dec

Executive Director (Investment Regulation) and Senior Manager (Trustees) attended the Conference on "Super Risk - Managing Risk in Tough Times" held in Australia.

5 Dec

At MPFA, Chief Operating Officer (Compliance) met a group of officials of China Securities Regulatory Commission and briefed them on the features and regulatory framework of the MPF System.

11 Dec

At MPFA, Executive Director (Enforcement) met the delegation of the Ministry of Labour and Social Security and briefed them on the operation of the MPF System.

12 Dec

At MPFA, Chief Operating Officer (Corporate Affairs), Chief Operating Officer (Compliance) and Executive Director (Investment Regulation) received the US Financial High-level Mission and gave them a presentation on the features of the MPF System and MPF investments.



2003
9-10 Jan

Senior Manager (Policy & Development) and Senior Manager (Member Protection) gave a two-day seminar on MPF to the Thai Securities and Exchange Commission in Bangkok upon invitation of the Commission.

13 Jan



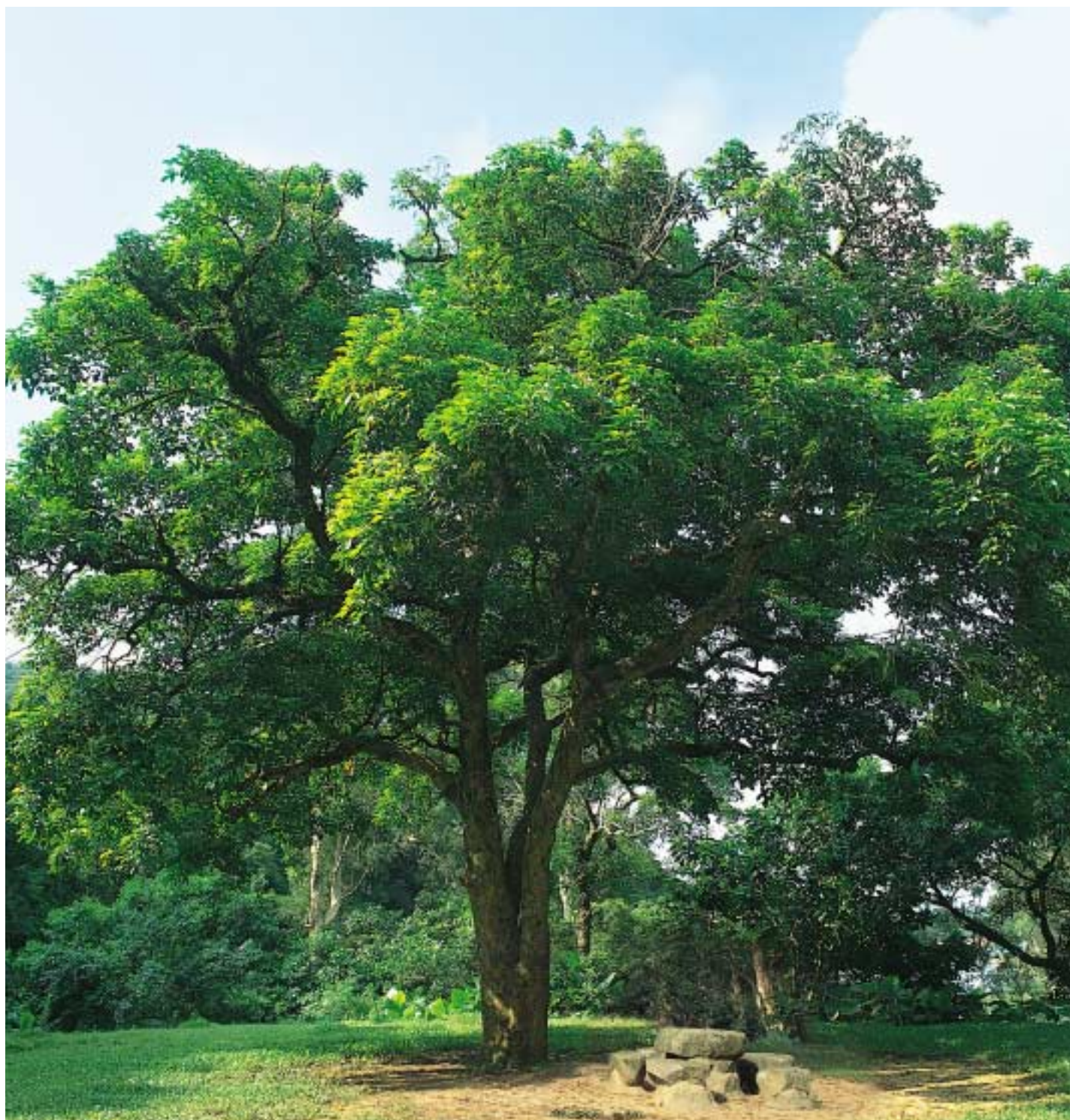
At MPFA, the Chairman, Chief Operating Officer (Corporate Affairs) and Chief Operating Officer (Compliance) received Mr Jin Liqun, Vice Minister of Finance, and briefed him on the operation of MPF System.

19 Mar

At MPFA, Chief Operating Officer (Corporate Affairs) and Chief Operating Officer (Compliance) exchanged views on retirement protection with Prof James H Schulz of Brandeis University, USA, a leading authority on pensions, retirement policy, and the economics of ageing.



Loved ones settle secured, shield and shelter ensured



Financial Statements

Mandatory Provident Fund Schemes Authority

- 58. Auditor's Report
- 59. Income and Expenditure Account
- 60. Balance Sheet
- 61. Statement of Changes in Capital and Reserve
- 62. Cash Flow Statement
- 63. Notes to the Financial Statements

Mandatory Provident Fund Schemes Compensation fund

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

MPFA
AUDITOR'S
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 59 to 67 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 to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of 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 2003 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
12 June 2003

MPFA
INCOME AND
EXPENDITURE
ACCOUNT
for the year ended
31 March 2003

	Notes	2003 HK\$	2002 HK\$
INCOME			
Fee income		10,746,150	11,672,150
Interest income on bank deposits		61,902,795	111,540,910
Net investment income	4	132,260,292	103,008,589
		204,909,237	226,221,649
Other income		47,790	26,240
		204,957,027	226,247,889
EXPENDITURE			
Staff costs		142,158,900	157,357,791
Depreciation		22,732,309	22,395,341
Premises expenses		25,800,706	25,640,748
Public education and publicity expenses		4,704,498	12,103,404
Other operating expenses		21,499,234	26,875,471
		216,895,647	244,372,755
DEFICIT FOR THE YEAR	6	(11,938,620)	(18,124,866)

MPFA
BALANCE SHEET
at 31 March 2003

	Notes	2003 HK\$	2002 HK\$
ASSETS			
Property and equipment	7	32,154,965	50,505,038
Projects in progress	8	–	89,250
Investments in securities	9	2,619,750,277	2,442,035,977
Debtors, deposits and prepayments		18,669,618	9,408,968
Interest receivable		43,858,787	43,686,263
Bank deposits		2,520,900,000	2,706,600,000
Bank balances and cash		8,530,003	30,576,000
		5,243,863,650	5,282,901,496
LIABILITIES			
Creditors and accrued charges		23,464,157	49,871,833
Fees received in advance		4,785,650	5,477,200
		28,249,807	55,349,033
NET ASSETS		5,215,613,843	5,227,552,463
CAPITAL GRANT	10	5,000,000,000	5,000,000,000
INCOME AND EXPENDITURE ACCOUNT		215,613,843	227,552,463
CAPITAL AND RESERVE		5,215,613,843	5,227,552,463

The financial statements on pages 59 to 67 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 12 June 2003 and are signed on its behalf by:

Rafael Hui
Managing Director

MPFA
STATEMENT OF
CHANGES IN CAPITAL
AND RESERVE
for the year ended
31 March 2003

	Capital Grant HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2001	5,000,000,000	245,677,329	5,245,677,329
Deficit for the year	–	(18,124,866)	(18,124,866)
At 31 March 2002 and at 1 April 2002	5,000,000,000	227,552,463	5,227,552,463
Deficit for the year	–	(11,938,620)	(11,938,620)
At 31 March 2003	5,000,000,000	215,613,843	5,215,613,843

MPFA
CASH FLOW
STATEMENT
for the year ended
31 March 2003

	2003 HK\$	2002 HK\$ (Restated)
OPERATING ACTIVITIES		
Deficit for the year	(11,938,620)	(18,124,866)
Adjustments for :		
Amortisation of premium on held-to-maturity securities	3,588,910	3,149,067
Depreciation	22,732,309	22,395,341
Loss on disposals of property and equipment	56,066	28,787
Interest income on bank deposits	(61,902,795)	(111,540,910)
Interest income on investments in securities	(109,913,256)	(117,875,817)
Dividends from investments in securities	(5,440,000)	(5,780,000)
Net realised gain on disposals of investments in securities	(13,237,298)	(15,573,056)
Net unrealised (gain) loss on investments in securities	(7,258,648)	33,071,217
Operating cashflows before movements in working capital	(183,313,332)	(210,250,237)
(Increase) decrease in debtors, deposits and prepayments	(9,260,650)	17,108,655
(Decrease) increase in creditors and accrued charges	(25,573,339)	16,146,446
(Decrease) increase in fees received in advance	(691,550)	103,150
NET CASH USED IN OPERATING ACTIVITIES	(218,838,871)	(176,891,986)
INVESTING ACTIVITIES		
Dividends received	5,440,000	5,780,000
Interest received	171,643,527	213,422,778
Proceeds from disposals of property and equipment	4,800	115,786
Proceeds from disposals of investments in securities	1,959,299,722	1,952,918,227
Payment of property and equipment	(5,188,190)	(13,169,738)
Payment of investments in securities	(2,120,106,985)	(3,223,488,022)
Decrease in bank deposits	185,700,000	1,263,400,000
Decrease (increase) in bank balances and cash held for investment purposes	20,418,748	(24,476,998)
NET CASH FROM INVESTING ACTIVITIES	217,211,622	174,502,033
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,627,249)	(2,389,953)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,163,209	5,553,162
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,535,960	3,163,209
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as previously stated	–	1,253,576,000
Effect of reclassification of bank deposits and cash balances held for investment purposes	–	(1,250,412,791)
Cash and cash equivalents as restated	–	3,163,209
Being:		
Bank balances and cash	8,530,003	30,576,000
Less :		
Bank balances and cash held for investment purposes	(6,994,043)	(27,412,791)
	1,535,960	3,163,209

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. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the MPFA has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in capital and reserve, and in the adoption of the following new and revised accounting policies, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash Flow Statements

In the current year, the MPFA has adopted SSAP 15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing cash flows. In addition, the amounts presented for cash and cash equivalents have been amended to exclude cash balances held for investment purposes. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Employee Benefits

In the current year, the MPFA has adopted SSAP 34 Employee Benefits, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the MPFA participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. 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 recognised on a time basis, by reference to the principal outstanding and at the coupon rate applicable.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 recognised in the income and expenditure account.

Impairment

At each balance sheet date, the MPFA reviews the carrying amounts of its tangible 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 recognised 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised 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 amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation 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 recognised in each period represents a consistent yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

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 unrealised gains and losses included in the income and expenditure account.

MPFA
NOTES TO THE
FINANCIAL
STATEMENTS
for the year ended
31 March 2003

4. NET INVESTMENT INCOME

	2003 HK\$	2002 HK\$
Interest income on investments in securities	109,913,256	117,875,817
Amortisation of premium on held-to-maturity securities	(3,588,910)	(3,149,067)
	106,324,346	114,726,750
Dividends from investments in securities	5,440,000	5,780,000
Net realised gain on disposals of investments in securities	13,237,298	15,573,056
Net unrealised gain (loss) on investments in securities	7,258,648	(33,071,217)
	132,260,292	103,008,589

5. 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.

6. DEFICIT FOR THE YEAR

Deficit for the year has been arrived at after charging:

	2003 HK\$	2002 HK\$
Staff costs		
Directors' emoluments:		
- fee	–	–
- other emoluments	20,545,406	19,871,912
Salaries, variable pay and other benefits	115,177,393	129,711,881
Contributions to the Mandatory Provident Fund schemes	6,436,101	7,773,998
	142,158,900	157,357,791
Auditors' remuneration	83,000	83,000
Loss on disposals of property and equipment	56,066	28,787
Operating lease charges - property rentals	18,503,058	17,781,017

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

	2003 Number of directors	2002 Number of directors
HK\$3,000,001 to HK\$3,500,000	2	3
HK\$3,500,001 to HK\$4,000,000	2	1
HK\$4,000,001 to HK\$4,500,000	–	–
HK\$4,500,001 to HK\$5,000,000	–	–
HK\$5,000,001 to HK\$5,500,000	1	1
	5	5

7. PROPERTY AND EQUIPMENT

MPFA
NOTES TO THE
FINANCIAL
STATEMENTS
for the year ended
31 March 2003

	Leasehold improvements HK\$	Computer equipment and software HK\$	Office equipment and furniture HK\$	Motor vehicles HK\$	Total HK\$
COST					
At 1 April 2002	24,985,343	55,680,164	8,369,462	1,080,802	90,115,771
Additions	79,577	4,211,798	151,727	–	4,443,102
Disposals	(2,812,351)	(578,835)	(52,630)	–	(3,443,816)
At 31 March 2003	22,252,569	59,313,127	8,468,559	1,080,802	91,115,057
ACCUMULATED DEPRECIATION					
At 1 April 2002	14,958,336	20,305,623	3,783,197	563,577	39,610,733
Charge for the year	6,186,219	14,197,603	2,078,286	270,201	22,732,309
Eliminated on disposals	(2,812,351)	(551,330)	(19,269)	–	(3,382,950)
At 31 March 2003	18,332,204	33,951,896	5,842,214	833,778	58,960,092
NET BOOK VALUES					
At 31 March 2003	3,920,365	25,361,231	2,626,345	247,024	32,154,965
At 31 March 2002	10,027,007	35,374,541	4,586,265	517,225	50,505,038

8. PROJECTS IN PROGRESS

Projects in progress consist of capital project expenditure not completed at 31 March 2003 of HK\$ Nil (2002 : HK\$89,250) .

9. INVESTMENTS IN SECURITIES

	Held to maturity securities		Other investments		Total	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Equity securities:						
Listed	–	–	157,087,500	190,400,000	157,087,500	190,400,000
Debt securities:						
Listed	78,389,646	79,317,781	1,316,862,655	1,072,435,764	1,395,252,301	1,151,753,545
Unlisted	415,642,328	418,303,103	651,768,148	681,579,329	1,067,410,476	1,099,882,432
	494,031,974	497,620,884	1,968,630,803	1,754,015,093	2,462,662,777	2,251,635,977
Total:						
Listed	78,389,646	79,317,781	1,473,950,155	1,262,835,764	1,552,339,801	1,342,153,545
Unlisted	415,642,328	418,303,103	651,768,148	681,579,329	1,067,410,476	1,099,882,432
	494,031,974	497,620,884	2,125,718,303	1,944,415,093	2,619,750,277	2,442,035,977
Market value of listed securities	82,227,975	80,554,700	1,473,950,155	1,262,835,764	1,556,178,130	1,343,390,464

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. CAPITAL COMMITMENTS

At the balance sheet date, the MPFA had commitments for capital expenditure in respect of the acquisition of property and equipment as follows:

	2003 HK\$	2002 HK\$
Contracted for but not provided for in the financial statements	177,311	2,261,614
Authorised but not contracted for	–	2,236,178
	177,311	4,497,792

13. 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 as follows:

	2003 HK\$	2002 HK\$
Within one year	20,455,497	18,741,947
In the second to fifth year inclusive	–	20,455,497
	20,455,497	39,197,444

14. 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 2004. 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**

**AUDITOR'S
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 69 to 74 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 to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of 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 2003 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
12 June 2003

**MPF SCHEMES
COMPENSATION
FUND**

**INCOME AND
EXPENDITURE
ACCOUNT**

*for the year ended
31 March 2003*

	Notes	2003 HK\$	2002 HK\$
INCOME			
Levy fee		18,295,244	13,121,850
Interest income on bank deposits		10,752,091	20,812,990
Net investment income	4	8,691,738	7,860,771
		37,739,073	41,795,611
EXPENDITURE			
Auditors' remuneration		40,000	40,000
Other operating expenses		75,723	46,238
		115,723	86,238
SURPLUS FOR THE YEAR		37,623,350	41,709,373

**MPF SCHEMES
COMPENSATION
FUND**

BALANCE SHEET

at 31 March 2003

	Notes	2003 HK\$	2002 HK\$
ASSETS			
Investments in securities	6	189,245,950	177,529,310
Levy fee receivable		17,559,583	12,263,902
Interest receivable		4,022,436	8,554,588
Bank deposits		549,630,000	524,480,000
Bank balances and cash		119,789	124,023
		760,577,758	722,951,823
LIABILITIES			
Creditors and accrued charges		52,987	50,402
NET ASSETS		760,524,771	722,901,421
COMPENSATION FUND SEED MONEY	7	600,000,000	600,000,000
INCOME AND EXPENDITURE ACCOUNT		160,524,771	122,901,421
CAPITAL AND RESERVE		760,524,771	722,901,421

The financial statements on pages 69 to 74 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 12 June 2003 and signed on its behalf by:

Rafael Hui
Managing Director

**MPF SCHEMES
COMPENSATION
FUND**

**STATEMENT OF
CHANGES IN CAPITAL
AND RESERVE**

*for the year ended
31 March 2003*

	Compensation Fund Seed Money HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2001	600,000,000	81,192,048	681,192,048
Surplus for the year	–	41,709,373	41,709,373
At 31 March 2002 and at 1 April 2002	600,000,000	122,901,421	722,901,421
Surplus for the year	–	37,623,350	37,623,350
At 31 March 2003	600,000,000	160,524,771	760,524,771

**MPF SCHEMES
COMPENSATION
FUND**

**CASH FLOW
STATEMENT**

*for the year ended
31 March 2003*

	2003 HK\$	2002 HK\$ (Restated)
OPERATING ACTIVITIES		
Surplus for the year	37,623,350	41,709,373
Adjustments for :		
Interest income on bank deposits	(10,752,091)	(20,812,990)
Interest income on investments in securities	(5,951,015)	(5,690,719)
Dividends from investments in securities	(83,300)	–
Net realised gain on disposals of investments in securities	(2,624,248)	(1,653,500)
Net unrealised gain on investments in securities	(33,175)	(516,552)
Operating cashflows before movements in working capital	18,179,521	13,035,612
Increase in levy fee receivable	(5,295,681)	(8,573,246)
Increase in creditors and accrued charges	2,585	6,652
NET CASH FROM OPERATING ACTIVITIES	12,886,425	4,469,018
INVESTING ACTIVITIES		
Dividends received	83,300	–
Interest received	21,235,258	29,719,145
Proceeds from disposals of investments in securities	462,323,916	103,056,500
Payment of investments in securities	(471,383,133)	(278,415,758)
(Increase) decrease in bank deposits	(25,150,000)	141,280,000
Increase in bank balances and cash held for investment purposes	(4,017)	(45,983)
NET CASH USED IN INVESTING ACTIVITIES	(12,894,676)	(4,406,096)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,251)	62,922
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	78,040	15,118
CASH AND CASH EQUIVALENTS CARRIED FORWARD	69,789	78,040
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as previously stated	–	9,604,023
Effect of reclassification of bank deposits and cash balances held for investment purposes	–	(9,525,983)
Cash and cash equivalents as restated	–	78,040
Being :		
Bank balances and cash	119,789	124,023
Less :		
Bank balances and cash held for investment purposes	(50,000)	(45,983)
	69,789	78,040

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. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Fund has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in capital and reserve, and in the adoption of the following new and revised accounting policy but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash Flow Statements

In the current year, the Fund has adopted SSAP 15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing cash flows. In addition, the amounts presented for cash and cash equivalents have been amended to exclude cash balances held for investment purposes. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

3. 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 recognised on a time basis, by reference to the principal outstanding and at the coupon rate applicable.

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

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

NOTES TO THE
FINANCIAL
STATEMENTSfor the year ended
31 March 20033. SIGNIFICANT ACCOUNTING POLICIES – *continued***Investments in securities**

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

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

4. NET INVESTMENT INCOME

	2003 HK\$	2002 HK\$
Interest income on investments in securities	5,951,015	5,690,719
Dividends from investments in securities	83,300	–
Net realised gain on disposals of investments in securities	2,624,248	1,653,500
Net unrealised gain on investments in securities	33,175	516,552
	8,691,738	7,860,771

5. 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.

6. INVESTMENTS IN SECURITIES

	2003 HK\$	2002 HK\$
Listed equity securities, at market value	10,292,550	–
Listed debt securities, at market value	178,953,400	101,313,910
Unlisted debt securities	–	76,215,400
	189,245,950	177,529,310

7. COMPENSATION FUND 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

- 76.** (A) MPF Scheme Members
- 79.** (B) MPF Products
- 81.** (C) ORSO Schemes
- 84.** (D) Enquiries and Complaints
- 86.** (E) Enforcement

Appendices

- 89.** (1) Membership Lists of Boards and Committees
- 91.** (2) Mandatory Provident Fund Schemes (Amendment) (No.2) Ordinance 2002 - Summary of Major Legislative Changes
- 92.** (3) Mandatory Provident Fund Schemes Ordinance and Subsidiary Legislation
- 94.** (4) Occupational Retirement Schemes Ordinance and Subsidiary Legislation
- 96.** (5) List of MPF Guidelines and Codes
- 100.** (6) List of Circular Letters
- 101.** (7) List of Approved MPF Trustees and Their Background
- 104.** (8) List of Registered MPF Schemes and Constituent Funds
- 111.** (9) List of Corporate Administrators who Administer Pooling Agreements for ORSO Schemes
- 112.** (10) List of Major Public Education and Publicity Activities
- 115.** (11) List of Articles Contributed to Newspaper Columns
- 119.** (12) Definition of Terms

1. THE MPF UNIVERSE

Employers under the MPF System:

	('000)
Number of main businesses ⁽¹⁾	317
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⁾	86
Number of business establishments engaging exempt persons only	6
Employers under the MPF System*	231

* 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

Relevant Employees under the MPF System:

	('000)
Number of employees (excluding employees aged below 18 or above 65) ⁽¹⁾	2 802
Less	
Civil servants who are covered by the Civil Service Pension System ⁽²⁾	165
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⁾	510
Domestic employees ⁽⁵⁾	216
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⁾	32
Relevant Employees under the MPF System*	1,793

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

Sources :

- (1) General Household Survey, Census and Statistics Department
- (2) Civil Service Bureau
- (3) Treasury Department
- (4) Estimation based on figures reported by Employers of MPF Exempted ORSO Registered Schemes
- (5) General Household Survey, Census and Statistics Department
- (6) Estimation based on figures provided by the Immigration Department
- (7) Estimation based on figures provided by a special topic enquiry conducted via the General Household Survey in Q2 2001 by Census and Statistics Department

Self-employed Persons under the MPF System:

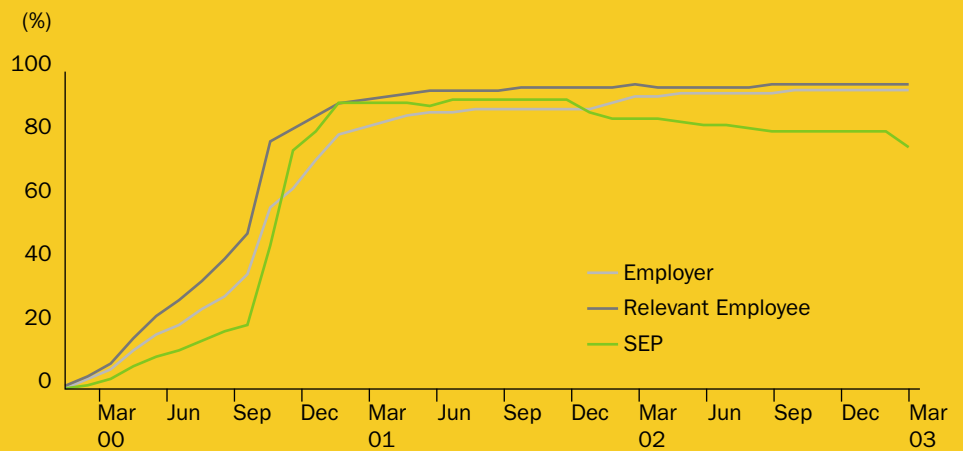
	('000)
Number of SEPs extracted from General Household Survey (excluding SEPs aged below 18 or above 65) ⁽¹⁾	402
Less	
SEPs who are licensed hawkers ⁽²⁾ (excluding licensed hawkers aged below 18 or above 65)	4
SEPs under the MPF System*	399

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

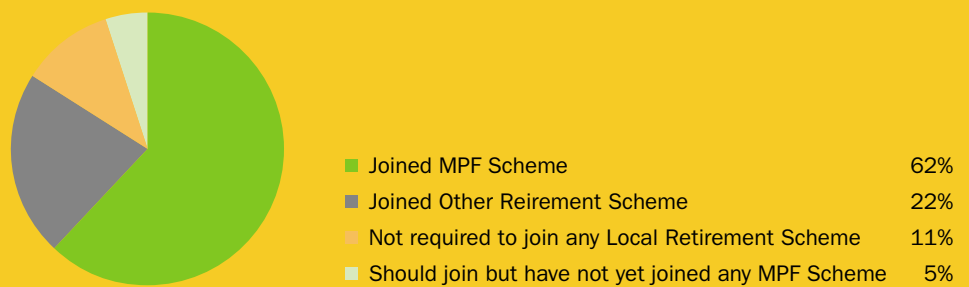
Sources :

- (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) General Household Survey, Census and Statistics Department.

2. ENROLMENT IN MPF SCHEMES



3. EMPLOYED POPULATION BY TYPE OF RETIREMENT SCHEMES ENROLLED as at 31.3.2003



4. ENROLMENT RATES 1.4.2002 - 31.3.2003

Statistics
Continued

	Employer		Relevant Employee		SEP	
	Participating Employers ⁽¹⁾ (‘000)	Compliance Rate (%)	Participating Members ⁽¹⁾ (‘000)	Compliance Rate (%)	Participating Members ⁽¹⁾ (‘000)	Compliance Rate (%)
As at						
31.03.2002	210	92.1	1 727	95.5	300	85.0
30.06.2002	212	92.9	1 702	95.3	297	82.7
30.09.2002	214	93.4	1 698	95.5	296	81.4
31.12.2002	217	93.6	1 725	95.6	302	81.0
31.03.2003 ⁽²⁾	217	93.8	1 716	95.7	302	75.8

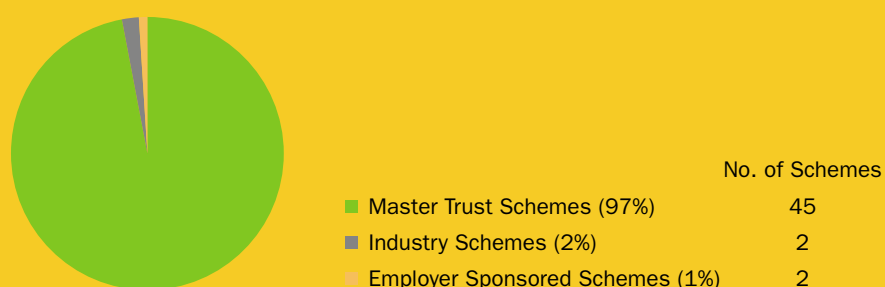
- (1) As the MPF is an employment-based system, some employers and members may be participating in more than one scheme. Adjustments have been made for employers and members who are participating in more than one scheme in the same capacity.
- (2) The increase in enrolment rate of employers is due to the decrease of the universe of employers by 1 000. In respect of relevant employees, the universe decreased by 12 000, while the number of enrolled employees decreased by 9 000 only. The enrolment rate of relevant employees increased as a result. The decrease in enrolment rate of SEPs was mainly due to an increase in the universe of SEPs, from 372 000 to 399 000 people.

1A. NET ASSET VALUES OF MPF SCHEMES BY TYPE 1.4.2002 - 31.3.2003

As at	Type of MPF Schemes			(HK\$ million)
	Master Trust Schemes	Industry Schemes	Employer Sponsored Schemes	TOTAL *
31.03.2002	40,964	886	274	42,124
30.06.2002	45,624	1,046	322	46,992
30.09.2002	47,085	1,160	353	48,598
31.12.2002	53,307	1,346	410	55,063
31.03.2003	57,372	1,475	457	59,305

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

1B. NET ASSET VALUES OF MPF SCHEMES BY TYPE as at 31.3.2003

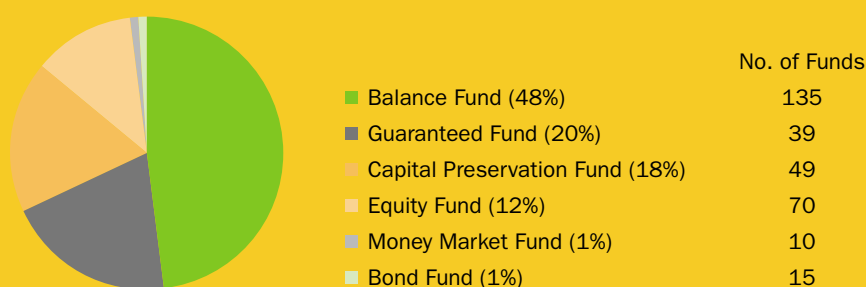


2A. NET ASSET VALUES OF APPROVED CONSTITUENT FUNDS BY TYPE 1.4.2002 - 31.3.2003

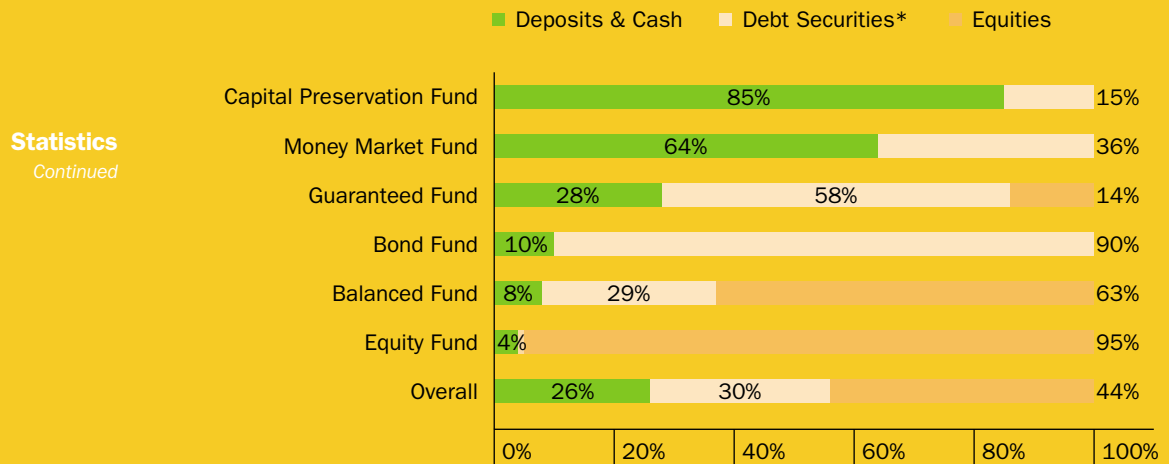
As at	Type of Approved Constituent Funds						(HK\$ million)
	Capital Preservation Fund	Money Market Fund	Guaranteed Fund	Bond Fund	Balanced Fund	Equity Fund	TOTAL *
31.03.2002	6,291	497	8,273	245	19,589	7,230	42,125
30.06.2002	7,281	536	9,208	289	21,874	7,804	46,992
30.09.2002	8,296	577	10,030	389	23,280	6,026	48,598
31.12.2002	9,404	600	10,988	425	26,665	6,982	55,063
31.03.2003	10,685	636	11,961	482	28,293	7,248	59,305

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

2B. NET ASSET VALUES OF APPROVED CONSTITUENT FUNDS BY TYPE as at 31.3.2003

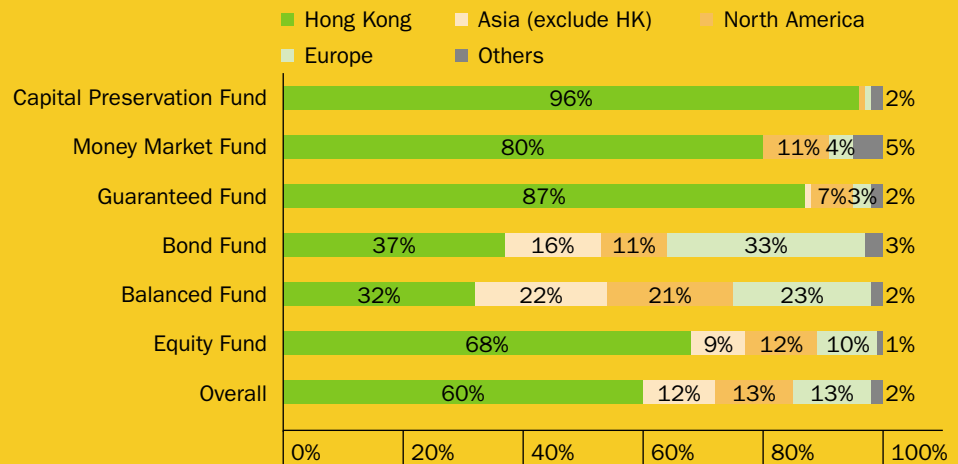


3. ASSET ALLOCATION OF CONSTITUENT FUNDS BY ASSET CLASS as at 31.3.2003



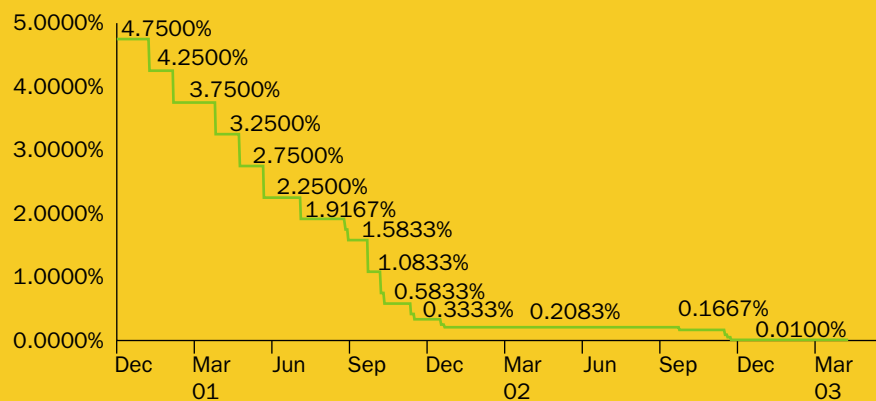
* Include convertible debt securities.

4. ASSET ALLOCATION OF CONSTITUENT FUNDS BY GEOGRAPHICAL REGION* as at 31.3.2003



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

5. PRESCRIBED SAVINGS RATES⁽¹⁾ 1.12.2000 - 31.3.2003

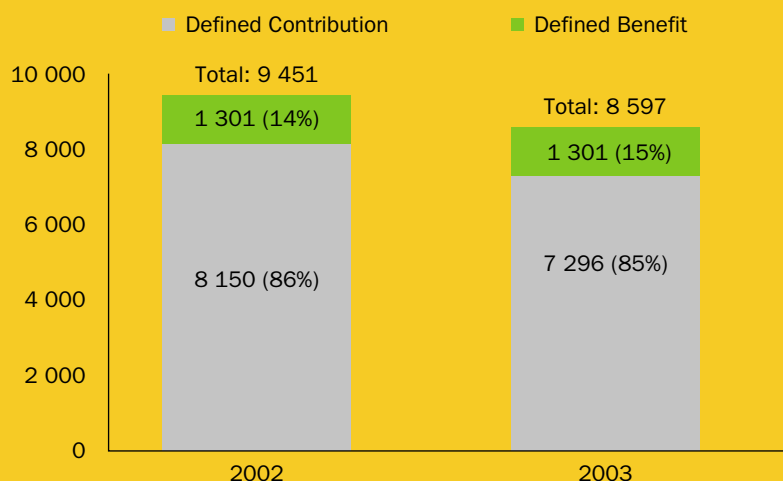


(1) The PSR is prescribed by the MPFA pursuant to section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation for the operation of Capital Preservation Funds.

ORSO SCHEMES

Statistics
Continued
PART C
ORSO SCHEMES

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



2. NUMBER OF ORSO SCHEMES - BY BENEFIT TYPE *as at 31.3.2003*

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	No. of Schemes	%	No. of Schemes	%	No. of Schemes	%
Registered Scheme						
MPF exempted	4 941	68	308	24	5 249	61
Non-MPF exempted	1 312	18	42	3	1 354	16
Sub-total	6 253	86	350	27	6 603	77
Exempted Scheme						
MPF exempted	274	4	197	15	471	5
Non-MPF exempted	769	10	754	58	1 523	18
Sub-total	1 043	14	951	73	1 994	23
Total	7 296	100	1 301	100	8 597	100

MPF EXEMPTED ORSO SCHEMES

3. NUMBER OF MPF EXEMPTED ORSO SCHEMES *as at 31.3.2003*

Statistics
Continued

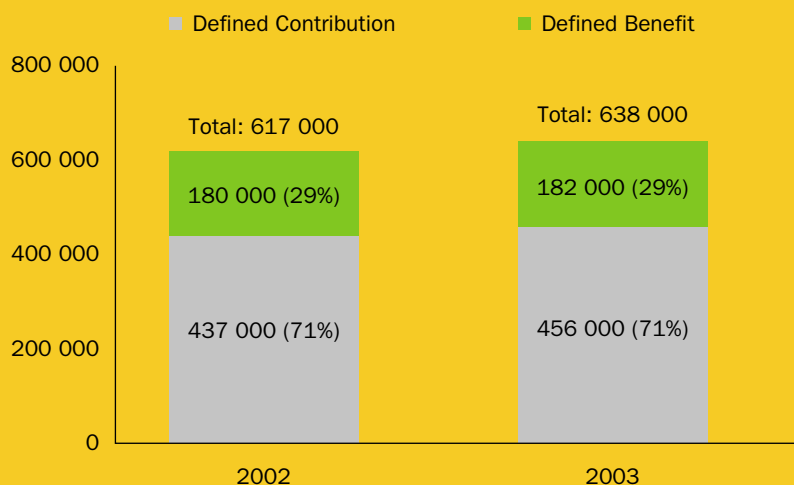
	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(a) Number of MPF Exempted ORSO Schemes approved as at 31 March 2002	5 473	503	5 976
(b) Number of new applications approved during the period from 1 April 2002 to 31 March 2003 (Note)	14	0	14
(c) Number of withdrawals of MPF Exemption Certificates during the period from 1 April 2002 to 31 March 2003	238	32	270
(d) Number of MPF Exempted ORSO Schemes as at 31 March 2003 [i.e. (d) = (a) + (b) - (c)]	5 249	471	5 720

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 one 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)*



5. NUMBER OF MEMBERS COVERED BY ORSO REGISTERED SCHEMES - BY BENEFIT TYPE *as at 31.3.2003*

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	('000)	%	('000)	%	('000)	%
MPF exempted	391	69	176	31	567	100
Non-MPF exempted	65	91	6	9	71	100
Total	456	71	182	29	638	100

CONTRIBUTION AMOUNT

6. CONTRIBUTION AMOUNT TO ORSO REGISTERED SCHEMES - BY EMPLOYERS AND EMPLOYEES

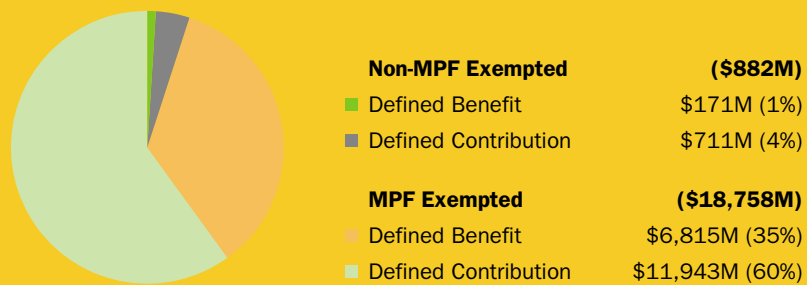
Statistics
Continued

	MPF Exempted (HK\$ million)	Non-MPF Exempted (HK\$ million)	Total (HK\$ million)
Employer's Contributions			
Ordinary	13,082 (70%)	544 (62%)	13,626 (69%)
Initial/Special	1,263 (7%)	127 (14%)	1,390 (7%)
Sub-total	14,345 (77%)	671 (76%)	15,016 (76%)
Employee's Contributions	4 413 (23%)	211 (24%)	4,624 (24%)
Total Contributions	18,758 (100%)	882 (100%)	19,640 (100%)

Source:

The latest annual returns in respect of 6 538 ORSO registered schemes

7. CONTRIBUTION AMOUNT TO ORSO REGISTERED SCHEMES - BY BENEFIT TYPE

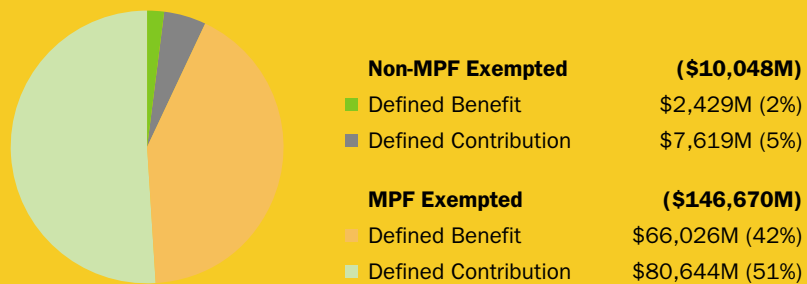


Contribution Amount: HK\$19,640 million

Source:

The latest annual returns in respect of 6 538 ORSO registered schemes

8. ASSET SIZE OF ORSO REGISTERED SCHEMES - BY BENEFIT TYPE



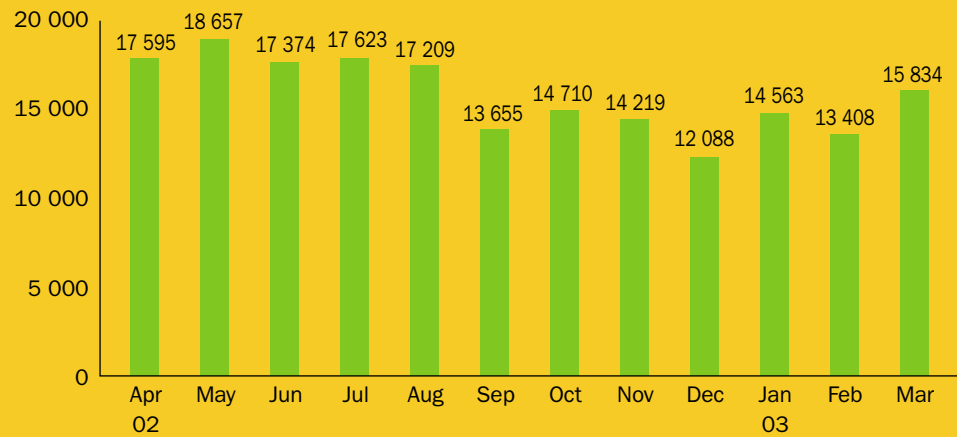
Asset Size: HK\$156,718 million

Source:

The latest annual returns in respect of 6 538 ORSO registered schemes

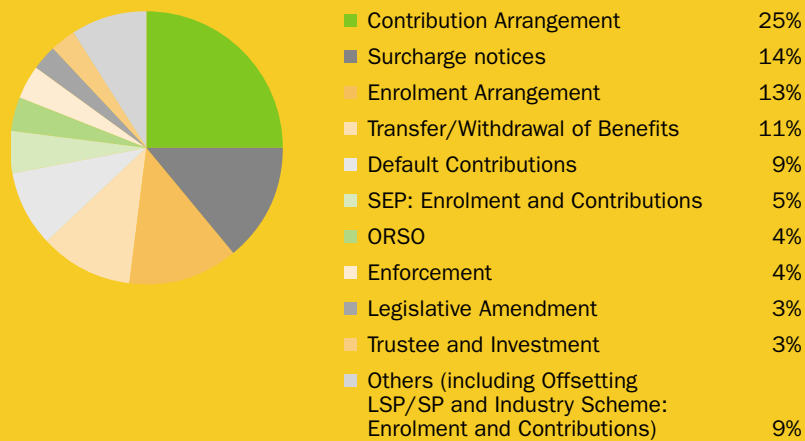
Statistics
Continued
PART D
ENQUIRIES AND
COMPLAINTS

1. ENQUIRIES RECEIVED BY MONTH 1.4.2002 - 31.3.2003



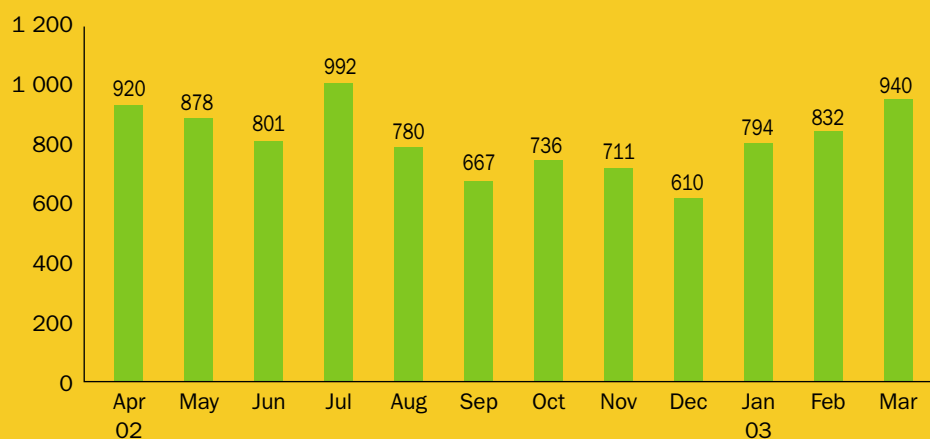
Mode of Enquiries	Apr 02	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 03	Feb	Mar	Total
Phone	17 399	18 438	17 196	17 425	17 023	13 460	14 418	13 975	11 934	14 344	13 215	15 631	184 458
Written	126	140	107	117	117	141	203	166	101	168	135	152	1 673
Walk-in	70	79	71	81	69	54	89	78	53	51	58	51	804
Total	17 595	18 657	17 374	17 623	17 209	13 655	14 710	14 219	12 088	14 563	13 408	15 834	186 935

2. ENQUIRIES RECEIVED BY NATURE 1.4.2002 - 31.3.2003



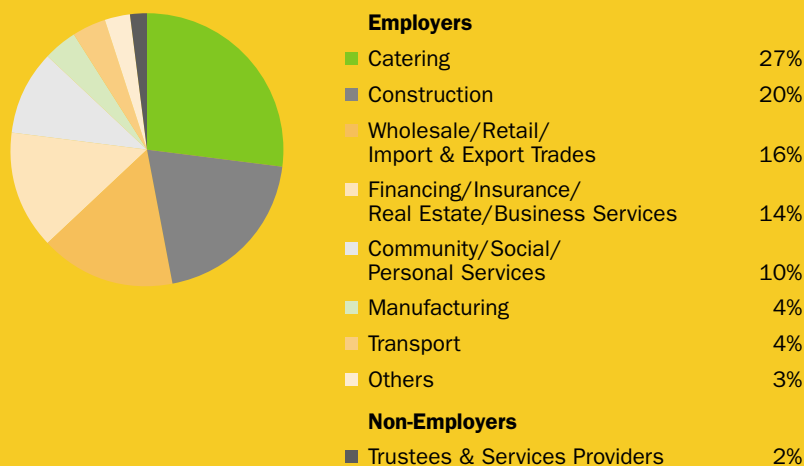
3. COMPLAINTS RECEIVED BY MONTH 1.4.2002 - 31.3.2003

Statistics
Continued

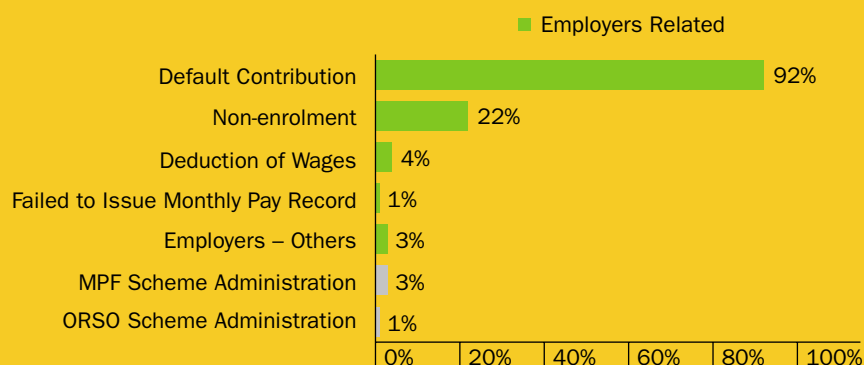


Mode of Complaints	Apr 02	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 03	Feb	Mar	Total
Phone	839	790	710	869	670	582	611	584	508	703	727	837	8 430
Written	9	17	20	30	51	37	33	30	14	35	27	26	329
Walk-in	72	71	71	93	59	48	92	97	88	56	78	77	902
Total	920	878	801	992	780	667	736	711	610	794	832	940	9 661

4. COMPLAINTS RECEIVED BY TARGET 1.4.2002 - 31.3.2003



5. COMPLAINTS RECEIVED BY NATURE* 1.4.2002 - 31.3.2003



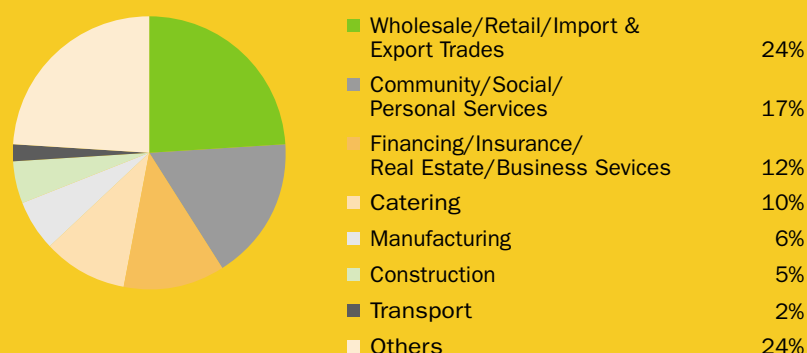
* Multiple selection of complaint categories allowed.

1. PROACTIVE INSPECTIONS CARRIED OUT BY DISTRICT 1.4.2002 - 31.3.2003

District	Number	%
Central & Western	300	10
Eastern	351	11
Islands	212	7
Kowloon City	56	2
Kwai Tsing	169	5
Kwun Tong	246	8
Northern	109	3
Sai Kung	32	1
Sha Tin	206	7
Sham Shui Po	129	4
Southern	67	2
Tai Po	80	3
Tsuen Wan	88	3
Tuen Mun	75	2
Wan Chai	283	9
Wong Tai Sin	108	3
Yau Tsim Mong	583	19
Yuen Long	53	2
Total	3 147	100

2. PROACTIVE INSPECTIONS CARRIED OUT BY BUSINESS NATURE

1/4/2002 - 31/3/2003



3. PROACTIVE INSPECTIONS CARRIED OUT BY RESULTS 1.4.2002 - 31.3.2003

Inspection Results	Number	%
No further action required	2 141	68.0
Follow-up action required	1 006	32.0
No further action required after investigation	801	25.5
Rectified	115	3.7
Investigation in progress	90	2.9
Total	3 147	100.0

4. NUMBER OF DEFAULT CONTRIBUTION NOTICES ISSUED 1.4.2002 - 31.3.2003

Statistics
Continued

Month	1st Notice: Surcharge @ 15% p.a.	2nd Notice: Surcharge @ 20% p.a.	Total ¹
Apr 2002	42 700 ²	13 000	55 700
May 2002	18 500	14 400	32 900
Jun 2002	18 800	12 700	31 500
Jul 2002	18 400	12 800	31 200
Aug 2002	18 100	12 800	30 900
Sep 2002	19 600	12 300	31 800
Oct 2002	20 000	12 800	32 800
Nov 2002	22 900	12 700	35 600
Dec 2002	19 200	15 300	34 500
Jan 2003	20 700	13 300	34 000
Feb 2003	19 900	13 500	33 400
Mar 2003	21 700	14 600	36 400
Total*	260 500	160 400	420 800

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

2 The 1st notices issued in April 2002 included default cases for the months of January and February 2002, as received by the Authority in March/April 2002.

5. NUMBER OF INVESTIGATION CASES - BY TYPE OF ALLEGED OFFENCES BY MONTH 1.4.2002 - 31.3.2003

Alleged Offences							Total*
Month	Reduction of Wages	Forced change to SEP	Non- enrolment	Default Contribution	Failed to issue		
					Monthly Pay Record	Others	
Apr 2002	49	4	174	843	3	37	883
May 2002	46	1	200	770	8	26	823
Jun 2002	47	0	161	711	8	34	753
Jul 2002	39	0	179	915	10	29	950
Aug 2002	26	2	199	697	7	42	744
Sep 2002	29	2	159	605	5	19	646
Oct 2002	31	2	162	675	3	28	703
Nov 2002	23	0	142	673	4	22	687
Dec 2002	29	0	149	583	2	18	597
Jan 2003	42	0	175	728	5	19	774
Feb 2003	34	0	174	776	4	25	814
Mar 2003	39	1	230	880	6	22	924
Total	434	12	2 104	8 856	65	321	9 298

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

6. NUMBER OF SUMMONS APPLICATIONS REFERRED TO THE POLICE -
BY NATURE OF OFFENCES COMMITTED AND BY RESULTS 1/4/2002 - 31/3/2003

Statistics
Continued

Nature of Offences	Prosecution Status as at 31/3/2003			Total Number of Summonses Applied
	Guilty	Not yet available	Withdrawn*	
Non-enrolment	15	10	8	33
Employee / Self-employed Person dispute	2	0	3	5
Non-Enrolment of Employee	13	10	5	28
Contributions in arrears	504	148	68	720
Making a false or misleading statement	2	1	0	3
Total	521	159	76	756

* Summonses could not be effectively served by Police or Bailiff, as defendants had moved, closed, or became untraceable.

7. NUMBER OF APPLICATIONS LODGED TO SMALL CLAIMS TRIBUNAL,
BAILIFF AND LIQUIDATOR 1.4.2002 - 31.3.2003

	No. of Cases	Related no. of employees
Lodged to Small Claims Tribunal	687	1 747
Lodged to Bailiff	141	377
Lodged to Liquidator	207	6 505
Total	1 035	8 629

8. FINANCIAL PENALTY NOTICES ISSUED IN 2002/2003

Breaches	Number of Financial Penalty Notices Issued	Amount of Financial Penalty HK\$
Breach of section 152 of the General Regulation (Failure or delay in sending letters informing transfer options)	5	50,000
Breach of section 153(2) of the General Regulation (Failure to transfer accrued benefits within statutory timeframe)	14	140,000
Breach of section 156(2) of the General Regulation (Failure to transfer contribution surcharges subsequently received within statutory timeframe)	1	10,000
Breach of section 166(1) of the General Regulation (Failure to complete payment of accrued benefits within statutory timeframe)	4	40,000
Breach of section 170 of the General Regulation (Failure to publish notices in newspapers to locate scheme members/ persons entitled to deceased members' accrued benefits)	2	20,000
Total	26	260,000

Appendix 1

MEMBERSHIP LISTS OF BOARDS AND COMMITTEES

As at 31 March 2003

MANAGEMENT BOARD

Chairman

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

Deputy Chairman

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

Members

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

Dr the Hon Lui Ming-wah, *JP*

Mr Eddy Fong Ching, *SBS, JP*

Mr Lee Kai-ming, *SBS, JP*

Mr Robert Tang Ching, *SC, JP*

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

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

The Hon Frederick Ma Si-hang, *JP (from 1 July 2002)*

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

Mrs Fanny Law, *JP (until 30 June 2002)*

Mrs Diana Chan Tong Chee-ching

Ms Henden Yu

Mr Ernest Lee Shu-wing, *BBS*

Mr Darren McShane

Mr Raymond Tam Wai-man *(until 31 August 2002)*

MANDATORY PROVIDENT FUND SCHEMES ADVISORY COMMITTEE

Chairman

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

Deputy Chairman

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

Members

The Hon David Chu Yu-lin, *JP*

The Hon Ng Leung-sing, *JP*

The Hon Chan Yuen-han, *JP*

The Hon Bernard Chan, *JP*

The Hon Sin Chung-kai

Mr Desmond Chan Kwok-kit

Mr Ho Sai-chu, *SBS, JP*

Mr Danny Ngai Kam-fai

Mr Poon Siu-ping, *MH*

MPF INDUSTRY SCHEMES COMMITTEE

Chairman

Mr Lee Kai-ming, *SBS, JP*

Members

Mr Chan Chi-leung

Mr Chan Kay-cheung

Mr Chan Wai-lun

Mr Valiant Cheung Wai-lam

Mr Choi Chun-wah *(from 25 August 2002)*

Mr Ho Sai-chu, *SBS, JP*

Ms Lau Ka-shi *(from 25 August 2002)*

Mr Ngan Chun-hung

Mr So Kim-hung

Mr Billy Wong Wing-hoo *(from 25 August 2002)*

Mr Mok Kwok-wo *(until 24 August 2002)*

Mr Poon To-chuen, *MH (until 24 August 2002)*

Mr Ernest Lee Shu-wing, *BBS*

ADMINISTRATION COMMITTEE

Chairman

Dr the Hon Lui Ming-wah, *JP*

Members

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

Mr Lee Kai-ming, *SBS, JP*

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

Mrs Diana Chan Tong Chee-ching

FINANCE COMMITTEE

Chairman

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

Members

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

Mr Eddy Fong Ching, *SBS, JP*

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

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

Mrs Diana Chan Tong Chee-ching

Appendix 1
Continued

TENDER BOARD

Chairman

Ms Anna Wu Hung-yuk, SBS, JP

Members

Dr the Hon Lui Ming-wah, JP

Mrs Diana Chan Tong Chee-ching

Ms Hendena Yu *

Mr Ernest Lee Shu-wing, SBS *

Mr Darren McShane *

Mr Raymond Tam Wai-man * (*until 31 August 2002*)

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

GUIDELINES COMMITTEE

Chairman

Mr Robert Tang Ching, SC, JP

Members

Ms Anna Wu Hung-yuk, SBS, JP

Mr Duncan Abate

Mr Jonathan Hubbard (*until 20 March 2003*)

Ms Lau Ka-shi (*from 21 March 2003*)

Mr Edward Lau Wan-kong

Mr Albert Li Kwok-ki

Mr Paul A Moore

Mr Douglas Naismith

Ms Hendena Yu

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 (*from 11 March 2003*)

Mr Lai Kam Tong (*until 10 March 2003*)

MPF Industry Representatives

Mr Nick Crouch

Mr Mark Bain

Mr Edward Lau Wan-kong

Mr Douglas Naismith

Mr Duncan Abate

HKSAR Government Representatives

Miss Susie Ho Suk-yee, JP

Mrs Jennie Chor Chan Chui-yuk, JP

MPFA Representatives

Mr Lee Kai-ming, SBS, JP

Mrs Diana Chan Tong Chee-ching

Mr Raymond Tam Wai-man (*until 31 August 2002*)

MANDATORY PROVIDENT FUND SCHEMES APPEAL BOARD

Chairman

Mr Patrick Fung Pak-tung, SC

Deputy Chairman

Mrs Angelina Lee Wong Pui-ling, JP

Panel Members

Mr Edward Cheng Wai-sun

Prof Fan Yiu-kwan

Mr Joseph P Fok, SC

Mr Philip Hilliard

Dr Francis Lui Ting-ming

Mr So Wai-keung

Mr 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

Panel Members

Mr Desmond Chan Kwok-kit

Mr Philip Hilliard

Mr Shiu Wai-kwok

Mr So Wai-keung

Mr Paul Tan Chuen-yan

Mr Anthony Tyen Kan-hee

Appendix 2
MANDATORY
PROVIDENT FUND
SCHEMES
(AMENDMENT)
(NO.2) ORDINANCE
2002 - SUMMARY OF
MAJOR LEGISLATIVE
CHANGES

1. Introducing Mechanism to Adjust the Maximum and Minimum Levels of Relevant Income
2. Enhancing Enforcement Provisions on Non-enrolment in MPF Schemes
3. Simplifying the Calculation of Surcharge for Default Contributions and Issuing Payment Notices
4. Extending the Initial Employee Contribution Holiday to Avoid Prorating of Contributions for Incomplete Payroll Period
5. Facilitating Contribution Remittance on Monthly Cycle
6. Simplifying Contribution Arrangement for Employees Ceasing Employment
7. Facilitating Investment of MPF Assets in Index-tracking Funds
8. Streamlining Publication of Notices to Search for Scheme Members with Unclaimed Benefits
9. Facilitating Monies-in-transit in MPF Schemes to Earn Interest to Benefit Scheme Members Collectively
10. Facilitating Transfer of Scheme Members and Benefits During Intra-group Transfer / Change of Business Ownership
11. Allowing Transfer of Minimum MPF Benefit to Industry Schemes in addition to Master Trust Schemes
12. Allowing Notices or Documents be Served by Ordinary Post

Appendix 3
**MANDATORY
PROVIDENT FUND
SCHEMES
ORDINANCE AND
SUBSIDIARY
LEGISLATION**
As at 31 March 2003

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
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 Ordinance (Cap. 485) (Commencement) Notice 1998	L.N. 292 of 1998

Appendix 3
Continued

Legislation	Reference
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 1998	L.N. 293 of 1998
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

Appendix 4
**OCCUPATIONAL
RETIREMENT
SCHEMES
ORDINANCE AND
SUBSIDIARY
LEGISLATION**
As at 31 March 2003

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
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

Appendix 4
Continued

Legislation	Reference
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

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 5
LIST OF
MPF GUIDELINES
AND CODES
As at 31 March 2003

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	1/01
I.4	Guidelines on Eligible Insurers	12/98
I.5	Guidelines on Application for Approval of Constituent Funds	12/98
I.6	Guidelines on Application for Approval of Pooled Investment Funds	12/98
I.7	Guidelines on Central Securities Depositories	8/02
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 Constituent Funds	7/01
II.4	Guidelines on Annual Statements of Registered Schemes	7/01
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	7/01
II.9	Guidelines on Notification of Events of Significant	8/02
PART III GUIDELINES ON INVESTMENT		
III.1	Guidelines on Debt Securities	10/01
III.2	Guidelines on Other Securities	10/01
III.3	Guidelines on Eligible Overseas Banks	1/01
III.4	Guidelines on Recognized Exchanges	8/02

Appendix 5
Continued

Guideline No.	Name of Guidelines	Version Date
III.5	Guidelines on Investment Managers	6/99
III.6	Guidelines on Capital Preservation Funds	10/01
III.7	Guidelines on Security Lending	3/99
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	8/02

PART IV GUIDELINES ON SCHEME OPERATIONS

IV.1	Guidelines on Disclosure of Annual Fees	3/00
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	8/02
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	8/02
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

Appendix 5
Continued

Guideline No.	Name of Guidelines	Version Date
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

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

Appendix 5
Continued

Guideline No.	Name of Guidelines	Version Date
V.10	Guidelines on MPF Exempted ORSO Schemes - Filing of Annual Report	12/00
V.11	Guidelines on MPF Exempted ORSO Schemes - Withdrawal of Minimum MPF Benefits	12/00

CODE 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

Appendix 6

LIST OF CIRCULAR LETTERS

1 April 2002 to
31 March 2003

Date of letter	Addressee	Subject
22 April 2002	All MPF Corporate Intermediaries	Renewal of Registration for MPF Intermediaries
7 May 2002	All approved trustees of registered MPF schemes	Application for Approval of Amendments to Governing Rules of Registered Scheme - Participation Agreements of Employers
10 May 2002	All Approved Trustees of Registered Schemes	Consent under section 156 of the Mandatory Provident Fund Schemes (General) Regulation
5 June 2002	All MPF Corporate Intermediaries	Renewal Forms for MPF Intermediaries
17 June 2002	All MPF Corporate Intermediaries	Continuing Professional Development ("CPD") for MPF Intermediaries
19 July 2002	ORSO Schemes administrators	Mandatory Provident Fund Schemes (Amendment) Bill 2002 - Transfer of existing members between MPF Exempted ORSO Schemes
8 November 2002	All Approved Trustees of Registered Schemes	Outsourcing of Data Processing Functions to Places outside the HKSAR
11 November 2002	All MPF Corporate Intermediaries	Code of Conduct for MPF Intermediaries (Fourth Edition) Study Notes of the MPF Intermediaries Examination (Fourth Edition)
10 December 2002	All approved trustees of registered MPF schemes	Requirements for Members' Information
17 December 2002	All Approved Trustees of Registered Schemes	Accounting Treatment of Contributions pending for Allocation to Members' MPF Accounts in Financial Statements of an MPF Scheme
10 February 2003	All Approved Trustees of Registered Schemes	Procedures for Re-issuance of Participation Certificates
10 February 2003	All Approved Trustees of Registered Schemes	Monthly Returns - Requirement for Electronic Interface
10 February 2003	All approved trustees of registered MPF schemes	Reporting of Unclaimed Benefits
10 February 2003	All approved trustees of registered MPF schemes	Reports Relating to Payment of Mandatory Contributions
26 February 2003	All Approved Trustees of Registered Schemes	Using of Contribution Monies for Settlement of Liabilities or Charges
26 February 2003	All employers of ORSO defined benefit schemes	Funding of ORSO defined benefit schemes
19 March 2003	All Approved Trustees of Registered Schemes	Election Form for Transfer of Accrued Benefits

Appendix 7
**LIST OF
APPROVED MPF
TRUSTEES AND
THEIR BACKGROUND**
As at 31 March 2003

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, specializing in financial protection and wealth management. It is committed to offer a 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 is a wholly owned subsidiary of Bank Consortium Holding Limited, a company formed in 1999 by a consortium of licensed banks in Hong Kong. Current shareholder banks include Asia Commercial Bank Limited; Chekiang First Bank Limited; Dah Sing Bank Limited; Liu Chong Hing Bank Limited; Shanghai Commercial Bank Limited; Wing Hang Bank Limited; Wing Lung Bank Limited; International Bank of Asia Limited, and Industrial and Commercial Bank of China (Asia) Limited. All the shareholder banks' principal businesses focus on commercial banking, retail banking and other financial 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 which is one of the commercial banks in Hong Kong. The bank operates branches and representative offices worldwide and engages in a wide range of retail as well as wholesale banking services.

BERMUDA TRUST (FAR EAST) LIMITED

Bermuda Trust (Far East) Limited is a wholly owned subsidiary of the Bank of Bermuda Limited. The Bank provides corporations and private clients with a range of trust, fund administration, custody, asset management and banking services.

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.

CHINA LIFE TRUSTEES LIMITED

China Life Trustees Limited is a subsidiary of the China Life Insurance Company Limited which is a member of China Insurance Company Limited. The business activities of China Insurance Company Limited are principally general insurance operation, life insurance, provident fund, retirement scheme, reinsurance, and other related financial operations.

CITITRUST LIMITED

Cititrust Limited is a member of Citigroup, Inc. Citigroup, Inc engages in a broad range of financial services, which includes retail banking, insurance services, corporate and investment banking, and asset management and private banking.

CMG ASIA TRUSTEE COMPANY LIMITED

CMG Asia Trustee Company Limited is owned by CMG Asia Limited, a member of the Commonwealth Bank Group. The Commonwealth Bank Group provides integrated financial services including retail, business and institutional banking, funds management, insurance, investment banking, broking services and finance company activities.

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 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 an administrator of pooled 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.

MANULIFE PROVIDENT FUNDS TRUST COMPANY LIMITED

Manulife Provident Funds Trust Company Limited is a member of the Manulife Financial Group of companies, which provide 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 which is one of the financial services organizations offering a broad-based portfolio of financial products, including life insurance, annuities, disability income insurance, long-term care insurance, retirement planning products, mutual funds, money management and trust services.

MLC TRUSTEES (HONG KONG) LIMITED

MLC Trustees (Hong Kong) limited is a subsidiary of MLC Limited, which is the Wealth Management division of the National Australia Bank Group providing investment, financial planning, private banking, insurance and superannuation solutions.

PACIFIC CENTURY TRUSTEES LIMITED

Pacific Century Trustees Limited is one of the wholly-owned subsidiaries of Pacific Century Insurance Holdings Limited which, together with its other subsidiaries, provides a range of whole life, endowment and term life insurance products to individuals in Hong Kong as well as engages in group retirement scheme management 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 which has five major lines of business: personal and commercial banking, wealth management, insurance, corporate and investment banking and securities custody and transaction processing.

THE TAI PING TRUSTEES (H.K.) LIMITED

The Tai Ping Trustees (H.K.) Limited is a subsidiary of the China Life Insurance Company Limited which is a member of China Insurance Company Limited. The business activities of China Insurance Company Limited are principally general insurance operation, life insurance, provident fund, retirement scheme, reinsurance, and other related financial operations.

Appendix 8
**LIST OF
REGISTERED MPF
SCHEMES AND
CONSTITUENT
FUNDS**
as at 31 March 2003

MPF Scheme	Underlying Constituent Funds
AIA-JF Comprehensive Retirement Benefit MPF Scheme	Capital Preservation Portfolio Guaranteed Portfolio
AIA-JF Mandatory Provident Fund Scheme	Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund North American Equity Fund
AIA-JF Premium MPF Scheme	Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund North American Equity Fund
Bank Consortium Industry Plan	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 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
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

Appendix 8
Continued

MPF Scheme	Underlying Constituent Funds
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
BOC-Prudential Flexible Mandatory Provident Fund Scheme	BOC-Prudential Bond Fund BOC-Prudential Capital Preservation Fund BOC-Prudential Global Equity Fund BOC-Prudential Hong Kong Equity Fund
Chamber CMG Choice	CMG Balanced Portfolio Fund CMG Capital Preservation Fund CMG Fixed Income Fund with Guarantee CMG Hong Kong Equity Fund CMG Progressive Growth Fund CMG Stable Income 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 with Guarantee CMG Hong Kong Equity Fund CMG Progressive Growth Fund CMG Stable Income Fund
Dao Heng MPF Master Trust Plan	Aggressive Growth Fund Balanced Growth Fund Capital Preservation Fund Guaranteed Fund Stable Growth Fund
DBS - Kwong On Bank MPF Master Trust Scheme	DBS-KOB Balanced Fund DBS-KOB Capital Preservation Fund DBS-KOB Conservative Fund DBS-KOB Growth Fund DBS-KOB Guaranteed 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

Appendix 8
Continued

MPF Scheme	Underlying Constituent Funds
Dresdner RCM MPF Master Trust	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Stable Growth Fund
Dresdner RCM MPF Plan	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth 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
Eagle Star MPF Scheme - Security Planner	Eagle Star Capital Preservation Fund Eagle Star Guarantee Fund Eagle Star HK Dollar Savings Fund
Fidelity Retirement Master Trust	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Hong Kong Equity Fund Stable Growth 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 8
Continued

MPF Scheme	Underlying Constituent Funds
ING MPF Master Trust Basic Scheme	ING MPF Basic Scheme Balanced Growth 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
Manulife Global Select (MPF) Scheme	Manulife MPF Aggressive Fund Manulife MPF Capital Preservation Fund Manulife MPF European Equity 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

Appendix 8
Continued

MPF Scheme	Underlying Constituent Funds
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 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

Appendix 8
Continued

MPF Scheme	Underlying Constituent Funds
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 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

Appendix 8
Continued

MPF Scheme	Underlying Constituent Funds
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
The Smart MPF Master Trust Scheme	Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio Growth Portfolio Guaranteed Portfolio
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 9
**LIST OF
CORPORATE
ADMINISTRATORS
WHO ADMINISTER
POOLING
AGREEMENTS FOR
ORSO SCHEMES**

As at 31 March 2003

AUTHORIZED INSURERS

American International Assurance Company (Bermuda) Limited
American International Assurance Company, Limited
China Life Insurance Company, Limited
CIGNA Worldwide Insurance Company
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
Principal Insurance Company (Hong Kong) Limited
Prudential Assurance Company Limited - The

CORPORATE TRUST COMPANIES

AIA Pension And Trustee Co. Ltd.
AXA China Region (Bermuda) Limited
AXA China Region Trustees Limited
Bank Consortium Trust Company Limited
Bank of Communications Trustee Limited
Bermuda Trust (Far East) 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
Royal Bank of Canada Trust Company (Cayman) Limited
Shanghai Commercial Bank Trustee Limited

Appendix 10
LIST OF
MAJOR PUBLIC
EDUCATION AND
PUBLICITY
ACTIVITIES
April 2002 - March 2003

OUTREACH CAMPAIGN - TO DISSEMINATE MPF MESSAGES AT THE COMMUNITY LEVEL

JUL 2002 - JAN 2003	The MPFA took part in a number of district carnivals to bring home MPF messages to the local community.
OCT - DEC 2002	The MPFA, together with the Democratic Party and the Democratic Alliance for the Betterment of Hong Kong, organized 14 "MPF Carnivals" throughout Hong Kong.
16 FEB 2003	The MPFA, together with Lok Kwan Social Service, Wong Tai Sin District Council and Wong Tai Sin District Office, organized an MPF show at Tan Loong Hui in Wong Tai Sin to promote MPF messages.
APR 2002 - MAR 2003	A total of 69 talks and seminars were given to labour unions and community groups. Among them, 42 talks were in relation to the legislative amendments 2002.
APR 2002 - MAR 2003	The MPFA held a total of 270 MPF Info Station sessions at HAD Public Enquiry Service Centres and Community Centres throughout the territory.
APR 2002 - MAR 2003	The MPFA attended 18 meetings of the Area Committees to brief committee members on the latest development of the MPF System.

PUBLICITY CAMPAIGN ON LEGISLATIVE AMENDMENTS 2002 - TO INFORM THE PUBLIC ON DETAILS OF THE MPF LEGISLATIVE AMENDMENTS

19 APR 2002	The MPFA organized a media workshop on details of the MPF legislative amendments.
JUL 2002	Advertisement announcing the passage of the MPF legislative amendments on TV and radio.
JUL 2002	The MPFA published a leaflet on MPF legislative amendments for distribution through service providers, exhibitions as well as the district offices of Home Affairs Department and Labour Department.
1 FEB - 31 MAR 2003	Advertisement on TV and radio reminding the public of the effective date of the legislative amendments.
1 FEB - 31 MAR 2003	Print advertisement on the MPF legislative amendments in 14 newspapers.
1 FEB 2003	The MPFA produced a compact disk on the MPF legislative amendments for distribution to MPF service providers, intermediaries, trade unions and relevant associations.
7 FEB 2003	The MPFA briefed the media on full implementation of the legislative amendments.
APR 2002 - MAR 2003	A total of 42 talks and seminars on the MPF legislative amendments were organized for MPF intermediaries, HR associations, trade unions and professional bodies.

Appendix 10
Continued

INVESTMENT EDUCATION CAMPAIGN - TO EDUCATE THE PUBLIC ON MPF INVESTMENT

1 APR 2002 - 31 MAR 2003	A total of 36 articles were contributed to regular columns in newspapers on various topics of MPF investment.
28 JUN - 2 JUL 2002	The MPFA joined hands with the Financial Services and the Treasury Bureau and five other financial regulators/institutions in staging a 5-day exhibition at Pacific Place. The exhibition, among other things, displayed useful information on MPF products and different aspects of the HK financial market.
17 AUG 2002	The MPFA, in conjunction with Hong Kong Economic Journal and the Hong Kong Investment Association, organized an MPF investment seminar for readers of the paper.
21 OCT 2002	The MPFA, together with the Hong Kong Institute of Investors, organized an MPF investment seminar at The City University of Hong Kong, attracting more than 100 university students and members of the public.
5-26 FEB 2003	A 4-episode TV programme "Win Win MPF" featuring various aspects of MPF investment was broadcast on Cable TV News Channel One. The programme was jointly produced by the MPFA and Cable TV.

YOUTH EDUCATION CAMPAIGN - TO EDUCATE THE YOUNGER GENERATION ON THE NEED FOR RETIREMENT PLANNING

28 AUG 2002	The MPFA produced a multi-media teaching kit on retirement protection and MPF for use by lower forms in secondary schools.
28 AUG 2002	The MPFA launched a new "Education Corner" on its corporate website to target at youngsters.
OCT 2002	The MPFA launched an MPF on-line game to enable the younger generation to experience a simulated MPF investment journey.
2 NOV 2002	The MPFA appointed nine undergraduates from local universities as MPFA ambassadors.
18 NOV 2002	The MPFA, together with the Elderly Commission and Sing Tao Daily, organized an inter-school webpage design competition on population ageing to encourage students to take an interest in MPF and the old-age issue.
APR 2002 - MAR 2003	A total of 46 talks were delivered to education institutions, HK Institute of Vocational Education and secondary schools.
APR 2002 - MAR 2003	The MPFA gave 47 talks to trainees of the Youth Pre-employment Training Programme on features of the MPF System and MPF investment.
APR 2002 - MAR 2003	A total of 18 talks were delivered to trainees of the Youth Work Experience and Training Scheme on the rights of scheme members under the MPF System.

Appendix 10
Continued

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

SEP 2002	A revamped website of the MPFA was launched with a facelift and the latest information on the MPF System and the MPFA.
1 DEC 2002 - 10 JAN 2003	A TV advertisement, which featured the colourful paintings by children, on merits of MPF was broadcast.
1 - 16 DEC 2002	A print advertisement, which featured the colourful paintings by children, on merits of MPF was published in 14 local newspapers.
FEB 2003	The MPFA published an all-in-one booklet "Easy Guide to MPF" for distribution through Daily Stops outlets at MTR stations and trade unions.
20-23 FEB 2003	The MPFA participated in the Education and Careers Expo 2003 to target at school-leavers and job seekers.
APR 2002 - MAR 2003	The MPFA issued a total of 154 press releases on MPF enforcement cases.

Appendix **11**
LIST OF
ARTICLES
CONTRIBUTED
TO NEWSPAPER
COLUMNS
April 2002 - March 2003

APPLE DAILY - SOCIAL SERVICE PAGE

Heading	Date of Publication
僱主少報職員收入被檢控	3-Apr-02
交替式聘用 亦須加入強積金	10-Apr-02
積金局助僱員入稟追供款	17-Apr-02
僱主供款須附結算書	24-Apr-02
轉移強積金須受託人確認	1-May-02
保證回報分二種 小心選擇	8-May-02
六十五歲後毋須供積金	15-May-02
暑期實習免供積金有條件	22-May-02
強積金供款可扣稅	29-May-02
強積金不影響長服金	5-Jun-02
自僱虧損可要求停供款	12-Jun-02
海外僱員參加強積金須知	19-Jun-02
董事具僱員身份須供款	26-Jun-02
結業或自僱處理積金方法	3-Jul-02
離職領花紅屬入息	10-Jul-02
60 歲退休可提早取累算權益	17-Jul-02
強積金修例簡化行政	24-Jul-02
僱員入職首 30 日免供積金	31-Jul-02
簡化離職僱員的供款安排	7-Aug-02
糧期短每月供款一次	14-Aug-02
供款調整下限明年生效	21-Aug-02
交接期利息撥入投資	28-Aug-02
聯營公司間轉調保年資	4-Sep-02
轉計劃可保留成員身份	11-Sep-02
按日罰款保障僱員	18-Sep-02
僱主不供積金可被控	25-Sep-02
積金可投資股票指數基金	2-Oct-02
強積金戶口可保留滾存	9-Oct-02
僱主改資料通知受託人	16-Oct-02
受託人須發出計劃文件	23-Oct-02
失工作能力可提積金	30-Oct-02
工作 60 天後須加入強積金	6-Nov-02
移民外地可提早取積金	13-Nov-02
投資回報看長線	27-Nov-02
積金常識有獎問答遊戲（第一期）	11-Dec-02

Appendix 11
Continued

Heading	Date of Publication
積金常識有獎問答遊戲（第二期）	18-Dec-02
積金常識有獎問答遊戲（答案）	25-Dec-02
強積金是長線投資	8-Jan-03
僱員每年獲積金報表	15-Jan-03
精讀強積金「周年權益報表」	22-Jan-03
認識積金新供款安排	5-Feb-03
僱主拖欠強積金實錄	19-Feb-03
被迫轉自僱應早舉報	5-Mar-03
公司蓄意逃避強積金	19-Mar-03
飲食建造散工須供強積金	31-Mar-03

APPLE DAILY - FINANCE PAGE

Heading	Date of Publication
強積金表現面面觀	7-Feb-03
要多少錢才夠退休用	14-Feb-03
強積金投資的宜與忌	21-Feb-03
怎樣部署強積金基金組合	28-Feb-03
監察強積金投資減風險	7-Mar-03
定期檢閱強積金基金組合	14-Mar-03
納入指數基金增選擇	21-Mar-03
強積金投資策略宜靈活	28-Mar-03

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Heading	Date of Publication
強積金計劃中的保本基金	8-Apr-02
轉移強積金須變現投資	22-Apr-02
積金局有獎問答遊戲	6-May-02
積金局有獎問答遊戲	13-May-02
積金局有獎問答遊戲	21-May-02
轉換計劃可能失去保證回報	3-Jun-02
強積金投資有嚴格規管	17-Jun-02
轉換投資組合毋須附加費	2-Jul-02
如何計算強積金基金單位淨值	15-Jul-02
強積金修例加強保障、簡化運作	23-Jul-02
供款入息下限調整至 5,000 元明年生效	6-Aug-02

Appendix 11
Continued

Heading	Date of Publication
每日罰款加強僱員保障	27-Aug-02
海外僱員應否參加強積金	17-Sep-02
過渡期間利息歸成員	8-Oct-02
轉職聯營公司年資可累積	5-Nov-02
積金常識有獎問答遊戲（第一期）	10-Dec-02
積金常識有獎問答遊戲（第二期）	17-Dec-02
積金常識有獎問答遊戲（答案）	24-Dec-02
精讀強積金的周年權益報表	7-Jan-03
了解強積金周年權益報表之二	11-Feb-03
強積金投資四大定律	18-Feb-03
強積金基金短期波幅疑慮	6-Mar-03
頻轉強積金組合得不償失	27-Mar-03

HK DAILY NEWS

Heading	Date of Publication
轉職時如何處理強積金	8-Apr-02
強積金有獎遊戲	15-Apr-02
強積金有獎遊戲	22-Apr-02
保本與保證基金的分別（遊戲答案）	29-Apr-02
保本與保證基金之別	6-May-02
強積金可扣稅	13-May-02
自僱人士須每年申報有關入息	20-May-02
僱主破產，如何追收拖欠供款？	27-May-02
暑期工亦享強積金權益	3-Jun-02
試用期內僱主須供款	10-Jun-02
建造業散工可用行業計劃	17-Jun-02
60歲提早退休可提取強積金	24-Jun-02
僱用同住家人毋須供款	8-Jul-02
僱主填漏資料 延誤供款程序	15-Jul-02
積金局修例簡化程序	22-Jul-02
檢控期限又修改	29-Jul-02

Appendix 11
Continued

Heading	Date of Publication
利息裨益計劃成員	5-Aug-02
強積金可緊貼指數 分散投資風險 更多選擇更加受惠	12-Aug-02
僱員免供款期獲簡化	19-Aug-02
簡化離職僱員的供款安排	26-Aug-02
簡化供款 周薪月薪同等待遇 強積金每月供款一次	2-Sep-02
供款入息下限上調 四千變五千 明年起生效	9-Sep-02
轉職可保留既有計劃	16-Sep-02
受託人發出的參與計劃文件	23-Sep-02
聯營公司間轉調年資可累積 30 日內免供 60 日內完成	30-Sep-02
疑未供強積金 僱員應予舉報 積金局半年內可檢控	7-Oct-02
轉職仍可保留計劃	21-Oct-02
65 歲後可保留戶口投資	28-Oct-02
資料更改須通知受託人	4-Nov-02
淺談平均成本法	11-Nov-02
強積金天書	18-Nov-02
淺談周年權益報表	25-Nov-02
積金常識有獎問答遊戲（第一期）	9-Dec-02
積金常識有獎問答遊戲（第二期）	16-Dec-02
積金常識有獎問答遊戲答案	23-Dec-02
強積金投資組合年檢	6-Jan-03
強積金投資組合年檢	13-Jan-03
強積金投資組合年檢	27-Jan-03
新例下新安排	10-Feb-03
糧期短新安排	24-Feb-03
未加入強積金實錄	10-Mar-03
自僱員工須要供強積金	24-Mar-03

CAREER TIMES

Heading	Date of Publication
MPF amendments and the contribution holiday	7-Feb-03

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: <ul style="list-style-type: none"> a) 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 b) where appropriate, the qualifying service and age of the employee.
Insurance arrangement	Means an agreement or arrangement: <ul style="list-style-type: none"> a) made in respect of an occupational retirement scheme with an authorized insurer under which the insurer is responsible for managing the scheme; and b) 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: <ul style="list-style-type: none"> a) his employment by the relevant employer (whether past or present) of the scheme; or b) 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: <ul style="list-style-type: none"> a) is comprised in one or more instruments or agreements; and b) 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
Continued

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.
ORSO registered scheme	Means an occupational retirement scheme which is registered under section 18 of ORSO.
ORSO scheme administrator	Means: <ul style="list-style-type: none"> a) in the case of a scheme or pooling agreement governed by a trust, the trustee concerned; b) in the case of a scheme or pooling agreement which is the subject of or regulated by an insurance arrangement, the insurer concerned; c) 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: <ul style="list-style-type: none"> a) which is: <ul style="list-style-type: none"> i) governed by a single trust; or ii) the subject of or regulated by an insurance arrangement including a series of insurance arrangements which are of the same class or description; b) which applies to 2 or more individual occupational retirement schemes each of which is: <ul style="list-style-type: none"> i) governed by such trust; or ii) (where appropriate) the subject of or regulated by such insurance arrangement, by virtue of such application; c) 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; d) which is managed, in the case of an agreement or arrangement governed by such trust, by a registered trust company; e) in relation to which, and its participating schemes, proper accounts and records are kept; and f) 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 minimum benefits provided under an MPF scheme.

Appendix 12
Continued

(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 <ul style="list-style-type: none"> a) complies with the requirements set out in section 17(2) of Schedule 1 to the General Regulation; and b) 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: <ul style="list-style-type: none"> a) are engaged in an industry for which a provident fund scheme is registered as an industry scheme; and b) 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: <ul style="list-style-type: none"> a) in the case of an employer who is not a company, open only to the employees of that employer; or b) 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.

Appendix 12

Continued

Mandatory contribution	<p>Means</p> <ul style="list-style-type: none"> a) an amount that is required to be paid as a contribution to a registered scheme under section 7A or 7C of the MPFSO; or b) minimum MPF benefits, to which section 5(1) of Schedule 2 to the Exemption Regulation applies, that have been transferred to a registered scheme.
Master trust scheme	<p>Means a registered scheme membership of which is open to:</p> <ul style="list-style-type: none"> 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, <p>but does not include an industry scheme.</p>
Provident fund scheme	<p>Means a scheme governed by a trust:</p> <ul style="list-style-type: none"> a) the terms of which are set out in one or more documents; and b) that: <ul style="list-style-type: none"> 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, <p>and includes a proposed provident fund scheme.</p>
Registered scheme	<p>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.</p>

Appendix 12
Continued

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.
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.

Appendix 12
Continued

(C) ABBREVIATIONS

	Stands for
Exemption Regulation	Mandatory Provident Fund Schemes (Exemption) Regulation
General Regulation	Mandatory Provident Fund Schemes (General) Regulation
HKMA	Hong Kong Monetary Authority
IA	Insurance Authority
IMS	Information Management System
ISC	Industry Schemes Committee
MPF	Mandatory Provident Fund
MPFA	Mandatory Provident Fund Schemes Authority
MPFSAC	Mandatory Provident Fund Schemes Advisory Committee
MPFSO	Mandatory Provident Fund Schemes Ordinance
ORSO	Occupational Retirement Schemes Ordinance
Review Committee	MPF Schemes Operation Review Committee
RORS	Registrar of Occupational Retirement Schemes
SEP	Self-employed person
SFC	Securities and Futures Commission

Mr Edward Stokes, the photographer of this report's nature photographs, is well known for his images of Hong Kong's natural beauty. He is involved in conservation work through photography and publications.

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