



Mandatory Provident Fund  
Schemes Authority



annual report



## ABOUT THIS REPORT

This annual report is prepared pursuant to section 6I of the Mandatory Provident Fund Schemes Ordinance for delivery to the Financial Secretary. This is the eighth report of the Mandatory Provident Fund Schemes Authority (MPFA) since its establishment in September 1998.

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Knitting takes time and requires patience. A garment can only be knitted stitch by stitch. Before starting, we have to determine the size, style, colour and pattern of the garment. As we knit, we must also pay attention to the type and number of stitches and colour blending of yarns.

Funds for retirement are also accumulated bit by bit. MPF investment should be properly planned, carefully looked after and regularly reviewed to ensure that the investment choices made will suit our personal needs and circumstances, in order to achieve the objective of retirement protection.

# MPFA at a Glance

## WHO WE ARE

The Mandatory Provident Fund Schemes Authority (MPFA) is a statutory body established in September 1998 to regulate and supervise mandatory provident fund (MPF) schemes and occupational retirement schemes (ORSO schemes).

MPF schemes are mandatory and privately managed contribution schemes. The MPF System has been in operation since December 2000. ORSO schemes are retirement schemes set up voluntarily by some employers to provide retirement benefits for their employees. Prior to the launch of the MPF System, the employers operating existing ORSO schemes might choose to apply for exemption from MPF requirements.

## MISSION

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

“MPF - a way of life”

## CORE VALUES

Commitment

Quality

Teamwork

Community Perspective

# Major Results and Future Initiatives

The major results of the MPFA's work in the financial year 2006-07, as well as the initiatives to be taken in 2007-08 and beyond, are set out below under our current corporate objectives.

## Objective 1: To ensure that the MPF System fulfills its role in providing retirement protection

Major results in 2006-07	More information	Initiatives in 2007-08 and beyond
<b>Disclosure</b>		
– Commenced the development of a comparative platform for fees and charges of MPF funds	Page 42	– <b>Launch the comparative platform for fees and charges of MPF funds by phases</b>
– Reviewed and revised the Code on Disclosure for MPF Investment Funds in the light of operational experience	Page 42	
– Consulted the public on the proposed improvements to member benefit statements	Page 42	– <b>Attend to the necessary legislative changes and finalize new rules of the member benefit statements for implementation</b>
<b>Research and policy</b>		
– Undertook research into the regulatory approach to fees and charges of MPF funds	Page 44	– <b>Study the cost structures and business strategies of MPF trustees to develop strategies to minimize costs/fees to MPF scheme members</b> – <b>Explore ways to expand portability of MPF benefits and other initiatives to increase market competition</b>
– Published a report on a five-year investment performance review of the MPF System	Page 44	
<b>Legislative amendments</b>		
– Attended to the enactment of the Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006 and its subsequent implementation	Page 44–45	– <b>Assist the Government in the introduction of the Mandatory Provident Fund Schemes (Amendment) Bill 2007 into the Legislative Council</b> – <b>Consider further legislative amendments to enhance enforcement and improve the operation of the MPF System</b>
– Assisted the Government in preparation of an amendment bill incorporating over 30 amendment proposals to improve the operation of the MPF System	Page 45	

## Major Results and Future Initiatives (Cont'd)

Major results in 2006-07	More information	Initiatives in 2007-08 and beyond
<b>Supervision</b>		
– Monitored individual trustees' progress of implementing the Compliance Standards	Page 48	– Continue to monitor implementation of the Compliance Standards by MPF trustees through on-site inspections, and follow up on their plans to address gaps previously identified
– Continued to expand and fine-tune risk-based assessment practices in supervising trustees	Page 48	
– Issued a revised edition of the Study Notes for the MPF Intermediaries Examination	Page 52	– Continue to monitor fees and charges and compliance with disclosure requirements
<b>Enforcement</b>		
– Filed a total of 1 127 claims at the Small Claims Tribunal, District Court and High Court on behalf of 8 130 employees, submitted 202 claims via liquidators on behalf of 5 078 employees and laid 440 summonses against employers in respect of default contributions and non-enrolment	Page 59	– Deploy additional resources to speed up the handling of default contribution cases and to enhance the cost-effectiveness of enforcement actions
– Recovered \$158 million of default MPF contributions on behalf of employees	Page 60	– Launch a centralized contribution enquiry line to facilitate scheme members' access to contribution information
		– Develop and pursue measures to step up enforcement actions to achieve a better deterrent effect, including enforcement actions against self-employed persons

## Major Results and Future Initiatives (cont'd)

### Objective 2: To strengthen public support and deepen their understanding of the MPF System and investment

Major results in 2006-07	More information	Initiatives in 2007-08 and beyond
<b>Public education and publicity</b>		
– Launched the second phase of the 18-month MPF Investment Education Campaign in September 2006 to enhance the public's awareness of their MPF investment and to disseminate more in-depth messages to assist scheme members in choosing the appropriate funds	Page 64–65	– Continue the second phase of the MPF Investment Education Campaign to give concrete and practical information to help scheme members look after their MPF investment, and create a set of MPF cartoon characters for use as tools to educate scheme members on the characteristics of major fund types
– Developed customized programmes for selected target groups to encourage scheme members to proactively take care of their MPF investment	Page 66–67	– Organize publicity and education programmes for schools and other education institutions – Further enhance the MPFA's website and publications to enhance their education value
– Strengthened MPFA's work in the districts and its network with stakeholders	Page 65–66	– Continue organizing education and joint publicity programmes with District Councils, political parties and labour unions



## Major Results and Future Initiatives (Cont'd)

### Objective 3: To ensure that the MPFA has the ability to deliver the planned programmes

Major results in 2006-07	More information	Initiatives in 2007-08 and beyond
<b>Corporate services</b>		
– Conducted training and development programmes for staff	Page 36–37	– Build development programmes for staff aiming at developing their competencies and retaining their talents
– Continued to nurture a corporate culture that fosters trust and values teamwork through communication sessions and staff gatherings	Page 37	– Strengthen culture building and communication programmes to enhance commitment and cohesion and develop shared values
– Set up offices in Tsuen Wan and Kwun Tong to strengthen work at the district level and to meet operational needs	Page 71	– Establish an office in Kwai Fong to house part of the Enforcement Division and to absorb the Tsuen Wan branch office function to tie in with the long-term accommodation strategy – Complete the preparation of an alternative computer/business operation site at the Kwun Tong office
– Continued the development of a Management Information System to improve the availability and quality of management information, and completed the identification and analysis of information needs	Page 73	– Work on the acquisition of required information for the Management Information System
– Participated in community work and awarded the “Caring Organization” logo for the second year	Page 39	– Continue to participate in community work and extend MPFA's caring services

## Chairman's Statement

Six years may not be a long time in a person's work life, but the past six years has certainly seen very important developments for Hong Kong's working population. During this period, Hong Kong has launched one of its biggest social programmes ever undertaken – the Mandatory Provident Fund (MPF) System. I reflect with personal satisfaction that the achievements over these last six years took place within the eight and a half years of my tenure as Chairman of the Mandatory Provident Fund Schemes Authority (MPFA). Despite early skepticism in some quarters of the community, the System has achieved all that its proponents envisioned, and is often hailed as one of the most successful systems among similar pension reforms.



**Charles Lee Yeh-kwong**  
*Chairman*



### SIX YEARS OF MPF

#### Results

The numbers<sup>1</sup> speak for themselves. Before the MPF System was in place, only about one third of the 3.4 million workforce in Hong Kong had some form of retirement protection. Today, 86% of the working population are covered by retirement protection schemes. With high compliance rates, there are 234 000 participating employers, over two million relevant employees and 284 000 enrolled self-employed persons under the MPF System.

Since its inception in December 2000 until end of the 2006-07 financial year, the System has already accumulated \$211.20 billion of MPF assets, of which \$52.26 billion represents the investment return above the net contributions made by scheme members. Returns have continued to exceed expectations: the annualized return for 2006-07, net of fees and charges, was 11.70%, almost exactly the same figure as that in the previous year. For the six-year period since April 2001, the System has achieved a net annualized return of 8.21%, compared with 6.99% for the five years ended 31 March 2006. With the continued economic boom and low unemployment rate, monthly MPF contributions averaged \$2.45 billion, compared with \$2.24 billion in the previous year. Furthermore, a record high monthly contribution of \$2.84 billion was recorded in March 2007.

#### The Right Timing

The MPF System, designed to be one of the three pillars providing financial support for the aged, was launched amidst doubts about the suitable timing of commencement. These doubts were understandable as the economy had been under the shadow of the Asian financial turmoil at that time. However, there was a pressing need for a system to be introduced as soon as possible and it was not appropriate to seek to time its introduction to coincide with the ups and downs of the investment markets. Prudence, our need to take the first step in the right direction and our commitment to the future dictated that we should not defer its implementation.

Even though the System has a very strong and broad mandate from our community - having gone through 30-40 years' debate and a lengthy, open and transparent legislative process where opposing views were fully aired and consensus and compromises were built, MPF was still not universally accepted. Throughout these years, it has weathered calls for suspension or reduction of MPF contributions and endured the severe economic downturn brought about by the sluggish global economic situation and aggravated by the SARS outbreak in 2003 and the lingering fear of revival of bird flu subsequently. With hindsight, the timing of the System's launch had turned out to be most favourable. The bear markets in the initial years have been followed by a run of good years that have resulted in impressive overall returns on MPF investment, and allowing scheme members to enjoy the benefits of

<sup>1</sup> Unless otherwise specified, all numbers are as at 31 March 2007.

dollar-cost averaging. Today, comments on the success of the MPF System were often heard. The commencement timing was right because starting as soon as possible was always going to be the right answer. Saving for retirement should start as early as possible in a person's working life, and Hong Kong's rapidly ageing population meant that we could not afford to put back the System. Most important of all, MPF is a long-term investment and scheme members should not be over-concerned with short-term fluctuation of returns.

### The MPF Market

The MPF System in Hong Kong is a privately managed retirement protection system. In line with Hong Kong's free market philosophy, the approach adopted is principally to rely on market forces to set the price, i.e. the fees and charges, of MPF funds. To this end, competition and transparency, coupled with consumer education, are important elements to ensure a cost-effective and efficient market. Enhancing the transparency of fees and charges and investment performance of MPF funds, and MPF investment education for scheme members have been the major on-going initiatives of the MPFA for a number of years. The MPFA has also done a lot of groundwork, including relevant researches, to facilitate the deliberation on the approach to the regulation of fees and charges, with a view to driving these down. While the MPFA is of the view that fees and charges should be as low as possible in order to benefit scheme members and achieve the objective of retirement protection, we are mindful that if any reform to the system is to be introduced, the interests of the major stakeholders, including the employers, the employees and the industry players must be balanced through consensus reached in public debates.

**EIGHT AND A HALF YEARS AS CHAIRMAN** This is the last time I write the Chairman's Statement for the MPFA. I was appointed as MPFA's inaugural Chairman in September 1998 and since then I have had a very happy and memorable association with my fellow directors and other MPFA colleagues, to whom I am forever grateful.

### Starting From Scratch

I can still remember vividly the early days of operation of the MPFA, with everyone working frantically to set up the organization and prepare for the launch of the System from scratch. We started off without any staff of our own, just a handful of civil servants seconded from the Government. Before recruitment for our own staff could begin, the organization structure and manpower needs had to be mapped out, the terms and conditions of employment and scopes of different positions painstakingly drawn up. In the period directly preceding the MPF System's launch, the Management Board and its supporting committees had to work extraordinarily hard to ensure that the launch could proceed as planned. It must be a record that we managed to issue more than 50 sets of MPF Guidelines to address issues that were not spelt out in the MPF legislation within a short time span of just over a year. Apart from chairing Board meetings, which were held on a monthly basis in the running up

## Chairman's Statement (cont'd)

to the launch, I also chaired a committee specially formed to monitor the development of the Information Management System (IMS) that supported the MPFA's business operations. To ensure timely delivery of the IMS, we held frequent long meetings during this critical pre-launch period.

This was a brand new System, never tried and tested before actual implementation. Nobody could definitively predict all the outcomes, never mind unintended consequences. It was remarkable that all those involved had worked with enthusiasm and devotion, putting their all into the pursuit of retirement protection for the people of Hong Kong.

### Vote of Thanks

I must put on record my deep gratitude to each and every one who has helped the MPF System and the MPFA, particularly my fellow Management Board members and those serving as chairmen of the various committees under the Board, members of the MPF Schemes Advisory Committee and the MPF Industry Schemes Committee, both current and retired. My special thanks are due to Mr Lee Kai-ming who has worked side-by-side with me on the Management Board ever since it was established, and I am glad that he will continue to contribute his invaluable knowledge and skills in another capacity, as Chairman of the MPF Schemes Advisory Committee. I must pay tribute to another long-serving member of the MPF family, Professor Nelson Chow Wing-sun, who has been Chairman of the MPF Schemes Advisory Committee since its inception in September 1998 and will retire from the Committee after the current term, for his valuable advice and unfailing support. Also, I have been deeply touched by the enthusiasm and commitment of MPFA's hardworking staff whose contributions have been indispensable. My sincere gratitude also goes to the Government, the industry and the community, without whose vision, persistent efforts and support, we would not have made this quantum leap in the development of our retirement protection infrastructure.

I am very pleased that Mr Henry Fan Hung-ling, a top business and financial leader with an exemplary record of public and community service, is taking up the chair of the MPFA. The MPF System is growing up, it needs constant nurturing and nourishment in order to prosper and better serve its purpose of providing financial support for people's retirement. I am sure that under Mr Fan's visionary and capable leadership, the MPFA will face up to inevitable future challenges to further enhance the System for the benefit of the entire community.



**Charles Lee Yeh-kwong**  
*Chairman*

# Managing Director's Report



**Diana Chan Tong Chee-ching**  
*Managing Director*

**THE YEAR IN REVIEW** As pointed out by the Chairman, Mr Charles Lee, in his Statement in this Report, the efficient and effective operation of the MPF System is dependent on the workings of the market mechanism. Since the launch of the System in 2000, the MPFA has continually reviewed and refined the administration and operation of MPF schemes with a view to streamlining scheme administration, thus lowering the costs of the System. We also worked continually on enhancing the transparency of MPF fund information through the implementation of the Code on Disclosure for MPF Investment Funds (the Disclosure Code), and equipping scheme members with tools, information and knowledge through investment education programmes, to encourage and help them look after their accounts and make informed investment decisions. In 2006-07, we continued our work in these directions, as well as in stepping up our enforcement actions, with the aim of ensuring that the MPF System fulfills its role in providing retirement protection.

### Legislative Amendments

To further enhance the effectiveness and efficiency of the MPF System, the MPFA has been reviewing the MPF legislation. In June 2006, the Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006 was enacted to remove undue restrictions on the investment of MPF scheme funds, widen managers' choices and enhance flexibility of MPF investments. The MPFA has also been assisting the Government in drafting an Amendment Bill covering around 30 other proposals developed over the past few years for introduction into the Legislative Council in the 2006-07 legislative session. The proposals mainly aim at enhancing the enforcement of the MPF System and improving the administration and regulation of MPF schemes. In particular, the Bill will include proposals to include housing allowance as relevant income in the calculation of MPF contributions, remove the 30-day settlement period following the contribution day to speed up the arrears recovery process, and provide for additional circumstances under which the MPFA could disclose information to other parties.

### Disclosure of MPF Fund Information

To improve the disclosure of MPF fund information to scheme members has been a focus of MPFA's work for a number of years. Upon the full implementation of the Disclosure Code issued in 2004, we reviewed and revised the Code during the year in the light of operational experience. We have also made progress in other initiatives to enhance disclosure of information to scheme members. A consultation exercise was undertaken during the year on proposals to improve the content of annual benefit statements on MPF accounts, with a view to finalizing the proposals in the coming year. In addition, we are developing by phases a comparative platform that will make available information on fees and charges of MPF funds, with a view to enabling scheme members to compare fees and charges more easily and facilitate their understanding and choice of MPF funds.



### Public Education

After the conclusion of the first phase of our MPF Investment Education Campaign in March 2006, we continued to deploy the theme, "Look After Your MPF Investment --- Add Value to Your Future" in public education. In September 2006, we launched phase two of the Campaign, which would last for 18 months. The main aim was to assist scheme members in better understanding the information disclosed about MPF funds, with a view to facilitating their choosing the funds that best suit their own needs. In the initial stages, television and radio Announcements in the Public Interest (APIs) were broadcast, coupled with a poster campaign to consolidate the impact. Upcoming major initiatives include the creation and launch of a series of cartoon characters to explain the characteristics of major MPF fund types in a lively and interesting manner.

At the community level, the MPFA continued to work closely in partnership with other stakeholders, including the industry, employer and employee groups, professional bodies, political parties and community groups, to provide education on MPF investment through district carnivals, seminars, exhibitions and other outreaching activities. Also, education and publicity programmes were tailor-made for specific target groups, including secondary and tertiary students, self-employed persons and industry scheme members.

### Enforcement

Last year, we injected additional resources to step up MPFA's enforcement actions, particularly in respect of the investigation and recovery of default contributions. Such efforts resulted in the recovery of \$158 million of default MPF contributions for employees, compared with \$80.2 million in 2005-06. We also continued to impose financial penalties in respect of substantiated defaulting offences. Where there is sufficient evidence, we prepared cases for the Police to take prosecution actions against the defaulting employers and/or company directors to achieve a better deterrent effect. In order to enable scheme members to detect default contributions early, we are exploring means to allow them more convenient access to contribution information.



### Supervision of Approved MPF Trustees

The effective and efficient operation of the MPF System relies on approved MPF trustees acting in scheme members' best interest, in accordance with their statutory and fiduciary duties. To this end, the MPFA has been working on the cultivation of a strong compliance culture among the trustees. With the Compliance Standards released in 2005 and fully adopted by MPF trustees in October 2006, the MPFA commenced on-site visits to assess the trustees' initial implementation of the Standards. In addition, thematic on-site visits were conducted to review specific areas in trustees' operations. The trustees' compliance with the Disclosure Code was also closely monitored. Also, we facilitated the consolidation of some small-sized or non-economical funds during the year, with a view to reducing fees in those schemes through the benefits of greater economies of scale.

### Staff and the Organization

Internally, the MPFA has conducted a number of reviews of the organizational structure to meet new challenges and to further enhance operational efficiency. A new office in Kwun Tong has been set up to house the additional staff recruited for stepping up enforcement actions. A branch office has also been set up in Tsuen Wan to provide easy access to MPFA's services for the local communities, and to strengthen the network and liaison activities at the district level.

We continued to nurture a corporate culture that fosters trust and values teamwork. Regular communication sessions were conducted between top management and frontline staff to explain corporate directions, align expectations and gain support. Informal gatherings for all levels of staff were organized to provide an opportunity for sharing of views on MPFA's work and for staff across departments to get to know each other. We treasure staff's views on improving the MPFA's operation, and have put into implementation some very good suggestions received through the Best Staff Suggestions programme. As recognition of the MPFA staff's caring efforts towards the community, the Hong Kong Council of Social Service awarded the MPFA the "Caring Organization 2005-07" logo under the Caring Company Scheme.

### LOOKING FORWARD

Since 2002-03, the MPFA has been adopting a medium term planning horizon of three to five years. Consistent with our mission to work for retirement protection of Hong Kong's working population, the MPFA's objectives have been to ensure that the MPF System fulfills its role in providing retirement protection, to strengthen public support and deepen their understanding of the MPF System and investment, and to ensure that the MPFA has the ability to deliver the planned programmes. Under these objectives, the regulation of fees and charges has been a focus for a number of years. Building on the work done so far, we will continue to work on initiatives to help the operation of market forces in enhancing competition on fees and charges, such as exploring ways to open up employee choices to increase market competition, working on further improvements to disclosure of fees and charges and facilitating the achievement of economies of scale. Another focus will be to continue to step up enforcement by strengthening the resources required for speeding up investigation and recovery of default contributions, to seek to raise the penalties for defaulting employers to achieve a better deterrent effect and to enhance the cost-effectiveness of our enforcement actions. In respect of our supervision efforts, we will continue to see to it that the Compliance Standards are effectively implemented by MPF trustees, and that their compliance with the disclosure requirements as well as their fees and charges are closely monitored. Our public education efforts will be put on deepening the MPF investment knowledge of scheme members of all sectors, ensuring that they understand the importance of looking after their MPF accounts and know how to do it.

### VOTE OF THANKS

In pursuing our goals in the past year, we have been most fortunate to have the guidance and support of the Management Board and its supporting committees. The MPF Schemes Advisory Committee and Industry Schemes Committee have also given valuable advice on various aspects of the MPF System and the operation of the MPF Industry Schemes.

This year, we were most reluctant to bid farewell to a number of very important members of the MPFA family who had been supporting and caring for the MPFA and the MPF System right from the inception of the MPFA. Our inaugural Chairman, Mr Charles Lee, led the MPFA in launching one of the most important social programmes for Hong Kong and laid a solid foundation for its future development. Under his inspiring leadership and with his unwavering support, MPFA and the MPF System accomplished a number of milestone developments during the past eight and a half years. We cannot thank him enough for his pivotal role in this era of the MPF development and will certainly miss him.

## Managing Director's Report (cont'd)

Our special thanks are due to Professor Nelson Chow, who chaired the MPF Schemes Advisory Committee since MPFA's inception in 1998, for his capable leadership of the Committee in contributing to the successful implementation of the MPF System. Mr Lee Kai-ming, a founding Member of the Management Board, also retired from the Board this year. While being most grateful for his past contributions, I am glad that he will continue to advise and support us in his new capacity as chairman of the MPF Schemes Advisory Committee.

Last but not least, I would like to express my deep appreciation for the dedication and hard work of my colleagues, without whose committed efforts and unfailing support, we would not have the accomplishments in 2006-07. Our staff often receive letters of commendation from members of the public. I am particularly proud that our staff have won the Ombudsman Awards for four years in a row. This is not only a recognition of their exemplary service to the public, but also a demonstration of the excellent caring efforts of everyone in the MPFA as a team in our pursuit of the MPF mission.

From 2007-08, we have a new Chairman, Mr Henry Fan, and some new Management Board and MPF Schemes Advisory Committee members. On behalf of MPFA's staff, I would like to extend a warm welcome to Mr Fan and other new members, and look forward to a new era of leadership and MPF development with the new appointments.



**Diana Chan Tong Chee-ching**  
*Managing Director*

# The Management Board

The following directors retired with effect from 17 March 2007:

## CHAIRMAN



**The Hon Charles Lee Yeh-kwong, GBM, GBS, JP**  
(Since 17 September 1998; until 16 March 2007)  
One of the founders of Woo, Kwan, Lee & Lo;  
Member, Executive Council; Chairman, Council of the Open University of Hong Kong; Chairman, Executive Committee of the Hong Kong Arts Festival Society Limited; Board member and Vice Patron, The Community Chest of Hong Kong.

## NON-EXECUTIVE DIRECTOR



**Mr Lee Kai-ming, SBS, JP**  
(Since 17 September 1998; until 16 March 2007)  
Adviser, Federation of Hong Kong and Kowloon Labour Unions; Vice-Chairman, Occupational Safety and Health Council; Adjudicator, Obscene Articles Tribunal; Member, Skills Upgrading Scheme Steering Committee; Member, Legislative Council (1995-2000).

The following directors were appointed with effect from 17 March 2007:

## CHAIRMAN



**The Hon Henry Fan Hung-ling, SBS, JP**  
(Since 17 March 2007; current term will expire on 16 March 2009)  
Managing Director, CITIC Pacific Limited; Deputy Chairman, Cathay Pacific Airways Limited; Member, Executive Council; Chairman, Advisory Committee on Admission of Quality Migrants and Professionals; Chairman, Standing Committee on Disciplined Services Salaries and Conditions of Service; Deputy Chairman, Takeovers and Mergers Panel, Securities and Futures Commission; Non-executive Director, Hong Kong Exchanges and Clearing Limited; Member of a number of advisory bodies, including Exchange Fund Advisory Committee, Health and Medical Development Advisory Committee, etc.

## NON-EXECUTIVE DIRECTOR



**The Hon Li Fung-ying, BBS, JP**  
(Since 17 March 2007; current term will expire on 16 March 2009)  
Member, Legislative Council; Vice-Chairman, The Federation of Hong Kong and Kowloon Labour Unions; Member, Commission on Poverty; Member, Manpower Development Committee; Member, Advisory Committee on Admission of Quality Migrants and Professionals.



## The Management Board (cont'd)

Other directors as at 31 March 2007:

### NON-EXECUTIVE DIRECTORS

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

*(Since 17 September 2003; current term will expire on 16 March 2009)*

Vice-President, Hong Kong Federation of Trade Unions; Vice-Chairman, Democratic Alliance For the Betterment and Progress of Hong Kong; Member, Legislative Council; Member, Commission on Poverty; Member, Manpower Development Committee; Member, Steering Committee on Civil Service Pay Adjustment Mechanism.



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

*(Since 12 May 2004; current term will expire on 16 March 2008)*

Senior Counsel; Deputy Chairman, Town Planning Appeal Board; Chairman, Hong Kong Bar Association (2003-04); Member, Standing Committee on Legal Education and Training.



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

*(Since 17 September 2003; current term will expire on 16 March 2009)*

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

**Mr Leo Kung Lin-cheng, JP**

*(Since 17 March 2005; current term will expire on 16 March 2009)*

Executive Vice President, Bangkok Bank Public Company Limited; Foreign Trade Counsellor of Luxembourg; Deputy Chairman of the Executive Committee, The Community Chest of Hong Kong; Director, Ocean Park Corporation; Director of the Executive Committee, Helping Hand; Member, Shanghai Committee of Chinese People's Political Consultative Conference.

## The Management Board (cont'd)

### Mr David Sun Tak-kei, BBS

*(Since 17 March 2005; current term will expire on 16 March 2009)*

Chairman and Country Managing Partner, Ernst & Young; Director, Hong Kong Mortgage Corporation Limited; Member, Main Board Listing Committee, Growth Enterprise Market Listing Committee and Investment Advisory Committee, The Stock Exchange of Hong Kong Limited; Member, Securities and Futures Appeals Tribunal; Member, Quality Education Fund Investment Committee; Member of the Vetting Committee of the Professional Services Development Assistance Scheme of the Commerce, Industry and Technology Bureau; Treasurer and Council member of the Hong Kong University of Science and Technology.



### Secretary for Economic Development and Labour

*(Since 1 July 2002; current term will expire on 16 March 2009)*

The Hon Stephen Ip Shu-kwan, GBS, JP 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).  
*Alternate: Permanent Secretary for Economic Development and Labour (Labour)*



## NON-EXECUTIVE DIRECTORS



### Mrs Angelina Lee Wong Pui-ling, JP

*(Since 17 March 2005; current term will expire on 16 March 2009)*

Partner, Woo, Kwan, Lee & Lo; Non-Executive Director, Securities and Futures Commission; Member, Takeovers and Mergers Panel and Takeovers Appeal Committee, Securities and Futures Commission.



### The Hon Wong Ting-kwong, BBS

*(Since 17 March 2005; current term will expire on 16 March 2009)*

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



### Secretary for Financial Services and the Treasury

*(Since 1 July 2002; current term will expire on 16 March 2009)*

The Hon Frederick Ma Si-hang, JP was Group Chief Financial Officer (executive director and member of Executive Committee), PCCW 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.  
*Alternate: Permanent Secretary for Financial Services and the Treasury (Financial Services)*



## The Management Board (cont'd)

**Mrs Diana Chan Tong Chee-ching, JP**  
**Deputy Chairman and Managing Director**  
*(Since 1 July 2004; current term will expire on 30 June 2010)*

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

**Ms Hendena Yu**

**Chief Operating Officer (Enforcement)**

*(Since 4 June 2001; current term will expire on 2 July 2009)*

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

### EXECUTIVE DIRECTORS



**Mr Darren Mark McShane**

**Executive Director (Regulation & Policy)**

*(Since 25 March 2002; current term will expire on 24 March 2008)*

Qualified barrister; Director, Financial Services Regulation, Australian Securities Investment Commission (1998-2002); Enforcement & Policy Consultant, Investment Management Regulatory Organisation Ltd, United Kingdom (1996-97); Member, Committee on Unit Trusts, Securities and Futures Commission; Member, Committee on Investment-Linked Assurance and Pooled Retirement Funds, Securities and Futures Commission; Member, Examination Board, Institute of Financial Planners of Hong Kong.



**Mr Jimmy Woo Jack-man**

**Executive Director (Supervision)**

*(Since 1 February 2005; current term will expire on 31 January 2008)*

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



**Mr Thomas Yiu Kei-chung**

**Executive Director (Corporate Services)**

*(Since 7 November 2006; current term will expire on 6 November 2009)*

Head (Corporate Services), MPFA (2005-06); has served for over 30 years in a number of Government departments and related bodies including the Trade and Industry Department, Economic Services Branch, Hong Kong Export Credit Insurance Corporation and Health, Welfare and Food Bureau.

# Mandatory Provident Fund Schemes Advisory Committee

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

## MEMBERS OF THE MPFSAC

(as at 29 March 2007)

### Chairman

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

*(Since 30 September 1998; current term will expire on 29 March 2007)*

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



### Deputy Chairman

**Mrs Diana Chan Tong Chee-ching, JP**

*(Since 1 July 2003; current term will expire on 29 March 2009)*

Managing Director, MPFA



### Other Members

**Dr Danny Ngai Kam-fai, JP**

*(Since 30 September 2001; current term will expire on 29 March 2007)*

President, Artin International (Holdings) Ltd.



**Mr Chan Kin-por, JP**

*(Since 30 March 2005; current term will expire on 29 March 2009)*

Chairman, the Hong Kong Federation of Insurers (2004-05)



**Mr Bob Chong Hot-hoi**

*(Since 30 March 2005; current term will expire on 29 March 2009)*

Managing Director, Chung Nam Watch Co. Ltd.



## Mandatory Provident Fund Schemes Advisory Committee (cont'd)

### **The Hon Albert Ho Chun-yan**

*(Since 30 March 2005; current term will expire on 29 March 2009)*

Member, Legislative Council



### **Mr Lam Yim-nam**

*(Since 30 March 2005; current term will expire on 29 March 2009)*

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



### **Mr Leung Fu-wah, MH, JP**

*(Since 30 March 2005; current term will expire on 29 March 2009)*

Vice-President, the Hong Kong Federation of Trade Unions



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

*(Since 30 March 2005; current term will expire on 29 March 2007)*

Member, Legislative Council



### **Mr Alvin Wong Tak-wai**

*(Since 30 March 2005; current term will expire on 29 March 2009)*

Partner, PricewaterhouseCoopers



### **Mr V-Nee Yeh**

*(Since 30 March 2005; current term will expire on 29 March 2009)*

Director, Value Partners Ltd

## Mandatory Provident Fund Schemes Advisory Committee (cont'd)

The Chief Executive has made the following new appointments for a term of two years with effect from 30 March 2007:

### Chairman

**Mr Lee Kai-ming, SBS, JP**

Adviser, Federation of Hong Kong and Kowloon Labour Unions

### Members

**Mr Stanley Lau Chin-ho, MH, JP**

Deputy Chairman, Federation of Hong Kong Industries

**Mr Wong Kwok-kin, BBS**

Chairman, the Hong Kong Federation of Trade Unions

Dr Danny Ngai Kam-fai and the Hon Li Fung-ying retired from the MPFSAC as from 30 March 2007.

During the year, the MPFSAC convened two meetings and additionally considered two papers by circulation. The Committee's views were sought on proposals to improve the content of annual benefit statements and the proposed amendments to the MPF legislation made during the year. It gave valuable comments on the report on a five-year investment performance review of the MPF System. It also received reports on various aspects of the MPFA's work, including supervision, enforcement, regulation and policy, and public education and publicity. The average attendance rate of members was 77%.



# MPF Industry Schemes Committee

Industry Schemes are special MPF schemes set up for casual employees of the catering and construction industries. The MPF Industry Schemes Committee (ISC) is established pursuant to the MPFSO to monitor the effectiveness of industry schemes and to advise on ways to improve the administration and operation of the schemes in the interests of scheme members. The ISC consists of a chairman, at least one (but no more than two) representative(s) of the approved trustee of each Industry Scheme nominated by that trustee, and not fewer than six other persons. All members are appointed by the Financial Secretary of the HKSAR. 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 2007)

### Chairman

**Hon Wong Ting-kwong, BBS**

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Member, Legislative Council



### Other Members

**Mr Choi Chun-wa, MH**

*(Since 25 August 2002; current term will expire on 24 August 2008)*

Chairman, Hong Kong Construction Industry Employees General Union



**Mr Billy Wong Wing-hoo, JP**

*(Since 25 August 2002; current term will expire on 24 August 2008)*

Council Member, Hong Kong Construction Association Limited



**Mr Chan Sam-choi**

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Representative, Construction Site Workers General Union



**Mr Chung Wai-ping**

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Chairman, Association of Restaurant Managers

## MPF Industry Schemes Committee (cont'd)

### Mr Thomas Ho On-sing

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Managing Director, Gammon Construction Co Ltd



### Mr Tsang Bing-sun

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Supervisor, Vocational Skills Training Centre of the Chinese & Western Food Workers Union



### Mr Hiew Chin, BBS, MH

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Chairman, the Sai Kung Food and Beverages Association



### Mr Yuen Fuk-wo

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Chairman, Eating Establishment Employees' General Union



### Ms Lau Ka-shi

*(Since 25 August 2002; current term will expire on 24 August 2008)*

Managing Director and Chief Executive Officer, Bank Consortium Trust Company Limited



## MPF Industry Schemes Committee (cont'd)



**Mr Adrian Li Man-kiu**

*(Since 25 August 2006; current term will expire on 24 August 2008)*

Director, Bank of East Asia (Trustees) Limited



**Mr Thomas Yiu Kei-chung**

*(Since 7 November 2006; current term will expire on 24 August 2008)*

Executive Director (Corporate Services), MPFA

During the year, the ISC held three meetings. It received reports of the MPFA and the approved trustees on the enrolment, administration, enforcement and publicity matters of the Industry Schemes, and monitored and advised on the operational aspects of the construction and catering industries with a view to fostering support and enhancing compliance. The average attendance rate of members was 76%.

# Corporate Governance

The MPFA is committed to high standards of corporate governance. As a public body, we strive to enhance the effectiveness of management of the organization, ensure accountability to the public and maintain the transparency of our operations.

**THE MANAGEMENT BOARD** The Management Board is the governing body of the MPFA. The composition of the Management Board is stipulated by the Mandatory Provident Fund Schemes Ordinance (MPFSO). It is to consist of not fewer than 10 directors appointed by the Chief Executive of HKSAR (CE of HKSAR), and a majority of the directors must be non-executive directors. CE of HKSAR is to appoint one of the non-executive directors as the Chairman, and one of the executive directors as the Managing Director, who, by virtue of holding that office, is the Deputy Chairman. The roles of Chairman and Managing Director are segregated and CE of HKSAR determines the terms and conditions of office of the directors.

On 6 February 2007, the HKSAR Government announced the appointment of Mr Henry Fan Hung-ling as Chairman and Ms Li Fung-ying as non-executive director for a term of two years with effect from 17 March 2007, replacing Mr Charles Lee Yeh-kwong and Mr Lee Kai-ming who retired after having served the MPFA since September 1998. Eight incumbent non-executive directors were also re-appointed for a further term of two years starting from 17 March 2007. The current term of appointment of non-executive director Mr Edward Chan King-sang will expire in March 2008. As at 31 March 2007, the Management Board consists of eleven non-executive directors and five executive directors. Information on the directors is set out on pages 16 to 19 of this report and published at the MPFA's website.

Members of the Management Board are required to declare their pecuniary interests in matters to be considered by the Board. Particulars of such disclosure made at meetings of the Board are recorded in a register available for public inspection.

The Management Board is responsible for making decisions on key corporate strategies and policies, approving the corporate plan and budget of the MPFA, and ensuring that business operations are properly planned, authorized, undertaken and monitored. Besides being supported by a number of committees, the Management Board delegates the management of day-to-day operations to the executives of the MPFA.

In the conduct of its business, the Management Board convened five meetings during the year, and additionally considered 31 papers by circulation. The average attendance rate of members was 89%.

### **SUPPORTING COMMITTEES**

A number of committees have been set up to give advice and assistance to, and perform functions delegated by the Management Board. Membership lists of the Management Board and its supporting committees are set out in Appendix 1.

#### **The Audit Committee**

The Audit Committee consists of four non-executive directors. It advises the Management Board on the appointment of the external auditor, oversees the implementation of the auditor's recommendations, reviews the annual financial statements before submission to the Management Board, and initiates special financial audits as and when necessary. It also reviews the management's reports on internal control systems and the internal audit programme, and considers the major findings of internal investigations and management's response.

During the year, the Audit Committee held two meetings to consider the financial statements of the MPFA and the MPF Schemes Compensation Fund for the financial year 2005-06, review the work plan on selection of external auditor for financial years 2007-08 to 2009-10, review internal financial controls, the internal control system and internal audit programme of the MPFA, and consider reports on the internal audits on default contributions civil claim procedures and payroll procedures. It also considered the half-yearly financial reports of the MPFA and the MPF Schemes Compensation Fund through circulation of papers. The average attendance rate of members was 88%.

#### **The Administration Committee**

The Administration Committee consists of three non-executive directors and one executive director. It advises the Management Board on the development of human resources policies and procedures as well as policies relating to general administration. It held five meetings during the year. The attendance rate of members was 100%.

#### **The Finance Committee**

The Finance Committee consists of three non-executive directors and one executive director. It advises the Management Board on the development of financial strategies and policies, examines and reviews the annual budget of the MPFA, and oversees the financial position and investment of the funds of the MPFA and the MPF Schemes Compensation Fund. During the year, it held two meetings and additionally considered nine papers by circulation. The average attendance rate of members was 88%.

### The Guidelines Committee

The Guidelines Committee consists of two non-executive directors, one executive director and six co-opted members who are representatives of industry and professional bodies. It scrutinizes draft MPF Guidelines developed to give details on issues that were not spelt out in the MPF legislation, and reviews and updates issued Guidelines. It held one meeting during the year and additionally scrutinized seven sets of revised Guidelines and one revised Code through circulation of papers. The attendance rate of members was 100%.

### The Tender Board

The Tender Board consists of two non-executive directors, one executive director, and one other executive director or head responsible for the subject under consideration. It considers the assessment of tender submissions conducted by the Assessment Panel comprising MPFA staff, recommends the award of contract to a selected tender or the rejection of the tender submissions, and reports to and advises the Managing Director on matters regarding tender submissions. It met once during the year. The average attendance rate of members was 67%.

The following table sets out the attendance of individual directors in 2006-07.

Attendance of directors at meetings						
	Management Board	Audit Committee	Administration Committee	Finance Committee	Guidelines Committee	Tender Board
<b>Number of meetings held during the year</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>DIRECTORS</b>						
Hon Charles Lee Yeh-kwong	5/5		5/5	1/2		
Mr Lee Kai-ming	5/5	2/2	5/5			
Hon Tam Yiu-chung	4/5	2/2				
Mr Kenneth Ting Woo-shou	4/5					1/1
Mr Edward Chan King-sang	5/5				1/1	
Mr Leo Kung Lin-cheng	5/5			2/2		0/1
Mrs Angelina Lee Wong Pui-ling	1/5	2/2			1/1	
Mr David Sun Tak-kei	4/5	1/2		2/2		
Hon Wong Ting-kwong	3/5		5/5			
Hon Stephen Ip Shu-kwan	5/5 <sup>1</sup>					
Hon Frederick Ma Si-hang	5/5 <sup>2</sup>					
Mrs Diana Chan Tong Chee-ching	5/5		5/5	2/2		
Ms Hendena Yu	5/5					
Mr Ernest Lee Shu-wing	1/1 <sup>3</sup>					
Mr Darren Mark McShane	5/5				1/1	
Mr Jimmy Woo Jack-man	5/5					
Mr Thomas Yiu Kei-chung	2/2 <sup>4</sup>					1/1

Notes:

1. 5 meetings attended by alternate director
2. 4 meetings attended by alternate director
3. Resigned as director with effect from 21 August 2006
4. Appointed as director with effect from 7 November 2006

### ACCOUNTABILITY AND TRANSPARENCY

The MPFA is publicly accountable in its operations. It is required to submit a draft corporate plan and a budget of estimated expenditure to the Financial Secretary for approval before the start of each financial year. It is also required to deliver an annual report, together with audited financial statements and auditor's report, to the Financial Secretary. CE of HKSAR may give directions with respect to the exercise by the MPFA of its functions.

The MPFA's Annual Report 2005-06 won the silver award under the non-profit making and charitable organization category in the Hong Kong Management Association's Best Annual Reports Awards 2006, and was nominated for the citation for achievement in corporate governance disclosure.

To enhance transparency and promote effective communication with the public at large, the MPFA maintains a website, providing comprehensive information about the MPF System and the MPFA. The website carries all press releases of the MPFA, its publications, relevant statistics and its annual reports. Features include an interactive guide to help visitors locate information quickly and easily, and an e-alert service to notify subscribers of updates to information at the website as and when they occur.

The MPFA publishes a quarterly Statistical Digest to provide statistics on MPF and ORSO schemes, including number of participants, contribution amount, asset size and asset allocation. The publication is distributed to employer and employee groups, industry associations, professional bodies and other interested parties, and is available for download from MPFA's website.

During the year, we developed a "Code on Access to Information" similar to that of the Government, setting out an administrative framework for the public to access MPFA's information as permitted under the MPFSO and other statutes or common law. Subject to the approval of the Management Board, the Code will be in operation in late 2007.

## INTERNAL CONTROL

### Code of Conduct

To promote high ethical standards and fair dealings in the conduct of its business, the MPFA has a Code of Conduct that must be observed by all MPFA employees. The Code sets out the expected standards of behaviour and reminds staff of their legal and contractual obligations to the MPFA. It also provides specific guidelines on various issues, such as confidentiality of information, the offer and acceptance of advantages, avoidance of conflicts of interest, and declaration of financial and other interests.

The Memorandum on Conditions of Service signed by all staff upon joining the MPFA and the confidentiality provision under the MPFSO impose contractual and statutory obligations on staff members to keep confidential any information obtained in the course of performing their duties in the MPFA. A senior staff member must obtain prior approval if, within six months after leaving service, he wishes to take up employment in Hong Kong that may constitute a conflict of interest with that of the MPFA.

### Risk Management

The MPFA has a risk assessment and management programme to identify, assess and manage risks in a timely and systematic manner. A corporate level risk register and 18 departmental risk registers are maintained to keep track of identified risks and risk management plans. These are reviewed and updated annually. In 2006-07, the risk assessment cycle was integrated with the corporate planning cycle, enhancing the usefulness and timeliness of the risk management activities.

Risk assessments in specific subject areas are also conducted. In 2006, a legal risk assessment regarding default contributions was carried out. Security risk assessments in information technology applications have been planned for 2007-08.

### Performance Pledges and Internal Reporting

To ensure expeditious service to the public, the MPFA has a system of performance pledges to monitor the attainment of service standards and the achievement of operational targets. The achievement of the pledges is reviewed and reported annually to senior management for monitoring purpose. The achievement of our pledges to the public in the 2006-07 financial year is set out in the table below.



### Achievement of Performance Standards in 2006-07

Service	Service Standard	Performance Achieved
<b>Complaints and Enquiries (At hotline 2918 0102)</b>		
(1) Answering telephone enquiries and telephone messages	Answer a telephone call within 30 seconds, or return call to caller within the next working day if caller cannot get through and leaves a message	100%
(2) Answering written enquiries	A. Acknowledge within 3 working days B. Reply within 10 working days on general issues or send an interim reply within 7 working days if immediate reply is not possible on matters requiring research	100% 100%
(3) Answering enquiries made in person	Interview walk-in enquirers within 5 minutes	100%
(4) Complaint acknowledgement	Send an acknowledgement letter within 3 working days for all cases	100%
<b>Complaints Investigation</b>		
(1) Initial contact with complainant for investigation by Case Officer	Contact complainant for investigation within 7 working days from the date of receiving a case	99.02%
(2) Responding to enquiries by complainant/complainee on investigation progress	Inform complainant/complainee of investigation progress within 3 working days	97.61%
(3) Informing complainants of enforcement actions		
A. Cases involving prosecution	A1. Notify complainants by phone of issue of prosecution summonses not less than 2 working days before the summonses are applied A2. Notify complainants of prosecution results within 10 working days from the date of receiving a verdict	100% 100%
B. Cases involving surcharge	B. Notify complainants by phone of issue of surcharge notices not less than 2 working days before actual issuance	97.81%

In addition, there is a structure of documented internal reporting, whereby daily, weekly, monthly, quarterly and yearly reports are produced by different operating units to facilitate monitoring and supervision of performance.

### Internal Audit and Management Reviews

Internal audits are conducted by the Risk Management Unit to provide an independent assessment of internal controls. The internal audits are conducted according to the guidelines and standards on internal audit promulgated by the Hong Kong Institute of Certified Public Accountants. Reports are reviewed by senior management and the Audit Committee. During the year, seven internal audit exercises were conducted, covering default contributions civil claims processes, payroll operation, procurement, prosecution, compliance with policies and procedures regarding information technology security, and records management.

Business process re-engineering exercises are regularly conducted by departments as part of their business plans, when operating processes are automated or when there is a change in organizational structure, roles and responsibilities. Besides business processes, the MPFA's organizational components are also reviewed regularly for fine-tuning and to meet changing needs and requirements. In 2006-07, 15 management reviews were conducted, covering the organization, systems and procedures of divisions and departments including the Supervision Division, the Investigation and Claims Department, the Complaints and Enquiries Section, the Research Department and the General Administration Department.

## INDEPENDENT CHECKS AND BALANCES

### Reviews

To ensure fairness in operational procedures, the MPFA invites external reviews of its operations from time to time. During the year, the Corruption Prevention Department of the ICAC conducted a review of the operation of the Enforcement Division. We sought advice from a UK administrative law expert in relation to the MPFA's liability with regard to default contributions recovery. An external consultant has also been engaged to review our information systems strategies and approaches.

The financial statements of the MPFA are subject to audit by an external auditor. During the auditing process, the auditor would also provide management comments as appropriate. Pursuant to section 60 of the MPFSO and as approved by the Financial Secretary, the MPFA appointed Deloitte Touche Tohmatsu as auditor for the financial years 2004-05 to 2006-07.

### Appeal Boards

The Mandatory Provident Fund Schemes Appeal Board established pursuant to section 35 of the MPFSO hears appeals against any decision of the MPFA specified in Schedule 6 of the MPFSO. The Occupational Retirement Schemes Appeal Board established pursuant to section 61 of the ORSO hears appeals against the ORSO Registrar's decisions as specified in the ORSO. No appeal was lodged with either appeal board during the year.

# The Management Team



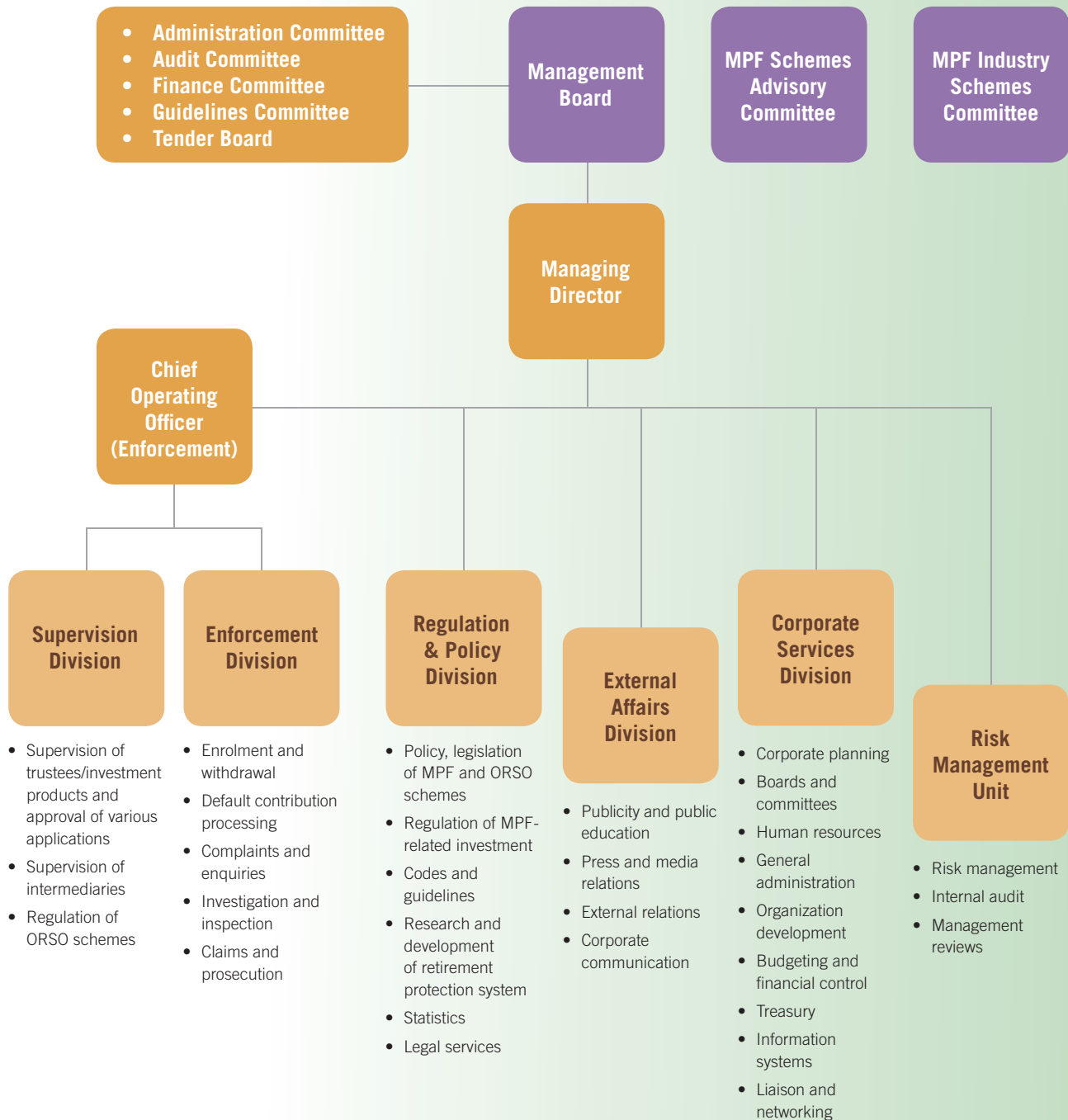
1. Diana Chan
2. Hendena Yu
3. Thomas Yiu
4. Darren McShane
5. Jimmy Woo
6. Ingrid Lai
7. Betty Chan

**As at 31 March 2007, the senior management of the MPFA consists of:**

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

# The Organization Structure

(as at 31 March 2007)





# MPFA Staff and the Community

This chapter describes how the MPFA cares for its staff and how the staff care for the community. The MPF System is a social programme, and the MPFA is established with the mission to ensure the provision of retirement protection for Hong Kong's workforce through an effective and efficient system of prudential regulation and supervision of privately managed provident fund schemes. We treasure staff who share this goal and our corporate core values of "Commitment", "Quality", "Teamwork" and "Community Perspective". Linked with the MPFA's mission, "Community Perspective" has well been demonstrated by our staff's involvement in community services and activities.

**REMUNERATION AND BENEFITS** The remuneration package of the MPFA comprises a fixed basic salary and a performance-linked variable pay. The variable pay is discretionary and is to reward staff according to their performance. During the year, a performance-linked variable pay for 2006-07 was granted to eligible staff. An adjustment in fixed pay was also granted to all staff with effect from 1 April 2007. We offer other fringe benefits to staff, including annual leave, medical and dental benefits, insurance coverage and MPF.

During the year, we reviewed the existing employment terms and proposed improvements, including the offering of employer's voluntary MPF contributions to contract staff, and the conversion of the employment term of fixed-term contract staff to non-fixed term. These proposals were implemented in August 2006 after consultation with the Financial Secretary.

The remuneration of the top management staff of the MPFA is disclosed in the notes to the Financial Statements on page 92.

**TRAINING AND DEVELOPMENT** As part of our continuous effort to enhance human resources capability, we conducted various training and staff development programmes during the year. These included management development programmes aiming at developing creative thinking and leadership skills, training sessions to equip our staff with business knowledge and technical skills (such as those related to legal, accounting and finance, and information technology), as well as team building programmes. Our staff also took up opportunities to speak at or attend seminars and conferences to facilitate international exchange and widen their professional exposure and network. Knowledge sharing sessions were organized, where staff would share with colleagues their knowledge and experience gained by attending external training sessions, seminars or conferences. A summary of the knowledge sharing, training and development sessions arranged and seminars and conferences attended is at Appendix 11. The number of sessions/events organized or attended came to over 180, with total attendance of more than 2 700.

We have arranged lateral transfers of 23 staff members for development of the staff's capabilities. In terms of career development opportunities, 40 staff members were promoted to more senior positions.

### OCCUPATIONAL SAFETY AND HEALTH

At MPFA, we provide a healthy and safe working environment for our staff. As required by the Occupational Safety and Health legislation, we assess and re-assess the risks of workstations to the safety and health of the users as and when necessary. A total of 222 assessments were conducted in 2006-07.

### CULTURE BUILDING

We have been continuing with our efforts to nurture a corporate culture that fosters trust, embraces change and values teamwork. During the year, rounds of communication sessions between top management and staff were conducted for them to share views on the MPFA's work. A total of 12 informal gatherings were also conducted during the year to provide opportunities for all levels of staff across departments to socialize and get to know each other in a casual setting.

We treasure staff's suggestions on improving various aspects of the MPFA, including its work, environment and corporate image. Some very good suggestions have come up through the Best Staff Suggestion programme launched since 2005. A number of these suggestions, such as the development of an electronic leave application system and the inclusion of tips on human resources matters in our staff newsletter *The Orchard*, have been implemented. The new staff orientation programme was also revamped to make it more interactive. To encourage staff participation in developing important policies, we have also conducted focus group discussions on human resources issues to seek views from staff.

We held team building sessions for a number of departments to speed up the familiarization and bonding process among team members. Other social activities, such as those organized by the Staff Welfare Committee, also helped to foster cohesiveness among staff.

### STAFF RECOGNITION

We attach great importance to recognizing the good performance of our staff. For the fourth year, a staff recognition programme was implemented to promote the corporate core values and reward staff members who demonstrate such values in concrete behaviour. A total of 150 staff members received the awards in 2006.

Externally, MPFA staff members have been publicly recognized for their service excellence. Apart from commendation letters received from members of the public, two Inspectors received the Ombudsman's Awards 2006 for Officers of Public Organizations in the Complaint-related Nominations category and General Nominations category respectively. The fact that six members of our staff have won these awards over four consecutive years is an affirmation and recognition of MPFA's dedication to professionalism in customer service.

## MPFA Staff and the Community (cont'd)



Two inspectors won the Ombudsman's Awards 2006 – colleagues showing support and sharing the joy at the award presentation ceremony



Staff ping-pong competition

### STAFF WELFARE AND SOCIAL ACTIVITIES

During the year, the MPFA published four issues of the Staff Newsletter *The Orchard*. The Staff Welfare Committee organized a number of social activities, including a movie evening, bowling and ping-pong competitions and a Christmas Party. The interest clubs formed under the Committee, such as Basketball Club, Football Club, Hiking Club and Parents Club, also continued to organize activities for the enjoyment and relaxation of staff and their family members.



Participating in the Supervisory Cup Basketball Competition 2006



Participating in the Sowers Action charity marathon ...

The MPFA took part in the Supervisory Cup Basketball Competition in 2006 jointly organized by six financial regulators. The event provided an opportunity for our basketball team to demonstrate their skills and team spirit, and to network with the other regulators.

### GREEN POLICY

The MPFA promotes the principle of environmental protection in its operations. We install energy-saving fluorescent lamps and transformers in the office, arrange for waste paper to be shredded for recycling purpose, and use recycled toner cartridges for printers. Surplus furniture and out-dated computer equipment, with all data erased, are donated to organizations in need.

## CARING FOR THE COMMUNITY

“Community Perspective” is one of the MPFA's core values. We were involved in various community and fund-raising activities during the year. These include the Green Day and Dress Special Day 2006 organized by the Community Chest, and a Flag Day organized by Hong Kong Rehabilitation Power. Members of our staff participated in the Sowers Action Challenging 12 Hours Charity Marathon in

October 2006 and the charity walkathon organized by the Agency for Volunteer Service in March 2007, raising money in support of education for children in mountainous regions of the Mainland as well as funds for promotion of voluntary work. A lunch-time live concert was held in January 2007 to raise fund for a volunteer service in Honduras. Our staff also gave blood on a blood donation day held in the office premises in March 2007.



Spending time with the elderly



community services. The Team visited and brought presents to senior residents in the Tin Shui Wai district and an elderly home in Shatin in November 2006 and March 2007 respectively.



... and a charity walkathon organized by the Agency for Volunteer Service

## MPFA – A CARING ORGANIZATION

For the second consecutive year, the MPFA participated in the Caring Company Scheme run by the Hong Kong Council of Social Service. We are pleased to have been awarded the “Caring Organization 2005-07” logo in recognition of the MPFA's care for its employees and the community at large. We also nominated two staff members as caring ambassadors of the MPFA to recognize their commitment to serving the community and caring for MPFA's colleagues.



Awarded the “Caring Organization 2005-07” logo









# Regulation and Policy

## Overview

### Our role

- Review existing legislation and propose amendments to the Government where appropriate
- Review other existing regulations such as Guidelines and Codes and amend as appropriate
- Conduct research in support of MPFA's role as regulator of the MPF System

### In 2006-07, we

- Reviewed and revised the Code on Disclosure for MPF Investment Funds in the light of operational experience
- Consulted the public on the proposed improvements to member benefit statements
- Commenced the development of a comparative platform for MPF funds
- Reported the results of the review of the maximum and minimum levels of relevant income for MPF contribution purpose, and the results of the review of the optimum reserve level and levy rate of the Compensation Fund
- Published a report on a five-year investment performance review of the MPF System
- Undertook research into the regulatory approach to fees and charges of MPF funds
- Attended to the enactment of the Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006 in June 2006 and its subsequent implementation including preparation of supporting Guidelines
- Assisted the Government in preparation for an amendment bill in 2007
- Issued three new sets of MPF Guidelines, amended nine existing Guidelines and one Code



### DISCLOSURE OF MPF FUND INFORMATION

Over recent years, the MPFA has continued to improve the disclosure of information to MPF scheme members. Further to the issuance and implementation of the Code on Disclosure for MPF Investment Funds (Disclosure Code) in June 2004, the MPFA reviewed issues that arose during implementation and consulted the industry on amendments to the Disclosure Code regarding Fee Tables and Fund Fact Sheets. In addition, the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards necessitated the introduction of some new requirements and refinements to the calculation of the Fund Expense Ratio. After approval by the Guidelines Committee and the Management Board, the revised Disclosure Code was published in February 2007. In this connection, the MPFA has recognized the second edition of the Performance Presentation Standards issued by industry bodies in April 2007, which provide guidance for the preparation of Fund Fact Sheets as required by the Disclosure Code.

To further enhance information disclosure, the MPFA developed proposals to improve the content of member benefit statements. A consultation paper on the proposed improvements was issued on 19 May 2006. By the end of the consultation period in August 2006, some 25 submissions were received. Subsequent industry consultation was conducted on selected aspects. Views on the proposals will be considered before changes are announced.

Work has also commenced on the development of a platform to help scheme members compare information about fees and charges of MPF funds more easily. The platform has been designed after reviewing similar platforms available locally and overseas. The MPFA has also examined the legal issues regarding the restrictions on the MPFA in obtaining and publishing relevant information, and proposed amendments to the relevant legislation. Phase one of the platform providing summarized information on fees and charges of MPF funds is scheduled for launch in 2007. The full platform will be made available subsequently, pending necessary amendments to relevant provisions in the MPF legislation.

### REVIEWS OF REGULATORY ISSUES

The MPFA commenced a review of the reserving requirements for guaranteed funds in 2004-05. On the basis of the results of the first round of formal consultation with the industry, the MPFA refined the consultation document in 2006-07, proposing a new regulatory framework. The revised consultation document was issued in April 2007 and further discussions will be held with the industry in 2007.

Under section 10A of the Mandatory Provident Fund Schemes Ordinance (MPFSO), the minimum and maximum levels of relevant income for MPF contribution purpose are subject to review at least once every four years. The minimum level of relevant income was last raised in February 2003. Accordingly, the MPFA conducted a review on the relevant income levels and reported the review results to the Legislative Council Panel on Financial Affairs in January 2007. The recommendation was to raise the maximum level of relevant income for MPF contributions from \$20,000 to \$30,000 per month and retain the minimum level at \$5,000 per month. As a follow-up, the Panel invited submissions from different stakeholders. Among the organizations which expressed their views on the subject, some supported the MPFA's recommendation, while others requested raising the minimum level to \$6,000 per month, or retaining the current maximum level, or increasing the maximum level by phases. The Government is considering the outcome of the review in the light of the comments received.

The results of the review of the Compensation Fund reserve level and levy rate were presented to the Legislative Council Panel on Financial Affairs in July 2006. The Compensation Fund is set up under the MPFSO to compensate MPF scheme members or other persons who have beneficial interests in MPF schemes for any loss in MPF accrued benefits caused by misfeasance or illegal conduct committed by MPF trustees or any other person engaged in the administration of the MPF schemes. Assets of the Fund include the \$600 million seed money injected by the Government and levies which are imposed at an annual rate of 0.03% of the net asset value of an MPF scheme. The MPFA proposed to retain the current levy rate and to review the issue again in 36 months' time. In response to the Panel's request for a progress report in 18 months, the MPFA will work with the Government on an interim report to the Panel by December 2007.

### RESEARCH AND POLICY DEVELOPMENT

The MPFA conducted a review of the investment performance of the MPF System for the five-year period from 1 April 2001 to 31 March 2006. The objectives of the review were to provide scheme members and other stakeholders with a better understanding of the investment performance of the MPF System and bring to their attention the implications which might assist them in managing their MPF affairs. A report on the review was published and distributed to various stakeholders and made available for collection by members of the public in early July 2006.

The level of fees and charges is an important factor for consideration when making investment decisions. The regulation of fees and charges has been an ongoing focus of the MPFA for a number of years. During the year, we undertook research on the level, structure, dynamics and regulation of fees of pension schemes in other jurisdictions. The research outputs will assist in setting the approach to the regulation of fees and charges into the future.

### REVIEW OF LEGISLATION

#### MPF Legislation

Subsequent to its enactment in 1995, the MPFSO was amended in 1998 and 2002 and supplemented by several regulations and rules made in 1998, 1999 and 2000 respectively. A list of the MPF legislation and legislative amendments made in respect of the MPFSO and its subsidiary legislation since its enactment is at Appendix 2.

In order to further enhance the effectiveness and efficiency of the MPF System, the MPFA continuously reviews the MPF legislation in the light of operational experience. Proposals impacting on scheme operations were developed for deliberation by the MPF Schemes Operation Review Committee (SORC)<sup>1</sup>. During the 2006-07 financial year, the SORC agreed on two proposed amendments to the legislation to streamline the reporting of unclaimed benefits by approved MPF trustees and to improve the statutory provisions on disclosure of information. These proposals were subsequently approved by the Management Board.

Since 2002, over 40 proposals to amend the MPF legislation had been agreed by the SORC and endorsed by the Management Board. Of these, 11 proposals to amend the investment rules in Schedule 1 to the MPF Schemes (General) Regulation were

<sup>1</sup> The SORC was set up in August 2001 to comprehensively review the MPF legislation in relation to the administrative and operational aspects of MPF schemes to enhance the effectiveness and efficiency of the MPF System. The SORC comprises representatives of employer and employee bodies, MPF service providers, professional organizations, the HKSAR Government and the MPFA.



passed by the Legislative Council in June 2006 and enacted as the Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006 (Amendment Regulation 2006). The Amendment Regulation 2006 came into operation on 1 December 2006.

The MPFA is assisting the Government in drafting the Mandatory Provident Fund Schemes (Amendment) Bill 2007 covering over 30 proposals to amend the MPF legislation. These proposals include removing the housing allowance and benefit exclusion from the definition of “relevant income”, removing the 30-day settlement period following the contribution day with a view to speeding up the current arrears recovery process, and providing for additional circumstances under which the MPFA could disclose information to other parties (including the compilation and disclosure of comparative information to assist scheme members in making investment decisions). The MPFA briefed the Legislative Council Panel on Financial Affairs on the proposed amendments in April 2007, with a view to introducing a Bill into the Legislative Council within the 2006-07 legislative session.

### ORSO Legislation

A list of the legislation on the Occupational Retirement Schemes Ordinance (ORSO) and legislative amendments made in respect of the ORSO since its enactment in 1992 is at Appendix 3. The MPFA is waiting for a legislative time slot for introduction of a bill incorporating the proposed amendments developed since 2001-02.

### GUIDELINES AND CODES

The MPFA issues MPF Guidelines and Codes to elaborate on and support the legislative requirements, and to facilitate compliance with the MPF and ORSO legislation. As at 31 March 2007, 62 sets of Guidelines and three sets of Codes were in force. Among these, three new Guidelines were issued and nine existing Guidelines were revised during the year to support the implementation of the Amendment Regulation 2006, to tie in with the revision of the Disclosure Code, to reflect the changes relating to approved stock exchanges and approved central securities depositories and to indicate that registered Chinese medicine practitioners' medical certificates can be used for claiming payment of benefits by reason of total incapacity. The Disclosure Code was revised to incorporate refinements in the light of operational experience, as explained under the section “Disclosure of MPF Fund Information” in this chapter.

A complete list of all the Guidelines and Codes issued by the MPFA is set out in Appendix 4. These Guidelines and Codes are available at the MPFA's website.





# Supervision of the Industry

## Overview

### Our role

- Supervise approved MPF trustees
- Register and approve MPF schemes and funds
- Register and supervise MPF intermediaries
- Oversee the effective operation of occupational retirement schemes (ORSO schemes)

### In 2006-07, we

- Monitored the implementation of the Compliance Standards by approved MPF trustees
- Continued to expand and fine-tune risk-based assessment practices in supervising trustees
- Monitored compliance with the Code on Disclosure for MPF Investment Funds
- Issued a revised edition of the Study Notes for the MPF Intermediaries Examination

### As at 31 March 2007:

- There were 19 approved MPF trustees, 40 registered schemes, 318 approved constituent funds, 290 approved pooled investment funds
- Aggregate net asset value of all MPF schemes was \$211.20 billion
- There were 7 624 ORSO schemes, with a total asset size of \$213.54 billion



### **SUPERVISION OF APPROVED MPF TRUSTEES**

During 2006-07, the number of approved MPF trustees remained unchanged at 19. A list of the trustees and their background as at 31 March 2007 is at Appendix 6.

#### **The Compliance Standards**

The MPFA released the Compliance Standards in 2005 to assist MPF trustees in establishing a structured framework for monitoring their compliance with statutory duties and responsibilities. Subsequently, to facilitate understanding of the requirements of the Standards, a Compliance Standard Note was issued in 2006. We also provided feedback to individual trustees on their compliance programmes and policies. Full adoption of the Compliance Standards was expected in October 2006. From November 2006, the MPFA has been conducting on-site visits to assess the trustees' initial implementation of the Standards. By the end of March 2007, visits have been made to six of the trustees. Key observations and areas to be improved were identified and communicated to the trustees.

#### **Ongoing Monitoring**

During the year, on-site visits were made to three MPF trustees to review the operation of guaranteed funds. Thematic visits to eight trustees were also conducted to review risk areas in their operations. We have also reviewed the types of incidents that should be reportable as significant events and incorporated the findings into the surveillance programmes of trustees.

In 2006-07, the MPFA issued 48 reminders/warning letters to MPF trustees involved in breaches. These breaches were identified by the MPFA through on-going monitoring, enquiries and complaints received, or reported by the trustees themselves. No financial penalty notice was issued to the trustees during the year.

A total of 270 complaints (compared with 184 in the previous financial year) were lodged with the MPFA in 2006-07 against MPF trustees, most of which were related to scheme administration. An analysis of the complaints was conducted and actions were taken to follow up the issues with the trustees concerned.

The Trustees Operations Liaison Group set up in 2004 to improve the effectiveness and efficiency of the administration of MPF schemes, comprising representatives from all MPF trustees and the MPFA, met quarterly during the year. Members discussed operational issues of MPF schemes which were of interest across the industry. The MPFA's Managing Director also held a meeting with the chief executive officers of all the trustees to give updates on the MPFA's priorities and initiatives in the coming year, including developments relating to regulation, supervision, enforcement, and MPF investment education.



## REGISTRATION AND APPROVAL OF MPF SCHEMES AND FUNDS

Table 1 sets out the statistics on registration and approval of MPF schemes and funds during the year, and Table 2 shows an analysis of the structure of approved pooled investment funds. There were a number of scheme mergers during the year to achieve better economies of scale. A number of new constituent funds and approved pooled investment funds, mostly equity funds, were approved. As at the end of March 2007, there were 40 registered MPF schemes, 318 approved constituent funds and 290 approved pooled investment funds. A full list of the registered schemes and their respective underlying constituent funds is available at Appendix 7. As at 31 March 2007, the aggregate net asset value of all MPF schemes was \$211.20 billion.

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

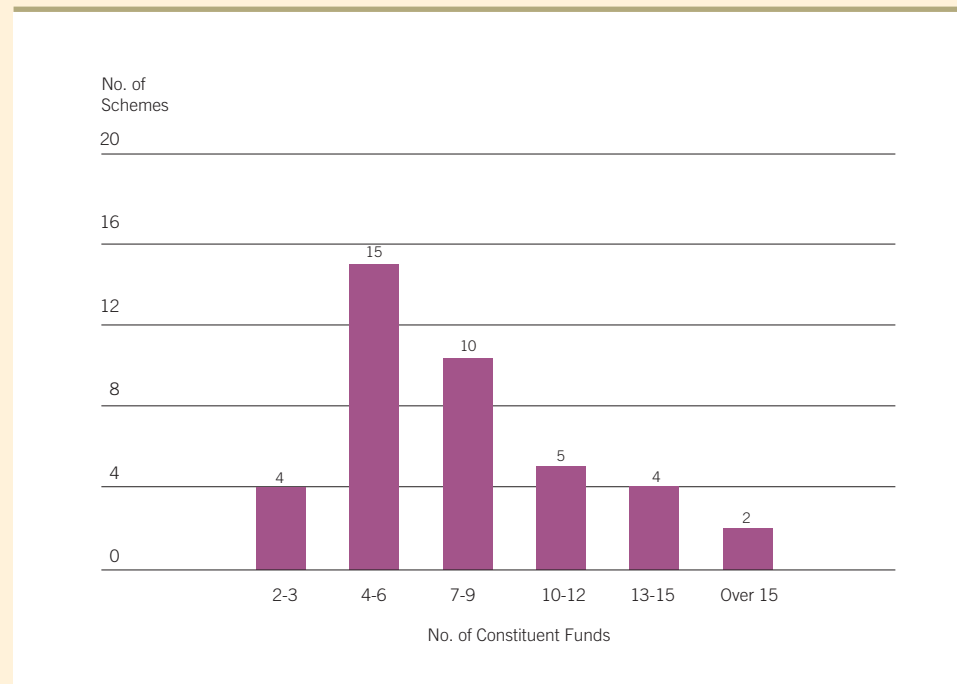
	Number as at 31 March 2006	Terminated/ Withdrawn During the year	Registration/ Approval During the year	Number as at 31 March 2007
<b>Registered Schemes</b>	<b>46</b>	<b>6</b>	<b>0</b>	<b>40</b>
Master Trust Schemes	42	6	0	36
Industry Schemes	2	0	0	2
Employer Sponsored Schemes	2	0	0	2
<b>Approved Constituent Funds</b>	<b>334</b>	<b>33</b>	<b>17</b>	<b>318</b>
<b>Approved Pooled Investment Funds</b>	<b>280</b>	<b>5</b>	<b>15</b>	<b>290</b>
<b>Approved Index-Tracking Collective Investment Schemes</b>	<b>89</b>	<b>0</b>	<b>0</b>	<b>89</b>

**Table 2. Analysis of approved pooled investment funds (by fund structures)**

	Unit Trust		Insurance Policy		Total	
	as at 31 March 2006	as at 31 March 2007	as at 31 March 2006	as at 31 March 2007	as at 31 March 2006	as at 31 March 2007
<b>Umbrella funds</b>	23	23	4	4	<b>27</b>	<b>27</b>
<b>Internal portfolios</b>	149	157	29	26	<b>178</b>	<b>183</b>
<b>Feeder funds</b>	6	7	23	26	<b>29</b>	<b>33</b>
<b>Portfolio management funds</b>	31	31	15	16	<b>46</b>	<b>47</b>
<b>Total</b>	<b>209</b>	<b>218</b>	<b>71</b>	<b>72</b>	<b>280</b>	<b>290</b>

As at 31 March 2007, the number of constituent funds available under each registered scheme ranged from two to 26 (see Figure 1).

**Figure 1. Number of constituent funds per MPF scheme as at 31 March 2007**



The Code on Disclosure for MPF Investment Funds requires the release of fund expense ratios of constituent funds. According to the information submitted by trustees in respect of constituent funds with financial year-end dates from 31 December 2005 to 30 November 2006, the average fund expense ratio of MPF funds was 2.06%.

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

## SUPERVISION OF MPF INTERMEDIARIES

### Registration of MPF Intermediaries

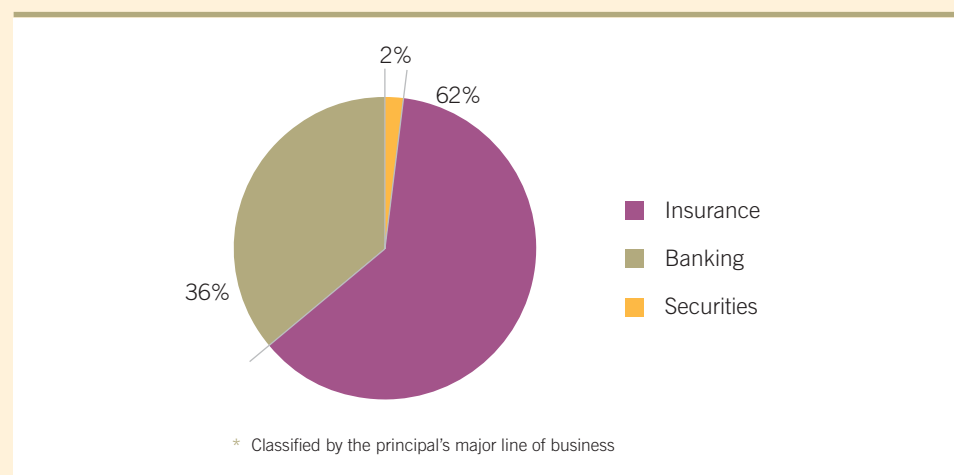
During the year, the MPFA processed around 5 000 applications for registration as MPF intermediaries. The number of MPF intermediaries has remained about the same for four years at around 25 000. As at 31 March 2007, there were a total of 24 574 registered MPF intermediaries, comprising 425 corporations and 24 149 individuals (see Table 3).

**Table 3. Number of Registered MPF Intermediaries (as at 31 March 2007)**

Total number of registered MPF intermediaries	24 574
Corporate intermediaries	425
Individual intermediaries	24 149
Permitted to advise on insurance policies	13 065
Permitted to advise on securities	5 095
Permitted to advise on both securities and insurance policies	5 102
Permitted to sell MPF schemes without rendering specific investment advice	887

Figure 2 shows the distribution of individual intermediaries among three industries (banking, insurance and securities), classified by the major line of business of the intermediary's primary sponsoring corporation. The distribution of MPF intermediaries among the three industries has been quite stable for a number of years.

**Figure 2. MPF Intermediaries by Industry\* (as at 31 March 2007)**



The registration of an MPF intermediary is normally valid for a period of three years. However, starting from 1 October 2005, the MPFA has been aligning the registration expiry dates of individual intermediaries with those of their sponsoring corporate intermediaries. MPF intermediaries wishing to remain registered must apply to the MPFA for renewal prior to the registration expiry dates. During the year ended 31 March 2007, the MPFA processed over 3 500 renewals.

### **Continuing Professional Development (CPD)**

To maintain their professional competencies, all MPF individual intermediaries are required to comply with the CPD requirements by undertaking a minimum of 10 hours of CPD activities in each calendar year, with at least two hours devoted to core subject areas. CPD compliance is a prerequisite for re-registration and renewal of registration.

During the year, the MPFA granted recognition to the Institute of Financial Planners of Hong Kong as a core CPD activity provider. Together with Caritas Adult & Higher Education Service, Hong Kong Securities Institute, Management and Executive Development Centre of the Hong Kong Polytechnic University, the Hong Kong Retirement Schemes Association, School of Professional and Continuing Education of the University of Hong Kong, Institute of Professional Education and Knowledge of Vocational Training Council, and LexisNexis, there were a total of eight institutions/professional bodies recognized by the MPFA as at 31 March 2007. In 2006-07, after MPFA's assessment, 15 new programmes/courses were recognized as core CPD courses.

### **Study Notes for the MPF Intermediaries Examination**

The MPFA issued the Sixth Edition of the Study Notes for the MPF Intermediaries Examination on 2 January 2007 to reflect the 2006 legislative amendments on MPF investment and the latest developments of the MPF System.



## REGULATION OF OCCUPATIONAL RETIREMENT SCHEMES

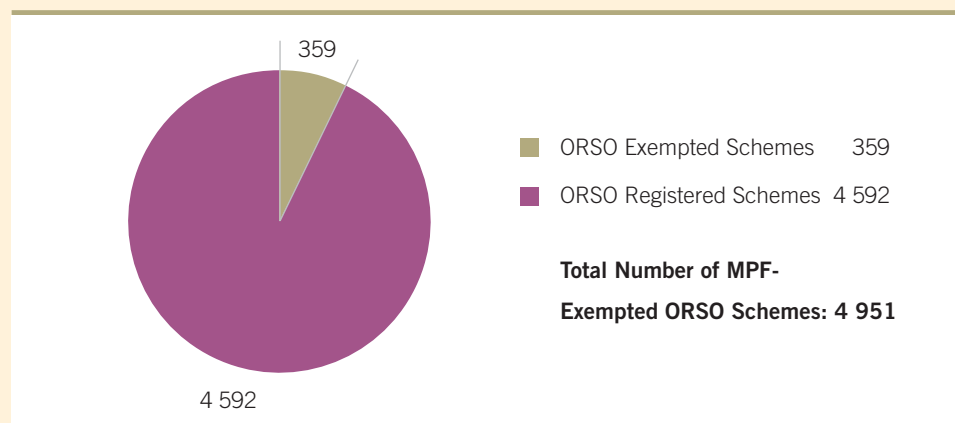
The MPFA is the Registrar of Occupational Retirement Schemes. As at 31 March 2007, there were a total of 7 624 ORSO schemes, with a total asset size of \$213.54 billion.

### MPF-exempted ORSO Schemes

Prior to the launch of the MPF System, employers operating existing ORSO schemes might choose to apply for exemption from MPF requirements. Members of MPF-exempted ORSO schemes had a one-off option to choose between the existing scheme and an MPF scheme. For those ORSO schemes which have not obtained MPF exemption status, the relevant employers may choose to retain them as top-up schemes, freeze the schemes or terminate the schemes.

During the year, 179 MPF-exempted ORSO schemes, covering about 1 900 members, had relinquished their exemption status. The number of remaining MPF-exempted ORSO schemes as at 31 March 2007 was 4 951, covering about 7 100 employers and 452 000 scheme members. A breakdown of the number of MPF-exempted ORSO schemes into ORSO exempted schemes and ORSO registered schemes is shown in Figure 3.

**Figure 3. Number of MPF-Exempted ORSO Schemes  
(as at 31 March 2007)**



### Termination of ORSO Schemes

During the year, 255 ORSO schemes (comprising 171 MPF-exempted schemes and 84 non MPF-exempted schemes) had been wound up. As at 31 March 2007, 137 ORSO schemes were in the process of being terminated, pending the transfer of scheme assets and/or provision of the necessary information to the MPFA.

After the termination of these schemes, the number of remaining ORSO schemes would be 7 487, including 4 882 MPF-exempted schemes (covering about 451 000 scheme members) and 2 605 non MPF-exempted schemes (covering about 54 000 employees). The number of termination notices received by the MPFA has shown a declining trend for a number of years.

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

**Table 4. Asset arrangements for terminated ORSO registered schemes for the period from 1 April 2006 to 31 March 2007**

ORSO Asset Arrangement	No. of Schemes	%	Asset Size (HK\$ Million)	%
Transferred to MPF Scheme	56	25	426	40
Transferred to another ORSO Scheme	10	4	164	15
Paid out to scheme members	162	71	475	45
<b>Total</b>	<b>228</b>	<b>100</b>	<b>1,065</b>	<b>100</b>

### Funding of ORSO Schemes

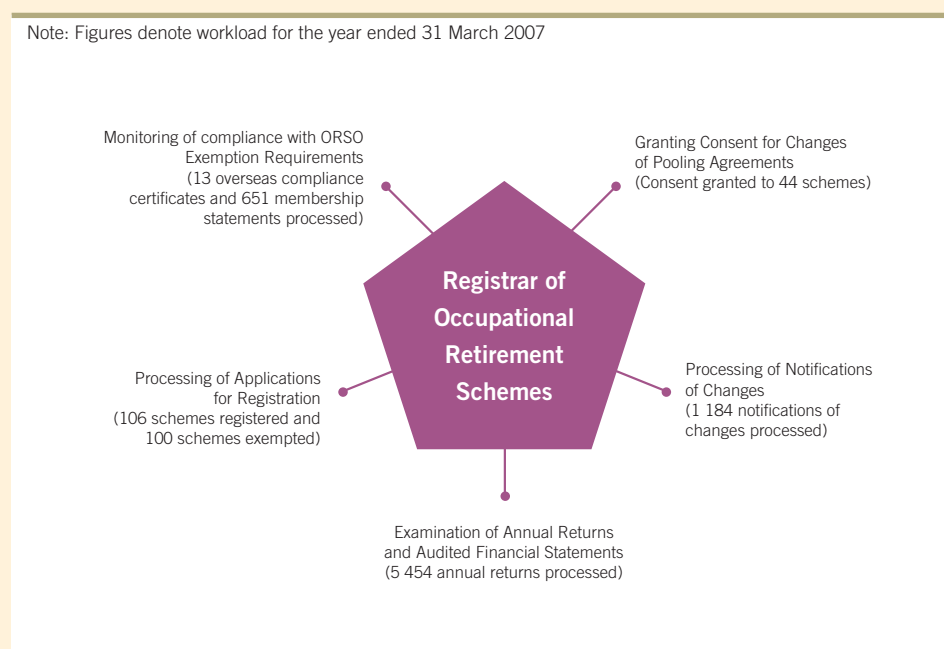
The MPFA monitors the funding status of ORSO schemes by examining the annual returns and audited financial statements of the schemes. In the case of defined benefit schemes, actuarial certificates have to be supplied to the MPFA at least every three years. The certificate may be a full certificate certifying 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 will make recommendations as to the amount of contributions to be made by the employer in order to make up the shortfall within three years.

The current actuarial certificates as at 31 March 2007 revealed that seven ORSO schemes (2.4% of the total of 295 defined benefit schemes) were under-funded. The total asset size of these schemes was \$278 million and the total shortfall was \$32 million. The amount of shortfall involved represented about 11% of the aggregate assets of the seven under-funded schemes. A year ago, the number of under-funded defined benefit schemes was also seven, with a total shortfall of \$40 million (0.8% of the aggregate assets of the under-funded schemes). The MPFA has been monitoring the situation closely by seeing to it that contributions are made in accordance with scheme terms and rules, and the actuarial recommendations, if applicable.

### Other Work of the Registrar of Occupational Retirement Schemes (RORS)

Statistics on some major areas of the RORS' work are summarized in Figure 4.

**Figure 4. Work of Registrar of Occupational Retirement Schemes**



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

### Statistics

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







# Enforcement

## Overview

### Our role

- Ensure that employers, employees and self-employed persons covered by the MPF System comply with MPF requirements

### In 2006-07, we

- Recovered \$158 million of default MPF contributions at various levels of court or by persuasion and counselling of employers concerned
- Filed a total of 1 127 claims at the Small Claims Tribunal, District Court and High Court on behalf of 8 130 employees
- Applied for 440 summonses in respect of default contributions and non-enrolment
- Submitted 202 claims via liquidators on behalf of 5 078 employees
- Imposed 74 financial penalties on 73 employers
- Took enforcement actions leading to the conviction of an employer of failing to comply with MPFA's request for an employee's relevant income records, and a scheme member of making a false statement to an MPF trustee

### As at 31 March 2007:

- 98.8%, 97.5% and 75.6% respectively of employers, employees and self-employed persons were enrolled in MPF schemes

### ENROLMENT

Participation in the MPF System remained stable during the year. As at 31 March 2007, the enrolment rates for employers, employees and self-employed persons (SEPs) were 98.8%, 97.5% and 75.6% respectively, as compared with the March 2006 figures of 98.5%, 96.7% and 77.0%. In actual numbers, about 234 300 employers, 2 052 300 employees and 284 100 SEPs have joined MPF by the end of March 2007. In addition, 15 400 employers, 284 900 employees and 21 400 SEPs have enrolled in the Industry Schemes set up for casual employees of the catering and construction industries.

Considering the total employed population as a whole, about 86% were covered under retirement protection schemes, including MPF schemes, MPF-exempted ORSO schemes or statutory pension plans (such as Civil Service Pension Scheme). The remaining 14% included 10% who were exempt from MPF (people aged below 18, people aged 65 or above, domestic employees and self-employed hawkers, etc), and 4% who should have joined but had not yet joined any MPF scheme.

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

### ENQUIRIES AND COMPLAINTS

The number of enquiries received by the MPFA in 2006-07 was 180 292 as compared with 161 428 in 2005-06, averaging about 600 per working day. The enquiries were mostly about enrolment and contribution arrangements, transfer or withdrawal of benefits, as well as default contributions and imposition of surcharges.

During the year, a total of 9 095 complaints were received as compared with 9 176 complaints received in 2005-06. Complaints relating to default contributions accounted for the majority of the cases recorded, followed by those relating to non-enrolment.

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

### ENFORCEMENT ACTIONS

#### Non-enrolment and Default Contributions

The MPFA adopts various practicable means to enforce the law against employers who fail to make MPF contributions for their employees or who do not enrol their employees in MPF schemes. In accordance with the MPF legislation, a surcharge calculated at 5% of the default contribution amount is imposed on employers who default in making MPF contributions for their employees. The surcharges received are credited into the employees' MPF accounts. During the year, 308 700 such payment notices covering different contribution periods were issued.

To recover contributions and surcharges in arrears, the MPFA filed 171 claims at District Court and four claims at High Court in 2006-07 on behalf of 5 399 employees in total. There were also 952 cases, involving 2 731 employees, submitted to the Small Claims Tribunal. In addition, the MPFA made 202 applications (on behalf of 5 078 employees) to liquidators in respect of default contribution cases.

When the MPFA investigates suspected default contribution cases, some employers would pay the contributions in arrears after persuasion and counselling by the MPFA's inspectors. Where the default situation continues, and if sufficient evidence and witnesses are available, the MPFA would, after obtaining legal advice, refer the cases to the Department of Justice and the Police for criminal prosecution. During the year, the MPFA applied for 430 and 10 summonses in respect of default contributions and non-enrolment respectively. Among the 40 employers (involving 240 summonses) who had taken plea by 31 March 2007, 38 (involving 212 summonses) pleaded guilty or were convicted. The total amount of fines imposed was \$662,600. Among the summonses issued, 105 were laid against 15 directors/managers of limited companies. Nine of these directors/managers were convicted and fined \$8,000 to \$20,000 each. The rest were pending court judgement.

The MPFA also applies for garnishee orders<sup>1</sup> to enforce court orders where the employers do not pay the judgement debt before the date set. A total of 165 garnishee orders were applied during the year, successfully recovering \$193,751 of outstanding MPF contributions and surcharges.

<sup>1</sup> This is a means of executing a court judgement to recover debts due. The court, upon application by the judgement creditor, could issue a garnishee order against a third person, such as a bank, to pay direct to the judgement creditor the debt due from the third person to the judgement debtor to satisfy the judgement debt.

## Enforcement (cont'd)

The MPFA is empowered under the MPF legislation to impose financial penalties on defaulting employers. In late 2006, a publicity programme was carried out to remind employers that late contributions and default contributions were liable to financial penalty. During the year 2006-07, financial penalties of \$5,000 for each case or 10% of the outstanding contribution, whichever was greater, were imposed on 73 employers with substantiated defaulting offences. They were mainly repeated defaulters who owed substantial amounts of outstanding default contributions.

Default contribution cases come to the MPFA's attention through complaints from the public (including referral cases), reports submitted by trustees, or proactive inspection of business establishments. In 2006-07, additional frontline staff were recruited to speed up the handling of default contribution cases. Investigation of about 4 824 employers were completed during the year, and civil claims were pursued in substantiated cases.

During the year, the MPFA proactively inspected 2 486 business establishments to check on non-enrolment and defaults in contribution. Major targets of these inspections included catering establishments, retail outlets and construction sites. Joint inspections were held with the Labour Department at the work places of government contractors providing cleansing, pest control and security services.

In 2006-07, the MPFA recovered in total \$158 million of default MPF contributions at various levels of court, or by persuasion and counselling of employers concerned. Statistics on enforcement actions are set out in Part E of the Statistics section.



## Enforcement (cont'd)

In respect of SEPs, the MPFA has been encouraging compliance through education and publicity. In 2006-07, we continued to launch publicity campaigns to remind SEPs of their MPF responsibilities, and to send letters to SEPs with default contribution records to remind them about their responsibility to make MPF contributions. Furthermore, 1 400 calls were made to selected SEPs suspected to have defaulted in making MPF contributions. Of those SEPs whom we successfully reached, 55% were not actual default cases. The MPFA is following up the rest of the cases.

To facilitate scheme members' access to contribution information and allow early detection of failure to make MPF contributions, the MPFA has been liaising with the approved MPF trustees on the proposal to establish a centralized contribution enquiry line to connect to the trustees' call centres or Interactive Voice Response Systems. The plan is to conduct a trial run in the third quarter of 2007 before its formal launch in late 2007.

### Other Offences

In addition to prosecution cases related to non-enrolment or failure to make MPF contributions, the MPFA took enforcement actions during the year leading to conviction of two other offences for the first time. In November 2006, an employer was convicted of failing to comply with the MPFA's request for the relevant income records of one of his employees. The employer concerned pleaded guilty and was fined \$3,000. In February 2007, a scheme member was convicted of making a false and misleading statement in a document given to an approved MPF trustee for claiming MPF benefits based on the reason of permanent departure from Hong Kong. He was fined \$8,000.





# Public Education and Publicity

## Overview

### Our role

- Educate the public on the MPF System and MPF investment
- Foster continuous community support for the MPF System

### In 2006-07, we

- Commenced Phase Two of the MPF Investment Education Campaign
- Organized activities to disseminate MPF investment knowledge at the community level
- Carried out education and publicity programmes for different target groups on various aspects of the MPF System
- Published 189 articles to educate the public on MPF investment and other MPF issues, and 207 press releases to inform the public on enforcement actions taken and new developments of the MPFA

### MPF INVESTMENT EDUCATION

In the previous financial year 2005-06, a six-month MPF Investment Education Campaign was carried out to raise scheme members' awareness of their MPF investment and encourage them to look after their MPF accounts. The Campaign concluded in March 2006. To sustain the publicity and education impact of the Campaign, further programmes were implemented, including a poster campaign launched in June 2006 on high-visibility outdoor platforms.



Poster Campaign to sustain the impact of the 2005-06 MPF Investment Education Campaign



Phase Two of the Campaign, carrying the same theme “Look After Your MPF Investment --- Add Value to Your Future” has been rolled out since September 2006 and will last for 18 months until March 2008. The focus of this phase is on advising scheme members how they can better manage their MPF accounts and make appropriate fund choices.

As a kick-off, a new series of Announcements in the Public Interest (APIs) was launched in September 2006 on television, radio, video panels on buses, MTR trackside plasma, and outdoor video walls. It was complemented by giant posters at bus stops, MTR and KCR trackside panels, echoing the theme and creative concept of the APIs. A five-episode television mini-series “Smart Employees, Smart MPF Tips” was produced to provide practical tips for managing MPF accounts and explain the features of different types of MPF funds. In February 2007, “fai chun” (Chinese New Year couplets)



TV Series “Smart Employees, Smart MPF Tips” provided practical tips to employees on managing their MPF accounts



New Announcements in the Public Interest to encourage scheme members to look after their MPF investment





New Year gifts to encourage more attention to MPF investment and to herald good investment return

with an MPF theme and Mandarin candies also packaged with an MPF message were distributed to the general public and MPFA's stakeholders to show goodwill and to remind them of the need to look after their MPF investment. A set of MPF fund cartoon characters representing the five major types of MPF funds were also developed for launch in May 2007.

In the print media, 138 articles and two press releases on various topics of MPF investment were published in newspapers, magazines and newsletters of trustees and labour unions.

### COMMUNITY OUTREACH PROGRAMMES

In our effort to consolidate community support for the MPF System and disseminate education and publicity information, we have maintained close communication link with various stakeholder groups, including employer and employee groups, professional bodies, political parties and District Councils. In partnership with these groups, we maintained contact with their members by organizing seminars and outreaching activities to provide education on the MPF System and MPF investment.

These activities included 23 MPF District Carnivals and Exhibitions held in partnership with political parties, featuring game booths, information display, information counters and stage performances. For the fourth consecutive year, the MPFA participated in the Hong Kong Brands and Products Expo organized by the Chinese Manufacturers' Association of Hong Kong in December 2006 to disseminate messages on the MPF System and MPF investment through stage performance which included a drama and a quiz game. Our representatives also gave talks to labour unions, business associations and community groups.



MPF Investment Seminar held in partnership with Wanchai District Council



Carnival to reach out to the community to deepen their understanding of the MPF System

The office in Tsuen Wan established in mid-2006 has provided a district focal point for the MPFA's education, promotion and networking activities and served as an additional platform to provide information and services to the community. As at 31 March 2007, a total of 4 569 visitors have come to the office to check information, make enquiries or lodge complaints. The office has also held MPF seminars for the local community and organized an MPF carnival in partnership with a political party.

**EDUCATING THE YOUNG** We promoted the concept of life-long financial planning to the younger generation. Jointly with the Education and Manpower Bureau, Committee on Home-School Cooperation, Institute of Financial Planners of Hong Kong and a Chinese newspaper, we organized a Financial Planning Competition. The aim was to enhance the knowledge of secondary and university students on financial and retirement planning. Supplements on the event and other youth education work of the MPFA were published in two newspapers.

In partnership with a Chinese newspaper, a territory-wide youth programme "City Orienteering 2006" was held to enhance the awareness of young people on financial planning. An MPFA booth was staged in the Financial Services Career Exhibition held at the Hong Kong Polytechnic University, featuring fundamental information on the MPF System and the MPFA. We took part in the Education and Careers Expo held in February 2007, staging an exhibition booth to enhance school leavers' and job-seekers' understanding of the MPF System and MPF investment knowledge. We also gave talks on the MPF System and MPF investment to students of universities and tertiary institutions.



Students participated in the Financial Planning Competition



Young people visiting MPF booth at Education and Careers Expo 2007 to get information on the MPF System

### OTHER PUBLICITY ACTIVITIES

To encourage scheme members to proactively take care of their MPF investment, we developed customized programmes for selected target groups. A quiz competition was organized in July 2006 in partnership with a labour union to enhance employees' knowledge on MPF and other relevant labour rights and benefits. Two publicity campaigns, targeting self-employed persons, were held in November 2006. A total of three seminars and three outreach activities were held for workers of the catering and construction industries to promote MPF messages. Recorded messages were broadcast on a taxi association's call centre radio system to promote MPF messages to taxi drivers. We also published a booklet on Industry Schemes for distribution to workers in the construction and catering industries.



Reaching out to self-employed persons in the community

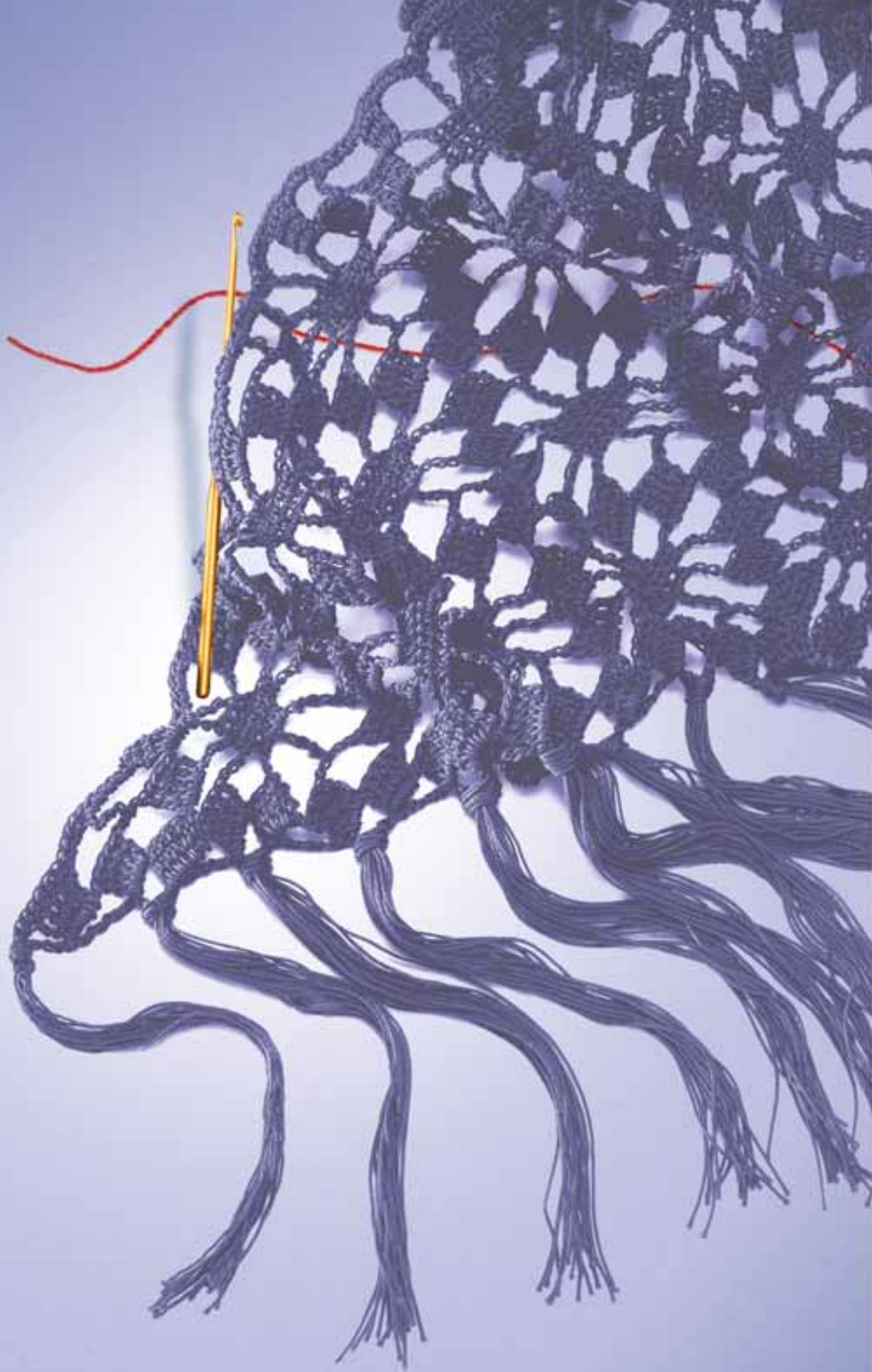
During the year, we issued 51 articles and 205 press releases on enforcement actions and other MPF topics. The articles were carried in newspapers, magazines and newsletters of trustees and labour unions.

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



Promoting MPF message to MPF Industry Schemes members







# Supporting Services

## Overview

### Our focus

- Ensure that essential supporting services are provided for the smooth operation of the whole organization

### In 2006-07, we

- Conducted 68 recruitment exercises to fill new positions and vacancies at manager and supporting grades
- Set up offices in Tsuen Wan and Kwun Tong
- Reviewed the investment strategy of the Capital Grant
- Continued the development of a Management Information System to address the organization's management information needs
- Promoted electronic filing within the organization
- Developed a plan for the preservation of records with archival value

### As at 31 March 2007:

- The approved headcount was 410
- The balance of the Capital Grant was \$5.62 billion
- The total value of the Compensation Fund was \$1,044.3 million



**STAFFING** The approved headcount of the MPFA as at end of the previous financial year (2005-06) was 322. During the year, new positions were created to speed up the processing of default contribution cases, to assist in carrying out the MPF Investment Education Campaign, and to set up the branch office function in Tsuen Wan. As at 31 March 2007, the MPFA had an approved headcount of 410. The staff cost to total expenditure ratio for the year 2006-07 was 68.14%, and the staff turnover rate was 11.43%. During the year, there were 68 recruitment exercises, including those conducted internally and externally, to fill new positions as well as vacancies arising from natural attrition at manager and supporting grades.

Information on MPFA's staff development and staff activities is set out in the chapter "MPFA Staff and the Community", on pages 36 to 39.

**REORGANIZATION OF WORK** From time to time, the MPFA reviews its structure and operations, taking into account the development of the organization. The top management structure was reviewed in August 2006 following the resignation of Executive Director (Enforcement). Chief Operating Officer (Compliance)'s role and scope of responsibility have been expanded to directly oversee the Enforcement Division since September 2006. The post title was changed to Chief Operating Officer (Enforcement) to reflect more aptly the change in role. The position of Head (Corporate Services) was upgraded to Executive Director (Corporate Services) to truly reflect the responsibilities of the position. Appointment to the Executive Director (Corporate Services) position was made in November 2006.

The Supervision Division's work and resources were reorganized in 2005-06 to facilitate the implementation of risk-based supervisory and regulatory approaches and the introduction of the Compliance Standards. The implementation of the reorganization was reviewed and further fine-tuned in mid-2006.

## Supporting Services (cont'd)

To meet the requirements of our plan to speed up the processing of default contribution cases, the structure and resources of the Investigation and Claims Department were reviewed. The Special Task Force of the Investigation and Claims Department was strengthened with the addition of 51 staff members, including Inspectorate grade staff, Officers and Administrative Assistants. The manpower of the Legal Department, Financial Control Department, General Administration Department, Human Resources Department and Information Technology Department was increased by nine to support this initiative.

### OFFICE ACCOMMODATION

To strengthen the MPFA's work at the district level, the MPFA set up an office in Tsuen Wan in mid-2006. The office serves to maintain a presence in the districts and to provide convenience to the local community in obtaining MPFA's services. Up to 31 March 2007, the Tsuen Wan office has received 4 569 visitors, with an average of around 22 visitors per weekday. The results of a survey conducted among visitors to the office from late June to December 2006 show that 97% of the visitors were satisfied with the services they received.

The MFA also set up an office in Kwun Tong during the year to house the Special Task Force of the Investigation and Claims Department, including additional frontline staff recruited to speed up the processing of default contribution cases. The office commenced operation in December 2006.



MPFA Tsuen Wan Office provides a district focal point for education and community support

### FINANCIAL CONTROL

The MPFA continued to review the control measures in financial operations and implemented appropriate changes to policies and procedures to ensure efficient and effective use of financial resources. Meanwhile, we have deployed more financial resources to step up public education, to speed up the processing of default contribution cases and to set up a disaster recovery centre. Total expenditure for the MPFA in 2006-07 was \$232.8 million, representing a 6.8% increase compared with the previous year.

We continued our efforts in ensuring efficient allocation of resources within the organization. In addition to the annual budget and mid-year budget review processes, we also review the requirements and resources implications of major projects at an early stage to ensure the effective planning of resources and procurement logistics.

Upon the implementation of the ORSO Record Management System and the adoption of relevant accounting and reporting standards, we reviewed the control and reporting processes to strengthen the accuracy and timeliness of financial and management information on our business operations. We have also reviewed those new standards and interpretations that have been issued but are not yet effective and assessed their impact on MPFA's operations and financial reporting.

### TREASURY

As at 31 March 2007, the balance of the \$5 billion Capital Grant from the HKSAR Government was \$5.62 billion. Meanwhile, the total value of the Compensation Fund, including the \$600 million seed money from the Government, the levies collected pursuant to the MPFSO, as well as investment return, was \$1,044.3 million.

The present investment strategy for the Capital Grant, which held a global balanced portfolio, will have been implemented for three years by July 2007. A review of the strategy was conducted in early 2007. The result showed that the existing strategic asset allocation was appropriate. Meanwhile, the services and performance of the master custodian and the three external fund managers appointed to manage the Capital Grant's securities investments were closely monitored to ensure high service standards, compliance with MPFA's investment guidelines and satisfactory performance.

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

### **INFORMATION TECHNOLOGY**

Since 2005, the MPFA has embarked on a long-term project to develop a Management Information System (MIS) to facilitate policy formulation and decision making, and to serve as an information base to support its operations. During the year, we completed the identification and analysis of information needs and set up a list of prioritized subject areas. Going forward, a working group will be formed to work on the acquisition of required information for the System.

We deployed information technology tools in the development of a web-based comparative platform for MPF funds. With the assistance of a contractor, a prototype of the platform has been developed and programme construction has commenced by the end of March 2007.

In respect of enforcement-related information systems, we developed a system for handling trustee-reported default contribution cases, a system to process civil claims to District Court and High Court, and a financial penalty system. We also launched an electronic leave application system to automate the staff leave application procedures in the organization.

In early 2007, we commenced an Information Systems Strategy Study to determine the adequacy of our current information systems and develop a strategy for the MPFA's information management in the short, medium and long terms. With the help of an external consultant, interviews were conducted with user representatives and divisional heads to assess the information systems and information in use. After consolidating the findings, the consultant will formulate strategic options and make recommendations on the way forward.

The phased upgrading of existing computer equipment, which commenced in 2005, was completed during the year. By the end of October 2006, all users have had their desktop computers upgraded. The upgrading of the servers for various application systems was also completed by the end of March 2007.

### RECORDS MANAGEMENT

We continued to extend the use of the General Office & Registry Information Automation (GLORIA) system, an electronic filing system, within the organization. During the year, 169 new GLORIA files were set up and a new user department was added. Meanwhile, an electronic flimsy system was also implemented for the circulation of correspondence and other useful information for sharing among different groups of staff. We have also developed a plan for the preservation of records with archival value. The first cycle collection of archival items has commenced.

Regarding the management of inactive records, we contracted out the records handling service for inactive files, and reduced the size of our own offsite storage location. We also reviewed the services provided in respect of disposal of records whose retention period has expired, with particular emphasis on measures to ensure information security.

### BUSINESS CONTINUITY PLANNING

Currently, the MPFA engages an outside vendor's service to provide a site for maintaining the continuity of our computer systems and business operation in the event of a disaster. With the establishment of an office in Kwun Tong, we have made provisions for a data centre at the Kwun Tong office, equipped with all necessary application systems and related equipment, as a back-up business continuity centre for the MPFA. Preparation for the setting up of this alternative computer/business operation site has started and will be completed in 2007-08.

During the year, we conducted two communication drills for all staff and the senior management respectively to ensure effective communication among staff in case of emergency. In November 2006, we also took part in a market contingency exercise for the financial services sector coordinated by the Financial Services and the Treasury Bureau.



Office in Kwun Tong to house the Special Task Force of the Investigation and Claims Department





### LEGAL SUPPORT

The Legal Department provides legal support to many aspects of MPFA's operation.

On the enforcement side, the Legal Department worked closely with the Enforcement Division 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 in prosecution cases. It also advised on civil actions for the recovery of outstanding contributions on behalf of scheme members and the enforcement of judgements.

On the supervision side, the Legal Department advised the Supervision Division on issues related to the monitoring of approved MPF trustees, intermediaries and ORSO schemes.

The Legal 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 revise related guidelines. It also advised on legal issues that arose in the day-to-day operation of MPFA.

## International Exchanges

During the year, the MPFA received visitors from overseas and the Mainland, including representatives of government or non-government organizations, exchanging views as well as sharing experiences with them. Our representatives also participated in several international conferences and gave presentations on the MPF System. Highlights of these activities are given below.

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22-23 Jun 2006      Executive Director (Regulation & Policy) chaired the Breakout Panel on “Contractual Savings Industry and Asset Management” during the Conference on the East Asian Financial Markets: the Next Frontier organized in Hong Kong by the World Bank in conjunction with the Hong Kong Monetary Authority.

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6 Sep 2006      At MPFA, Managing Director, Chief Operating Officer (Enforcement) and Executive Director (Regulation & Policy) received Lord Turner of Ecchiswell, former Chairman of Pensions Commission of the United Kingdom, and briefed him on the latest developments of the MPF System.

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29 Sep 2006      At MPFA, Executive Director (Supervision) and Head (External Affairs) gave an update on the implementation of the MPF System to YBhg Tan Sri Abdul Halim Ali, Chairman of Media Development Corporation of Malaysia.

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26 Oct 2006      At MPFA, the Chairman, Chief Operating Officer (Enforcement) and Executive Director (Supervision) received a delegation of the National Council for Social Security Fund, led by Vice Board Chairman Mr Gao Xiqing, and presented to them the regulation and supervision of the MPF System.

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6-7 Nov 2006      Executive Director (Supervision) attended the “Population Aging and Capital Markets in Developing Countries” Symposium organized by the Korea Securities Research Institute in Seoul, Korea and spoke on the supervisory framework for Hong Kong’s MPF System.

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6-8 Nov 2006      Executive Director (Regulation & Policy) attended the Technical and Executive Committees meetings of the International Organization of Pension Supervisors (IOPS) and the OECD/IOPS Global Forum on Private Pensions in Istanbul, Turkey.

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## International Exchanges (cont'd)



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23-24 Nov 2006 Executive Director (Regulation & Policy) gave a presentation on “Taking Stock of Pension Reforms in Hong Kong – Is there a Need for Further Changes” at the Third Asian Conference on Pensions and Retirement Planning organized by Asia Insurance Review and Middle East Insurance Review in Shanghai, China.

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5 Feb 2007 At MPFA, Managing Director and Chief Operating Officer (Enforcement) received Mr Koh Yong Guan and Mr Liew Heng San, Chairman and Chief Executive Officer of Central Provident Fund Board of Singapore, and gave them a presentation on the latest developments of the MPF System.

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9 Feb 2007 At MPFA, Chief Operating Officer (Enforcement) and Executive Director (Supervision) gave an overview of the MPF System to a delegation from PGGM, the pension fund for employees in the healthcare and social work sector in the Netherlands.

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14-15 Mar 2007 Executive Director (Regulation & Policy) spoke on “Alternative Investments and Government Oversight – The Rationale for Investment Restrictions in Pension Systems: Hong Kong and Some International Benchmarks” at the Alternative Investment Asia conference organized by the Information Management Network in Hong Kong.

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15 Mar 2007 At MPFA, Managing Director and Executive Director (Regulation & Policy) gave an update on the developments of the MPF System to Mr Jeffrey Lucy, Chairman of Australian Securities and Investments Commission.

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21-23 Mar 2007 Executive Director (Regulation & Policy) attended the Technical Committee meeting and International Pension Conference organized by the International Organization of Pension Supervisors (IOPS) in Amsterdam, Netherlands.

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Apr 2006 – Mar 2007 Eighteen groups of civil servants from the Mainland visited the MPFA, as part of their training programme, and were briefed on the operation of the MPF System.

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# Financial Statements

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**MPFA**

**INDEPENDENT  
AUDITOR'S  
REPORT TO THE  
MANAGEMENT  
BOARD OF 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 of the MPFA set out on pages 81 to 96, which comprise the balance sheet as at 31 March 2007, and the income and expenditure account, the statement of changes in capital and reserve and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**THE MANAGEMENT BOARD'S RESPONSIBILITY FOR THE FINANCIAL  
STATEMENTS**

The Management Board is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 6P(2) of the Mandatory Provident Fund Schemes Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the MPFA as at 31 March 2007 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 June 2007

## MPFA

# INCOME AND EXPENDITURE ACCOUNT

For the year ended  
31 March 2007

	NOTE	2007 HK\$	2006 HK\$
<b>INCOME</b>			
Fee income		9,601,169	8,951,241
Interest income on bank deposits		12,658,236	9,923,051
Net investment income	5	455,983,422	369,905,011
		478,242,827	388,779,303
Other income		24,551	7,247
		478,267,378	388,786,550
<b>EXPENDITURE</b>			
Staff costs		158,577,247	142,938,783
Depreciation		6,444,903	5,948,607
Premises expenses		24,521,973	20,813,651
Public education and publicity expenses		8,476,275	8,758,764
Investment expenses		15,409,443	15,159,731
Other operating expenses		19,306,272	24,401,079
		232,736,113	218,020,615
<b>SURPLUS FOR THE YEAR</b>		245,531,265	170,765,935

# BALANCE SHEET

At 31 March 2007

	NOTES	2007 HK\$	2006 HK\$
<b>NON-CURRENT ASSETS</b>			
Property and equipment	10	25,067,981	12,162,571
Projects in progress	11	728,508	83,790
		<b>25,796,489</b>	<b>12,246,361</b>
<b>CURRENT ASSETS</b>			
Investments designated at fair value through profit or loss	12	5,105,742,821	4,927,431,940
Derivative financial instruments	13	1,606,075	4,268,296
Unsettled investment receivables	14	90,419,648	44,761,415
Debtors, deposits and prepayments	14	33,023,211	19,739,252
Interest receivables	14	41,326,461	34,681,380
Bank deposits	14	279,200,000	239,500,000
Bank balances and cash	14	494,751,598	500,071,756
		<b>6,046,069,814</b>	<b>5,770,454,039</b>
<b>CURRENT LIABILITIES</b>			
Derivative financial instruments	13	3,973,190	2,544,896
Unsettled investment payables	15	387,826,455	366,326,141
Creditors and accrued charges	15	52,047,988	31,331,353
Fees received in advance	15	3,935,093	3,945,698
		<b>447,782,726</b>	<b>404,148,088</b>
<b>NET ASSETS</b>			
		<b>5,624,083,577</b>	<b>5,378,552,312</b>
<b>CAPITAL AND RESERVE</b>			
Capital grant	16	5,000,000,000	5,000,000,000
Income and expenditure account		624,083,577	378,552,312
		<b>5,624,083,577</b>	<b>5,378,552,312</b>

The financial statements on pages 81 to 96 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 28 June 2007 and are signed on its behalf by:

**Diana Chan**  
Managing Director

MPFA

## STATEMENT OF CHANGES IN CAPITAL AND RESERVE

*For the year ended  
31 March 2007*

	Capital Grant HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2005	5,000,000,000	207,786,377	5,207,786,377
Surplus for the year	–	170,765,935	170,765,935
At 31 March 2006	5,000,000,000	378,552,312	5,378,552,312
Surplus for the year	–	245,531,265	245,531,265
At 31 March 2007	5,000,000,000	624,083,577	5,624,083,577

# CASH FLOW STATEMENT

For the year ended  
31 March 2007

	2007 HK\$	2006 HK\$
<b>OPERATING ACTIVITIES</b>		
Surplus for the year	245,531,265	170,765,935
Adjustments for:		
Depreciation	6,444,903	5,948,607
Gain on disposals of property and equipment	(12,200)	(24,657)
Interest income on bank deposits	(12,658,236)	(9,923,051)
Interest income on investments designated at fair value through profit or loss	(187,124,337)	(152,883,706)
Dividends from investments designated at fair value through profit or loss	(24,830,660)	(27,779,938)
Net gain on investments designated at fair value through profit or loss	(285,761,014)	(145,314,749)
Net realised loss (gain) on derivative financial instruments	37,642,074	(45,809,814)
Net unrealised loss on derivative financial instruments	4,090,515	1,883,196
Operating cash flows before movements in working capital	(216,677,690)	(203,138,177)
(Increase) decrease in debtors, deposits and prepayments	(13,283,959)	12,491,142
Increase (decrease) in creditors and accrued charges	15,942,149	(8,148,200)
Decrease in fees received in advance	(10,605)	(331,852)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(214,030,105)</b>	<b>(199,127,087)</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from investments designated at fair value through profit or loss	25,764,511	27,389,272
Interest received on bank deposits	12,590,840	9,313,638
Interest received from investments designated at fair value through profit or loss	180,546,652	144,929,019
Proceeds on disposals of property and equipment	12,200	24,657
Proceeds on disposals of investments designated at fair value through profit or loss	11,715,770,686	13,488,938,401
Purchase of property and equipment and projects in progress	(15,220,545)	(7,418,334)
Purchase of investments designated at fair value through profit or loss	(11,633,412,323)	(13,534,434,800)
(Increase) decrease in bank deposits	(39,700,000)	12,640,000
(Purchase) settlement of derivative financial instruments	(37,642,074)	45,809,814
Decrease in bank balances held for investment purposes	7,337,740	10,846,601
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>216,047,687</b>	<b>198,038,268</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,017,582</b>	<b>(1,088,819)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL 2006</b>	<b>1,832,330</b>	<b>2,921,149</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH 2007</b>	<b>3,849,912</b>	<b>1,832,330</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	494,751,598	500,071,756
Less: Bank balances held for investment purposes	(490,901,686)	(498,239,426)
	<b>3,849,912</b>	<b>1,832,330</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended  
31 March 2007

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

The MPFA was established in Hong Kong under section 6 of the 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. Its office address is 21/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

The financial statements are presented in Hong Kong dollars ("HK dollars"), which is the same as the functional currency of the MPFA.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the MPFA has applied, for the first time, a number of new standards, amendment and interpretations (the new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 December 2005. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The MPFA has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC)-Int 11	Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2008

The MPFA anticipates that the adoption of these standards, amendment and interpretations in future periods will have no material impact on the financial statements

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended  
31 March 2007

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, and in accordance with HKFRSs issued by the HKICPA. 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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount.

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

#### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the MPFA becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income and expenditure account.

#### Financial assets

The MPFA's financial assets include financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*For the year ended  
31 March 2007*

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Financial assets (cont'd)

##### *Financial assets at fair value through profit or loss (cont'd)*

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the MPFA's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of contract containing one or more embedded derivatives, and HKAS39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income and expenditure account in the period in which they arise.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including debtors, deposits and prepayments, unsettled investment receivables, interest receivables, bank deposits and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income and expenditure account when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities, including creditors and accrued charges, fees received in advance and unsettled investment payables, are subsequently measured at amortised cost, using the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended  
31 March 2007

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Financial liabilities (cont'd)

##### *Derivative financial instruments*

The MPFA uses derivative financial instruments (primarily foreign exchange contracts) to hedge its exposure against investments designated at fair value through profit or loss. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

##### *Derivatives that do not qualify for hedge accounting*

Derivatives that do not qualify for hedge accounting, such as foreign exchange contracts, are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in the income and expenditure account.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the MPFA has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income and expenditure account.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income and expenditure account.

#### Property and equipment

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

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

Property and equipment are depreciated on a straight-line basis 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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income and expenditure account in the year in which the item is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*For the year ended  
31 March 2007*

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Projects in progress

An internally-generated intangible asset of projects in progress arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will produce future economic benefits. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

#### Impairment

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

#### Foreign currencies

In preparing the financial statements of the MPFA, transactions in currencies other than the functional currency of the MPFA are recorded in its functional currency (that is the currency of the primary economic environment in which the MPFA operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income and expenditure account in the period in which they arise.

#### Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### Retirement benefit costs

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended  
31 March 2007

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The MPFA's major financial instruments include bank deposits and balances and equity and debt investments. The MPFA sets its strategic investment allocation using a statistical approach. A set of Investment Guidelines approved by the Management Board is in place to lay down limits and restrictions on currency exposure, currency risk, interest rate risk, credit risk, general activities and hedging activities. The Finance Committee, one of the standing committees of the MPFA, is responsible to oversee the investments of all MPFA funds.

Permissible investments have to satisfy requirements of credit rating, minimum market capitalisation and marketability as detailed in the Investment Guidelines. A benchmark portfolio was chosen based on an expected average return that had been weighted against its expected volatility. The probabilities of achieving positive return over one year, two years and five years were then considered. Apart from bank deposits that are managed internally, three fund managers were chosen to manage three global balanced funds. Each fund manager is required to invest with prudence with the objective of protection of principal and above benchmark returns. Apart from proactive contributions in stock selection, interest rate and currency risk management, each fund manager is expected to tactically allocate between broad asset classes based on fundamentals and judgements of relative value. Deviation margins permitted for each asset class have been set using a risk budget approach based on correlation of asset returns between asset classes, volatility and expected tracking error for each asset class.

#### Currency exposure and currency risk

The Investment Guidelines require each fund manager to hold investments to maintain a currency exposure of over 85% in HK dollar and US dollar. The benchmark return for each invested asset class is in HK dollar, US dollar or a foreign currency hedged back into US dollar.

As part of the invested portfolio is in global equities, there are therefore currency risks due to currency fluctuations related to those equities. The fund managers are permitted to hedge related currency risks using forward currency contracts back into HK dollar or US dollar. As at 31 March 2007, the fair value of the invested portfolios is given below:

Currency risk	2007		2006	
	HK\$	%	HK\$	%
Instruments denominated in				
HK dollar	1,869,191,346	35	1,797,716,580	35
US dollar	3,315,611,415	62	3,227,212,461	63
Other currencies	152,107,719	3	106,747,615	2
	5,336,910,480	100	5,131,676,656	100

#### Fair value interest rate risk

The invested portfolios are exposed to fair value interest rate risks due to holdings in debt securities. The fund managers may mitigate such risk by the switching out of debt securities onto either cash or equities up to a limited percentage dictated by the permitted asset class deviation margin. The fund managers may further reduce duration risk by reducing bond portfolio duration up to two years below the benchmark duration. On the contrary, the fund managers may also increase duration risk up to two years above the benchmark duration. As at 31 March 2007, the average bond portfolio duration of all three fund managers versus that of the benchmark is set out below:

	2007 Years	2006 Years
Benchmark duration	4.20	4.24
Portfolio duration	3.62	3.65

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended  
31 March 2007

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

#### Credit risk

The portfolios must invest only into bonds that have a minimum credit rating of A- by Standard & Poor's Ratings Services and A3 by Moody's Investors Service, Inc. As at 31 March 2007, the credit risk profile as weighted by market value (including accrued interest) is set out below:

Credit risk	2007		2006	
	HK\$	%	HK\$	%
Credit rating of issuers				
AAA <sup>1</sup>	2,028,192,021	51	1,971,272,354	52
AA <sup>2</sup>	1,262,271,704	32	911,025,064	24
A <sup>3</sup>	680,564,738	17	882,926,886	24
	<b>3,971,028,463</b>	<b>100</b>	<b>3,765,224,304</b>	<b>100</b>

<sup>1</sup> AAA means AAA by S&P and/or Aaa by Moody's

<sup>2</sup> AA means between AA- and AA+ by S&P and Aa3 and Aa1 by Moody's

<sup>3</sup> A means between A- and A+ by S&P and A3 and A1 by Moody's

#### Price risk

The invested portfolios are investments designated at fair value through profit or loss and are measured at fair value at each balance sheet date. The MPFA manages this price risk exposure by maintaining a portfolio of investments with different risk profiles. The investment performance is reported to the Finance Committee every three months and to the Management Board every six months.

#### Liquidity risk

The MPFA does not have any borrowing and therefore has no repayment liability. The MPFA maintains a sufficient short-term liquidity to fund its operations and runs a bank deposit portfolio to achieve reasonable return on cash. As part of the strategic asset allocation, the bank deposit portfolio functions as an asset class to diversify and control portfolio risk.

### 5. NET INVESTMENT INCOME

	2007 HK\$	2006 HK\$
Interest income on investments designated at fair value through profit or loss	187,124,337	152,883,706
Dividends from investments designated at fair value through profit or loss	24,830,660	27,779,938
Net unrealised and realised gains on investments designated at fair value through profit or loss	285,761,014	145,314,749
Net realised (loss) gain on derivative financial instruments	(37,642,074)	45,809,814
Net unrealised loss on derivative financial instruments	(4,090,515)	(1,883,196)
	<b>455,983,422</b>	<b>369,905,011</b>

### 6. 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.

## MPFA

### NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended  
31 March 2007

## 7. DEFINED CONTRIBUTION PLAN

The MPFA operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the plans are held separately from those of the MPFA in funds under the control of trustees.

The total expense recognised in the income and expenditure account of HK\$9,060,941 (2006: HK\$9,183,206) represents contributions paid or payable to these plans by the MPFA at rates specified in the rules of the plans. As at 31 March 2007, no contributions (2006: HK\$6,297) were due in respect of the year ended 31 March 2007 had not been paid over to the plans.

## 8. DIRECTORS' EMOLUMENTS

The emoluments of all directors for the years ended 31 March 2007 and 2006 are set out below:

	Fees HK\$	Salaries and other benefits HK\$	2007 Contributions to MPF schemes HK\$	Variable pay HK\$	Total emoluments HK\$
<b>Executive Directors</b>					
Diana Chan Tong Chee-ching	–	4,206,312	490,200	735,240	5,431,752
Hendena Yu	–	2,956,624	334,078	413,264	3,703,966
Ernest Lee Shu-wing <sup>1</sup>	–	939,251	78,272	–	1,017,523
Darren Mark McShane	–	3,303,565	383,800	575,680	4,263,045
Jimmy Woo Jack-man	–	2,547,494	284,579	326,033	3,158,106
Thomas Yiu Kei-chung <sup>2</sup>	–	923,778	108,929	161,984	1,194,691
<b>Non-Executive Directors</b>					
Henry Fan Hung-ling <sup>3</sup>	–	–	–	–	–
Charles Lee Yeh-kwong <sup>4</sup>	–	–	–	–	–
Edward Chan King-sang	–	–	–	–	–
Stephen Ip Shu-kwan	–	–	–	–	–
Leo Kung Lin-cheng	–	–	–	–	–
Lee Kai-ming <sup>4</sup>	–	–	–	–	–
Angelina Lee Wong Pui-ling	–	–	–	–	–
Li Fung-ying <sup>3</sup>	–	–	–	–	–
Frederick Ma Si-hang	–	–	–	–	–
David Sun Tak-kei	–	–	–	–	–
Tam Yiu-chung	–	–	–	–	–
Kenneth Ting Woo-shou	–	–	–	–	–
Wong Ting-kwong	–	–	–	–	–
Total	–	14,877,024	1,679,858	2,212,201	18,769,083

<sup>1</sup> Resigned as from 21 August 2006

<sup>2</sup> Appointment effective from 7 November 2006

<sup>3</sup> Appointment effective from 17 March 2007

<sup>4</sup> Retired as from 16 March 2007

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**8. DIRECTORS' EMOLUMENTS (cont'd)**

	Fees HK\$	Salaries and other benefits HK\$	2006 Contributions to MPF schemes HK\$	Variable pay HK\$	Total emoluments HK\$
<b>Executive Directors</b>					
Diana Chan Tong Chee-ching	—	4,199,966	490,200	735,240	5,425,406
Hendena Yu	—	2,923,092	327,363	375,027	3,625,482
Ernest Lee Shu-wing	—	2,312,541	264,620	350,965	2,928,126
Darren Mark McShane	—	3,264,559	380,000	569,960	4,214,519
Jimmy Woo Jack-man	—	2,518,366	278,827	293,467	3,090,660
<b>Non-Executive Directors</b>					
Charles Lee Yeh-kwong	—	—	—	—	—
Edward Chan King-sang	—	—	—	—	—
Stephen Ip Shu-kwan	—	—	—	—	—
Leo Kung Lin-cheng	—	—	—	—	—
Lee Kai-ming	—	—	—	—	—
Angelina Lee Wong Pui-ling	—	—	—	—	—
Frederick Ma Si-hang	—	—	—	—	—
David Sun Tak-kei	—	—	—	—	—
Tam Yiu-chung	—	—	—	—	—
Kenneth Ting Woo-shou	—	—	—	—	—
Wong Ting-kwong	—	—	—	—	—
Total	—	15,218,524	1,741,010	2,324,659	19,284,193

**9. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the MPFA, all were Executive Directors, whose emoluments are included in note 8 above.

One of the Executive Directors was appointed during the year, his emoluments for the full year in 2007 were as follows:

	2007 HK\$
Salaries and other benefits	2,217,500
Contributions to the Mandatory Provident Fund schemes	116,129
Variable pay	316,208
	<b>2,649,837</b>

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**9. EMPLOYEES' EMOLUMENTS (cont'd)**

The emoluments of the five highest paid individuals were within the following bands:

	2007 No. of employees	2006 No. of employees
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	–	–
HK\$5,000,001 to HK\$5,500,000	1	1
	<b>5</b>	<b>5</b>

**10. PROPERTY AND EQUIPMENT**

	Leasehold improvements HK\$	Computer equipment and software HK\$	Office equipment and furniture HK\$	Motor vehicles HK\$	Total HK\$
<b>COST</b>					
At 1 April 2005	23,111,176	64,080,105	9,120,055	802,684	97,114,020
Additions	2,444,878	5,517,896	383,132	–	8,345,906
Disposals	(3,312,180)	(618,646)	(351,450)	–	(4,282,276)
At 31 March 2006	22,243,874	68,979,355	9,151,737	802,684	101,177,650
Additions	4,305,094	10,884,366	4,160,853	–	19,350,313
Disposals	–	(1,431,348)	–	–	(1,431,348)
At 31 March 2007	26,548,968	78,432,373	13,312,590	802,684	119,096,615
<b>DEPRECIATION</b>					
At 1 April 2005	22,271,510	56,026,264	8,248,290	802,684	87,348,748
Charge for the year	565,049	4,925,001	458,557	–	5,948,607
Eliminated on disposals	(3,312,180)	(618,646)	(351,450)	–	(4,282,276)
At 31 March 2006	19,524,379	60,332,619	8,355,397	802,684	89,015,079
Charge for the year	1,496,600	3,934,754	1,013,549	–	6,444,903
Eliminated on disposals	–	(1,431,348)	–	–	(1,431,348)
At 31 March 2007	21,020,979	62,836,025	9,368,946	802,684	94,028,634
<b>CARRYING AMOUNTS</b>					
At 31 March 2007	5,527,989	15,596,348	3,943,644	–	25,067,981
At 31 March 2006	2,719,495	8,646,736	796,340	–	12,162,571



**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**11. PROJECTS IN PROGRESS**

Projects in progress consist of expenditure of capital projects not yet completed at 31 March 2007 amounting to HK\$728,508 (2006: HK\$83,790).

**12. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2007 HK\$	2006 HK\$
<b>At fair value</b>		
Equity securities:		
Listed	1,174,632,329	1,192,816,159
Unlisted	–	2,801,811
	1,174,632,329	1,195,617,970
Debt securities:		
Listed	1,179,756,272	1,234,275,229
Unlisted	2,751,354,220	2,497,538,741
	3,931,110,492	3,731,813,970
Total:		
Listed	2,354,388,601	2,427,091,388
Unlisted	2,751,354,220	2,500,340,552
	5,105,742,821	4,927,431,940

Fair values of listed investments and unlisted investments have been determined by reference to bid prices quoted in active markets and over the counter brokers quotations respectively.

**13. DERIVATIVE FINANCIAL INSTRUMENTS**

	2007		2006	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Foreign currency contracts:				
Forward	1,606,075	3,972,080	4,266,938	2,543,350
Spot	–	1,110	1,358	1,546
	1,606,075	3,973,190	4,268,296	2,544,896

The above derivatives are not under hedge accounting and are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

**14. OTHER FINANCIAL ASSETS**

The fair values of debtors, deposits, prepayments, unsettled investment receivables and interest receivables, determined based on estimated cash flows discounted at the prevailing market rate at each balance sheet date, approximate to the corresponding carrying amount. All financial assets are non-interest bearing except for bank deposits and bank balances.

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**15. OTHER FINANCIAL LIABILITIES**

The fair values of creditors and accrued charges, fees received in advance and unsettled investment payables, determined based on estimated cash flows discounted at the prevailing market rate at each balance sheet date, approximate to the corresponding carrying amount. All financial liabilities are non-interest bearing.

**16. 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.

**17. 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.

**18. 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:

	2007 HK\$	2006 HK\$
Contracted but not provided for	1,864,262	195,510
Authorised but not contracted for	–	1,401,948
	<b>1,864,262</b>	<b>1,597,458</b>

**19. OPERATING LEASE COMMITMENTS**

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

	2007 HK\$	2006 HK\$
Within one year	21,555,635	11,561,874
In the second to fifth year inclusive	40,133,670	51,743,448
	<b>61,689,305</b>	<b>63,305,322</b>

Operating lease payments represent rental payable by the MPFA for its office premises and storage space. Office leases are negotiated for a term between eighteen months to six years and rentals are fixed throughout the term.

**20. 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 2010. 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**

**INDEPENDENT  
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 of the Fund set out on pages 98 to 107, which comprise the balance sheet as at 31 March 2007, and the income and expenditure account, the statement of changes in capital and reserve and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**THE ADMINISTRATOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The administrator is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 184(3)(a) of the Mandatory Provident Fund Schemes (General) Regulation and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the administrator, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Fund as at 31 March 2007 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
28 June 2007

**MPF SCHEMES  
COMPENSATION FUND**

**INCOME AND  
EXPENDITURE  
ACCOUNT**

*For the year ended  
31 March 2007*

	NOTE	2007 HK\$	2006 HK\$
<b>INCOME</b>			
Levy fee		<b>62,978,864</b>	49,135,134
Interest income on bank deposits		<b>29,462,737</b>	20,143,317
Net investment income	5	<b>19,968,129</b>	10,342,527
		<b>112,409,730</b>	79,620,978
<b>EXPENDITURE</b>			
Auditor's remuneration		<b>43,000</b>	43,000
Investment expenses		<b>58,993</b>	57,980
Other operating expenses		<b>7,350</b>	2,450
		<b>109,343</b>	103,430
<b>SURPLUS FOR THE YEAR</b>		<b>112,300,387</b>	79,517,548

**MPF SCHEMES  
COMPENSATION FUND**

**BALANCE  
SHEET**

*At 31 March 2007*

	NOTES	2007 HK\$	2006 HK\$
<b>CURRENT ASSETS</b>			
Investments designated at fair value through profit or loss	7	<b>262,534,115</b>	220,711,672
Levy fee receivables	8	<b>62,236,002</b>	47,990,236
Interest receivables	8	<b>11,499,755</b>	6,854,398
Bank deposits	8	<b>707,886,926</b>	656,360,000
Bank balances	8	<b>219,366</b>	145,052
		<b>1,044,376,164</b>	932,061,358
<b>CURRENT LIABILITIES</b>			
Creditors and accrued charges	9	<b>57,117</b>	42,698
<b>NET ASSETS</b>		<b>1,044,319,047</b>	932,018,660
<b>CAPITAL AND RESERVE</b>			
Seed money	10	<b>600,000,000</b>	600,000,000
Income and expenditure account		<b>444,319,047</b>	332,018,660
		<b>1,044,319,047</b>	932,018,660

The financial statements on pages 98 to 107 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 28 June 2007 and signed on its behalf by:

**Diana Chan**  
*Managing Director*



**MPF SCHEMES  
COMPENSATION FUND**

**STATEMENT OF  
CHANGES IN  
CAPITAL AND  
RESERVE**

*For the year ended  
31 March 2007*

	Seed Money HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2005	600,000,000	252,501,112	852,501,112
Surplus for the year	–	79,517,548	79,517,548
At 31 March 2006	600,000,000	332,018,660	932,018,660
Surplus for the year	–	112,300,387	112,300,387
At 31 March 2007	600,000,000	444,319,047	1,044,319,047

**MPF SCHEMES  
COMPENSATION FUND**

## CASH FLOW STATEMENT

*For the year ended  
31 March 2007*

	2007 HK\$	2006 HK\$
<b>OPERATING ACTIVITIES</b>		
Surplus for the year	112,300,387	79,517,548
Adjustments for:		
Interest income on bank deposits	(29,462,737)	(20,143,317)
Interest income on investments designated at fair value through profit or loss	(7,757,756)	(5,123,508)
Dividends from investments designated at fair value through profit or loss	(1,327,530)	(1,164,500)
Net gains on investments designated at fair value through profit or loss	(10,882,843)	(4,054,519)
Operating cash flows before movements in working capital	62,869,521	49,031,704
Increase in levy fee receivables	(14,245,766)	(11,163,352)
Increase (decrease) in creditors and accrued charges	14,419	(5,046)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>48,638,174</b>	<b>37,863,306</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from investments designated at fair value through profit or loss	1,327,530	1,164,500
Interest received on bank deposits	25,943,824	15,644,137
Interest received from investments designated at fair value through profit or loss	6,631,312	5,527,807
Proceeds on disposals of investments designated at fair value through profit or loss	258,715,900	598,032,449
Purchase of investments designated at fair value through profit or loss	(289,655,500)	(609,206,719)
Increase in bank deposits	(51,526,926)	(49,000,000)
(Increase) decrease in bank balances held for investment purposes	(3,956)	3,956
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(48,567,816)</b>	<b>(37,833,870)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>70,358</b>	<b>29,436</b>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL 2006</b>	<b>99,008</b>	<b>69,572</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH 2007</b>	<b>169,366</b>	<b>99,008</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank balances	219,366	145,052
Less: Bank balances held for investment purposes	(50,000)	(46,044)
	169,366	99,008

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended  
31 March 2007*

### **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. The MPFA’s office address is 21/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

The financial statements are presented in Hong Kong dollars (“HK dollars”), which is the same as the functional currency of the Fund.

### **2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Fund has applied, for the first time, a number of new standards, amendment and interpretations (the new “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1 December 2005. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Fund has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC)-Int 11	Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>6</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2008

The Fund anticipates that the adoption of these standards, amendment and interpretations in future periods will have no material impact on the financial statements.

**MPF SCHEMES  
COMPENSATION FUND**

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, and in accordance with HKFRSs issued by the HKICPA. 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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount.

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

**Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income and expenditure account.

**Financial assets**

The Fund's financial assets include financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Financial assets (cont'd)**

*Financial assets at fair value through profit or loss (cont'd)*

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income and expenditure account in the period in which they arise.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including levy fee receivables, unsettled investment receivables, interest receivables, bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income and expenditure account when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities, including creditors and accrued charges and unsettled investment payables are subsequently measured at amortised cost, using the effective interest rate method.



**MPF SCHEMES  
COMPENSATION FUND**

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Fund has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income and expenditure account.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income and expenditure account.

**4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund's major financial instruments include bank deposits and balances, equity and debt investments. The strategic investment allocation was set using a statistical approach. A set of Investment Guidelines approved by the MPFA's Management Board is in place to lay down limits and restrictions on currency risk, interest rate risk, credit risk and general activities. The Finance Committee, one of the standing committees of the MPFA, is responsible to oversee the investment of the Fund.

Permissible debt investments have to satisfy the requirements of the credit rating specified in the Investment Guidelines. The investment portfolio is managed in-house.

**Currency risk**

The Investment Guidelines permit only investments in HK dollars. There is therefore no currency risk taken by the Fund.

**Fair value interest rate risk**

The invested portfolio is exposed to fair value interest rate risks due to holdings in debt securities. Such risks may be mitigated by reducing the asset weight and portfolio duration of the bond portfolio. The Fund invests mainly in short-dated HK dollar debt securities of up to two years' maturity. As at 31 March 2007, the debt securities portfolio duration is set out below:

	2007 Years	2006 Years
Portfolio duration	0.48	0.42

**Credit risk**

The portfolios must invest only into debt securities of investment grade. As at 31 March 2007, the credit risk profile as weighted by market value (including accrued interest) is set out below:

Credit risk

Credit rating of issuers	2007		2006	
	HK\$	%	HK\$	%
AA <sup>1</sup>	218,240,682	100	184,607,796	100

<sup>1</sup> AA means between AA- and AA+ by S&P and Aa3 and Aa1 by Moody's

**MPF SCHEMES  
COMPENSATION FUND**

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

**Price risk**

The invested portfolios are investments designated at fair value through profit or loss and are measured at fair value at each balance sheet date. The Fund maintains a fairly high percentage in cash investment, i.e. HK dollar deposits. Debt securities investments are of short maturity and therefore are subject to relatively low price risk. The investment in equities accounted for less than 5% of the total investments. Equities are managed with a passive investment style and its weighting re-balanced to maintain the strategic asset allocation within a tolerance limit. The investment performance is reported to the Finance Committee every three months and to the Management Board every six months.

**5. NET INVESTMENT INCOME**

	2007 HK\$	2006 HK\$
Interest income on investments designated at fair value through profit or loss	<b>7,757,756</b>	5,123,508
Dividends from investments designated at fair value through profit or loss	<b>1,327,530</b>	1,164,500
Net unrealised and realised gains on investments designated at fair value through profit or loss	<b>10,882,843</b>	4,054,519
	<b>19,968,129</b>	10,342,527

**6. 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.

**7. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2007 HK\$	2006 HK\$
<b>At fair value</b>		
Equity securities:		
Listed	<b>46,580,000</b>	37,264,000
Debt securities:		
Listed	<b>215,954,115</b>	109,702,722
Unlisted	–	73,744,950
	<b>215,954,115</b>	183,447,672
Total:		
Listed	<b>262,534,115</b>	146,966,722
Unlisted	–	73,744,950
	<b>262,534,115</b>	220,711,672

Fair values of listed investments and unlisted investments have been determined by reference to bid prices quoted in active markets and over-the-counter brokers quotations respectively.

**MPF SCHEMES  
COMPENSATION FUND**

**NOTES TO THE  
FINANCIAL  
STATEMENTS (cont'd)**

*For the year ended  
31 March 2007*

**8. OTHER FINANCIAL ASSETS**

The fair values of levy fee receivables, unsettled investment receivables and interest receivables, and bank deposits and balances determined based on estimated cash flows discounted at the prevailing market rate at each balance sheet date, approximate to the corresponding carrying amount. All financial assets are non-interest bearing except for bank deposits.

**9. OTHER FINANCIAL LIABILITIES**

The fair values of creditors and accrued charges and unsettled investment payables, determined based on estimated cash flows discounted at the prevailing market rate at each balance sheet date, approximate to the corresponding carrying amount. All financial liabilities are non-interest bearing.

**10. 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.

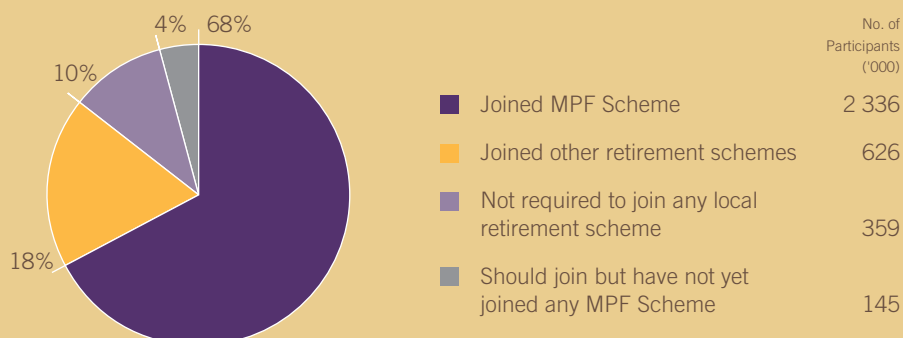
## STATISTICS

### PART A

### MPF SCHEME MEMBERS

#### 1. EMPLOYED POPULATION BY TYPE OF RETIREMENT SCHEMES ENROLLED

(as at 31.3.2007)



#### 2. THE MPF UNIVERSE

##### EMPLOYERS UNDER THE MPF SYSTEM:

	('000)
Number of main businesses <sup>(1)</sup>	309
Add	
– Number of owners' corporations with employee(s) which are not covered in the Central Register of Establishments (CRE) <sup>(2)</sup>	3
– Number of employers engaged in other industries which are not covered in the CRE	3
Less	
– Number of business establishments with no employee <sup>(3)</sup>	75
– Number of business establishments engaging exempt persons only	3
<b>Employers under the MPF System*</b>	<b>237</b>

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

Sources:

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

**Statistics (cont'd)**  
**PART A**  
**MPF SCHEME**  
**MEMBERS**

**RELEVANT EMPLOYEES UNDER THE MPF SYSTEM:**

	(‘000)
Number of employees (excluding employees aged below 18 or above 65) <sup>(1)</sup>	3 014
Less	
– Civil servants who are covered by the Civil Service Pension System <sup>(2)</sup>	146
– Teachers who are covered by the Grant Schools or Subsidized Schools Provident Fund <sup>(3)</sup>	39
– Employees who choose to remain as members of MPF Exempted ORSO Registered Schemes <sup>(4)</sup>	441
– Domestic employees <sup>(5)</sup>	229
– 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 <sup>(6)</sup>	40
– Employees who are employed for less than 60 days, excluding employees participating in construction and catering industries <sup>(7)</sup>	14
<b>Relevant Employees under the MPF System*</b>	<b>2 106</b>

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

Sources:

- (1) Estimation based on statistics obtained from the General Household Survey by the Census and Statistics Department
- (2) Estimation based on the figures published by the Civil Service Bureau
- (3) Estimation based on the figures provided by the Treasury Department
- (4) Estimation based on figures reported by Employers of MPF Exempted ORSO Registered Schemes
- (5) Estimation based on statistics obtained from the General Household Survey by the Census and Statistics Department
- (6) Estimation based on figures provided by the Census and Statistics Department
- (7) Estimation based on figures obtained from a special topic enquiry conducted via the General Household Survey in Q2 2005 by the Census and Statistics Department

**SELF-EMPLOYED PERSONS UNDER THE MPF SYSTEM:**

	(‘000)
Number of SEPs extracted from the General Household Survey (excluding SEPs aged below 18 or above 65) <sup>(1)</sup>	379
Less	
– SEPs who are licensed hawkers <sup>(2)</sup> (excluding licensed hawkers aged below 18 or above 65)	4
<b>SEPs under the MPF System*</b>	<b>376</b>

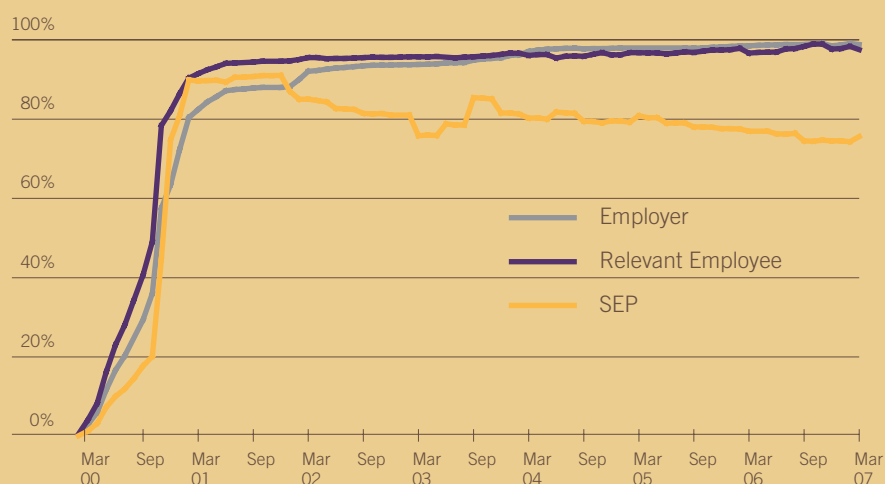
\* Figures may not sum up to the total due to rounding.

Sources:

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

Statistics (cont'd)  
PART A  
MPF SCHEME  
MEMBERS

### 3. ENROLMENT IN MPF SYSTEM



### 4. NUMBER OF PARTICIPATING MEMBERS AND ENROLMENT RATES

(1.4.2006 – 31.3.2007)

As at	Employer		Relevant Employee		SEP		No. of Preserved Accounts ('000)
	Participating Employers <sup>(1)</sup> ('000)	Compliance Rate (%)	Participating Members <sup>(1)</sup> ('000)	Compliance Rate (%)	Participating Members <sup>(1)</sup> ('000)	Compliance Rate (%)	
31.03.2006	228	98.5	1 993	96.7	287	77.0	2 019
30.06.2006	229	98.7	2 019	96.9	287	76.3	2 091
30.09.2006	231	98.8	2 047	98.3	285	74.5	2 177
31.12.2006	232	98.5	2 071	97.7	285	74.5	2 271
31.03.2007	234	98.8	2 052	97.5	284	75.6	2 350

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

### 5. MPF CONTRIBUTIONS RECEIVED AND BENEFITS PAID

(1.4.2006 – 31.3.2007)

Quarter	Contributions Received			Benefits Paid		
	Mandatory	Voluntary	Total*	Mandatory	Voluntary	Total*
	(HK\$ million)					
Q2 2006	6,176	765	6,941	779	444	1,223
Q3 2006	6,291	721	7,012	885	538	1,424
Q4 2006	6,362	748	7,110	849	464	1,313
Q1 2007	7,091	907	7,997	971	556	1,527
Total*	25,919	3,141	29,060	3,484	2,003	5,488

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



Statistics (cont'd)  
PART B  
MPF PRODUCTS

**1A. NET ASSET VALUES OF MPF SCHEMES BY TYPE**

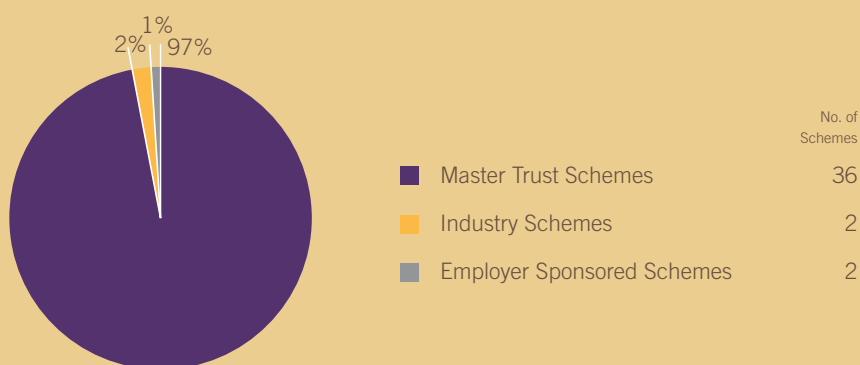
(1.4.2006 – 31.3.2007)

As at	Type of MPF Schemes			(HK\$ million)
	Master Trust Schemes	Industry Schemes	Employer Sponsored Schemes	TOTAL*
31.03.2006	159,860	3,465	1,289	164,613
30.06.2006	165,588	3,551	1,351	170,490
30.09.2006	177,363	3,720	1,404	182,487
31.12.2006	196,890	3,993	1,525	202,407
31.03.2007	205,434	4,141	1,624	211,199

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

**1B. NET ASSET VALUES OF MPF SCHEMES BY TYPE**

(as at 31.3.2007)



**2A. NET ASSET VALUES OF APPROVED CONSTITUENT FUNDS BY TYPE<sup>(1)</sup>**

(1.4.2006 – 31.3.2007)

As at	Type of Approved Constituent Funds <sup>(2)</sup>						(HK\$ million)
	Capital Preservation Fund	Money Market Fund and Others <sup>(3)</sup>	Guaranteed Fund	Bond Fund	Mixed Assets Fund <sup>(4)</sup>	Equity Fund	TOTAL*
31.03.2006	23,126	1,061	21,933	1,939	85,358	31,196	164,613
30.06.2006	23,940	1,014	22,221	2,052	87,683	33,579	170,490
30.09.2006	24,818	1,051	23,119	2,225	93,644	37,630	182,487
31.12.2006	25,908	1,082	24,246	2,427	105,244	43,500	202,407
31.03.2007	26,723	1,105	24,594	2,626	109,720	46,430	211,199

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

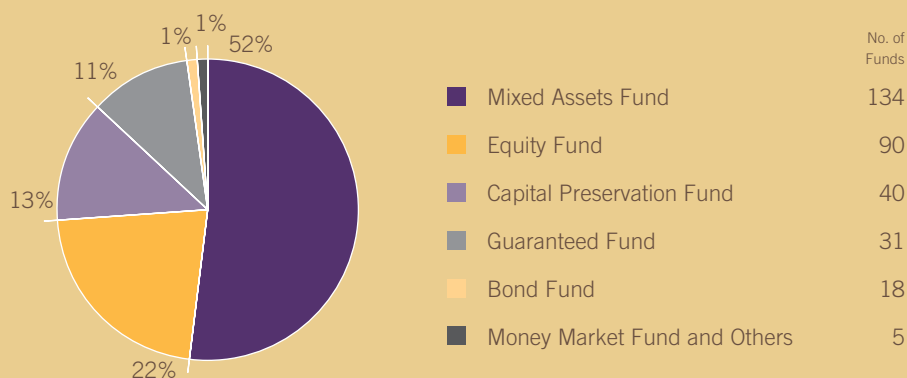
(1) As reported by trustees. Note that the figures include assets transferred from the ORSO schemes.

(2) From December 2006 onward, the Fund Descriptors as used in the Code on Disclosure for MPF Investment Funds and the industry's Performance Presentation Standards for Investment Funds (the "PPS") are adopted for classification of constituent funds. Accordingly, a one-off revision has been made to the classification of 15 constituent funds, accounting for about 1% of the net asset values of approved constituent funds of all the MPF schemes.

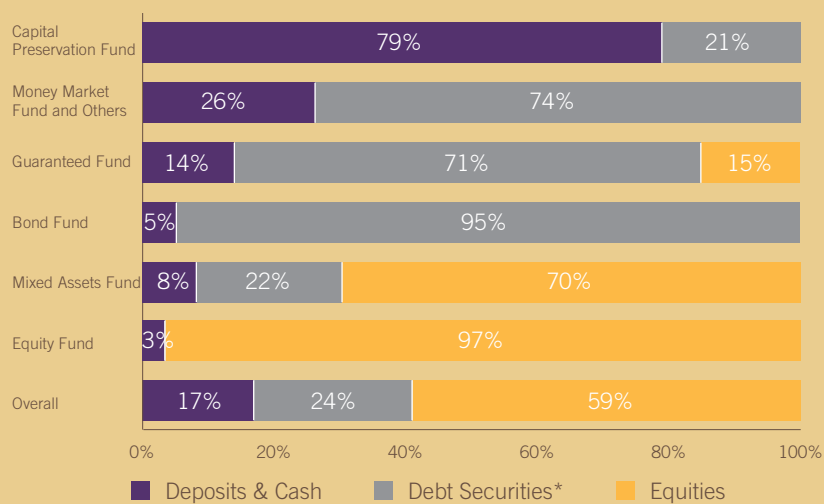
(3) Include Money Market Funds that are not Capital Preservation Funds and the Uncategorized Funds as per the PPS.

(4) Balanced Fund is renamed as Mixed Assets Fund as per the PPS.

**2B. NET ASSET VALUES OF APPROVED CONSTITUENT FUNDS BY TYPE**  
(as at 31.3.2007)

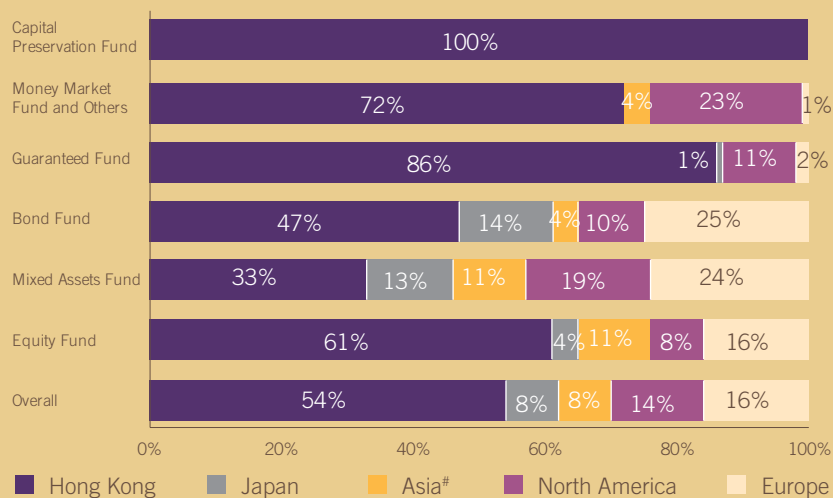


**3. ASSET ALLOCATION OF CONSTITUENT FUNDS BY ASSET CLASS**  
(as at 31.3.2007)



\* Include convertible debt securities.

4. **ASSET ALLOCATION OF CONSTITUENT FUNDS BY GEOGRAPHICAL REGION<sup>(1)</sup>**  
(as at 31.3.2007)



(1) For deposits, cash and debt securities, "Geographical Region" reflects the currency of denomination of the respective accounts and securities. For equities, "Geographical Region" reflects the country of primary listing of the securities.

5. **ASSET ALLOCATION OF CONSTITUENT FUNDS BY ASSET CLASS AND GEOGRAPHICAL REGION<sup>(1)</sup>**  
(as at 31.3.2007)

	Deposits & Cash	Debt Securities <sup>(2)</sup>	Equities	Overall
Hong Kong	16%	12%	26%	54%
Japan	\$	3%	5%	8%
Asia #	\$	\$	8%	8%
North America	1%	4%	9%	14%
Europe	\$	5%	11%	16%
Overall	17%	24%	59%	100%

(1) For deposits, cash and debt securities, "Geographical Region" reflects the currency of denomination of the respective accounts and securities. For equities, "Geographical Region" reflects the country of primary listing of the securities.

(2) Including convertible debt securities.

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

\$ Less than 0.5%.

## 6. ANNUALIZED RATE OF RETURN OF THE MPF SYSTEM WEIGHTED BY NET CONTRIBUTIONS<sup>#</sup>

	Annualized Rate of Return	Annualized Composite CPI* % Change
1.4.2001 – 31.3.2002	-2.49%	-2.2%
1.4.2002 – 31.3.2003	-11.21%	-2.1%
1.4.2003 – 31.3.2004	20.08%	-2.1%
1.4.2004 – 31.3.2005	4.56%	0.8%
1.4.2005 – 31.3.2006	11.70%	1.6%
1.4.2006 – 31.3.2007	11.70%	2.4%
<b>1.4.2001 – 31.3.2007</b>	<b>8.21%</b>	<b>-0.3%</b>

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

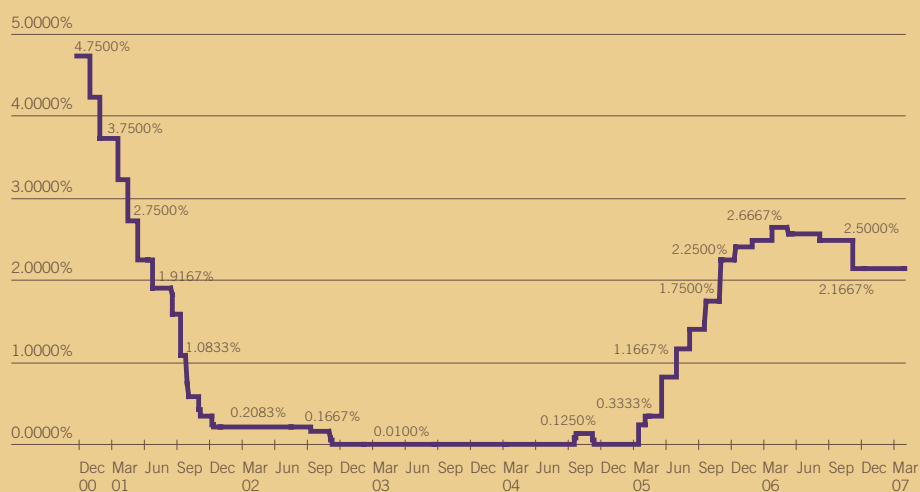
\* Different series of Consumer Price Indices (CPIs) are compiled by the Census and Statistics Department to reflect the impact of consumer price changes on households in different expenditure ranges.

The CPI(A), CPI(B) and CPI(C) are compiled based on the expenditure patterns of households in the relatively low, medium and relatively high expenditure ranges respectively.

A Composite CPI is compiled based on the overall expenditure pattern of all the above households taken together to reflect the impact of consumer price changes on the household sector as a whole.

## 7. PRESCRIBED SAVINGS RATES (PSR)<sup>(1)</sup>

(1.12.2000 – 31.3.2007)

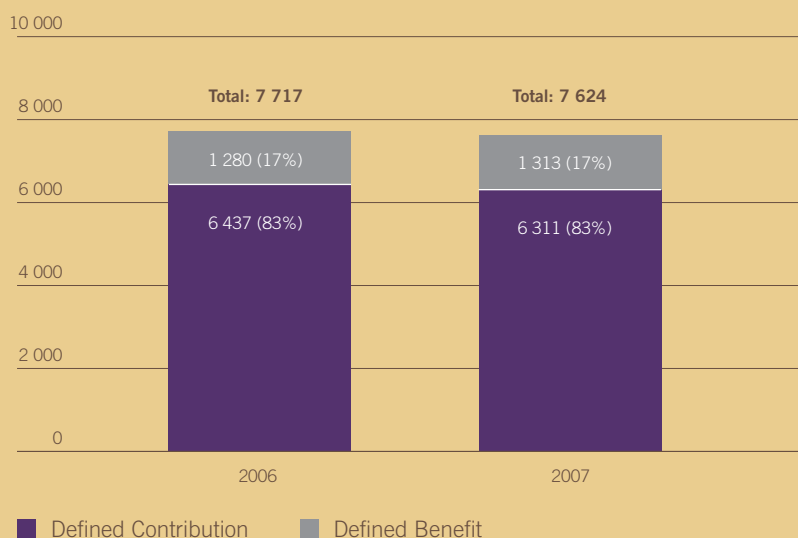


(1) The PSR is prescribed by the MPFA pursuant to section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation for the operation of Capital Preservation Funds.

## ORSO SCHEMES

### 1. NUMBER OF ORSO SCHEMES – BY BENEFIT TYPE

(two year comparison)



### 2. NUMBER OF ORSO SCHEMES – BY BENEFIT TYPE

(as at 31.3.2007)

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	No. of Schemes	%	No. of Schemes	%	No. of Schemes	%
Registered Scheme						
– MPF exempted	4 329	69	263	20	4 592	60
– Non-MPF exempted	891	14	32	2	923	12
	5 220	83	295	22	5 515	72
Exempted Scheme						
– MPF exempted	205	3	154	12	359	5
– Non-MPF exempted	886	14	864	66	1 750	23
	1 091	17	1 018	78	2 109	28
Total	6 311	100	1 313	100	7 624	100

Statistics (cont'd)  
PART C  
ORSO SCHEMES

**MPF EXEMPTED ORSO SCHEMES**

**3. NUMBER OF MPF EXEMPTED ORSO SCHEMES**

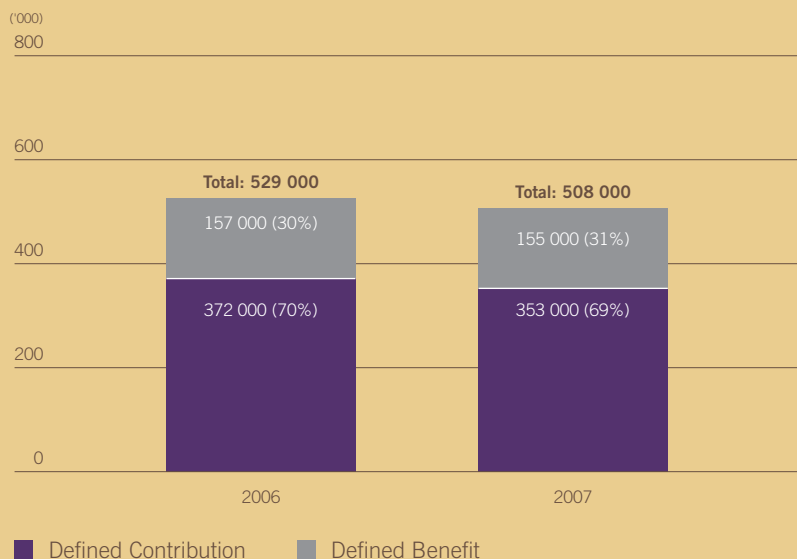
(as at 31.3.2007)

	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(a) Number of MPF Exempted ORSO Schemes approved as at 31 March 2006	4 709	376	5 085
(b) Number of new applications approved during the period from 1 April 2006 to 31 March 2007 (Note)	45	0	45
(c) Number of withdrawals of MPF Exemption Certificates during the period from 1 April 2006 to 31 March 2007	162	17	179
(d) Number of MPF Exempted ORSO Schemes as at 31 March 2007 [i.e. (d) = (a) + (b) – (c)]	4 592	359	4 951

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)





Statistics (cont'd)  
PART C  
ORSO SCHEMES

5. NUMBER OF MEMBERS COVERED BY ORSO REGISTERED SCHEMES –  
BY BENEFIT TYPE *(as at 31.3.2007)*

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	('000)	%	('000)	%	('000)	%
MPF exempted	305	67	147	33	452	100
Non-MPF exempted	48	86	8	14	56	100
Total	353	69	155	31	508	100

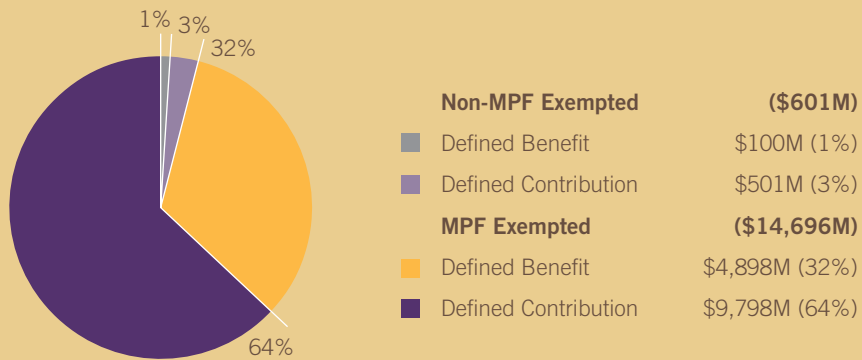
CONTRIBUTION AMOUNT

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

	MPF Exempted (HK\$ million)	Non-MPF Exempted (HK\$ million)	Total (HK\$ million)
Employer's Contributions			
– Ordinary	11,116 (75%)	426 (71%)	11,542 (75%)
– Initial/Special	403 (3%)	41 (7%)	444 (3%)
Sub-total	11,519 (78%)	467 (78%)	11,986 (78%)
Employee's Contributions	3,177 (22%)	134 (22%)	3,311 (22%)
Total Contributions	14,696 (100%)	601 (100%)	15,297 (100%)

Source: The latest annual returns in respect of 5 383 ORSO registered schemes

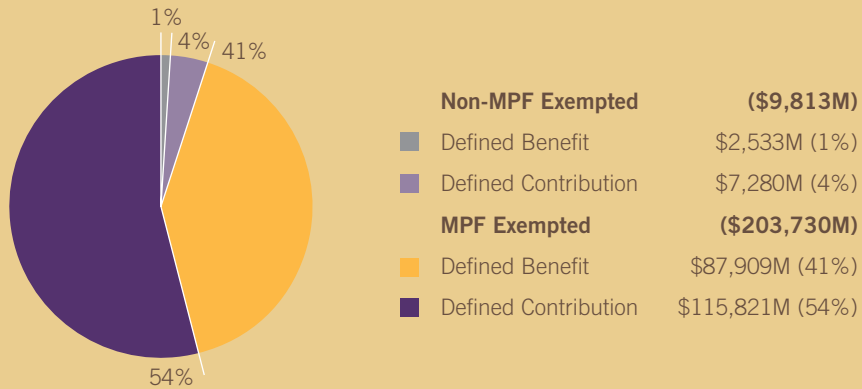
7. ANNUAL CONTRIBUTION AMOUNT TO ORSO REGISTERED SCHEMES – BY BENEFIT TYPE



Contribution Amount: HK\$15,297 million

Source: The latest annual returns in respect of 5 383 ORSO registered schemes

8. ASSET SIZE OF ORSO REGISTERED SCHEMES – BY BENEFIT TYPE  
(as at 31.3.2007)



Asset Size: HK\$213,543 million

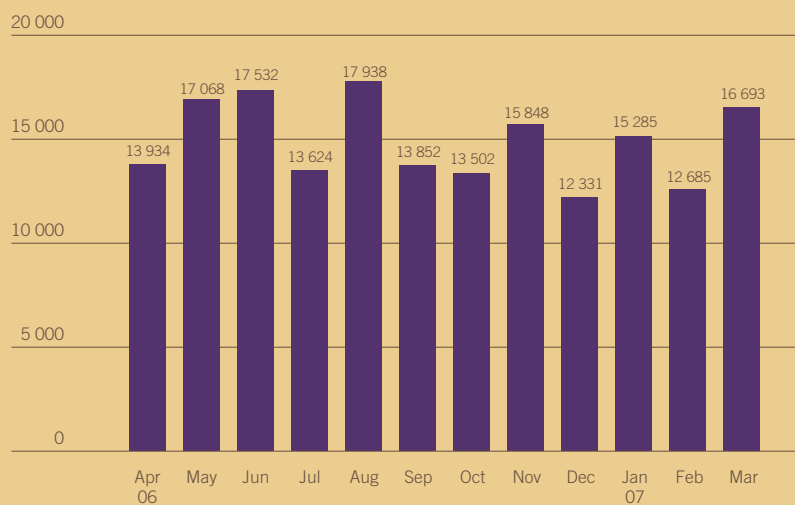
Source: The latest annual returns in respect of 5 383 ORSO registered schemes

## Statistics (cont'd)

### PART D ENQUIRIES AND COMPLAINTS

#### 1. ENQUIRIES RECEIVED BY MONTH

(1.4.2006 – 31.3.2007)

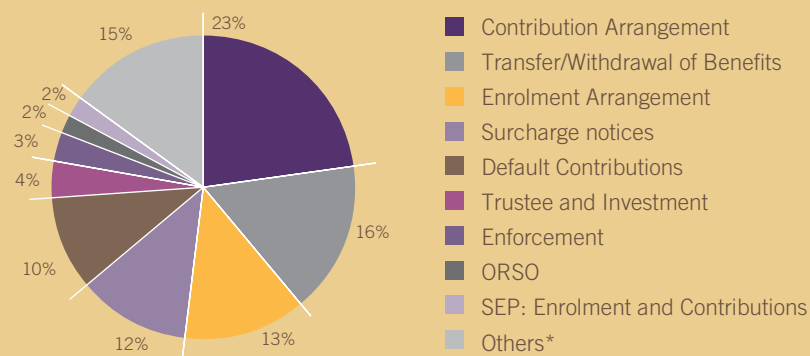


Mode of Enquiries	06						07						Total
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Phone	13 496	16 527	17 078	13 201	17 446	13 370	13 110	15 315	11 918	14 706	12 201	15 956	174 324
Written	256	343	287	246	271	246	237	271	220	293	231	277	3 178
Walk-in	182	198	167	177	221	236	155	262	193	286	253	460	2 790
Total	13 934	17 068	17 532	13 624	17 938	13 852	13 502	15 848	12 331	15 285	12 685	16 693	180 292

Statistics (cont'd)  
PART D  
ENQUIRIES AND  
COMPLAINTS

## 2. ENQUIRIES RECEIVED BY NATURE

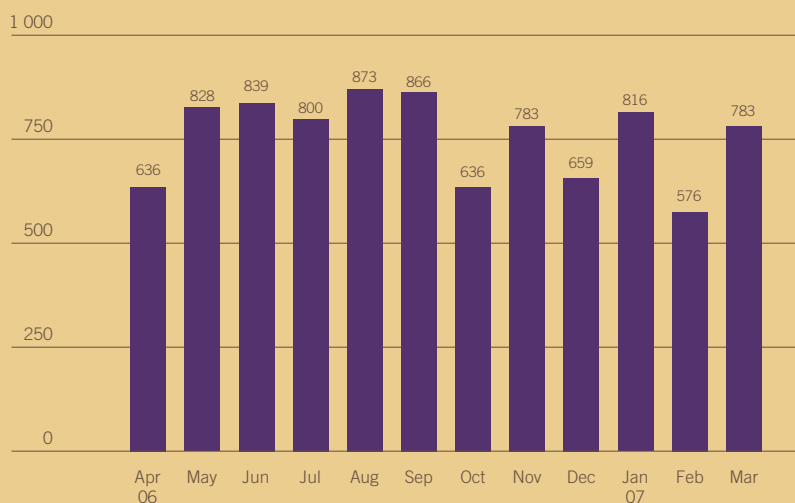
(1.4.2006 – 31.3.2007)



\* Others including Offsetting LSP/SP; MPF-related tax issues; MPFA's publicity; Miscellaneous

## 3. COMPLAINTS RECEIVED BY MONTH

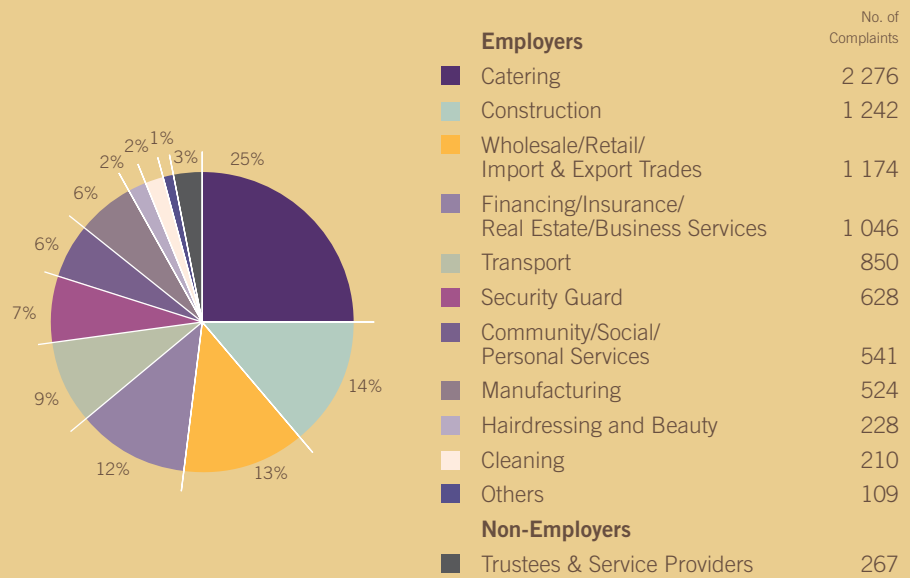
(1.4.2006 – 31.3.2007)



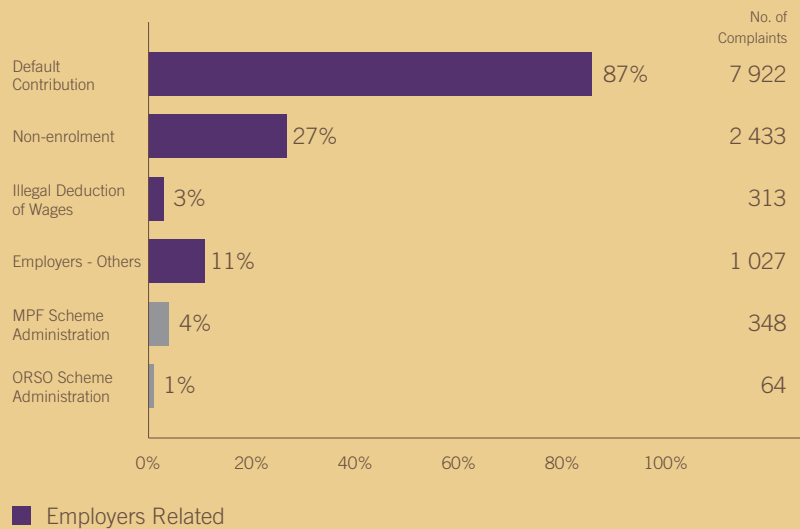
Mode of Complaints	06 Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	07 Jan	Feb	Mar	Total
Phone	573	719	738	685	715	732	553	598	484	673	510	654	7 634
Written	33	42	52	65	55	30	34	82	88	58	21	42	602
Walk-in	30	67	49	50	103	104	49	103	87	85	45	87	859
Total	636	828	839	800	873	866	636	783	659	816	576	783	9 095

Statistics (cont'd)  
PART D  
ENQUIRIES AND  
COMPLAINTS

4. COMPLAINTS RECEIVED BY TARGET  
(1.4.2006 – 31.3.2007)



5. COMPLAINTS RECEIVED BY NATURE\*  
(1.4.2006 – 31.3.2007)



\* Multiple selection of complaint categories allowed.

Statistics (cont'd)  
PART E  
ENFORCEMENT

**1. NUMBER OF PAYMENT NOTICES ISSUED DUE TO DEFAULT CONTRIBUTION**  
(1.4.2006 – 31.3.2007)

Month	Notice @ 5%
Apr 06	30 600
May 06	29 400
Jun 06	30 000
Jul 06	30 400
Aug 06	29 100
Sep 06	22 700
Oct 06	23 400
Nov 06	22 900
Dec 06	22 600
Jan 07	22 700
Feb 07	21 900
Mar 07	23 000
Total	308 700

**2. NUMBER OF INVESTIGATED COMPLAINTS AND TRUSTEE REPORTED CASES BY TYPE OF ALLEGED OFFENCES**  
(1.4.2006 – 31.3.2007)

Alleged Offences	Number
Default contribution	12 746
Non-enrolment	2 433
Reduction of wages	313
Forced change to SEP	28
Failed to Issue Monthly Pay Record	23
Others#	976
Total*	13 560

# Others include failure to notify trustees of termination of employment, evading MPF contributions by setting aside and labelling part of the employee's salary as housing allowance, etc.

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



Statistics (cont'd)  
PART E  
ENFORCEMENT

**3. NUMBER OF SUMMONS APPLICATIONS REFERRED TO THE POLICE –  
BY NATURE OF OFFENCES COMMITTED AND BY RESULTS**  
(1.4.2006 – 31.3.2007)

Prosecution Status as at 31.3.2007					
Nature of Offences	Guilty	Acquitted	Not yet available	Withdrawn*	Total Number of Summonses Applied
Contributions in arrears	207	0	195	28	430
Non-enrolment of Employee	5	0	4	1	10
False statement	1	0	0	0	1
Failing to comply with a lawful requirement made by the Authority in the course of exercising or performing its functions	1	0	0	0	1
<b>Total</b>	<b>214</b>	<b>0</b>	<b>199</b>	<b>29</b>	<b>442</b>

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

**4. NUMBER OF APPLICATIONS LODGED WITH SMALL CLAIMS TRIBUNAL, DISTRICT COURT, HIGH COURT, BAILIFF AND LIQUIDATOR**  
(1.4.2006 – 31.3.2007)

	No. of Cases	Related no. of employees
Lodged with the Small Claims Tribunal	952	2 731
Lodged with the District Court	171	4 345
Lodged with the High Court	4	1 054
Lodged with Bailiff	301	625
Lodged with Liquidators	202	5 078

**5. NUMBER OF GARNISHEE ORDERS APPLIED**  
(1.4.2006 – 31.3.2007):

165

**6. FINANCIAL PENALTY NOTICES ISSUED TO EMPLOYERS**  
(1.4.2006 – 31.3.2007)

Breach	No. of Financial Penalty Notices Issued	Amount of Financial Penalty (HK\$)
Breach of section 7A(8) of the MPFSO (Failure to pay MPF contributions in respect of an employee to the approved trustee within the prescribed period)	74	428,713

Statistics (cont'd)  
PART E  
ENFORCEMENT

## 7. PROACTIVE INSPECTIONS\* CARRIED OUT BY DISTRICT

(1.4.2006 – 31.3.2007)

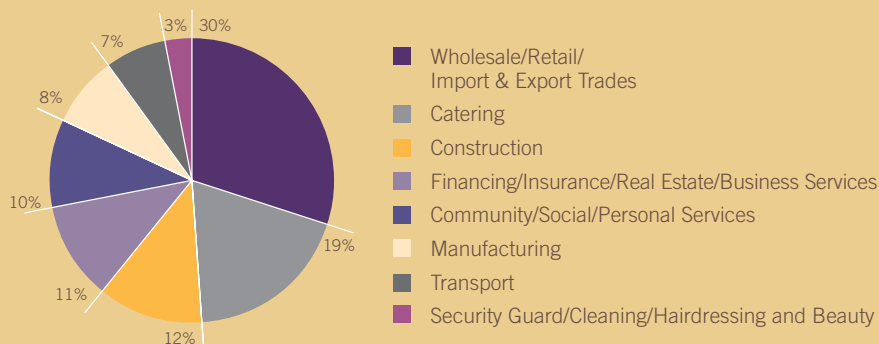
District	Number	%
Yau Tsim Mong	415	17%
Kwun Tong	252	10%
Central & Western	212	9%
Wan Chai	210	8%
Tsuen Wan	208	8%
Eastern	175	7%
Sha Tin	161	6%
Kwai Tsing	160	6%
Sham Shui Po	138	6%
North	135	5%
Kowloon City	110	4%
Tuen Mun	88	4%
Yuen Long	63	3%
Southern	50	2%
Wong Tai Sin	44	2%
Sai Kung	28	1%
Tai Po	27	1%
Islands	10	§
Total	2 486	100%

\* including 848 inspections conducted in response to complaints and intelligence, and 1 638 on-site checking carried out on suspected defaulters reported by trustees.

§ Less than 0.5%.

## 8. PROACTIVE INSPECTIONS CARRIED OUT BY BUSINESS NATURE

(1.4.2006 – 31.3.2007)



## 9. PROACTIVE INSPECTIONS CARRIED OUT BY RESULTS

(1.4.2006 – 31.3.2007)

Inspection Results	Number	%
No further action required (i.e. compliance verified on spot)	325	13.1
Follow-up action required	2 161	86.9
Investigation in progress	1 476	59.4
No further action after investigation	404	16.3
Rectified after intervention by MPFA	191	7.7
Claims to Small Claims Tribunal	56	2.3
Claims to District Court	20	0.8
Claims to High Court	1	§
Claims to Liquidators	13	0.5
Total	2 486	100.0

§ Less than 0.05%.

## APPENDIX 1

### MEMBERSHIP LISTS OF BOARDS AND COMMITTEES

(As at 31 March 2007)

#### MANAGEMENT BOARD

##### CHAIRMAN

The Hon Henry Fan Hung-ling, *SBS, JP*  
(from 17 Mar 2007)

The Hon Charles Lee Yeh-kwong, *GBM, GBS, JP*  
(until 16 Mar 2007)

##### DEPUTY CHAIRMAN

Mrs Diana Chan Tong Chee-ching, *JP*

##### MEMBERS

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

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

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

Mr Leo Kung Lin-cheng, *JP*

Mrs Angelina Lee Wong Pui-ling, *JP*

Mr David Sun Tak-kei, *BBS*

The Hon Wong Ting-kwong, *BBS*

The Hon Li Fung-ying, *BBS, JP*  
(from 17 Mar 2007)

The Hon Stephen Ip Shu-kwan, *GBS, JP*  
*Alternate: Permanent Secretary for  
Economic Development and Labour  
(Labour)*

The Hon Frederick Ma Si-hang, *JP*  
*Alternate: Permanent Secretary for  
Financial Services and the Treasury  
(Financial Services)*

Mr Lee Kai-ming, *SBS, JP*  
(until 16 Mar 2007)

Ms Hendena Yu

Mr Darren Mark McShane

Mr Jimmy Woo Jack-man

Mr Thomas Yiu Kei-chung  
(from 7 Nov 2006)

Mr Ernest Lee Shu-wing, *BBS, JP*  
(until 20 Aug 2006)

#### MANDATORY PROVIDENT FUND SCHEMES ADVISORY COMMITTEE

##### CHAIRMAN

Prof Nelson Chow Wing-sun, *SBS, JP*  
(until 29 Mar 2007)

Mr Lee Kai-ming, *SBS, JP*  
(from 30 Mar 2007)

##### DEPUTY CHAIRMAN

Mrs Diana Chan Tong Chee-ching, *JP*

##### MEMBERS

Mr Chan Kin-por, *JP*

Mr Bob Chong Hot-hoi

The Hon Albert Ho Chun-yan

Mr Lam Yim-nam

Mr Leung Fu-wah, *MH, JP*

Mr Alvin Wong Tak-wai

Mr V-Nee Yeh

Mr Stanley Lau Chin-ho, *MH, JP*  
(from 30 Mar 2007)

Mr Wong Kwok-kin, *BBS*  
(from 30 Mar 2007)

Dr Danny Ngai Kam-fai, *JP*  
(until 29 Mar 2007)

The Hon Li Fung-ying, *BBS, JP*  
(until 29 Mar 2007)

## Appendix 1 (cont'd) MEMBERSHIP LISTS OF BOARDS AND COMMITTEES

(As at 31 March 2007)

### MPF INDUSTRY SCHEMES COMMITTEE

#### CHAIRMAN

The Hon Wong Ting-kwong, *BBS*  
(from 25 Aug 2006)

Mr Lee Kai-ming, *SBS, JP*  
(until 24 Aug 2006)

#### MEMBERS

Mr Choi Chun-wa, *MH*

Mr Billy Wong Wing-hoo, *JP*

Mr Chan Sam-choi (from 25 Aug 2006)

Mr Chung Wai-ping (from 25 Aug 2006)

Mr Hiew Chin, *BBS, MH*  
(from 25 Aug 2006)

Mr Thomas Ho On-sing (from 25 Aug 2006)

Mr Tsang Bing-sun (from 25 Aug 2006)

Mr Yuen Fuk-wo (from 25 Aug 2006)

Ms Lau Ka-shi

Mr Adrian Li Man-kiu (from 25 Aug 2006)

Mr Chan Chi-leung (until 24 Aug 2006)

Mr Chan Wai-lun, *MH* (until 24 Aug 2006)

Mr Ho Sai-chu, *SBS, JP*  
(until 24 Aug 2006)

Mr Ngan Chun-hung (until 24 Aug 2006)

Mr So Kim-hung (until 24 Aug 2006)

Mr Chan Kay-cheung (until 24 Aug 2006)

Mr Thomas Yiu Kei-chung  
(from 7 Nov 2006)

Mr Ernest Lee Shu-wing, *BBS, JP*  
(until 20 Aug 2006)

### ADMINISTRATION COMMITTEE

#### CHAIRMAN

Mr Lee Kai-ming, *SBS, JP*  
(until 16 Mar 2007)

#### MEMBERS

The Hon Charles Lee Yeh-kwong, *GBM, GBS, JP*  
(until 16 Mar 2007)

The Hon Wong Ting-kwong, *BBS*

Mrs Diana Chan Tong Chee-ching, *JP*

### FINANCE COMMITTEE

#### CHAIRMAN

Mr David Sun Tak-kei, *BBS*

#### MEMBERS

The Hon Charles Lee Yeh-kwong, *GBM, GBS, JP*  
(until 16 Mar 2007)

Mr Leo Kung Lin-cheng, *JP*

Mrs Diana Chan Tong Chee-ching, *JP*

### AUDIT COMMITTEE

#### CHAIRMAN

Mrs Angelina Lee Wong Pui-ling, *JP*

#### MEMBERS

Mr Lee Kai-ming, *SBS, JP* (until 16 Mar 2007)

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

Mr David Sun Tak-kei, *BBS*

### TENDER BOARD

#### CHAIRMAN

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

#### MEMBERS

Mr Leo Kung Lin-cheng, *JP*

Mr Thomas Yiu Kei-chung

One other executive director or head  
responsible for the subject under  
consideration

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

*(As at 31 March 2007)*

**GUIDELINES COMMITTEE**

**CHAIRMAN**

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

**MEMBERS**

Mrs Angelina Lee Wong Pui-ling, *JP*  
Mr Terry Lo  
Mr Ken Tam *(from 24 Oct 2006)*  
Mr Keith Yuen *(from 25 Jul 2006)*  
Mr Bonn Liu *(from 26 Jul 2006)*  
Ms Lau Ka-shi  
Mr Duncan Abate  
Mr Darren Mark McShane  
Ms Julie Liew *(until 23 Oct 2006)*  
Mr David Humphreys *(until 21 Jul 2006)*  
Mr Albert K K Li *(until 25 Jul 2006)*

**MPF SCHEMES OPERATION**  
**REVIEW COMMITTEE**

*(As at end 2006)*

**CHAIRMAN**

The Hon Ronald Arculli, *GBS, JP*

**EMPLOYEE REPRESENTATIVES**

Mr Lee Kai-ming, *SBS, JP*  
Mr Ting Kam-yuen  
Ms Cheung Lai-ha

**EMPLOYER REPRESENTATIVES**

Ms Mary Tung Wai-mun  
Ms Edith Lee

**MPF INDUSTRY REPRESENTATIVES**

Ms Lau Ka-shi  
Mr Mark Bain  
Mr Terry Lo  
Mr Ken Tam *(from 24 Oct 2006)*  
Mr Duncan Abate  
Ms Julie Liew *(until 23 Oct 2006)*

**HKSAR GOVERNMENT**  
**REPRESENTATIVES**

Mr Albert Lam  
Mr Alan Wong Kwok-lun

**MPFA REPRESENTATIVES**

Mr Lee Kai-ming, *SBS, JP*  
Ms Hendena Yu  
Mr Darren Mark McShane

**MANDATORY PROVIDENT FUND**  
**SCHEMES APPEAL BOARD**

**CHAIRMAN**

Mr Joseph P Fok, *SC*

**DEPUTY CHAIRMAN**

Mr Paul Tan Chuen-yan

**PANEL MEMBERS**

Ms Chan Ching-chu  
Mr Paul Shieh Wing-tai, *SC*  
Mr Carlson Tong, *JP*  
Mr Adrian Wong Koon-man  
Ms Maria Xuereb

**OCCUPATIONAL RETIREMENT**  
**SCHEMES APPEAL BOARD**

**CHAIRMAN**

Mr Joseph Paul Fok, *SC (from 1 Oct 2006)*  
Mr Patrick Fung Pak-tung, *SC*  
*(until 30 Sep 2006)*

**DEPUTY CHAIRMAN**

Mr Paul Tan Chuen-yan *(from 1 Oct 2006)*  
Mr Joseph Paul Fok, *SC (until 30 Sep 2006)*

**PANEL MEMBERS**

Ms Chan Ching-chu  
Mr Paul Shieh Wing-tai, *SC*  
Mr Paul Tan Chuen-yan *(until 30 Sep 2006)*  
Mr Carlson Tong, *JP*  
Mr Adrian Wong Koon-man  
*(from 1 Oct 2006)*  
Ms Maria Xuereb

## APPENDIX 2

### MANDATORY PROVIDENT FUND SCHEMES ORDINANCE AND SUBSIDIARY LEGISLATION

(As at 31 March 2007)

LEGISLATION	REFERENCE
<b>ORDINANCE</b>	
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
<b>SUBSIDIARY LEGISLATION</b>	
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
Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006	L.N. 145 of 2006
<b>CONSEQUENTIAL AMENDMENTS TO THE MPFSO AND ITS SUBSIDIARY LEGISLATION UNDER:</b>	
Adaptation of Laws (No.12) Ordinance 1999	Ordinance No. 31 of 1999
Statute Law (Miscellaneous Provisions) Ordinance 2000	Ordinance No. 32 of 2000
Companies (Amendment) Ordinance 2000	Ordinance No. 46 of 2000
Securities and Futures Ordinance	Ordinance No. 5 of 2002
Professional Accountants (Amendment) Ordinance 2004	Ordinance No. 23 of 2004



**Appendix 2 (cont'd)**  
**MANDATORY**  
**PROVIDENT FUND**  
**SCHEMES ORDINANCE**  
**AND SUBSIDIARY**  
**LEGISLATION**

*(As at 31 March 2007)*

<b>LEGISLATION</b>	<b>REFERENCE</b>
Certification for Employee Benefits (Chinese Medicine) (Miscellaneous Amendments) Ordinance 2006	Ordinance No. 16 of 2006
Financial Reporting Council Ordinance	Ordinance No. 18 of 2006
<b>RELATED NOTICE / ORDER</b>	
Declaration of Change of Titles (General Adaptation) Notice 1997	L.N. 362 of 1997
Mandatory Provident Fund Schemes (Amendment of Schedule 6) Notice 1998	L.N. 205 of 1998
Mandatory Provident Fund Schemes Ordinance (Cap. 485) (Commencement) Notice 1998	L.N. 292 of 1998
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 1998	L.N. 293 of 1998
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

**Appendix 2 (cont'd)**  
**MANDATORY**  
**PROVIDENT FUND**  
**SCHEMES ORDINANCE**  
**AND SUBSIDIARY**  
**LEGISLATION**

*(As at 31 March 2007)*

**LEGISLATION**

**REFERENCE**

Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order	L.N. 179 of 2000
Mandatory Provident Fund Schemes (Specification of Permitted Periods) Notice	L.N. 180 of 2000
Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 1) Notice 2000	L.N. 224 & 225 of 2000
Interpretation and General Clauses Ordinance – Resolution of the Legislative Council	L.N. 106 of 2002
Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002 (29 of 2002) (Commencement) Notice 2002	L.N. 173 of 2002
Rectification of Errors Order 2004	L.N. 29 of 2004
Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006 (Commencement) Notice	L.N. 205 of 2006

**APPENDIX 3**  
**OCCUPATIONAL**  
**RETIREMENT**  
**SCHEMES ORDINANCE**  
**AND SUBSIDIARY**  
**LEGISLATION**

*(As at 31 March 2007)*

<b>LEGISLATION</b>	<b>REFERENCE</b>
<b>ORDINANCE</b>	
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
<b>SUBSIDIARY LEGISLATION</b>	
Occupational Retirement Schemes (Authentication and Certification of Documents) Rules	L.N. 400 of 1993
Occupational Retirement Schemes (Consultative Committees) Rules	L.N. 401 of 1993
Occupational Retirement Schemes (Exemption from Audit) Rules	L.N. 402 of 1993
Occupational Retirement Schemes (Fees) Rules	L.N. 403 of 1993
Occupational Retirement Schemes (Insurance Arrangement) Rules	L.N. 404 of 1993
Occupational Retirement Schemes (Member's Request for Information on Scheme Assets) Rules	L.N. 405 of 1993
Occupational Retirement Schemes (Payment of Benefits) Rules	L.N. 406 of 1993
Occupational Retirement Schemes (Fees) (Amendment) Rules 1995	L.N. 55 of 1995
Occupational Retirement Schemes (Preparation of Actuarial Certificates) Rules	L.N. 41 of 1997
Occupational Retirement Schemes (Periodic Certification of Registered Defined Benefit Schemes) Rules	L.N. 42 of 1997
Occupational Retirement Schemes (Notices of Changes) Rules	L.N. 360 of 1998
Occupational Retirement Schemes (Authentication and Certification of Documents) (Amendment) Rules 1998	L.N. 361 of 1998
Occupational Retirement Schemes (Fees) (Amendment) Rules 1998	L.N. 362 of 1998
Occupational Retirement Schemes (Member's Request for Information on Scheme Assets) (Amendment) Rules 1999	L.N. 238 of 1999
Occupational Retirement Schemes (Recovery of Arrears) Rules	L.N. 285 of 2000

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

*(As at 31 March 2007)*

<b>LEGISLATION</b>	<b>REFERENCE</b>
<b>CONSEQUENTIAL AMENDMENTS TO THE ORSO UNDER:</b>	
Insurance Companies (Amendment) Ordinance 1993	Ordinance No. 59 of 1993
Inland Revenue (Amendment) (No. 5) Ordinance 1993	Ordinance No. 76 of 1993
Law Reform (Miscellaneous Provisions and Minor Amendments) Ordinance 1997	Ordinance No. 80 of 1997
Provident Fund Schemes Legislation (Amendment) Ordinance 1998	Ordinance No. 4 of 1998
Adaptation of Laws (Courts and Tribunals) Ordinance	Ordinance No. 25 of 1998
Adaptation of Laws (No. 12) Ordinance 1999	Ordinance No. 31 of 1999
Statute Law (Miscellaneous Provisions) Ordinance 2000	Ordinance No. 32 of 2000
Securities and Futures Ordinance	Ordinance No. 5 of 2002
Professional Accountants (Amendment) Ordinance 2004	Ordinance No. 23 of 2004
<b>RELATED NOTICE / ORDER</b>	
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
Interpretation and General Clauses Ordinance – Resolution of the Legislative Council	L.N. 106 of 2002

## APPENDIX 4

### LIST OF MPF GUIDELINES AND CODES

(As at 31 March 2007)

GUIDELINE NO.	NAME OF GUIDELINES	VERSION DATE
<b>PART I GUIDELINES ON LICENSING</b>		
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	7/05
I.4	Guidelines on Eligible Insurers	7/05
I.5	Guidelines on Application for Approval of Constituent Funds	5/03
I.6	Guidelines on Application for Approval of Pooled Investment Funds	12/98
I.7	Guidelines on Central Securities Depositories	8/06
I.8	Guidelines on Custodial / Subcustodial Agreement	10/00
I.9	Guidelines on Approved Credit Rating Agencies	7/05
<b>PART II GUIDELINES ON REPORTING REQUIREMENTS</b>		
II.1	Guidelines on Monthly Returns of Registered Schemes	8/02
II.2	Guidelines on Monthly Returns of Approved Pooled Investment Funds being Capital Preservation Funds	7/01
II.3	Guidelines on Quarterly Returns of Registered Schemes	3/05
II.4	Guidelines on Annual Statements of Registered Schemes	2/07
II.5	Guidelines on Annual Statements of Approved Pooled Investment Funds	2/07
II.6	Guidelines on Internal Control Report for each Registered Scheme	5/99
II.7	Guidelines on Quarterly Returns of Approved Pooled Investment Funds	4/01
II.8	Guidelines on Monthly Statistical Returns of Registered Schemes	3/05
II.9	Guidelines on Notification of Events of Significant Nature	8/02

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

*(As at 31 March 2007)*

<b>GUIDELINE NO.</b>	<b>NAME OF GUIDELINES</b>	<b>VERSION DATE</b>
<b>PART III GUIDELINES ON INVESTMENT</b>		
III.1	Guidelines on Debt Securities	3/06
III.2	Guidelines on Equities and Other Securities	2/07
III.3	Guidelines on Eligible Overseas Banks and Authorized Financial Institutions	12/06
III.4	Guidelines on Approved Exchanges	2/07
III.5	Guidelines on Investment Managers	5/04
III.6	Guidelines on Capital Preservation Funds	10/01
III.7	Guidelines on Securities Lending	5/03
III.8	Guidelines on Repurchase Agreements	3/99
III.9	Guidelines on Reserving Standards for Investment Guarantees	2/01
III.10	Guidelines on Index-Tracking Collective Investment Schemes	2/07
III.11	Guidelines on Spread Requirements	12/06
III.12	Guidelines on Deposit	12/06
III.13	Guidelines on Requirements for Securities to be Considered as "to be Listed"	12/06



**Appendix 4 (cont'd)**  
**LIST OF MPF**  
**GUIDELINES**  
**AND CODES**  
*(As at 31 March 2007)*

<b>GUIDELINE NO.</b>	<b>NAME OF GUIDELINES</b>	<b>VERSION DATE</b>
<b>PART IV GUIDELINES ON SCHEME OPERATIONS</b>		
IV.1	[Repealed]	Repealed on 6/04
IV.2	Guidelines on Reports Relating to Payment of Mandatory Contributions	8/02
IV.3	Guidelines on Election Forms for Transfer of Accrued Benefits	7/01
IV.4	Guidelines on Payment of Accrued Benefits – Documents to be Submitted to Approved Trustees	12/06
IV.5	Guidelines on Payment of Accrued Benefits – Permanent Departure from Hong Kong	4/99
IV.6	Guidelines on Notice for Unclaimed Benefits	4/99
IV.7	Guidelines on Fees for Portability	5/99
IV.8	Guidelines on Enrolment and Contribution Arrangements for Relevant Employees other than Casual Employees	8/02
IV.9	Guidelines on Enrolment and Contribution Arrangements for Casual Employees	5/02
IV.10	Guidelines on Enrolment and Contribution Arrangements for Self-employed Persons	5/02
IV.11	Guidelines on Contribution Period in respect of a Relevant Employee	5/04
IV.12	Guidelines on Relevant Income in respect of a Relevant Employee	7/00
IV.13	Guidelines on Compensation Fund	1/01
IV.14	Guidelines on Remittance Statement	8/02
IV.15	Guidelines on Person Exempt under section 4(3) of the Mandatory Provident Fund Schemes Ordinance	5/02
IV.16	Guidelines on MPF Coverage on Employees Working Outside Hong Kong	5/02
IV.17	Guidelines on Contribution Arrangement of a Self-employed Person	8/02
IV.18	Guidelines on Contribution Arrangement of a Self-employed Person who Sustains a Loss	8/02
IV.19	Guidelines on Minimum and Maximum Levels of Relevant Income of a Self-employed Person	8/02
IV.20	Guidelines on Prepayment of Contributions	5/02
IV.21	Guidelines on Reports Relating to the Notification of Unclaimed Benefits	8/02

**Appendix 4 (cont'd)**  
**LIST OF MPF**  
**GUIDELINES**  
**AND CODES**  
*(As at 31 March 2007)*

<b>GUIDELINE NO.</b>	<b>NAME OF GUIDELINES</b>	<b>VERSION DATE</b>
<b>PART V GUIDELINES ON ORSO INTERFACE</b>		
V.1	Guidelines on MPF Exempted ORSO Schemes – Application for Exemption of ORSO Exempted Schemes	12/99
V.2	Guidelines on MPF Exempted ORSO Schemes – Application for Exemption of ORSO Registered Schemes	12/99
V.3	Guidelines on MPF Exempted ORSO Schemes – Treatment of Accrued Rights of Existing Members who join MPF Schemes	4/99
V.4	Guidelines on MPF Exempted ORSO Schemes – Preservation of Benefits	4/99
V.5	Guidelines on MPF Exempted ORSO Schemes – Illustrative Examples	5/99
V.6	Guidelines on MPF Exempted ORSO Schemes – Application for Approval of Appointment of Trustees	6/99
V.7	Guidelines on MPF Exempted ORSO Schemes – Application for Approval of Appointment of Directors of Trustees	6/99
V.8	Guidelines on MPF Exempted ORSO Schemes – Application for Withdrawal of Exemption Certificate of an ORSO Exempted Scheme	5/00
V.9	Guidelines on MPF Exempted ORSO Schemes – Application for Withdrawal of Exemption Certificate of an ORSO Registered Scheme	5/00
V.10	Guidelines on MPF Exempted ORSO Schemes – Filing of Annual Report	6/04
V.11	Guidelines on MPF Exempted ORSO Schemes – Withdrawal of Minimum MPF Benefits	12/06

**CODES AND GUIDES**

<b>NAME</b>	<b>VERSION DATE</b>
Code of Conduct for MPF Intermediaries	10/05
Code on MPF Investment Funds	12/99
Erratum to the Code on MPF Investment Funds	5/00
Guide to Registration as MPF Intermediaries	10/05
Code on Disclosure for MPF Investment Funds	2/07
Guide to Continuing Professional Development for MPF Intermediaries	10/05

## APPENDIX 5

### LIST OF CIRCULAR LETTERS

(1 April 2006 –  
31 March 2007)

DATE OF LETTER	ADDRESSEE	SUBJECT
16 June 2006	All approved trustees of registered MPF schemes	Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006
6 July 2006	All approved trustees of registered MPF schemes	Protection of benefits on bankruptcy under the Mandatory Provident Fund Schemes Ordinance (Cap. 485)
21 July 2006	All approved trustees of registered MPF schemes	Certification for Employee Benefits (Chinese Medicine) (Miscellaneous Amendments) Ordinance 2006
27 July 2006	Corporate trustees of MPF exempted ORSO schemes	Certification for Employee Benefits (Chinese Medicine) (Miscellaneous Amendments) Ordinance 2006
16 August 2006	All approved trustees of registered MPF schemes	Reporting of default contribution cases – provision of additional information
6 October 2006	All approved trustees of registered MPF schemes	Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006
10 October 2006	All approved trustees of registered MPF schemes	Certification for Employee Benefits (Chinese Medicine) (Miscellaneous Amendments) Ordinance 2006
5 December 2006	All approved trustees of registered MPF schemes	Requirements for members' information
7 December 2006	All approved trustees of registered MPF schemes	Approval of amendments to governing rules of registered schemes – participation agreements
14 December 2006	Corporate trustees of MPF exempted ORSO schemes	Certification for Employee Benefits (Chinese Medicine) (Miscellaneous Amendments) Ordinance 2006
14 December 2006	Individual trustees of MPF exempted ORSO schemes	Certification for Employee Benefits (Chinese Medicine) (Miscellaneous Amendments) Ordinance 2006

## **APPENDIX 6**

### **LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND**

*(As at 31 March 2007)*

#### **AMERICAN INTERNATIONAL ASSURANCE COMPANY (TRUSTEE) LIMITED**

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

#### **AXA CHINA REGION TRUSTEES LIMITED**

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

#### **AXA FINANCIAL SERVICES TRUSTEES LIMITED**

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

#### **BANK CONSORTIUM TRUST COMPANY LIMITED**

Bank Consortium Trust Company Limited (BCT) is a trust company formed by eight local financial institutions. It acts as trustee, administrator and custodian of the pension schemes under its management, and offers a full array of pension products including master trust scheme, industry scheme, employer-sponsored scheme as well as ORSO schemes. BCT has also been providing third-party scheme and fund trustee / administration services for other service providers in the pension and investment fund industry.

#### **BANK OF COMMUNICATIONS TRUSTEE LIMITED**

Bank of Communications Trustee Limited is a wholly owned subsidiary of Bank of Communications Co., Ltd, providing MPF and ORSO administration, trustee, custodian, and estate administration services and other financial services. It aims at providing products and services to meet the financial and retirement needs of its clients.

#### **BANK OF EAST ASIA (TRUSTEES) LIMITED**

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

**Appendix 6 (cont'd)**  
**LIST OF APPROVED MPF**  
**TRUSTEES AND THEIR**  
**BACKGROUND**  
*(As at 31 March 2007)*

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

**CITITRUST LIMITED**

Cititrust Limited is a member of Citigroup Inc. As a global financial services group, Citigroup Inc and its subsidiaries, provide a broad range of financial products and services, including retail banking and consumer finance, corporate and investment banking, global wealth management and alternative investments to consumers, corporations, governments and institutions.

**HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED**

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

**HSBC PROVIDENT FUND TRUSTEE (HONG KONG) LIMITED**

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

**ING PENSION TRUST LIMITED**

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

**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. The Group serves nearly 13 million clients worldwide with a broad-based portfolio of financial products and services, including life insurance, annuities, disability income insurance, long-term care insurance, mutual funds, retirement planning products, money management and trust services. MassMutual Financial Group is a marketing designation for the Massachusetts Mutual Life Insurance Company and its affiliates.

**Appendix 6 (cont'd)**  
**LIST OF APPROVED MPF**  
**TRUSTEES AND THEIR**  
**BACKGROUND**  
*(As at 31 March 2007)*

**PACIFIC CENTURY TRUSTEES LIMITED**

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

**PRINCIPAL TRUST COMPANY (ASIA) LIMITED**

Principal Trust Company (Asia) Limited, a member of the Principal Financial Group® based in the United States, provides one-stop shop services on pension fund management including corporate trustee, pension administration as well as investment management.

**RBC DEXIA TRUST SERVICES HONG KONG LIMITED**

RBC Dexia Trust Services Hong Kong Limited provides trustee, fund administration, pension administration, custody and transfer agency services. It is a subsidiary of RBC Dexia Investor Services Limited, a UK company which is a joint venture between Dexia Banque Internationale à Luxembourg and the Royal Bank of Canada.

**ROYAL BANK OF CANADA TRUST COMPANY (ASIA) LIMITED**

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

**SUN LIFE TRUSTEE COMPANY LIMITED**

Sun Life Trustee Company Limited (formerly known as CMG Asia Trustee Company Limited) is a member of Sun Life Financial group of companies, which is an international financial services organization providing a diverse range of wealth accumulation and protection products and services to individuals and corporate customers worldwide.



**APPENDIX 7**  
**LIST OF REGISTERED**  
**MPF SCHEMES AND**  
**CONSTITUENT FUNDS**  
*(as at 31 March 2007)*

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
AIA-JF Comprehensive Retirement Benefit MPF Scheme	Capital Preservation Portfolio Guaranteed Portfolio
AIA-JF Mandatory Provident Fund Scheme	Conservative Portfolio Balanced Portfolio Growth Portfolio Capital Preservation Portfolio Guaranteed Portfolio Hong Kong Equity Fund European Equity Fund Japan Equity Fund North American Equity Fund Greater China Equity Fund Asian Equity Fund RCM Growth Fund RCM Stable Growth Fund RCM Capital Stable Fund Green Fund
AIA-JF Premium MPF Scheme	Conservative Portfolio Balanced Portfolio Growth Portfolio Capital Preservation Portfolio Guaranteed Portfolio Hong Kong Equity Fund European Equity Fund Japan Equity Fund North American Equity Fund Greater China Equity Fund Asian Equity Fund RCM Growth Fund RCM Stable Growth Fund RCM Capital Stable Fund Green Fund
Allianz Global Investors MPF Plan	RCM Growth Fund RCM Balanced Fund RCM Stable Growth Fund RCM Capital Stable Fund RCM Capital Preservation Fund RCM Asian Fund RCM Hong Kong Fund RCM Absolute Return Fund
Bank Consortium Industry Plan	BCT Capital Preservation Fund BCT Stable Fund BCT Balanced Fund BCT Growth Fund BCT Global Bond Fund BCT Global Equity Fund BCT Hong Kong Equity Fund BCT Asian Equity Fund BCT Absolute Return Fund

**Appendix 7 (cont'd)**  
**LIST OF REGISTERED**  
**MPF SCHEMES AND**  
**CONSTITUENT FUNDS**  
*(as at 31 March 2007)*

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
Bank Consortium MPF Plan	Bank Consortium Capital Preservation Fund Bank Consortium Growth Fund Bank Consortium Balanced Fund Bank Consortium Stable Fund Bank Consortium Global Bond Fund Bank Consortium Global Equity Fund Bank Consortium Hong Kong Equity Fund Bank Consortium Asian Equity Fund Bank Consortium Absolute Return Fund
BCOM Joyful Retirement MPF Scheme	BCOM Guaranteed (CF) Fund BCOM Joyful Capital Preservation (CF) Fund BCOM Stable Growth (CF) Fund BCOM Balanced (CF) Fund BCOM Dynamic Growth (CF) Fund BCOM Asian Dynamic Equity (CF) Fund
BEA (MPF) Industry Scheme	BEA (Industry Scheme) Growth Fund BEA (Industry Scheme) Balanced Fund BEA (Industry Scheme) Stable Fund BEA (Industry Scheme) Capital Preservation Fund
BEA (MPF) Master Trust Scheme	BEA (MPF) Long Term Guaranteed Fund BEA (MPF) Growth Fund BEA (MPF) Balanced Fund BEA (MPF) Stable Fund BEA (MPF) Capital Preservation Fund BEA (MPF) Asian Growth Fund BEA (MPF) Hong Kong Growth Fund BEA (MPF) Global Bond Fund BEA (MPF) Japan Growth Fund BEA (MPF) Greater China Growth Fund
BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme	BOC-Prudential Growth Fund BOC-Prudential Balanced Fund BOC-Prudential Stable Fund BOC-Prudential Capital Preservation Fund BOC-Prudential Global Equity Fund BOC-Prudential Hong Kong Equity Fund BOC-Prudential Bond Fund BOC-Prudential Asia Equity Fund BOC-Prudential Japan Equity Fund
China Life MPF Master Trust Scheme	China Life Guaranteed Return Fund China Life Capital Preservation Fund China Life Balanced Fund China Life Growth Fund
Double Easy Mandatory Provident Fund	Double Easy Capital Preservation Fund Double Easy Guaranteed Fund Double Easy Stable Fund Double Easy Balanced Fund Double Easy Growth Fund Double Easy Top Select Fund Double Easy Cash Fund

**Appendix 7 (cont'd)**  
**LIST OF REGISTERED**  
**MPF SCHEMES AND**  
**CONSTITUENT FUNDS**  
*(as at 31 March 2007)*

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
Dresdner RCM MPF Master Trust	Growth Fund Balanced Fund Stable Growth Fund Capital Stable Fund Capital Preservation Fund
Elite Mandatory Provident Fund	Multi-Manager Hong Kong Equity Fund Multi-Manager Growth Fund Multi-Manager Balanced Fund Multi-Manager Stable Fund Capital Preservation Fund Multi-Manager Japan Equity Fund Multi-Manager Global Equity Fund Multi-Manager Global Bond Fund Multi-Manager Asia Pacific (Ex-Japan) Equity Fund
Fidelity Retirement Master Trust	Growth Fund Balanced Fund Stable Growth Fund Capital Stable Fund Hong Kong Equity Fund Capital Preservation Fund Global Equity Fund World Bond Fund Hong Kong Bond Fund MultiManager Growth Fund MultiManager Balanced Fund MultiManager Stable Growth Fund MultiManager Capital Stable Fund Asia Pacific Equity Fund
Hang Seng Mandatory Provident Fund – SuperTrust	Guaranteed Fund Hang Seng Index Tracking Fund Capital Preservation Fund Balanced Fund Growth Fund
Hang Seng Mandatory Provident Fund – SuperTrust Plus	Guaranteed Fund Hang Seng Index Tracking Fund Capital Preservation Fund Balanced Fund Growth Fund Stable Growth Fund Hong Kong Equity Fund North American Equity Fund European Equity Fund Asian Equity Fund
HSBC Mandatory Provident Fund – SuperTrust	Guaranteed Fund Hang Seng Index Tracking Fund Capital Preservation Fund Balanced Fund Growth Fund

**Appendix 7 (cont'd)**  
**LIST OF REGISTERED**  
**MPF SCHEMES AND**  
**CONSTITUENT FUNDS**  
*(as at 31 March 2007)*

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
HSBC Mandatory Provident Fund – SuperTrust Plus	Guaranteed Fund Hang Seng Index Tracking Fund Capital Preservation Fund Balanced Fund Growth Fund Stable Growth Fund Hong Kong Equity Fund North American Equity Fund European Equity Fund Asian Equity Fund
ING MPF Master Trust Basic Scheme	ING MPF Basic Scheme Capital Preservation Portfolio ING MPF Basic Scheme Capital Guaranteed Portfolio ING MPF Basic Scheme Stable Growth Portfolio ING MPF Basic Scheme Balanced Growth Portfolio ING MPF Basic Scheme International Equity Portfolio ING MPF Basic Scheme Hong Kong Equity Portfolio
ING MPF Master Trust Comprehensive Scheme	ING MPF Comprehensive Scheme Capital Preservation Portfolio ING MPF Comprehensive Scheme Capital Guaranteed Portfolio ING MPF Comprehensive Scheme Stable Portfolio ING MPF Comprehensive Scheme Stable Growth Portfolio ING MPF Comprehensive Scheme Balanced Growth Portfolio ING MPF Comprehensive Scheme Growth Portfolio ING MPF Comprehensive Scheme International Equity Portfolio ING MPF Comprehensive Scheme Asian Equity Portfolio ING MPF Comprehensive Scheme Hong Kong Equity Portfolio
INVESCO Strategic MPF Scheme	Capital Preservation Fund Guaranteed Fund Capital Stable Fund Balanced Fund Growth Fund Global Bond 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 Global Diversification Fund Kingsway Hong Kong SAR Fund Kingsway Korea Fund Kingsway Asia Pacific (excluding HK) Fund Kingsway Capital Preservation Fund

**Appendix 7 (cont'd)**  
**LIST OF REGISTERED**  
**MPF SCHEMES AND**  
**CONSTITUENT FUNDS**  
*(as at 31 March 2007)*

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
Manulife Global Select (MPF) Scheme	Manulife MPF Interest Fund Manulife MPF Stable Fund Manulife MPF Growth Fund Manulife MPF Aggressive Fund Manulife MPF Capital Preservation Fund Manulife MPF Hong Kong Equity Fund Manulife MPF International Equity Fund Manulife MPF Pacific Asia Equity Fund Manulife MPF European Equity Fund Manulife MPF North American Equity Fund Manulife MPF Japan Equity Fund Manulife MPF Hong Kong Bond Fund Manulife MPF International Bond Fund Manulife MPF Fidelity Growth Fund Manulife MPF Fidelity Stable Growth Fund Manulife MPF China Value Fund
Manu-Lifestyle (MPF) Scheme	Manulife MPF Interest Fund Manulife MPF Stable Fund Manulife MPF Growth Fund Manulife MPF Aggressive Fund Manulife MPF Capital Preservation Fund
Mass Mandatory Provident Fund Scheme	Capital Preservation Fund Global Growth Fund Global Stable Fund Global Bond Fund Asian Balanced Fund Global Equity Fund Guaranteed Fund European Equity Fund Japan Equity Fund US Equity Fund Hong Kong Equities Fund Asian Pacific Equity Fund
PCI Master Trust MPF Scheme	PCI Capital Preservation Fund PCI Global Balanced Fund PCI Hong Kong Fund
Principal MPF Scheme Series 200	Principal Capital Preservation Fund Principal Long Term Guaranteed Fund Principal HK Dollar Savings Fund
Principal MPF Scheme Series 500	Guaranteed Fund Capital Preservation Fund Stable Growth Fund Balanced Growth Fund Aggressive Growth Fund
Principal MPF Scheme Series 600	Principal Capital Preservation Fund Principal Long Term Guaranteed Fund Principal Long Term Accumulation Fund Principal Global Growth Fund Principal HK Dollar Savings Fund

**Appendix 7 (cont'd)**  
**LIST OF REGISTERED**  
**MPF SCHEMES AND**  
**CONSTITUENT FUNDS**  
*(as at 31 March 2007)*

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
Principal MPF Scheme Series 800	Principal Asian Equity Fund Principal Capital Guaranteed Fund Principal Capital Preservation Fund Principal Global Growth Fund Principal HK Dollar Savings Fund Principal International Bond Fund Principal International Equity Fund Principal Long Term Accumulation Fund Principal Long Term Guaranteed Fund Principal Stable Yield Fund Principal US Dollar Savings Fund Principal US Equity Fund Principal Hong Kong Equity Fund
Principal MPF Scheme Series B300	Principal Conservative Fund Principal Long Term Guaranteed Fund Principal Capital Preservation Fund Principal Growth Fund Principal Balanced Fund Principal International Bond Fund Principal U.S. Equity Fund
Prosperity MPF Master Trust Scheme	Prosperity Capital Preservation Fund Prosperity Balanced Fund Prosperity Growth Fund Prosperity Templeton Global Equity Fund
Rainbow 65	Sun Life Capital Preservation Fund Sun Life Fixed Income Fund Sun Life Hong Kong Equity Fund Sun Life Stable Income Fund Sun Life Balanced Portfolio Fund Sun Life Progressive Growth Fund
Schroder MPF Master Trust	Schroder MPF Capital Guaranteed Portfolio Schroder MPF Capital Preservation Portfolio Schroder MPF HK Dollar Fixed Income Portfolio Schroder MPF Capital Stable Portfolio Schroder MPF Stable Growth Portfolio Schroder MPF Balanced Investment Portfolio Schroder MPF International Portfolio Schroder MPF Growth Portfolio Schroder MPF Asian Portfolio Schroder MPF Hong Kong Portfolio
SHKP MPF Employer Sponsored Scheme	Standard Chartered Capital Preservation Fund – SHKP Standard Chartered Career Average Guaranteed Fund – SHKP Fidelity Balanced Fund New-Alliance Global Balanced Fund Fidelity Stable Growth Fund RCM Stable Growth Fund HSBC Capital Stable Fund SHKP MPF Fund

**Appendix 7 (cont'd)**  
**LIST OF REGISTERED**  
**MPF SCHEMES AND**  
**CONSTITUENT FUNDS**  
*(as at 31 March 2007)*

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
Standard Chartered MPF Plan – Advanced	Standard Chartered Career Average Guaranteed Fund – Advanced Standard Chartered Capital Preservation Fund – Advanced Standard Chartered Balanced Fund – Advanced Standard Chartered Growth Fund – Advanced Standard Chartered Stable Fund – Advanced RCM Growth Fund RCM Balanced Fund RCM Capital Stable Fund Schroder MPF Asian Fund Schroder MPF Balanced Investment Fund Schroder MPF HK Dollar Fixed Income Fund Templeton MPF Asian Balanced Fund Templeton MPF Global Equity Fund Templeton MPF Global Bond Fund Legg Mason Hong Kong Equities Fund Legg Mason Balanced Fund Legg Mason Conservative Fund INVESCO Global Equities Fund INVESCO Global Balanced Fund INVESCO MPF Bond Fund Fidelity Global Investment Fund – Growth Fund Fidelity Global Investment Fund – Balanced Fund Fidelity Global Investment Fund – Capital Stable Fund HSBC MPF “A” – Hong Kong Equity Fund HSBC MPF “A” – Balanced Fund HSBC MPF “A” – Stable Fund
Standard Chartered MPF Plan – Basic	Standard Chartered Growth Fund – Basic Standard Chartered Balanced Fund – Basic Standard Chartered Stable Fund – Basic Standard Chartered Capital Preservation Fund – Basic Standard Chartered Career Average Guaranteed Fund – Basic
Tai Ping Retire-Easy MPF Master Trust Scheme	Tai Ping Retire-Easy Capital Stable Fund Tai Ping Retire-Easy Balanced Fund Tai Ping Retire-Easy Growth Fund Tai Ping Retire-Easy Guarantee Fund Tai Ping Retire-Easy Capital Preservation Fund



## **APPENDIX 8**

### **LIST OF CORPORATE ADMINISTRATORS WHO ADMINISTER POOLING AGREEMENTS FOR ORSO SCHEMES**

*(As at 31 March 2007)*

#### **AUTHORIZED INSURERS**

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

#### **CORPORATE TRUST COMPANIES**

AIA Pension And Trustee Co. Ltd.  
American International Assurance Company (Trustee) Limited  
AXA China Region (Bermuda) Limited  
AXA China Region Trustees Limited  
Bank Consortium Trust Company Limited  
Bank of Communications Trustee Limited  
BOC Group Trustee Company Limited  
China Life Trustees Limited  
Sun Life Trustee Company Limited  
RBC 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  
Principal Trust Company (Asia) Limited  
Shanghai Commercial Bank Turstee Limited

## APPENDIX 9

### LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES

(April 2006 – March 2007)

## MULTI-MEDIA INVESTMENT EDUCATION PROGRAMMES – TO EDUCATE THE PUBLIC ON MPF INVESTMENT

16 Jun – 10 Aug 2006	<p>A poster campaign was launched to sustain the impact created by Phase One of the MPF Investment Education in encouraging scheme members to take care of their MPF investment. Billboard size posters tapping on the creative concept of the TV Announcement in the Public Interest (API) “Family Secrets” introduced in January 2006 were displayed on out-of-home media including 40 bus shelters, 40 bus body panels and 35 pairs of dual consecutive MTR trackside 12-sheet panels.</p> <p>The TV API “Family Secrets” was re-broadcast concurrently on 15 local TV channels to augment the publicity impact.</p>
Jul 2006	<p>The TV mini-series “多關心•多積金”, which was broadcast in February to March 2006 to provide scheme members with practical tips on MPF investment, was developed into an information package with a DVD and a booklet. The package was distributed to major stakeholders and the public through different channels to enhance their knowledge on MPF investment.</p>
Sep 2006	<p>Phase Two of the MPF Investment Education Campaign that would last for 18 months was launched. It carried the same theme as Phase One, viz “<b>Look After Your MPF Investment --- Add Value to Your Future</b>”.</p>
Sep 2006 – Mar 2007	<p>The new TV API “MPF Investment Management Series” in both English and Cantonese was rolled out on 15 local TV channels including TVB, ATV, Cable TV and NOW Broadband TV. The series comprised three 15-second audio visual clips that used everyday life situations to alert scheme members of the need to regularly check their MPF accounts, read Annual Benefit Statements and consider consolidating MPF accounts.</p> <p>A 30-second radio API “MPF Investment Management Tips” in English, Cantonese and Mandarin was launched on four radio channels to dovetail the message of the TV API.</p>
Oct 2006	<p>A thematic mini-website giving more detailed information on how to manage MPF investment was uploaded to the MPFA Corporate Website.</p>
Oct – Dec 2006	<p>To add publicity mileage, the TV API “MPF Investment Management Series” was broadcast on out-of-home media including mega outdoor TV walls at four popular locations, 68 MTR trackside plasma TVs, 4 000 TV panels in KCR East Rail, West Rail and Ma On Shan Rail trains and RoadShow TV panels of 1 200 KMB and Citybus buses.</p> <p>12-sheet posters capitalizing the creative concept and messages of the “MPF Investment Management Series” TV API were displayed at 67 KCR stations and 40 bus shelters.</p>

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

*(April 2006 – March 2007)*

Jan – Mar 2007	Smaller-sized posters using the visual of the TV API were displayed at commercial buildings, premises of Non-Government Organizations, service points of trustees, training centres of labour unions, public facilities and government offices.
22 – 26 Jan 2007	A 5-episode TV mini-series “Smart Employees, Smart MPF Tips” to advise scheme members how to manage their MPF accounts and the features of MPF funds was produced and broadcast on ATV-Local Channel. The episode was re-run from 26 February to 2 March 2007.
5 Feb – 23 Mar 2007	The TV series “Smart Employees, Smart MPF Tips” was broadcast on RoadShow TV panels of 2 400 KMB and Citybus buses and 4 000 TV panels in KCR East Rail, West Rail and Ma On Shan Rail trains.
Feb 2007	A Chinese new year mini-publicity campaign comprising the production of Fai Chun and Mandarin candies was launched to show festive goodwill to the public and remind them to look after their MPF investment.
Apr 2006 – Mar 2007	Over 140 articles and press releases covering various topics of MPF investment were published in newspapers, magazines and newsletters of trustees and labour unions.

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**OUTREACH PROGRAMMES – TO DISSEMINATE MPF INVESTMENT MESSAGES AT THE COMMUNITY LEVEL**

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8 Dec 2006	An MPF investment seminar was organized in partnership with Wan Chai District Council.
28 Dec 2006	A thematic drama and a public quiz game were staged at the Hong Kong Products Expo held in Victoria Park to disseminate MPF investment messages to the general public.
14 Jan 2007	An MPF district carnival was organized in partnership with Tuen Mun District Council.
Apr 2006 – Mar 2007	In partnership with political parties, the MPFA organized 23 MPF District Carnivals and Exhibitions at various districts.
Apr 2006 – Mar 2007	16 seminars and outreaching activities were organized in partnership with labour unions to promote MPF investment education.
Apr 2006 – Mar 2007	A total of 56 talks were given to labour unions, business associations and community groups.

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**Appendix 9 (cont'd)**  
**LIST OF MAJOR**  
**PUBLIC EDUCATION**  
**AND PUBLICITY**  
**ACTIVITIES**  
*(April 2006 – March 2007)*

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

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Apr 2006 – Jun 2006	The MPFA, together with the Education and Manpower Bureau, the Committee on Home-School Co-operation, the Institute of Financial Planners of Hong Kong and Hong Kong Economic Times co-organized the final round of competition and the finale of the Financial Planning Competition for Secondary Schools and Universities.
Jun & Jul 2006	Supplements that introduced the Financial Planning Competition for Secondary Schools and Universities and MPFA youth education work were published in HK Economic Times, HK Economic Times School Page and Oriental Daily News.
Aug 2006	<p>A territory-wide workshop was held in partnership with Hong Kong Economic Times under a youth programme titled “City Orienteering”. The activity aims at enhancing the awareness of young people on financial planning.</p> <p>The “多關心•多積金” information package was distributed to youth centres, secondary schools, universities and educational institutes for use at MPF briefing sessions and perusal by their members and students.</p>
26 – 28 Oct 2006	An MPFA booth was staged in the Financial Services Career Exhibition held at the Hong Kong Polytechnic University. The MPFA booth featured fundamental information about the MPF System and the MPFA. The exhibition was jointly organized by the Advisory Committee on Human Resources Development in the Financial Services Sector and the Polytechnic University. It aimed to enable students to gain a better understanding of the financial services industry and the career opportunities provided.
1 – 4 Feb 2007	The MPFA took part in the 2007 Education and Careers Expo held at the Hong Kong Convention and Exhibition Centre which targeted at school-leavers and job seekers.
Apr 2006 – Jan 2007	5 talks were conducted to students of universities and tertiary institutions to introduce the MPF System and MPF investment.

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

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May 2006	Audio tapes recorded by the Chairman of the United Friendship Taxi Owners and Drivers Association, and MPF Ambassador Mr Chan Wing-luk were broadcast on the taxi association's call centre radio system to promote MPF messages to taxi drivers.
Jun 2006	An MPF Industry Schemes Booklet was produced and distributed to members of the Industry Schemes through different channels as well as outreach programmes.
Jul 2006	The MPFA joined the Hong Kong Federation of Trade Unions and Labour Department in co-organizing a Quiz Competition on Labour Rights.

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

*(April 2006 – March 2007)*

Sep 2006	A mini publicity campaign was launched to remind employers that late contributions and default contributions were liable for financial penalty. In addition to press releases and contribution articles, over 380 letters were also issued to employers' associations for their members' attention.
Nov 2006	A mini publicity campaign was launched to promote MPF messages to self-employed persons including drivers of mini-buses and taxis.
Nov – Dec 2006	A mini publicity campaign was launched for MPF Industry Schemes members. 3 seminars and 3 outreach activities were held for workers of the catering and construction industries to promote MPF messages.
Apr 2006 – Mar 2007	6 train-the-trainers workshops were organized for labour unions' executives, district councilors and their assistants and human resources professionals.
Apr 2006 – Mar 2007	More than 250 articles and press releases were issued on enforcement actions and other MPF topics. The articles were carried in newspapers, magazines and newsletters of trustees and labour unions.

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## APPENDIX 10

### LIST OF ARTICLES CONTRIBUTED

(April 2006 – March 2007)

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
《都市日報》	13.4.2006	積金權益齊關注 — 強積金供款有稅務寬免
	20.4.2006	積金權益齊關注 — 檢控公司董事個案大增
	27.4.2006	積金權益齊關注 — 自願供款投資受嚴謹監管
	4.5.2006	積金權益齊關注 — 投資強積金須詳閱銷售文件
	11.5.2006	積金權益齊關注 — 多途徑查閱僱主強積金供款
	18.5.2006	積金權益齊關注 — 65歲可暫不領取強積金
	25.5.2006	積金權益齊關注 — 積金局建議改良權益報表內容 二之一
	1.6.2006	積金權益齊關注 — 積金局改良權益報表內容 二之二
	15.6.2006	積金權益齊關注 — 暑期工須留意積金權益
	21.6.2006	積金權益齊關注 — 自願供款須留意條款
	29.6.2006	積金權益齊關注 — 僱主供款須附結算書
	6.7.2006	積金權益齊關注 — 為少數族裔舉辦積金講座
	13.7.2006	積金權益齊關注 — 強積金每年回報達6.99%
	20.7.2006	積金權益齊關注 — 強積金短期波動毋須擔心
	3.8.2006	積金權益齊關注 — 為行業計劃編製工作紀錄表
	10.8.2006	積金權益齊關注 — 多關心權益報表
	17.8.2006	積金權益齊關注 — 勿以房屋津貼逃避強積金
	24.8.2006	積金權益齊關注 — 加強地區服務 配合五天工作
	31.8.2006	積金權益齊關注 — 欠供款僱主須繳附加費
	7.9.2006	積金權益齊關注 — 加強執法 徵收欠供款者罰款
	14.9.2006	積金權益齊關注 — 抄封欠款僱主資產 保障僱員權益
	21.9.2006	積金權益齊關注 — 匿名投訴也全力追查
	28.9.2006	積金權益齊關注 — 多認識強積金受託人
	5.10.2006	積金權益齊關注 — 保本基金屬低風險投資
	12.10.2006	積金權益齊關注 — 投資保證基金先了解條款
	19.10.2006	積金權益齊關注 — 債券基金波幅較平穩
	2.11.2006	積金權益齊關注 — 股票基金回報高風險亦高
	9.11.2006	積金權益齊關注 — 局方發信提醒僱主罰則
	16.11.2006	積金權益齊關注 — 自僱人士供款注意事項
	23.11.2006	積金權益齊關注 — 僱主拒交資料可被檢控
	30.11.2006	積金權益齊關注 — 行業計劃方便建造飲食業
	7.12.2006	積金權益齊關注 — 轉換投資組合注意事項
	14.12.2006	積金權益齊關注 — 遺產代理人可取回強積金供款
	21.12.2006	積金權益齊關注 — 自僱人士供款注意事項
	28.12.2006	積金權益齊關注 — 自願供款增退休保障
	4.1.2007	積金權益齊關注 — 強積金入息上限建議增至3萬元
	11.1.2007	積金權益齊關注 — 勿倉卒轉換投資組合
	18.1.2007	積金權益齊關注 — 債券基金屬中度風險
	25.1.2007	積金權益齊關注 — 僱員應常查閱強積金戶口
	1.2.2007	積金權益齊關注 — 積金局執法行動雙管齊下
	8.2.2007	積金權益齊關注 — 訛稱離港領強積金會被刑事檢控
	15.2.2007	積金權益齊關注 — 強積金資產淨值突破2000億元
	1.3.2007	積金權益齊關注 — 自願供款額去年大幅上升
	8.3.2007	積金權益齊關注 — 僱主勿忘向受託人更新資料
	15.3.2007	積金權益齊關注 — 投訴具名與否積金局均會處理
	22.3.2007	積金權益齊關注 — 臨近退休選擇基金宜謹慎
	29.3.2007	積金權益齊關注 — 僱主轉換受託人 應多與僱員溝通
Investor Choice	24.10.2006	Manage your MPF accounts when changing job (轉工要留意處理強積金保留帳戶)
《經濟日報》	7.4.2006	積金防老 — 自願性供款亦受規管
《經濟導報》	1.2007	積金投資增值 退休更有保障

**Appendix 10 (cont'd)**  
**LIST OF ARTICLES**  
**CONTRIBUTED**

(April 2006 – March 2007)

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
《企業雄才》	4.2006	僱主須注意強積金供款安排
(中華廠商聯合會 會刊)	1.2007	積金局加強執法向欠供僱主徵收罰款
《香港工業總會 月刊－香港工業家》	11.2006	積金局向欠供僱主徵收罰款
《資本時尚－HMC》	5.2006	勿頻密更換強積金投資組合
《明報》 Jump	19.5.2006	職場錦囊 – 公積金 vs 強積金
	2.6.2006	職場錦囊 – 認清強積金權益
	25.8.2006	職場錦囊 – 方便工人核對帳戶 積金局推紀錄表
	9.2.2007	職場錦囊 – 花紅、獎金也要供強積金
《大公報》	2.4.2006	老積講金 – 派駐內地員工亦要供強積金
	23.4.2006	老積講金 – 自願供款投資受嚴謹監管
	30.4.2006	老積講金 – 拖欠強積金供款 公司董事需負刑責
	14.5.2006	老積講金 – 善用強積金 退休繼續投資
	21.5.2006	老積講金 – 僱員應定期查閱強積金帳戶
	28.5.2006	老積講金 – 積金局建議改善權益報表內容
	4.6.2006	老積講金 – 權益報表應有投資表現資料
	11.6.2006	老積講金 – 暑期工亦可享強積金權益
	18.6.2006	老積講金 – 強積金短期波動毋須過份憂慮
	26.6.2006	老積講金 – 自願供款為退休保障多一點
	10.7.2006	老積講金 – 強積金基金投資規管嚴謹
	17.7.2006	老積講金 – 轉基金要考慮風險及時機
	23.7.2006	老積講金 – 加強打擊飲食及建造業欠強積金
	6.8.2006	老積講金 – 為行業計劃編製工作紀錄表
	13.8.2006	老積講金 – 應細心閱讀強積金權益報表
	20.8.2006	老積講金 – 積金局加強服務配合五天工作
	27.8.2006	老積講金 – 積金局向欠供款僱主徵附加費
	3.9.2006	老積講金 – 積金局製作投資教育短劇光碟
	10.9.2006	老積講金 – 積金局向欠供者徵收罰款
	17.9.2006	老積講金 – 拖欠供款僱主難逃追討
	24.9.2006	老積講金 – 匿名投訴也全力追查
	1.10.2006	老積講金 – 了解你的強積金受託人
	8.10.2006	老積講金 – 保本基金注意利率因素
	29.10.2006	老積講金 – 留意保證基金附帶條件
	5.11.2006	老積講金 – 強積金債券基金須符合規管
	12.11.2006	老積講金 – 均衡基金風險視乎股債比重
	3.12.2006	老積講金 – 積金局發信僱主提醒欠供罰則
	10.12.2006	老積講金 – 可網上轉換投資組合
	7.1.2007	老積講金 – 遺產代理人申索權益注意事項
	14.1.2007	老積講金 – 花紅獎金也需供強積金
	21.1.2007	老積講金 – 債券基金投資產品有規定
	28.1.2007	老積講金 – 飲食業僱員須留意強積金戶口
	4.2.2007	老積講金 – 積金局執法雙管齊下
	11.2.2007	老積講金 – 勿作虛假陳述提早提取強積金
	25.2.2007	老積講金 – 債券基金投資產品有規定
	4.3.2007	老積講金 – 強積金資產投資分類公布
	11.3.2007	老積講金 – 僱員離職 僱主須通知受託人
	18.3.2007	老積講金 – 積金局同樣處理匿名投訴
	25.3.2007	老積講金 – 臨近退休選基金宜保守



**Appendix 10 (cont'd)**  
**LIST OF ARTICLES**  
**CONTRIBUTED**  
*(April 2006 – March 2007)*

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
《文匯報》	7.4.2006	自願供款投資受嚴謹監管
	14.4.2006	投資強積金 須詳閱銷售文件
	21.4.2006	積金局檢控公司個案大增
	28.4.2006	強積金供款 有稅項寬減
	5.5.2006	年屆65歲 可暫不取強積金
	12.5.2006	多種途徑查閱僱主供款
	19.5.2006	暑期工亦可享強積金權益
	26.5.2006	積金局改善權益報表內容
	2.6.2006	周年權益報表 應提供投資表現
	9.6.2006	民事、刑事追究欠強積金僱主
	16.6.2006	毋須擔心強積金短期波動
	23.6.2006	自願供款為退休作保障
	30.6.2006	強積金基金投資規管嚴謹
	7.7.2006	外籍僱員要留意強積金權益
	14.7.2006	轉基金要考慮風險及時機
	21.7.2006	積金局打擊飲食建造業欠強積金
	28.7.2006	積金局為行業計劃編製工作紀錄表
	4.8.2006	應細心留意權益報表資料
	11.8.2006	積金局向欠供款僱主徵附加費
	18.8.2006	將房屋津貼計入強積金
	25.8.2006	積金局加強服務配合五天工作
	1.9.2006	積金局派發投資短劇光碟
	8.9.2006	積金局向欠供者罰款
	15.9.2006	法庭封欠款僱主資產保僱員
	22.9.2006	匿名投訴 積金局全力追查
	29.9.2006	多認識你的強積金受託人
	6.10.2006	保本基金注意利率因素
	13.10.2006	留意保證基金附帶條件
	20.10.2006	強積金債券基金須符合規管
	27.10.2006	均衡基金風險視乎股債比重
	3.11.2006	股票基金回報高風險亦高
	10.11.2006	積金局提醒僱主欠供罰則
	17.11.2006	自僱人士亦應關心強積金
	24.11.2006	僱主拒交資料可被檢控
	8.12.2006	網上轉換投資組合注意事項
	15.12.2006	遺產代理人可申索強積金權益
	22.12.2006	花紅、獎金亦要供強積金
	29.12.2006	自願供款 未雨綢繆
	5.1.2007	強積金入息上限擬增至3萬
	12.1.2007	投資強積金切忌短視
	19.1.2007	強積金基金可購人民幣債券
	26.1.2007	飲食業僱員須留意強積金戶口
	2.2.2007	積金局主動巡查店舖
	9.2.2007	虛假陳述領強積金會被檢控
	16.2.2007	強積金資產淨值突破2000億
	23.2.2007	強積金資產投資分類分布
	2.3.2007	派往海外工作仍要供強積金
	9.3.2007	僱主須向受託人更新僱員資料
	16.3.2007	投訴具名與否積金局均會處理
	23.3.2007	臨近退休人士選擇基金竅門
	30.3.2007	僱主轉受託人 應與僱員溝通

**Appendix 10 (cont'd)**  
**LIST OF ARTICLES**  
**CONTRIBUTED**  
*(April 2006 – March 2007)*

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
《新報》	9.4.2006	積金仔 — 轉戶須填轉移表
	24.4.2006	積金仔 — 公司董事欠供強積金要負刑責
	8.5.2006	積金仔 — 強積金 可暫不領取
	22.5.2006	積金仔 — 多途徑查閱僱主供強積金
	4.6.2006	積金仔 — 改善權益報表
	25.6.2006	積金仔 — 權益報表資料
	9.7.2006	積金仔 — 自願供款保障更佳
	24.7.2006	積金仔 — 轉基金要考慮風險及時機
	13.8.2006	積金仔 — 應細心閱讀強積金權益報表
	3.9.2006	積金仔 — 積金局配合五天工作
	25.9.2006	積金仔 — 匿名投訴也全力追查
	8.10.2006	積金仔 — 從網頁認識強積金受託人
	30.10.2006	積金仔 — 抄封欠款僱主資產保障僱員
	26.11.2006	積金仔 — 僱主欠供罰則
	18.12.2006	積金仔 — 僱主拒交資料可被檢控
	8.1.2007	積金仔 — 強積金供款建議提高上限
	29.1.2007	積金仔 — 花紅、獎金亦要供強積金
	20.2.2007	積金仔 — 飲食業須留意強積金
	11.3.2007	積金仔 — 強積金資產淨值破2000億
<b>Trustees' Newsletters</b>		
銀聯信託快訊	5.2006	轉工要留意處理保留帳戶
AIA MPF Newsletter “Focus”	6.2006	轉工要留意處理保留帳戶
宏利強積金通訊	7.2006	積金局改善權益報表內容
銀聯信託快訊	8.2006	僱主可否以強積金供款來抵銷長期服務金或遣散費？
滙豐強積金通訊	9.2006	轉工要留意處理保留帳戶
中銀保誠強積金通訊	11.2006	定期檢查強積金帳戶
AIA MPF Newsletter “Focus”	11.2006	定期檢查強積金帳戶
宏利強積金通訊	1.2007	積金局加強執法 保障僱員強積金權益
銀聯信託快訊	2.2007	花紅、獎金亦要供強積金
AIA Newsletter “Focus”	3.2007	花紅、獎金亦要供強積金

**Appendix 10 (cont'd)**  
**LIST OF ARTICLES**  
**CONTRIBUTED**  
*(April 2006 – March 2007)*

NEWSPAPER/ ORGANIZATION	DATE	TOPIC
<b>Union Publications</b>		
《香港倉庫運輸 物流員工協會慶祝 46周年會慶特刊》	6.2006	積金局呼籲僱員多關心強積金 定期查閱僱主供款及權益報表
《香港建造業總工會 20周年紀念特刊》	7.2006	多一分關心 多一分保障
《港九電器工程電業器 材職工會周年 誌慶特刊》	9.2006	多一分關心 多一分保障 強積金
《香港金屬製造 業職工會通訊》	12.2006	「多一分關心 多一分保障」 齊來認識你的強積金權益
《港九紡織染業 職工總會通訊》	1.2007	多關心您的強積金權益之一 「多一分關心 多一分保障」 積金局呼籲僱員多關心強積金
《港九紡織染業 職工總會通訊》	2.2007	多關心您的強積金權益之二 有關轉工時的強積金安排
《工聯月刊》	2.2007	選擇適合的投資 有助強積金增值
《港九酒樓茶室總 工會建會86周年 紀念會慶特刊》	2.2007	「多一分關心 多一分保障」
《粵港司機安全 手冊2007》	2.2007	「多一分關心 多一分保障」強積金

## APPENDIX 11

### LIST OF STAFF KNOWLEDGE SHARING, TRAINING AND DEVELOPMENT PROGRAMMES

(April 2006 – March 2007)

TOPICS	TARGET	NUMBER OF SESSIONS ORGANIZED/ATTENDED
<b>Knowledge Sharing</b>		
– <b>MPF business knowledge</b> e.g. MPF survey, MPF investment performance review, Amendment to MPF legislation, Debriefing on conferences on pensions and retirement protection	All staff	9 sessions with total attendance of 642
– <b>General knowledge</b> e.g. Corruption prevention, Personal data privacy	All staff	2 sessions with total attendance of 83
<b>Communication Sessions</b> e.g. Revamped MPFA website, Electronic leave application system	All staff	17 sessions with total attendance of 990
<b>Management Development Programme</b>		
Team building	Staff of relevant Divisions/ Departments	14 sessions with total attendance of 117
Direct attention thinking	Inspectors and Senior Officers	3 sessions with total attendance of 96
Management development orientation workshop	Senior Inspectors	1 session with total attendance of 11
External workshops	Managers, Senior Inspectors and Senior Managers	4 sessions/programmes with total attendance of 12
<b>Attendance at Conferences/Seminars</b> Topics include pensions and retirement planning, investment, etc	Staff of relevant Divisions/ Departments	Total attendance: 17 (with 2 as speakers)
<b>Business Knowledge/ Technical Skills Training</b> e.g. Accounting and finance knowledge, Legal training, Inspection and investigation skills, Information technology skills	Staff of relevant Divisions/ Departments	117 sessions with total attendance of 536
<b>Organization Development and Culture Building Programmes</b>	All staff	15 sessions with total attendance of 221

## APPENDIX 12

### DEFINITION OF TERMS

#### (A) ORSO 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"> <li>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</li> <li>b) where appropriate, the qualifying service and age of the employee.</li> </ul>
Insurance arrangement	Means an agreement or arrangement: <ul style="list-style-type: none"> <li>a) made in respect of an occupational retirement scheme with an authorized insurer under which the insurer is responsible for managing the scheme; and</li> <li>b) which is of a class or description specified in rules made by the Registrar of Occupational Retirement Schemes.</li> </ul>
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"> <li>a) his employment by the relevant employer (whether past or present) of the scheme; or</li> <li>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,</li> </ul> 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 the MPFSO. Members of such a 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"> <li>a) is comprised in one or more instruments or agreements; and</li> </ul>

**Appendix 12 (cont'd)**  
**DEFINITION OF TERMS**

	<p>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,</p> <p>and includes, where the context admits, a proposed such scheme.</p>
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 the ORSO and any withdrawal under section 12 of the ORSO has not come into effect.
ORSO registered scheme	Means an occupational retirement scheme which is registered under section 18 of the ORSO.
ORSO scheme administrator	<p>Means:</p> <p>a) in the case of a scheme or pooling agreement governed by a trust, the trustee concerned;</p> <p>b) in the case of a scheme or pooling agreement which is the subject of or regulated by an insurance arrangement, the insurer concerned;</p> <p>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.</p>
Pooling agreement	<p>Means an agreement or arrangement:</p> <p>a) which is:</p> <p>i) governed by a single trust; or</p> <p>ii) the subject of or regulated by an insurance arrangement including a series of insurance arrangements which are of the same class or description;</p> <p>b) which applies to 2 or more individual occupational retirement schemes each of which is:</p> <p>i) governed by such trust; or</p> <p>ii) (where appropriate) the subject of or regulated by such insurance arrangement, by virtue of such application;</p> <p>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;</p> <p>d) which is managed, in the case of an agreement or arrangement governed by such trust, by a registered trust company;</p>

**Appendix 12 (cont'd)**  
**DEFINITION OF TERMS**

	<p>e) in relation to which, and its participating schemes, proper accounts and records are kept; and</p> <p>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.</p>
Registrar of Occupational Retirement Schemes	Means the Mandatory Provident Fund Schemes Authority.
Relevant employer	Means, in relation to an occupational retirement scheme, the employer who provides the employment which entitles or enables the employee to be a member of the scheme.
Top-up scheme	Means an occupational retirement scheme restructured to supplement the benefits provided under an MPF scheme.

**(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	<p>An investment fund which is an insurance policy, authorized unit trust or authorized mutual fund that</p> <p>a) complies with the requirements set out in section 17(2) of Schedule 1 to the General Regulation; and</p> <p>b) is approved by the MPFA.</p>
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	<p>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:</p> <p>a) are engaged in an industry for which a provident fund scheme is registered as an industry scheme; and</p> <p>b) employed in that industry by an employer on a day to day basis or for a fixed period of less than 60 days,</p> <p>the MPFA may, by order published in the Gazette, declare those employees to be casual employees for the purposes of the MPFSO.</p>



**Appendix 12 (cont'd)**  
**DEFINITION OF TERMS**

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"> <li>a) in the case of an employer who is not a company, open only to the employees of that employer; or</li> <li>b) in the case of an employer that is a company, open only to the employees of that company or an associated company.</li> </ul>
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 2 or more industries or classes of industries.
Mandatory contribution	Means <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul>
Master trust scheme	Means a registered scheme membership of which is open to: <ul style="list-style-type: none"> <li>a) the employees of more than one employer; and</li> <li>b) self-employed persons; and</li> <li>c) persons who, having accrued benefits in another registered scheme, wish to have those benefits transferred to the first-mentioned scheme; and</li> <li>d) persons who, having benefits in an ORSO exempted scheme or an ORSO registered scheme, within the meaning of section 2(1) of the Exemption Regulation, wish to have those benefits transferred to the first-mentioned scheme, but does not include an industry scheme.</li> </ul>
Provident fund scheme	Means a scheme governed by a trust: <ul style="list-style-type: none"> <li>a) the terms of which are set out in one or more documents; and</li> <li>b) that: <ul style="list-style-type: none"> <li>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</li> <li>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,</li> </ul> </li> </ul> and includes a proposed provident fund scheme.

**Appendix 12 (cont'd)**  
**DEFINITION OF TERMS**

Registered scheme	Means a provident fund scheme registered under section 21 of the MPFSO as an employer sponsored scheme or a master trust scheme or registered under section 21A of the MPFSO as an industry scheme.  The term “Registered scheme” is usually used interchangeably with the term “MPF scheme”.
Relevant employee	Means an employee of 18 years of age or over and below retirement age.
Relevant income	Means: a) in the case of a relevant employee, any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (other than a housing allowance or other housing benefit), expressed in monetary terms, paid or payable by an employer (directly or indirectly) to that relevant employee in consideration of his employment under that contract, but does not include severance payments or long service payments under the Employment Ordinance (Cap. 57); b) in the case of a self-employed person, income of that person as ascertained in accordance with the regulations made under section 46 of the MPFSO and in force.
Retirement age	In relation to an employee or self-employed person, means 65 years of age or, if the regulations prescribe an earlier age, that earlier age.
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 (cont'd)**  
**DEFINITION OF TERMS**

**(C) ABBREVIATIONS**

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



