



**Mandatory Provident Fund  
Schemes Authority**



Save for  
the Future

Annual Report 2008/09

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# 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 employers to provide retirement benefits for their employees. Prior to the launch of the MPF System, employers operating ORSO schemes had the option 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**

## STATISTICAL HIGHLIGHTS

	As at 31 Mar 2009	As at 31 Mar 2008
<b>About MPF</b>		
Enrolment rates (with number of participating members in brackets)		
Employers	99.3% (236 700)	99.1% (235 000)
Employees	97.3% (2 201 500)	96.5% (2 129 000)
Self-employed persons	74.1% (266 000)	74.8% (267 000)
Number of approved trustees	19	19
Number of registered schemes	38	40
Number of approved constituent funds	340	337
Number of approved pooled investment funds	306	298
Number of approved index-tracking collective investment schemes	95	94
Aggregate net asset value of all schemes	\$217.74 billion	\$248.20 billion
Annual contribution amount	\$43,418 million*	\$32,414 million
Annualized internal rate of return for the MPF System since 1 Dec 2000	-0.8%	7.4%
Total value of the Compensation Fund	\$1.25 billion	\$1.18 billion
<b>About ORSO schemes</b>		
Total number of schemes	7 178	7 388
Exempted schemes:		
Number of schemes	2 089	2 106
Registered schemes:		
Number of schemes	5 089	5 282
Number of employees covered	463 000	482 000
Aggregate net asset value of all schemes	\$259.51 billion	\$243.36 billion
Annual contribution amount	\$15,273 million	\$15,356 million

\* Including \$8.16 billion of special contributions injected by the Government into the MPF accounts of eligible scheme members.

# MAJOR RESULTS AND FUTURE INITIATIVES

The major results of the MPFA's work in the financial year 2008-09, as well as the initiatives to be taken in 2009-10 and beyond, are set out below.

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

Major results in 2008-09	More information	Initiatives in 2009-10 and beyond
<b>Facilitating market forces</b>		
<ul style="list-style-type: none"> <li>Followed up the proposal to increase employees' control over their MPF investments and assisted the Government in preparing the Mandatory Provident Fund Schemes (Amendment) Bill 2009</li> </ul>	Page 43	<ul style="list-style-type: none"> <li>Ensure smooth implementation of the proposal to increase employees' control over their MPF investments after passage of the relevant Amendment Bill</li> </ul>
<ul style="list-style-type: none"> <li>Revised the Code on Disclosure for MPF Investment Funds to improve the disclosure of fees and charges in the On-going Cost Illustrations</li> </ul>	Page 43	<ul style="list-style-type: none"> <li>Explore further initiatives to reduce administration and lower costs in operating MPF schemes, such as measures to streamline reporting requirements and facilitate electronic transactions</li> </ul>
<ul style="list-style-type: none"> <li>Launched an enhanced version of the Fee Comparative Platform for MPF funds</li> </ul>	Page 44	
<b>Legislative amendments</b>		
<ul style="list-style-type: none"> <li>Publicized the legislative amendments that came into effect in 2008 (including those in the Mandatory Provident Fund Schemes (Amendment) Ordinance 2008 and Mandatory Provident Fund Schemes (Amendment) (No.2) Ordinance 2008)</li> </ul>	Page 50	<ul style="list-style-type: none"> <li>Attend to the legislative process of the Mandatory Provident Fund Schemes (Amendment) Bill 2009 covering the proposal to enhance employees' control over their MPF investments</li> </ul>
<ul style="list-style-type: none"> <li>Reviewed enforcement strategies and made special administrative arrangements to facilitate the removal of the 30-day settlement period</li> </ul>	Page 30	<ul style="list-style-type: none"> <li>Process further proposals to amend the legislation arising from other initiatives</li> </ul>
<b>Reviews of and improvements to the MPF System</b>		
<ul style="list-style-type: none"> <li>Continued working with professional bodies and other regulators to explore possible improvements to the MPF System</li> </ul>	Page 44	<ul style="list-style-type: none"> <li>Review the minimum and maximum levels of relevant income for MPF contributions</li> <li>Develop a framework for identifying, documenting and developing longer term reform issues for the MPF System</li> </ul>

## MAJOR RESULTS AND FUTURE INITIATIVES (cont'd)

Major results in 2008-09	More information	Initiatives in 2009-10 and beyond
<b>Supervision</b>		
<ul style="list-style-type: none"> <li>Reviewed the portfolio holdings of all MPF investment funds that invest directly into securities regarding their compliance with MPF investment requirements</li> </ul>	Page 34	<ul style="list-style-type: none"> <li>Conduct a round of on-site visits to MPF trustees and MPF investment fund managers to review their investment compliance control and fund governance arrangements</li> </ul>
<ul style="list-style-type: none"> <li>Studied the current selling and marketing practices of MPF trustees and their intermediaries</li> </ul>	Page 39	<ul style="list-style-type: none"> <li>Develop best practice notes for trustees to facilitate their supervision of MPF intermediaries</li> <li>Conduct training to increase the investment knowledge of MPF intermediaries</li> <li>Review the regulatory regime for MPF intermediaries</li> </ul>
<ul style="list-style-type: none"> <li>Reviewed the Industry Schemes and planned for their continued operation</li> </ul>	Page 35	<ul style="list-style-type: none"> <li>Invite and assess tenders from MPF trustees to operate the Industry Schemes</li> </ul>
<ul style="list-style-type: none"> <li>Strengthened the monitoring of all MPF trustees and the compliance of investment products with MPF investment requirements</li> </ul>	Page 35	<ul style="list-style-type: none"> <li>Review the eligibility requirements of trustees and service providers</li> </ul>
<ul style="list-style-type: none"> <li>Launched a regular newsletter for MPF trustees highlighting prevalent scheme administration and investment compliance issues</li> </ul>	Page 34	
<b>Enforcement</b>		
<ul style="list-style-type: none"> <li>Recovered \$231.7 million in default MPF contributions on behalf of employees</li> </ul>	Page 29	<ul style="list-style-type: none"> <li>Review the manpower requirements to deal with a possible surge in workload in handling default contribution reports and employers' appeals against surcharge notices following the removal of the 30-day settlement period for MPF contributions</li> </ul>
<ul style="list-style-type: none"> <li>Improved the efficiency of reporting and investigation of suspected default contribution cases by launching an electronic platform for trustees to provide default contribution records in a timely manner</li> </ul>	Page 30	

Major results in 2008-09	More information	Initiatives in 2009-10 and beyond
<ul style="list-style-type: none"> <li>• Took prosecution action against scheme members who made false statements for withdrawal of accrued benefits on the grounds of permanent departure from Hong Kong</li> </ul>	Page 31	<ul style="list-style-type: none"> <li>• Continue to scrutinize suspicious permanent departure claims</li> </ul>
<ul style="list-style-type: none"> <li>• Investigated suspected cases of false declaration of relevant income by self-employed persons</li> </ul>	Page 31	<ul style="list-style-type: none"> <li>• Continue to step up enforcement action against self-employed persons</li> </ul>

**Objective 2:**  
**To strengthen public support and deepen their understanding of the MPF System and Investments**

Major results in 2008-09	More information	Initiatives in 2009-10 and beyond
<b>Public education and publicity</b>		
<ul style="list-style-type: none"> <li>• Carried on with MPF investment education to disseminate MPF investment knowledge to the community</li> </ul>	Page 47	<ul style="list-style-type: none"> <li>• Launch major programmes under the MPF Investment Education Campaign to educate scheme members on decision making at various stages of their lifelong MPF investment process</li> </ul>
<ul style="list-style-type: none"> <li>• Rolled out a thematic campaign on the risk management aspects of MPF investments to educate scheme members on how to look after their MPF investments in a volatile market</li> </ul>	Page 48	<ul style="list-style-type: none"> <li>• Launch special programmes to dovetail with the implementation of the proposal to enhance employees' control over their MPF investments</li> </ul>
<ul style="list-style-type: none"> <li>• Educated the younger generation through programmes in schools and other educational institutions on the importance of financial planning and saving for the future</li> </ul>	Page 49	
<ul style="list-style-type: none"> <li>• Organized education and publicity programmes for different target groups on various aspects of the MPF System</li> </ul>	Page 51	<ul style="list-style-type: none"> <li>• Launch programmes for selected target groups, such as self-employed persons and Industry Scheme members</li> </ul>

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

Major results in 2008-09	More information	Initiatives in 2009-10 and beyond
<b>Corporate services</b>		
<ul style="list-style-type: none"> <li>Reviewed and improved the policy on staff training and development</li> </ul>	Page 71	<ul style="list-style-type: none"> <li>Review the structure of various divisions to cater for new regulatory activities and new policy developments in the MPF System</li> </ul>
<ul style="list-style-type: none"> <li>Conducted a comprehensive training need analysis and formulated a training programme plan in response to the training requirements of staff</li> </ul>	Page 71	<ul style="list-style-type: none"> <li>Implement a training programme plan for all staff</li> </ul>
<ul style="list-style-type: none"> <li>Developed a Career Profile Guide to provide staff with a clear picture of career development in the MPFA</li> </ul>	Page 71	<ul style="list-style-type: none"> <li>Refine the Career Profile Guide and issue to staff to help them understand their career prospects and how they can achieve their career goals</li> </ul>
<ul style="list-style-type: none"> <li>Continued to nurture a corporate culture that fosters trust and values teamwork by enhancing staff communication through face-to-face communication sessions and launching a quarterly electronic bulletin on corporate news</li> </ul>	Page 72	<ul style="list-style-type: none"> <li>Develop and implement award and recognition programmes, e.g. long service award, to show appreciation of staff</li> </ul>
<ul style="list-style-type: none"> <li>Completed relocation of the head office</li> </ul>	Page 70	<ul style="list-style-type: none"> <li>Review office accommodation requirements in the light of operational needs</li> </ul>
<ul style="list-style-type: none"> <li>Conducted security risk assessment of information technology infrastructure and application systems and implemented solutions to resolve the risk issues identified</li> </ul>	Page 65	<ul style="list-style-type: none"> <li>Implement measures to further enhance IT security</li> </ul>
<ul style="list-style-type: none"> <li>Upheld the principle of environment protection in office operations and was awarded the Wastewi\$e Environmental Label</li> </ul>	Page 74	<ul style="list-style-type: none"> <li>Continue to implement environmentally friendly measures in the office and extend MPFA's caring services to the community</li> </ul>
<ul style="list-style-type: none"> <li>Participated in community work and was awarded the "Caring Organization" logo for the fourth year</li> </ul>	Pages 74-75	



**Special project:**

**To implement the HKSAR Government's initiative of injecting \$6,000 into the account of each eligible MPF/ORSO scheme member who earns \$10,000 or less a month (The Government's Injection Project)**

Major results in 2008-09	More information	Initiatives in 2009-10 and beyond
<ul style="list-style-type: none"><li>• Attended to the enactment of the Mandatory Provident Fund Schemes (Amendment) Bill 2008 to provide a legal framework for implementing the Project</li></ul>	Page 54	<ul style="list-style-type: none"><li>• Complete the injection processes for all eligible recipients</li></ul>
<ul style="list-style-type: none"><li>• Developed a data warehouse solution for scheme members' data to facilitate payment and enquiry handling</li></ul>	Page 54	<ul style="list-style-type: none"><li>• Handle requests for review of eligibility and appeals</li></ul>
<ul style="list-style-type: none"><li>• Liaised with the trustees and ORSO employers and issued a Guidance Note in phases to set out the administrative arrangements and implementation details of the Project</li></ul>	Page 54	<ul style="list-style-type: none"><li>• Arrange for audit of Project accounts</li></ul>
<ul style="list-style-type: none"><li>• Maintained regular dialogue with stakeholders, arranged briefings for various sectors of the community and rolled out publicity programmes in phases to tie in with different stages of the Project</li></ul>	Pages 55-56	<ul style="list-style-type: none"><li>• Complete the Project in early 2010</li></ul>
<ul style="list-style-type: none"><li>• Compiled a list of eligible persons</li></ul>	Page 57	
<ul style="list-style-type: none"><li>• Substantially completed the injection process</li></ul>	Page 57	
<ul style="list-style-type: none"><li>• Set up an Injection Hotline to handle enquiries, complaints, grievances and requests for review of eligibility</li></ul>	Page 55	

## CHAIRMAN'S STATEMENT



As mentioned in my statement in last year's report, my work priorities since my appointment as Chairman have included stepping up enforcement to protect employees' hard-earned money, driving down MPF fees and charges, and educating the public to help them make informed MPF investment decisions that best suit their needs.

At the end of the last financial year, the Financial Secretary announced that the Government would inject \$6,000 into the account of each eligible MPF or MPF-exempted ORSO scheme member who earns \$10,000 or less a month (the Government's Injection Project). Since then, the implementation of this Government initiative has been amongst the top priorities of the MPFA. In addition, the onset of the financial turmoil since late 2008 has prompted the MPFA to focus on its supervisory activities and reinforcement of measures to protect the interests of scheme members, including public education programmes to heighten scheme members' awareness of the risks associated with MPF investments.

Judged from any perspective, this has been an eventful year for the MPFA, Hong Kong and indeed the world.

### THE GOVERNMENT'S INJECTION PROJECT

As Chairman, whilst I was not involved in the day-to-day running of the MPFA, I could not fail to observe the intensity of the preparatory activities to implement the Government's decision to make a one-off special contribution into the MPF accounts of eligible individuals. Substantial manpower and other resources have been deployed in this colossal exercise. In fact, non-executive members of the MPFA were not spared either. The Government's Injection Project Committee<sup>1</sup> formed under the Management Board to steer and guide the implementation of this project met frequently. By the end of this financial year, the MPFA has

<sup>1</sup> The full name of the Committee is Committee to Oversee MPFA's Implementation of the Government Injection Project.

paid the bulk of the special contributions to eligible recipients on behalf of the Government. I also know that after the injections have been made, the non-executive directors will soon be required to hear appeals relating to individuals' eligibility to receive the special contribution.

To implement the Government's Injection Project, the MPFA has had to rely on trustees and employers operating ORSO schemes<sup>2</sup> to provide the relevant data to determine the eligibility of individuals and to effect the injection of the special contribution. The databases that the industry has been maintaining over the years were established for the purpose of MPF scheme administration – for processing contributions, reporting defaults, etc. The selection, compilation and matching of the data necessary for the injection exercise was never the intended uses of these databases. In this connection, my appreciation and sincere thanks go to the industry, as well as to ORSO scheme employers, for their forbearance and diligent cooperation with MPFA's numerous requests for input, processing, validating, and testing of data, and instructions for effecting the injection of contributions. All the work has been for the good cause of providing additional retirement benefits for the working population.

## THE FINANCIAL TURMOIL

Few would dispute that the recent financial turmoil is on an unprecedented scale. It has affected the financial soundness of many global financial institutions, some of which have subsidiaries acting as trustees of MPF schemes in Hong Kong. The MPFA has acted quickly to ensure that the safeguards available under the MPF System are working robustly to protect scheme members' interests. In addition to stepping up its monitoring activities on all approved MPF trustees and investment products, the MPFA also maintained close liaison with the Government and the other financial regulators to keep track of the developments,

and expedited its supervision strategy with respect to investment compliance and fund governance. To start the investment compliance project, a health-scan of all MPF investments was conducted to ensure their compliance with the MPF investment regulations. The existing stringent MPF investment regulations have proved effective in limiting the risk exposure of MPF funds. To take preventive measures against any possible mis-selling of MPF products, particularly in preparation for the implementation of the proposal to increase employees' control over their MPF investments, the MPFA has embarked on a review of its regulatory and supervisory strategy in relation to the marketing and selling of MPF products.

## MPF INVESTMENT EDUCATION

The MPFA has always attached great importance to investment education for scheme members. Throughout the years, its education efforts have taken various shapes and forms. In recent years, messages about the relationship between the risks and returns of MPF funds have been widely disseminated as part of the MPFA's on-going public education activities. The recent financial turmoil has aroused scheme members' concerns about their MPF investments and has given the MPFA a golden opportunity to educate them about managing the risks associated with their MPF investments. During the year, the MPFA launched a series of education programmes on how to look after MPF investments in a volatile market and how the existing MPF regime safeguards scheme members' interests. With this new emphasis, the MPFA has also laid the foundations for the next phase of the MPF Investment Education Campaign in the coming year that focuses on the lifelong MPF investment decision-making process.

<sup>2</sup> ORSO schemes are occupational retirement schemes set up under the Occupational Retirement Schemes Ordinance [Cap. 426].

### FEES AND CHARGES

Following on from the initial results achieved last year, we continued to work on lowering MPF fees and charges on several fronts. Meetings were held with trustees with the aim of streamlining scheme administration, reforming disclosure requirements and facilitating the operation of market forces, all aimed at reducing fees and charges. I am pleased to see evidence of a trend of falling MPF fees. The average Fund Expense Ratio of MPF constituent funds with financial year-end dates falling between 1 July 2007 and 30 June 2008 was 1.98%, compared with 2.09% a year earlier.

Promising progress has also been made in other aspects. The proposal to increase employees' control over their MPF investments, so that employees are able to transfer the accrued benefits derived from their own contributions from the schemes chosen by their employers to schemes of their own choice, has matured into the MPF Schemes (Amendment) Bill 2009. By the time this report goes to print, the Bill would have been introduced into the Legislative Council, taking us a step closer to increasing competition which will in turn help to drive down fees and charges further. The MPFA will keep up its efforts to follow through the implementation of the new provisions and facilitate the working of market forces.

### ENFORCEMENT

Several developments during the year have helped to address my concerns about protecting our working population's hard-earned MPF benefits. The MPFA has completed the development of a new electronic data processing platform, the Trustees Reported Information System. All MPF trustees have started submitting default contribution records using the platform. In addition, an

earlier legislative amendment to remove the 30-day settlement period for MPF contributions, came into operation in November 2008. The greater efficiency in default contribution reporting and recovery thus achieved has facilitated MPFA's enforcement work, resulting in better protection for scheme members.

The MPFA has also been working on a scheme to deter employers from defaulting on their payments by increasing the penalties and imposing more sanctions on defaulting employers. The relevant legislative amendments took effect on 1 December 2008.

### MPF ASSETS

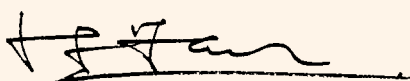
At the end of the 2008-09 financial year, the MPF System's net asset value totalled \$217.74 billion, which included the \$8.16 billion special MPF contribution made by the Government. Excluding this special contribution, total monthly MPF contributions averaged \$2.92 billion, compared with \$2.7 billion in the previous year.

The investment markets were extremely volatile during the year and this was reflected in the overall performance of MPF funds. The annualized return for 2008-09, after fees and charges, was -25.9%. As always, I stress that the economy and financial markets have their cycles. As investment for retirement is a long-term commitment, scheme members should stay calm and not be overly concerned about short-term fluctuations in investment returns. Since the start of the MPF System up to the end of the 2008-09 financial year, the net annualized return for the MPF System was -0.8%. A month later, we have already seen a change with a positive net annualized return for the MPF System since its inception, now amounting to +0.8%.

## VOTE OF THANKS

Despite various challenges, expected and unexpected, the MPFA has remained vigilant and achieved good results over the year. These would not have been possible without the support of my fellow Management Board Members and the various supporting Committees. I must thank the committee chairmen, particularly the Hon Wong Ting-  
kwong (Chairman of Administration Committee) and Mr David Sun (Chairman of Finance Committee and the Government's Injection Project Committee), and the Managing Director and Acting Chairman, Mrs Diana Chan, for holding the fort while I was on leave of absence during the last few months of my term. At the same time, I wish to record my warm appreciation of the wise counsel given by members of the MPF Schemes Advisory Committee and the MPF Industry Schemes Committee. To the MPFA staff, who once again rose to the many challenges in the past year with professionalism and dedication, I convey my most sincere gratitude.

These have been trying times for the organization and for Hong Kong. I wish the MPFA and the next Chairman, the Hon Anna Wu, the best of times ahead.



**Henry Fan Hung-ling**  
*Chairman*



### THE YEAR IN REVIEW

Since the second half of 2008, the global financial market has been in turmoil. The unfavourable economic climate, problems with global financial institutions and sharp falls in the value of MPF investments in line with the financial markets have aroused the concern of many MPF scheme members. In this environment, the MPFA has strengthened its monitoring of MPF trustees, educated scheme members on how to look after their MPF investments in a volatile market, and sharpened its alertness to possible default contribution cases as a result of business failures. In addition, we have continued to enhance the transparency of MPF information and facilitated market forces to drive down fees and charges for MPF funds, launched education programmes for different target groups and ensured the smooth implementation of the legislative amendments that came into effect during the year. The implementation of the Government's injection of \$6,000 into the accounts of eligible MPF/ORSO scheme members has also been high on the MPFA's work agenda and in many respects, posed a great challenge to the Authority.

### Facilitating Market Forces

The full implementation of the Code on Disclosure for MPF Investment Funds has ensured that information about the fees and charges of all MPF funds is now available in a manner that facilitates comparison and hence encourages market competition. To help ensure that market forces work efficiently, we have refined and improved the operation of the Code and, during the year, enhanced the disclosure of fees and charges in the On-going Cost Illustrations to be provided to scheme members alongside the offering documents of all MPF products. We have also launched a detailed version of the Fee Comparative Platform on MPFA's website, allowing members to find information about every MPF fund. This enhanced transparency will facilitate members' decision making process and the MPFA will continue to identify opportunities to further improve in this area.

Another initiative to facilitate the working of market forces, is the legislative proposal which will allow employees to transfer the accrued benefits derived from their own mandatory contributions from a scheme chosen by their employers to a scheme of their own choice. The MPF Schemes (Amendment) Bill 2009 was introduced into the Legislative Council in May 2009.

### **Supervision of Approved MPF Trustees**

Given the financial environment in the year under review, the MPFA stepped up its supervision of MPF trustees and their investment products by requiring them to increase reporting on operational matters and their individual financial positions. The financial turmoil has also expedited our review of investment compliance and fund governance issues in respect of all MPF investment funds. As a start, we completed a review of the portfolio holdings of all MPF investment funds that invest directly in securities, and was satisfied that the funds generally complied with the investment requirements in the MPF legislation. We have also laid the ground work for a series of on-site visits to MPF trustees and investment managers to review their investment compliance controls and monitoring as well as fund governance arrangements. As planned, we reviewed the Industry Schemes and devised plans for their continued operation following the expiry of the current licences in 2010.

### **Public Education**

In a volatile market, scheme members tend to be anxious over any losses in their MPF investments. As a result, some members may want to switch funds, hoping to avoid further losses. In view of this, we continued with our investment education efforts to disseminate knowledge about the features and risk levels of all fund types. We also rolled out a thematic campaign on risk management to educate scheme members on how to look after their MPF investments in a volatile market and how the existing MPF regime safeguards their interests. Preparatory work has also started on an Investment Education Campaign to be launched in the fourth quarter of 2009.

At the community level, the MPFA continued to work closely with various stakeholders, including the industry, employer and employee groups, professional bodies, political parties, District Councils and community groups, partnering with them to provide education on MPF investment through district carnivals, seminars, exhibitions and other outreach activities. In addition, education and publicity programmes were tailor-made for specific target groups, including different groups of students and school children, job seekers, self-employed persons and Industry Scheme members.

### **Enforcement**

When the financial turmoil began, we closely monitored media reports on business closures, and proactively followed up possible cases of default. At the same time, we continued to handle default contribution cases reported by employees and trustees. By pursuing civil claims, the MPFA recovered \$231.7 million in default MPF contributions for employees during the year.

The legislative amendment to remove the 30-day settlement period following the contribution day, took effect on 1 November 2008. In addition to carrying out publicity to explain the change, we reviewed our enforcement strategies and made special arrangements to facilitate the implementation of the change. This included the flexible handling of late payment cases and surcharge appeals in the first month of implementation, and the issue of warning letters before imposing the surcharge. Following the removal of the settlement period, we expect that the arrears recovery process will be speedier. Furthermore, the increased penalties and sanctions against defaulting employers, which took effect on 1 December 2008, are expected to have a significant deterrent effect.

### The Government's Injection Project

The implementation of the Government's decision to inject a one-off special contribution into the accounts of eligible scheme members was a major project for the MPFA during the year and posed an unprecedented challenge to the MPFA. After the Government announced the proposal in late February 2008, the MPFA was heavily engaged in the planning and implementation work. We helped prepare the legislation which provided a legal framework for the injection; enhanced and developed information systems for the collection and matching of data, preparation of payment instructions and monitoring of payment status; and developed and issued a Guidance Note in phases to MPF trustees and ORSO employers, setting out the administrative arrangements and implementation details of the Project. Publicity and communication programmes were carried out at different stages to explain to the public and stakeholders the details and progress of the exercise. Data associated with over seven million accounts was collected, validated and consolidated to come up with a list of approximately 1.4 million eligible members. The injection payments started in March 2009 and were completed a month later.

There were gains and losses for the MPFA in taking up the Government's Injection Project. Apart from devoting substantial resources to the preparatory and implementation work, we had to defer a number of planned initiatives in order to meet the Project timeframe. For the needy, their retirement protection will be enhanced with the extra contributions being made to their MPF accounts. Additionally, this Project has given the MPFA a chance to identify, together with the trustees, areas within the MPF administrative system that require improvement.

### Staff and the Organization

We continued to nurture a corporate culture that fosters trust and values teamwork. During the year, communication sessions were held between the senior management and individual staff groups to discuss work-related issues and to get to know staff needs and concerns. Updates on the progress of the organization's work were given through a quarterly electronic corporate bulletin, launched in 2008, and timely messages issued by individual departments. We continued with the annual corporate staff recognition

programme to recognize staff who demonstrate our core values, and the annual departmental staff recognition programme to show appreciation and to recognize staff in a timely manner, for a job well done. Feedback sessions, conducted later in the year, revealed high morale and a strong sense of belonging amongst the staff.

Externally, over the past six years, MPFA staff have been recognized through the Ombudsman's Award scheme for their exemplary service to the public. The award of the Wastewi\$e Environmental Label by the Hong Kong Productivity Council demonstrates the MPFA's commitment to, and achievements in, green management and waste reduction. The award of the "Caring Organization 2005-09" logo by the Hong Kong Council of Social Service has given due recognition to MPFA's caring efforts towards staff and the community.

## LOOKING FORWARD

In 2009-10, we will continue to pursue our medium to long-term objectives of ensuring that the MPF System fulfils its role in providing retirement protection, strengthening public support and deepening their understanding of the MPF System, and ensuring that the MPFA has the ability to deliver its planned programmes. Under these objectives, I would like to particularly highlight a few major areas of work.

### The Portability Proposal

There are two objectives behind the introduction of the proposal to expand employees' control over their MPF investments. First, is to allow them greater freedom to choose the trustees and MPF schemes that best suit their needs. And second, to facilitate the working of market forces, so that increased competition can further drive down fees and charges. Once the MPF Schemes (Amendment) Bill 2009 is enacted, we will implement the legislative provisions, to effect this significant reform of the MPF System. We will also continue with our efforts to assist MPF trustees to lower their costs by streamlining scheme administration.



There are two major pre-requisites to implement the Portability Proposal. Firstly, employees must understand how to look after their MPF accounts and how to make wise investment decisions. And secondly, as the focus for the sale of MPF products will in future, include employees as well as employers, it is all the more important to ensure that the marketing and sale of MPF products is properly conducted. In view of this, we will launch an Investment Education Campaign to equip scheme members with the knowledge to make informed choices amongst different MPF service providers, schemes and funds. Furthermore, we will work with the industry to improve mechanisms for the regulation and supervision of MPF intermediaries. Best practice notes for trustees to guide their supervision of MPF intermediaries, and new training programmes to enhance the knowledge and professionalism of MPF intermediaries, will be developed.

### **Long-term Reforms**

The MPF System is approaching its tenth year of operation. Over the years, we have identified many issues for review. We will work with the Government to prioritize these with a view to developing reform proposals and consulting with relevant stakeholders in the process.

### **Completion of the Government's Injection Project**

Another important task in the coming year, will be to complete the Government's Injection Project by following up enquiries and handling requests for review and appeals, and engaging external auditors to conduct an audit on the entire Project. We will also reflect on the scheme operation and the administrative issues identified during the course of implementing the Project and use these as the basis for effecting changes and improvements to the MPF System.

## **VOTE OF THANKS**

Reflecting on this year's work, I am most grateful to Members of the Management Board and its supporting committees for their valuable guidance and support. My special thanks go to Mr Henry Fan who, during his term as Chairman, has made a significant and long-lasting contribution to enhancing retirement protection for our workforce. Under his capable leadership, the MPFA has successfully persuaded MPF trustees to lower their fees and to raise scheme members' awareness of their rights under the MPF System. I am also grateful to members of the MPF Schemes Advisory Committee and MPF Industry Schemes Committee who have given sterling advice on various aspects of the MPF System and the operation of the Industry Schemes.

Finally, I wish to express my warm appreciation for the dedication, loyalty, and hard work of all my colleagues, without whose relentless efforts and staunch support, we would not have been able to achieve so much in 2008-09. We should, however, not be complacent and will continue to work hard to improve on the regulation and supervision of the MPF System for the benefit of the working population in Hong Kong.



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

## THE MANAGEMENT BOARD

The role of the Management Board and its supporting committees, the number of meetings held during the year and the attendance rates of members are on pages 60 to 63 in the chapter on "Corporate Governance".

### Directors who retired with effect from 17 March 2009

(Biographical information as at 16 March 2009)

#### Chairman



#### **Mr Henry Fan Hung-ling, SBS, JP**

Managing Director, CITIC Pacific Limited; Deputy Chairman, Cathay Pacific Airways Limited.

#### Non-executive Directors



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

Vice-President, Hong Kong Federation of Trade Unions; Chairman, Democratic Alliance For the Betterment and Progress of Hong Kong; Member, Legislative Council; Member, Manpower Development Committee; Member, Chinese People's Political Consultative Conference.



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

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

## Members of the Management Board

(as at 31 March 2009)

### Chairman



#### **The Hon Anna Wu Hung-yuk, SBS, JP**

*(Since 17 March 2009; current term will expire on 16 March 2011)*

Solicitor, Hong Kong; Advisor, Shantou University Law School; Non-Official Member, Executive Council; Member, The Law Reform Commission of Hong Kong; Council Member, Hong Kong International Arbitration Centre; Chair, Academic Board for PCLL of the University of Hong Kong; Independent Non-Executive Director, TOM Group Limited; Non-Executive Director, MPFA (1998-2005); has held a number of public offices in the past, including Member, Legislative Council, Chair, Equal Opportunities Commission, Chair, Consumer Council, Chair, Operations Review Committee of the Independent Commission Against Corruption and Non-Executive Director, Securities and Futures Commission.

### Non-executive Directors



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

*(Since 12 May 2004; current term will expire on 16 March 2010)*

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



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

*(Since 17 March 2005; current term will expire on 16 March 2011)*

Executive Vice President, Bangkok Bank Public Company Limited; Vice Chairman, The Belgium – Luxembourg Chamber of Commerce in Hong Kong; Director, Ocean Park Corporation; Director of the Executive Committee, Helping Hand; Member, Start-up Loan for Post-Secondary Education Providers Vetting Committee (since 2001) and Selection Committee for the Allocation of Sites to Post-Secondary Education Providers (since 2002), Education Bureau.



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

*(Since 17 March 2005; current term will expire on 16 March 2011)*

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.



**Mr David Sun Tak-kei, BBS, JP**

*(Since 17 March 2005; current term will expire on 16 March 2011)*

Far East Area Chairman and Managing Partner, Ernst & Young; Member, Securities and Futures Appeals Tribunal; Member, Exchange Fund Advisory Committee of the Hong Kong Monetary Authority; Treasurer and Council member of the Hong Kong University of Science and Technology; Investment Committee Member, West Kowloon Cultural District Authority.



**The Hon Wong Ting-kwong, BBS**

*(Since 17 March 2005; current term will expire on 16 March 2011)*

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, Skills Upgrading Scheme Steering Committee, Labour and Welfare Bureau; Convener, Working Group, Import and Export Industry Skills Upgrading Scheme, Labour and Welfare 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.



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

*(Since 17 March 2007; current term will expire on 16 March 2011)*

Member, Legislative Council; Vice-Chairman, The Federation of Hong Kong and Kowloon Labour Unions; Member, Manpower Development Committee; Member, Advisory Committee on Admission of Quality Migrants and Professionals; Ex-officio Executive Councillor, Heung Yee Kuk New Territories.



**The Hon Andrew Leung Kwan-yuen, SBS, JP**

*(Since 17 March 2009; current term will expire on 16 March 2011)*

Member, Legislative Council; Chairman, Hong Kong Productivity Council; Chairman, Vocational Training Council; Honorary President, Federation of Hong Kong Industries; Honorary Chairman, Textile Council of Hong Kong; Council Member, Hong Kong Trade Development Council; Member, The Greater Pearl River Delta Business Council; Chairman, Sun Hing Knitting Factory Ltd.



**The Hon Wong Kwok-kin, BBS**

*(Since 17 March 2009; current term will expire on 16 March 2011)*

Member, Legislative Council; Chairman, The Hong Kong Federation of Trade Unions; Member, Commission on Strategic Development; Non-executive Director, Urban Renewal Authority; Member, Hong Kong Housing Authority; Member, Subsidised Housing Committee, Hong Kong Housing Authority.



**Secretary for Financial Services and the Treasury**

*(Since 1 July 2002; current term will expire on 16 March 2011)*

Prof the Hon K C Chan, SBS, JP (the incumbent) was Dean of Business and Management, the Hong Kong University of Science and Technology (2002-07); faculty member, the Hong Kong University of Science and Technology (1993-2007) and Ohio State University, United States (1984-93).

*Alternate: Permanent Secretary for Financial Services and the Treasury (Financial Services)*



**Secretary for Labour and Welfare**

*(Since 1 July 2007; current term will expire on 16 March 2011)*

The Hon Matthew Cheung Kin-chung, GBS, JP (the incumbent) was previously Permanent Secretary for Economic Development and Labour (Labour) and Commissioner for Labour.

*Alternate: Permanent Secretary for Labour and Welfare*

**Executive Directors**



**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, JP**

**Chief Operating Officer (Enforcement)**

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

Qualified actuary; 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, responsible for matters related to occupational retirement schemes.



**Mr Darren Mark McShane**

**Executive Director (Regulation & Policy)**

*(Since 25 March 2002; current term will expire on 24 March 2011)*

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



**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.



**Ms Cynthia Hui Wai-yee**

**Executive Director (Supervision)**

*(Since 1 February 2008; current term will expire on 31 January 2011)*

Qualified actuary; Fellow of the Institute of Actuaries of Australia; Chief Supervision Manager, MPFA (2006-08); Advisor (Insurance Affairs), MPFA (2005-06); has held actuarial positions in major insurance companies in Australia for over 15 years before joining the MPFA.



# 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 10 other members appointed by the Chief Executive of the HKSAR (CE of HKSAR). The chairman and deputy chairman of the MPFSAC are appointed by the CE of the HKSAR from amongst its members.

## Members of the MPFSAC

(as at 29 March 2009)



**Chairman**

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

*(Since 30 March 2007;  
current term will expire on  
29 March 2011)*  
Advisor, Federation of Hong  
Kong and Kowloon Labour  
Unions



**Mr Bob Chong  
Hot-hoi, BBS**

*(Since 30 March 2005;  
current term will expire on  
29 March 2011)*  
Managing Director, Chung  
Nam Watch Co. Ltd.



**Deputy Chairman**

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

*(Since 1 July 2003; current  
term will expire on 29  
March 2011)*  
Managing Director, MPFA



**The Hon Albert Ho  
Chun-yan**

*(Since 30 March 2005;  
current term will expire on  
29 March 2011)*  
Member, Legislative Council



**Other Members**

**The Hon Chan  
Kin-por, JP**

*(Since 30 March 2005;  
current term will expire on  
29 March 2011)*  
Member, Legislative Council



**Mr Lam Yim-nam**

*(Since 30 March 2005;  
current term will expire on  
29 March 2011)*  
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 2011)*

Vice-President, the Hong Kong Federation of Trade Unions



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

*(Since 30 March 2007; current term will expire on 29 March 2011)*

Deputy Chairman, Federation of Hong Kong Industries



**Mr Alvin Wong Tak-wai**

*(Since 30 March 2005; current term will expire on 29 March 2011)*

Partner, PricewaterhouseCoopers



**The Hon Wong Kwok-kin, BBS**

*(Since 30 March 2007; current term expired on 29 March 2009)*

Chairman, the Hong Kong Federation of Trade Unions



**The Hon V-Nee Yeh**

*(Since 30 March 2005; current term will expire on 29 March 2011)*

Member, Executive Council

The CE of the HKSAR has made the following new appointment to the MPFSAC for a term of two years with effect from 30 March 2009:

**Ms Ng Wai-yee**

Supervisor of Labour Rights, Federation of Hong Kong and Kowloon Labour Unions

During the year, the MPFSAC convened two meetings. It received reports on various aspects of the MPFA's work, including supervision, enforcement, regulation and policy, and public education and publicity. The Committee gave valuable advice on various aspects of operation of the MPF

System. It also gave comments on MPFA's implementation of the Government's injection of special contributions into the accounts of eligible MPF/ORSO scheme members. The average attendance rate of members was 59%.

## MPF INDUSTRY SCHEMES COMMITTEE

Industry Schemes are special MPF schemes set up for casual employees in the catering and construction industries. The MPF Industry Schemes Committee (ISC) was established 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 no 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 2009)



**Chairman**

**The Hon Wong Ting-kwong, BBS**

*(Since 25 August 2006;  
current term will expire on  
24 August 2010)*

Member, Legislative Council



**Mr Thomas Ho On-sing**

*(Since 25 August 2006;  
current term will expire on  
24 August 2010)*

Chief Executive, Gammon Construction Co Ltd



**Other Members**

**Mr Chung Wai-ping**

*(Since 25 August 2006;  
current term will expire on  
24 August 2010)*

Chairman, Association of Restaurant Managers



**Mr Tsang Peng-sun**

*(Since 25 August 2006;  
current term will expire on  
24 August 2010)*

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 2010)*

Chairman, Sai Kung Food and Beverages Association



**Mr Yuen Fuk-wo**

*(Since 25 August 2006;  
current term will expire on  
24 August 2010)*

Chairman, Eating Establishment Employees' General Union



**Mr Ng Kwok-kwan**

*(Since 25 August 2008,  
current term will expire on  
24 August 2010)*

Director, Hong Kong  
Construction Industry  
Employees General Union



**Mr Adrian Li  
Man-kiu**

*(Since 25 August 2006;  
current term will expire on  
24 August 2010)*

Director, Bank of East Asia  
(Trustees) Limited



**Mr Suen Long-tai**

*(Since 25 August 2008,  
current term will expire on  
24 August 2010)*

Chairman, Construction Site  
Workers General Union



**Mr Ivan Liu  
Sin-keung**

*(Since 25 August 2008;  
current term will expire on  
24 August 2010)*

Senior Manager, Scheme  
Administration, Bank  
Consortium Trust Company  
Limited



**Mr Conrad Wong  
Tin-cheung, JP**

*(Since 25 August 2008,  
current term will expire on  
24 August 2010)*

Chairman, Hong Kong  
Construction Association



**Mr Thomas Yiu  
Kei-chung**

*(Since 7 November 2006;  
current term will expire on  
24 August 2010)*

Executive Director  
(Corporate Services), MPFA

Mr Choi Chun-wa, Mr Billy Wong Wing-hoo, Mr Chan Sam-choi and Ms Lau Ka-shi retired from the ISC as from 25 August 2008.

During the year, the ISC held three meetings. It received reports from the MPFA and the approved trustees on

enrolment, administration, enforcement and publicity matters associated with the Industry Schemes. It also provided advice 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 78%.



"This is a lifelong commitment..."

## **OVERVIEW**

### **Our role**

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

### **In 2008-09, we**

- Recovered \$231.7 million in default MPF contributions through the courts or by persuasion and counselling of the employers concerned
- Filed 1 152 claims at the Small Claims Tribunal and District Court on behalf of 9 474 employees
- Applied for 570 summonses in respect of default contributions and non-enrolment
- Submitted 355 claims via liquidators on behalf of 4 809 employees
- Issued financial penalty notices to 21 employers
- Reviewed enforcement strategies and made special arrangements to facilitate the implementation of the removal of the 30-day settlement period for MPF contributions
- Stepped up action against employers who fail to provide pay records to scheme members in relation to MPF contributions

### **As at 31 March 2009**

- 99.3%, 97.3% and 74.1% respectively of employers, employees and self-employed persons were enrolled in MPF schemes

## **ENROLMENT**

Participation in the MPF System remained stable throughout the year. As at 31 March 2009, the enrolment rates for employers, employees and self-employed persons (SEPs) were 99.3%, 97.3% and 74.1% respectively, as compared with 99.1%, 96.5% and 74.8% in March 2008. In actual numbers, about 236 700 employers, 2 201 500 employees and 266 000 SEPs have joined the MPF System by the end of March 2009. In addition, 16 300 employers, 325 500 employees and 19 500 SEPs have enrolled in the Industry Schemes set up for casual employees in the catering and construction industries.

About 86% of the working population in Hong Kong were covered under various retirement protection schemes, including MPF schemes, MPF-exempted ORSO schemes or statutory pension plans (such as the Civil Service Pension Scheme). The remaining 14% included 10% who were exempt from the MPF System (people aged below 18, people aged 65 or above, domestic employees and self-employed hawkers, etc), and 4% who should have joined an MPF scheme but have yet to do so.

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 2008-09 was 237 310 as against 192 506 in 2007-08. The enquiries were mostly about enrolment and contribution arrangements, as well as the transfer or withdrawal of benefits.

During the year, 8 265 complaints were received as compared with 7 185 in 2007-08. Complaints relating to default contributions accounted for the majority of the cases recorded, followed by those relating to non-enrolment.

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

## HANDLING OF DEFAULT CONTRIBUTION CASES

### Debt Recovery Actions

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 fail to make MPF contributions for their employees. The surcharges received are credited into the employees' MPF accounts. During the year, 248 300 such payment notices covering different contribution periods were issued.

In 2008-09, the MPFA completed investigations into about 37 800 employers regarding contributions and surcharges in arrears, and pursued civil claims in substantiated cases. As a result, 148 claims were filed with the District Court during the year on behalf of 4 871 employees. There were also 1 004 cases, involving 4 603 employees, submitted to the Small Claims Tribunal. In addition, the MPFA made 355 applications (on behalf of 4 809 employees) to liquidators in respect of default contribution cases.

When the MPFA investigates suspected default contribution cases, some employers 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, after obtaining legal advice, refers cases to the Department of Justice and the Police for criminal prosecution. During the year, the MPFA applied for 529 and 41 summonses in respect of default contributions and non-enrolment respectively. Amongst the 49 employers (involving 271 summonses) who had taken plea by 31 March 2009, 48 (involving 270 summonses) pleaded guilty or were convicted. The total amount of fines imposed was \$512,400. Among the summonses issued, 182 were laid against 21 directors/managers of limited companies. Ten of these directors/managers were convicted and fined between \$7,000 and \$35,000 each. One of the summonses laid against a director with multiple offences was subsequently withdrawn. The rest were pending court judgment.

During the year, the MPFA issued statutory demands to eight employers, who were repeat offenders, requesting them to settle outstanding MPF contributions and surcharges within 21 days, failing which the MPFA would file a winding-up/bankruptcy petition with the High Court. Among the eight employers, five had closed down and possessed no assets. The MPFA filed winding-up/bankruptcy petitions against the other three employers. In addition, to better protect scheme members' interests, the MPFA also filed winding-up petitions against four employers that were under creditors' voluntary winding-up. The High Court granted a bankruptcy order in respect of one employer, while the other cases were pending a court judgment as at 31 March 2009.

The MPFA is empowered under the MPF legislation to impose financial penalties on defaulting employers. During the year, financial penalties of \$5,000 for each case or 10% of the outstanding contribution, whichever was greater, were imposed on 21 employers for default offences. They were mainly repeat defaulters who owed substantial amounts of default contributions.

During the year, the MPFA proactively inspected 2 351 business establishments to check on non-enrolment and default contributions. Major targets of these inspections included catering establishments, retail outlets and construction sites. Inspections were held jointly with the Labour Department at the work places of Government contractors providing cleansing, pest control and security services.

In 2008-09, the MPFA recovered \$231.7 million in default MPF contributions. Statistics on enforcement action taken are set out in Part E of the Statistics section.



**Measures to Enhance the Default Contribution Recovery Process**

To facilitate the investigation of suspected default contribution cases, we developed an electronic Trustees Reported Information System for more timely submission of default contribution records by MPF trustees. With the development of the platform completed during the year, all trustees started submitting default contribution records through the platform from the fourth quarter of 2008.

Amendments to the MPF legislation to improve the default contribution recovery mechanism and to increase the penalty for contribution defaulters came into effect in 2008. The amendment to streamline the default contribution recovery process by removing the 30-day settlement period following the contribution day, took effect on 1 November 2008. As a result, employers are now required to make mandatory contributions for their employees on or before the tenth day of each month. In addition to publicizing the change in the legislation, we also reviewed our enforcement strategies and made special arrangements to facilitate implementation of the change. As it was expected that many employers might not be able to comply fully with the new requirements to begin with, special arrangements were put in place to handle the default contribution cases and surcharge appeals flexibly during the first month of implementation. Before imposing a surcharge, we sent warning letters to employers who failed to make MPF contributions on time after the new requirements became effective. With these efforts, the number of surcharge notices issued in respect of late payment of contributions only increased slightly in the first few months of operation.

The proposals to increase the penalties for certain MPF offences to bring them on a par with the maximum penalty for wage offences under the Employment Ordinance, to increase the penalty on an employer who fails to remit deducted employee contributions to the trustee, and to introduce a penalty for the provision of false or misleading pay records to employees by employers, became effective on 1 December 2008. In anticipation of the implementation of the new penalty for provision of false or misleading pay records, we issued warning letters to 49 employers who had failed to provide pay records. All of these employers subsequently rectified the situation.



### Measures to Enhance SEPs' Compliance

The MPFA sent leaflets to professional bodies and trade associations and contributed articles to their newsletters to remind their members of SEPs' MPF obligations. We also issued reminders to all SEPs who had default contribution records to remind them to make MPF contributions, and investigated suspected cases of false declaration of relevant income.



*Distributing leaflets to self-employed persons*

## OTHER COMPLIANCE ISSUES

Under the MPF legislation, the benefits accrued in an MPF scheme member's account are preserved until retirement. Permanent departure from Hong Kong is one of the circumstances in which a scheme member may withdraw his accrued benefits before attaining retirement age.

To tackle the issue of scheme members making false statements to withdraw accrued benefits for this reason, we liaised with the relevant Government departments to vet the permanent departure claims and investigated suspected cases of abuse. During the year, the MPFA prosecuted four scheme members for making false statements in this regard. Three of the scheme members pleaded guilty and were fined between \$5,000 and \$8,000 each. The other case was pending a court judgment as at 31 March 2009.



"Look after my assets...  
for happiness tomorrow"

## **OVERVIEW**

### **Our role**

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

### **In 2008-09, we**

- Stepped up supervision and monitoring of the MPF industry
- Embarked on a project to review MPFA's regulatory and supervisory strategy on investment compliance and fund governance issues of MPF investment funds
- Worked with trustees to prepare for the implementation of legislative amendments enacted during the year
- Reviewed the Industry Schemes and devised plans for their continued operation
- Worked with the industry on the implementation of the Government's injection of special contributions into the accounts of eligible MPF/ORSO scheme members
- Launched a regular newsletter for trustees highlighting prevalent scheme administration and investment compliance issues
- Started reviewing MPFA's regulatory and supervisory strategy on marketing and selling of MPF products

### **As at 31 March 2009**

- There were 19 approved MPF trustees, 38 registered schemes, 340 approved constituent funds, and 306 approved pooled investment funds
- Aggregate net asset value of all MPF schemes was \$217.74 billion
- There were 26 796 registered MPF intermediaries, comprising 464 corporations and 26 332 individuals
- There were 7 178 ORSO schemes
- The total asset size of ORSO registered schemes was \$259.51 billion

## **SUPERVISION OF APPROVED MPF TRUSTEES**

During 2008-09, the number of approved MPF trustees remained unchanged from last year at 19. A list of the trustees and their background, as at 31 March 2009, is at Appendix 2.

### **Fund Governance and Investment Compliance**

In October 2008, the MPFA embarked on a project to review the investment compliance and fund governance issues relating to MPF investment funds. The strategy follows the risk-based approach and makes reference to applicable standards and principles recommended by international organizations.

## OUR BUSINESS OPERATIONS

### SUPERVISING THE INDUSTRY (cont'd)

In order to ascertain if there had been any non-permissible investments held by MPF investment funds, we completed a review of the portfolio holdings of all MPF investment funds that invest directly into securities. It was found that the funds generally complied with the investment requirements of the MPF legislation.

In addition, we have planned for a round of on-site visits to approved trustees and investment managers of MPF investment funds to commence in May 2009. The major focus of the inspection visits, expected to last until 2010, will be investment compliance control and monitoring and the fund governance arrangements of MPF investment funds.

#### **Liaison with MPF Trustees**

The MPFA maintains regular contact with MPF trustees on various issues, including administrative and operational matters, as well as initiatives to refine and improve the MPF System. At the top management level, the MPFA's Managing Director held a meeting at the beginning of the financial year with the chief executive officers of all MPF trustees to give an update on the MPFA's priorities and initiatives in the coming year and to listen to views on MPF-related issues. A second meeting was held in December 2008 to review the impact of the recent financial turmoil on the MPF industry and to brief all trustees on the focus of the MPFA's work. At the working level, the Trustees Operations Liaison Group (TOLG), comprising representatives from all trustees and the MPFA, met three times during the year to discuss MPF scheme operational issues that are of common interest across the industry. Other working groups also held meetings to discuss various issues as and when necessary.

A regular newsletter for trustees was launched in April 2008, covering prevalent scheme administration and investment compliance issues. Shortly after the publication of each issue of the newsletter, selected topics in the newsletter were discussed at TOLG meetings.

#### **Collaboration with the Industry on Projects**

After the Government announced in February 2008, the plan to make a one-off injection of \$6,000 into the account of every eligible MPF/ORSO scheme member who earned \$10,000 or less a month, the MPFA conducted briefing sessions and held meetings to seek trustees' assistance to implement the project. The MPFA and trustees worked together on the data requirements, format and procedures for data submission, preparation of the trustees' systems for data extraction and submission, and procedures for payment and fund allocation.

The MPFA and MPF trustees also worked closely to prepare for the implementation of the changes envisaged in the Mandatory Provident Fund Schemes (Amendment) Ordinance 2008, such as those in relation to the removal of the 30-day settlement period for MPF contributions<sup>1</sup>, which came into effect on 1 November 2008. Trustees contacted enrolled employers who might be affected to explain the new legislative provisions, and helped distribute two leaflets describing the new requirements on the date of payment of contribution for all enrolled employers and self-employed persons.

<sup>1</sup> As a result of this change, employers are required to make mandatory contributions for their employees on or before the tenth day of each month.

To avoid misleading the public on the risk characteristics of the MPF capital preservation fund category, the MPFA considered a name change that could better reflect the fund's features and be more easily understood by the general public. After soliciting the views of various stakeholders, including the Government, other local financial regulators, industry participants and trade union representatives, the name "capital preservation fund" will be changed to "MPF conservative fund". The MPFA is liaising with trustees on the orderly implementation of the change in the coming months. The name change of all the relevant funds is expected to be completed by the end of September 2009.

### **Industry Schemes**

The licences for the two MPF trustees to operate the Industry Schemes will expire in 2010. After reviewing the merits of the schemes and examining the issues and concerns regarding the scheme operations with the two trustees, the MPFA concluded that there was a need to continue the Industry Schemes. A decision was made to invite tenders from all MPF trustees later in 2009 to operate the Industry Schemes.

### **On-going Monitoring**

The MPFA monitors MPF trustees' compliance with statutory and regulatory requirements and relevant governing rules on an on-going basis. Following completion of a series of on-site visits to all MPF trustees in 2008 to assess the overall compliance framework and governance culture of the trustees, we are generally satisfied that they have in place the proper framework to monitor and ensure compliance with their legal obligations and fiduciary duties. Thereafter, we followed up with individual trustees on areas for improvement identified during the visits. As mentioned above (page 34), another round of on-site visits is planned for 2009-10, with the emphasis on investment compliance control and fund governance arrangements.

In 2008-09, the MPFA issued 39 reminder/warning letters to MPF trustees involved in breaches, most of which were related to non-compliance with scheme administration requirements and investment regulations. These breaches were reported by the trustees themselves or identified by the MPFA through on-going monitoring, or enquiries and complaints received. In addition, a financial penalty notice was issued to an MPF trustee in relation to one breach.

426 complaints (compared with 383 in the previous financial year) were lodged with the MPFA in 2008-09 against MPF trustees, most of which were related to scheme administration. Action was taken to follow up the issues with the trustees concerned.

The onset of the financial turmoil in September 2008 affected the financial soundness of a number of global financial institutions, including corporations with subsidiaries operating MPF businesses in Hong Kong. The MPFA maintained close contact with the affected MPF trustees with a view to assessing the impact on the MPF business. It also liaised closely with other local financial regulators to exchange information. Supervision of all MPF trustees in general and their investment products was also stepped up. Trustees were required to provide additional information on operational matters such as unusual price movements of constituent funds and measures to handle any sudden influx of enquiries and complaints. They were also required to increase their reporting on financial positions by submitting monthly management accounts. Based on the results of its assessment, the MPFA was satisfied that the operations of MPF trustees had not been affected to any material extent.

## REGISTRATION AND APPROVAL OF MPF SCHEMES AND FUNDS

As at the end of March 2009, there were 38 registered MPF schemes, 340 approved constituent funds and 306 approved pooled investment funds. The aggregate net asset value of all MPF schemes was \$217.74 billion. 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. A full list of the registered schemes and their respective underlying constituent funds is at Appendix 3.

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

	Number as at 31 March 2008	Terminated/ Withdrawn During the year	Registration/ Approval During the year	Number as at 31 March 2009
<b>Registered Schemes</b>	<b>40</b>	<b>2</b>	<b>0</b>	<b>38</b>
Master Trust Schemes	36	2	0	34
Industry Schemes	2	0	0	2
Employer Sponsored Schemes	2	0	0	2
<b>Approved Constituent Funds</b>	<b>337</b>	<b>12</b>	<b>15</b>	<b>340</b>
<b>Approved Pooled Investment Funds</b>	<b>298</b>	<b>4</b>	<b>12</b>	<b>306</b>
<b>Approved Index-Tracking Collective Investment Schemes</b>	<b>94</b>	<b>0</b>	<b>1</b>	<b>95</b>

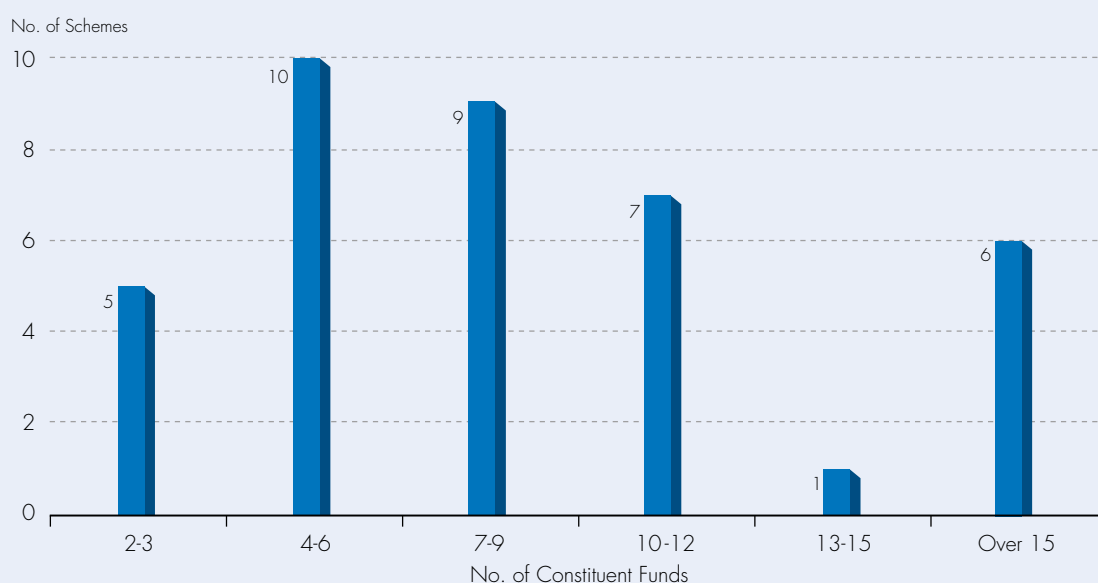
*Table 2. Analysis of approved pooled investment funds (by fund structures)*

	Unit Trust		Insurance Policy		Total	
	as at 31 March 2008	as at 31 March 2009	as at 31 March 2008	as at 31 March 2009	as at 31 March 2008	as at 31 March 2009
Umbrella funds	22	23	4	4	26	27
Internal portfolios	159	162	26	25	185	187
Feeder funds	3	3	34	31	37	34
Portfolio management funds	34	39	16	19	50	58
<b>Total</b>	<b>218</b>	<b>227</b>	<b>80</b>	<b>79</b>	<b>298</b>	<b>306</b>

During the year, the members and assets of an employer-sponsored scheme were transferred to a master trust scheme. The trustee of the employer-sponsored scheme subsequently applied for cancellation of registration of the scheme. After cancellation, only one employer-sponsored scheme will remain in the MPF market. Meanwhile, there has been a slight increase in the number of constituent funds (from 337 in March 2008 to 340 in March 2009). Target date funds were first introduced into the MPF market during the year. These funds are designed in such a way that their underlying investments will be shifted from a greater exposure to equities towards a greater exposure to bonds and cash as the target date of the fund (intended to be close to the retirement date of members investing into the fund) approaches.

As at 31 March 2009, 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 2009**



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

## SUPERVISION OF MPF INTERMEDIARIES

### Registration of MPF Intermediaries

The registration of MPF intermediaries is normally valid for a period of three years and subject to renewal prior to the registration expiry date. During the year, the MPFA processed around 6 000 applications for registration as MPF intermediaries and 6 500 renewals. As at 31 March 2009, there were 26 796 registered MPF intermediaries (compared with 25 309 last year), comprising 464 corporations and 26 332 individuals (see Table 3).

## OUR BUSINESS OPERATIONS

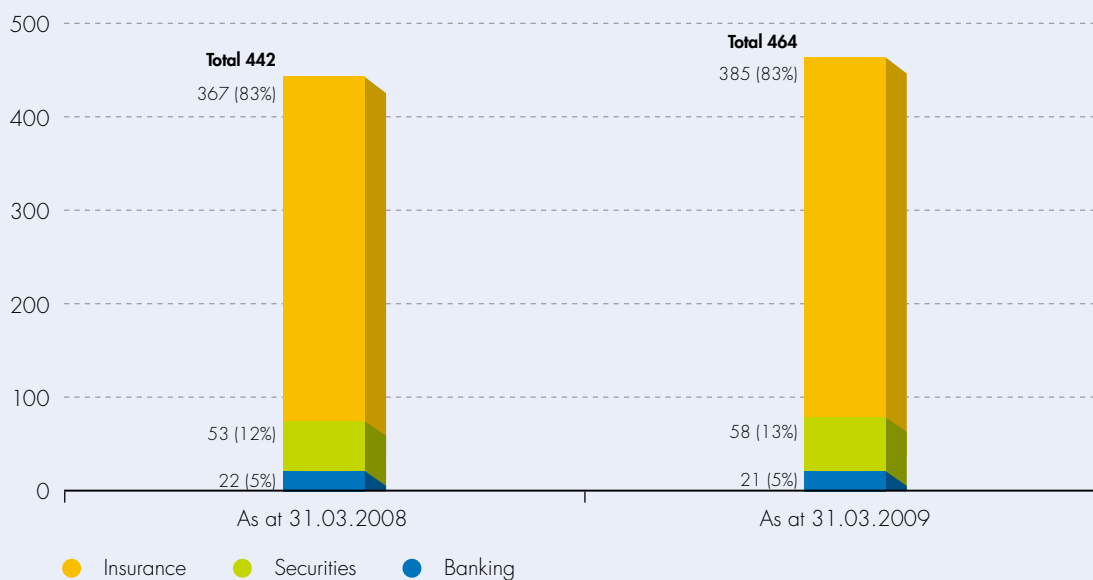
### SUPERVISING THE INDUSTRY (cont'd)

**Table 3. Number of Registered MPF Intermediaries (as at 31 March 2009)**

Number of registered MPF intermediaries	26 796
Corporate intermediaries	464
Individual intermediaries	26 332
Permitted to advise on insurance policies	14 611
Permitted to advise on securities	5 606
Permitted to advise on both securities and insurance policies	5 268
Permitted to sell MPF schemes without rendering specific investment advice	847

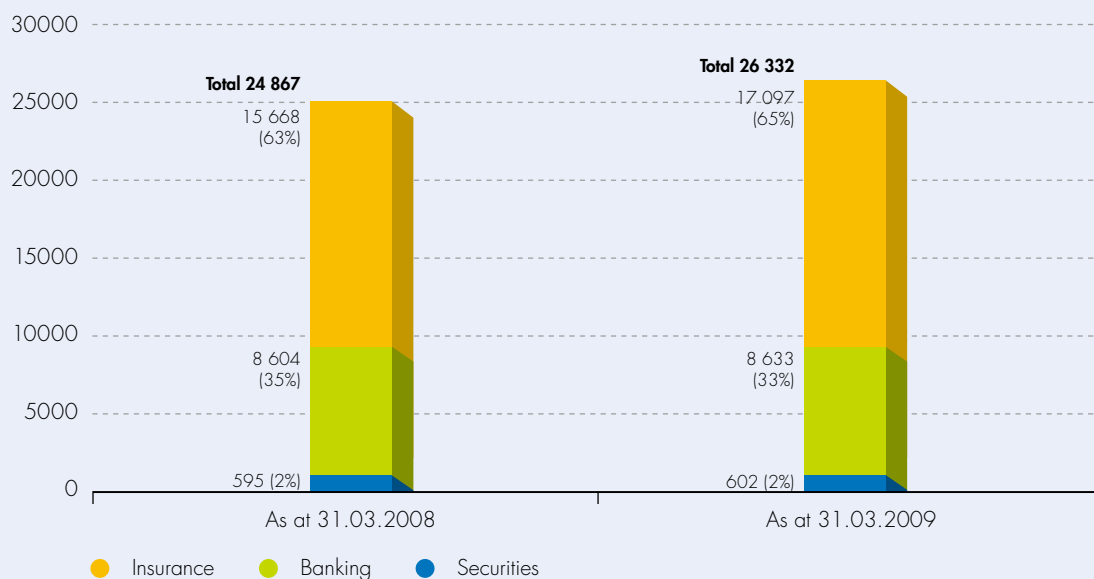
While the number of MPF intermediaries has remained rather stable in recent years, there has been a slight increase since 2007-08. Figures 2a and 2b show this growing trend and the distribution of intermediaries among the three industries (banking, insurance and securities), classified by the major line of business of the intermediary's primary sponsoring corporation. The distribution of MPF intermediaries among the three industries has been quite consistent for a number of years.

**Figure 2a. Number of MPF Corporate Intermediaries – By Industry (two year comparison)**





**Figure 2b. Number of MPF Individual Intermediaries – By Industry (two year comparison)**



### Marketing and Selling of MPF Products

As mentioned in the chapter on “Refining the Regulatory Framework”, the MPFA has been working on a proposal to allow employees to transfer the accrued benefits derived from their own contributions from the scheme chosen by their employers to an MPF scheme of their own choice once per year. With the implementation of this proposal, the sales targets of MPF products will be expanded from mainly employers to all employees. It is also envisaged that marketing and sales activities will increase due to the expected growth in the number of transfers initiated by employees.

In this connection, we launched in December 2008, a project to review MPFA’s regulatory and supervisory strategy on the marketing and selling of MPF products. Questionnaires were sent to MPF trustees and MPF promoters with a view to understanding the existing operations of MPF intermediaries. Concurrently, the MPFA reviewed the regulatory framework agreed between the relevant regulators in respect of the regulation of MPF intermediaries.

### Continuing Professional Development (CPD)

To maintain their professional competencies, all MPF individual intermediaries are required to comply with 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.

As at 31 March 2009, there were eight institutions/professional bodies recognized by the MPFA as core CPD activity providers. A list of the institutions/bodies is at Appendix 4. In 2008-09, 33 programmes/courses were recognized as core CPD courses by the MPFA.

The MPFA organizes core CPD courses for MPF intermediaries from time to time in the form of train-the-trainers sessions. Two CPD training sessions on the enhanced Fee Comparative Platform were conducted in October 2008.

## **REGULATION OF OCCUPATIONAL RETIREMENT SCHEMES**

The MPFA is the Registrar of Occupational Retirement Schemes. As at 31 March 2009, there were 7 178 ORSO schemes. The total asset size of ORSO registered schemes was \$259.51 billion.

### **MPF-exempted ORSO Schemes**

Prior to the launch of the MPF System, employers operating existing ORSO schemes had the option to apply for exemption from MPF requirements. The benefits accrued to the accounts of new members joining MPF-exempted ORSO schemes after the launch of the MPF System, up to an amount equivalent to the minimum MPF benefits, are preserved until the attainment of retirement age as in the case of MPF. Existing 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 did not obtain MPF exemption status, employers may choose to retain them as top-up schemes, freeze or terminate the schemes.

During the year, 186 MPF-exempted ORSO schemes, covering about 1 500 members, relinquished their exemption status. The number of remaining MPF-exempted ORSO schemes, as at 31 March 2009 was 4 582, covering about 6 700 employers and 415 000 scheme members. Among these MPF-exempted ORSO schemes, 321 were ORSO exempted schemes and 4 261 were ORSO registered schemes.

### **Termination of ORSO Schemes**

During the year, 258 ORSO schemes (comprising 179 MPF-exempted schemes and 79 non MPF-exempted schemes) were wound up. As at 31 March 2009, 138 ORSO schemes (including 78 MPF-exempted schemes and 60 non MPF-exempted 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 will be 7 040, including 4 504 MPF-exempted schemes (covering about 413 000 scheme members) and 2 536 non MPF-exempted schemes (covering about 48 000 employees).

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

**Table 4. Asset arrangements on termination of the ORSO registered schemes effected in the period from 1 April 2008 to 31 March 2009**

ORSO Asset Arrangement	No. of Schemes	%	Asset Size (HK\$ million)	%
Transferred to MPF scheme	57	25	319	6
Transferred to another ORSO scheme	9	4	4 364	88
Paid out to scheme members	161	71	287	6
<b>Total</b>	<b>227</b>	<b>100</b>	<b>4 970</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 once every three years. In view of the recent financial turmoil, a circular letter was issued to all employers of ORSO defined benefit schemes, advising them to assess the financial situation of their schemes to ensure that all obligations to scheme members could be met. As at 31 March 2009, there was one under-funded scheme (out of 281 defined benefit schemes), covering around 100 scheme members. The asset size of the scheme was \$107 million and the shortfall was 16 million (about 15% of the asset of the under-funded scheme). The employer was required to top up the shortfall in funding within three years. The MPFA has been monitoring the situation closely to see that contributions are made in accordance with the scheme terms and rules and, if applicable, the actuarial recommendations.

### **Statistics and Other Operation Information**

A list of the corporate administrators who administer pooling agreements for ORSO schemes is at Appendix 5. Statistics on ORSO schemes are set out in Part C of the Statistics section. Information on other operations of the MPFA as the Registrar of Occupational Retirement Schemes is presented in Appendix 6.



"Coming of age ..."

## OVERVIEW

### Our role

- Review regulatory and operational policy issues under the MPF System
- Review existing legislation and propose amendments to the Government where appropriate
- Review existing Guidelines and Codes and amend as appropriate
- Prepare new Guidelines and Codes as appropriate
- Conduct research in support of MPFA's role as regulator of the MPF System

### In 2008-09, we

- Followed up the proposal to expand employees' control over MPF investments and assisted the Government in preparing the Mandatory Provident Fund Schemes (Amendment) Bill 2009
- Introduced new requirements to improve the disclosure of fees and charges in the On-going Cost Illustrations
- Launched a more detailed version of the Fee Comparative Platform for MPF funds
- Followed through the implementation of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2008
- Attended to the enactment of the Mandatory Provident Fund Schemes (Amendment) (No.2) Bill 2007 and Mandatory Provident Fund Schemes (Amendment) Bill 2008 and their subsequent implementation
- Amended 10 sets of existing MPF Guidelines and the Code on Disclosure for MPF Investment Funds

## EXPANDING EMPLOYEES' CONTROL OVER MPF INVESTMENT

In the last financial year, we put forward a proposal to the Government to enhance employees' control over their MPF investments by allowing employees to transfer, on a lump-sum basis, accrued benefits derived from their own mandatory contributions, from a contribution account under an MPF scheme chosen by their employers to an MPF scheme of their own choice once per calendar year, or more than once per calendar year if the governing rules of the relevant scheme concerned allow for more frequent transfers by the scheme members. The proposal aims at encouraging employees to take a more active interest in their MPF investments and enhancing market competition so as to minimize the fees and charges of MPF products.

Following the presentation of the proposed legislative amendments to the Legislative Council Panel on Financial Affairs on 1 December 2008, the Mandatory Provident Fund Schemes (Amendment) Bill 2009 was introduced into the Legislative Council on 6 May 2009.

## DISCLOSURE OF MPF FUND INFORMATION

To help ensure market forces work efficiently, we continued to improve the transparency of information about the fees and charges of MPF products. Since the launch of the Code on Disclosure for MPF Investment Funds (Code on Disclosure) in 2004, we have continually refined and improved the operation of the Code. In the 2007-08 financial year, we started another review of the Code, focusing on

improvements to the disclosure of fees and charges in the On-going Cost Illustrations and addressing operational issues identified from earlier reviews. As a result of the review, a number of amendments were made to the Code and the revised Code was published in August 2008.

Furthermore, we launched a more detailed version of the web-based Fee Comparative Platform on 17 October 2008. This version allows members to find information about every MPF fund and provides various ways for members to better understand and compare information on different funds. The Platform reiterates the educational message that fees and charges are one of the important factors for scheme members to consider when making investment decisions about their MPF savings.

## OTHER REFORM PROPOSALS

We continued to follow up on two policy reviews conducted in previous years. In respect of the minimum/maximum relevant income levels for MPF contributions, the review conducted in 2006 recommended raising the maximum level of relevant income from \$20,000 to \$30,000 per month, and retaining the minimum level of relevant income at \$5,000 per month. The review results were reported to and considered by the Legislative Council Panel on Financial Affairs in January and February 2007. In the absence of a consensus view on changes to the relevant income levels at that time, the next review will be conducted in 2010, i.e. four years after the last review as mandated by the Mandatory Provident Fund Schemes Ordinance.

Regarding the Compensation Fund<sup>1</sup>, we presented the results of a review of the reserve level and levy rate to the Legislative Council Panel on Financial Affairs in 2006. In response to the views of the Panel, the MPFA undertook to work out a model/mechanism for determining an optimum reserve level and an appropriate levy rate in 36 months' time. An interim progress report was submitted to the Panel in 2007. During the year, we continued to explore options with a view to reporting the findings of the review to the Panel in mid-2009.

The MPFA continued to work with professional bodies and other regulators to improve the MPF System. We established a working group with the Hong Kong Investment Funds Association to explore possible improvements to the investment rules applicable to MPF funds. We also formed a working group with the Securities and Futures Commission to discuss issues relating to areas such as disclosure, approval procedures, and matters that should require the attention of both regulators. We played an active role in the implementation of the enhanced risk disclosure initiatives of the Securities and Futures Commission.

Regarding enhancement of the protection of scheme members' assets invested through insurance policies, we continued to explore various options, including legislative amendments, and invited the industry to suggest further structural solutions.

<sup>1</sup> The Compensation Fund is set up under section 17(1) of the Mandatory Provident Fund Schemes Ordinance (MPFSO) to compensate MPF scheme members or other persons who have beneficial interests in MPF schemes for any loss in MPF accrued benefits that are attributable to misfeasance or illegal conduct committed by MPF trustees or any other persons concerned with the administration of those MPF schemes. Section 17(3) of the MPFSO stipulates that the MPFA may impose levies for the purpose of the Compensation Fund. The levies are to be payable by the trustee of a registered MPF scheme out of contributions in relation to the scheme. Levies are currently imposed at an annual rate of 0.03% of the net asset value of an MPF scheme. As at 31 March 2009, the total value of the Compensation Fund, including the \$600 million seed money from the Government, the levies collected and investment returns, was \$1.25 billion.

## REVIEW OF LEGISLATION

Our continued efforts to review and refine the operation of the MPF System have resulted in numerous proposals to amend the MPF legislation. The Mandatory Provident Fund Schemes (Amendment) Bill 2007, containing proposed amendments in respect of scheme administration and enforcement, was passed by the Legislative Council on 9 January 2008. Most of the proposals came into operation on 18 January 2008, the date of gazettal of the corresponding Mandatory Provident Fund Schemes (Amendment) Ordinance 2008. We continued to prepare for the implementation of the three remaining proposals relating to unclaimed benefits, removal of the housing allowance/benefit exclusion from the definition of relevant income and removal of the 30-day settlement period. These provisions came into operation on 1 November 2008. (Please refer to pages 30 and 34 for details.)

The Mandatory Provident Fund Schemes (Amendment) (No.2) Bill 2007 was introduced into the Legislative Council on 9 January 2008 and enacted on 18 June 2008. The Bill covers proposals relating to enhancement of enforcement actions against employers (e.g. substantially increasing the penalty and imposing more sanctions on defaulting employers) and the approval requirements on controllers of MPF trustees. The proposals came into operation on 1 December 2008. (Please refer to page 30 for details.)

To implement the Government's injection of contributions into the accounts of eligible MPF and ORSO scheme members, the MPF legislation was amended to empower the MPFA to require the trustees or employers to provide the relevant information of scheme members, to instruct the MPF trustees to enrol a person in an MPF scheme and set up an MPF preserved account for that person, and to make special contributions into the MPF accounts of eligible recipients. The Mandatory Provident Fund Schemes (Amendment) Bill 2008, which provides a legal framework for the MPFA to implement the project, was introduced into the Legislative Council on 18 June 2008 and enacted on 10 July 2008. The corresponding Ordinance came into operation on 18 July 2008, the date of gazettal. (Please refer to page 54 for details.)

## 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 2009, 61 sets of Guidelines and three Codes were in force. Among these, 10 sets of Guidelines were revised during the year to (1) add two stock exchanges to the list of approved stock exchanges, (2) add an authority to the list of recognized overseas regulatory authorities, (3) reflect the new legislative requirements of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2008, including the revised definition of "relevant income" and the streamlined process by which accrued benefits become unclaimed benefits, and (4) clarify the signature requirements on enrolment forms and remittance statements. Upon the streamlining of the treatment of unclaimed benefits, the Guidelines on Notice for Unclaimed Benefits were repealed in November 2008. The Code on Disclosure was revised to improve the disclosure of fees and charges in the On-going Cost Illustrations and to address operational issues identified from earlier reviews, as explained in the section "Disclosure of MPF Fund Information".

All the Guidelines and Codes issued by the MPFA are available on the MPFA's website.



"Sow seeds  
for a bright future..."



## OUR BUSINESS OPERATIONS

### EDUCATING THE PUBLIC

## OVERVIEW

### Our role

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

### In 2008-09, we

- Continued with MPF investment education to disseminate MPF investment knowledge to the community
- Educated the younger generation on the importance of financial planning and saving for the future
- Publicized the enhancements to the MPF System arising from the legislative amendments enacted in 2008
- Launched a thematic campaign on risk management for MPF investments
- Organized education and publicity programmes for different target groups on various aspects of the MPF System
- Published more than 380 articles and press releases on enforcement and other MPF topics

## MPF INVESTMENT EDUCATION



*The MPF "JJ Five" Band appearing on outdoor video walls to reach out to the general public*

The MPFA continued to disseminate MPF messages to various sectors of the community. MPF investment education was carried out to advise scheme members how they could better manage their MPF accounts and make informed fund choices. In the previous financial year (2007-08), the MPFA launched five cartoon characters, the MPF "JJ Five" Band, to introduce the key features of five major types of MPF funds. In 2008, a series of five 15-second Announcements in the Public Interest (APIs), each featuring one member of the Band, continued to be broadcast on television and various out-of-home media, including outdoor video walls, television panels at MTR stations and RoadShow panels on buses to enhance the public's understanding of the characteristics and risk levels of MPF funds.

In addition to explaining the features, risk and return levels of various funds, the MPFA reminded scheme members that fees and charges were also important factors to consider when making investment decisions about their MPF savings. Following the launch of the enhanced version of the Fee Comparative Platform on the MPFA's website in October 2008, the MPFA prepared print and web versions of publications to educate the public on the use of the Platform.



*Leaflets on the MPF Fee Comparative Platform*

## OUR BUSINESS OPERATIONS

### EDUCATING THE PUBLIC (cont'd)

In order to educate scheme members on how to look after their MPF investments in a volatile market and how the existing MPF regime safeguards their interests, we rolled out a thematic campaign on risk management for MPF investments in early 2009. A six-episode radio series was broadcast and a new section "Frequently Asked Questions on MPF Investments" was created on the MPFA's website. Emphasis was placed on messages about portfolio management as well as the characteristics and relative risk levels of various types of MPF funds.

To further educate scheme members on how and what factors to consider when making decisions at different stages of the lifelong MPF investment process, the MPFA is preparing to roll out an Investment Education Campaign in the fourth quarter of 2009. Investment education materials were under preparation as at the end of March 2009. Also, we developed a Chinese publication and were consulting various readership groups on the draft. Going forward, various publications and a training package, together with training programmes, will be developed. Briefing sessions will be held for various stakeholders prior to the public launch of the Campaign.



Messages on risk management published in a newspaper

## COMMUNITY OUTREACH PROGRAMMES

In our effort to broaden and consolidate support for the MPF System, we have maintained close ties with various stakeholders, including employer and employee groups, industry and professional bodies, political parties, Legislative Council Members and District Councillors. In partnership with these groups, we maintained contact with their members by organizing seminars and outreaching activities to brief them on the MPF System. Also, as a new initiative, we arranged tea gatherings to disseminate MPF information to relevant groups. This new format, adopted in publicizing the arrangements for the Government's injection of special contributions into the accounts of eligible MPF/ORSO scheme members, was well received.



Reaching out to the community at district carnivals



We organized 32 district carnivals in partnership with political parties and labour unions, featuring game booths, information displays and stage performances to reach out to people in different districts. Also, 89 talks were held for community groups, labour unions, civil servants, participants of retraining programmes, employers, professionals and members of the public.

## EDUCATING THE YOUNG



University students getting to know more about MPF at recruitment briefings

During the year, we organized a variety of education programmes in various formats and approaches for different youth groups to impress upon them the importance of saving for the future and to disseminate appropriate MPF messages. Talks were arranged to prepare students in tertiary and vocational institutes to join the MPF System. To promote the benefits of early retirement planning to university students and to enhance their MPF knowledge, we organized an Inter-University Competition for Creating a Radio Programme in partnership with a radio station. The activity capitalized on the students' creativity to disseminate MPF messages to the general public. To augment the impact, roving exhibitions and recruitment briefings were held at all local universities. The

winning entry was produced as a radio drama and broadcast on a radio station, thereby reaching out to a wider audience.

Riding on the success of the first round of Skit Programmes, which essentially aims to educate young people about financial planning matters through interactive drama (20 secondary schools in the 2007-08 academic year), we commenced a second round of the programme in October 2008. We scheduled 60 performances for the 2008-09 academic year. With the aim of incorporating the concept of financial planning and MPF knowledge into the curriculum of new senior secondary liberal studies, the MPFA is co-organizing a training workshop for teachers of liberal studies in the second quarter of 2009, with the Education Bureau and a professional body.



Primary school students learning about the concept of money through games at a day camp

For primary school and kindergarten students, parenting programmes were organized to educate children about the concept of saving, while at the same time disseminating MPF messages to their parents. For instance, we partnered with a children's magazine to develop a storybook and hold a Book Report Competition for kindergarten children. We made use of a fun event cum prize presentation ceremony held at a popular shopping mall to wrap up the programme, so that the concept of saving for the future and MPF messages could be disseminated to the participating children, their parents as well as to the general public. The MPFA also co-organized a Saving Plan

Writing Competition for Primary School Students with a children's magazine with a view to instilling in our next generation proper attitudes towards spending and saving money. The Competition culminated in a parenting day camp comprising games, workshop, seminar for parents and a prize presentation ceremony. The quality of the entries received in both competitions suggested that MPF messages had been effectively disseminated.



Storybook developed for kindergarten children with MPF information for their parents

## OUR BUSINESS OPERATIONS

### EDUCATING THE PUBLIC (cont'd)



MPF booth at the Education and Careers Expo 2009

A new education publication for young people was published to help senior form students gain more in-depth understanding of the MPF System and the merits of early retirement planning. We also worked with a textbook publisher to include substantial MPF information in a textbook series on business, accounting and finance studies for secondary schools. In February 2009, we staged an exhibition and conducted a seminar at the Education and Careers Expo 2009 to enhance the understanding of the workforce and school leavers on the MPF System and investment.

*Booklet for young people  
giving more detailed  
information on MPF investment*



## OTHER PUBLICITY ACTIVITIES

To implement the Government's injection of special contributions into the accounts of eligible MPF/ORSO scheme members, the MPFA launched a high profile publicity campaign according to a phased communication plan to tie in with the different stages of the project. For details, please see the chapter "Government's Injection of Special Contributions into the Accounts of Eligible MPF and ORSO Scheme Members".



MPF legislative amendments  
explained in leaflets ...

The MPFA publicized enhancements to the MPF System arising from a number of legislative amendments that came into effect during the year. For the amendments relating to the removal of the 30-day settlement period for MPF contributions and the inclusion of housing allowance/benefit in the definition of "relevant income", we rolled out our planned publicity through television and radio APIs, print advertisements, leaflets, and a PowerPoint presentation with voice-over uploaded onto the MPFA website to explain the details of the legislative amendments. Before the legislative provisions to impose heavier penalties on non-compliant employers came into operation on 1 December 2008, we embarked on a series of publicity measures detailing the changes. Briefings were also given to employer associations about the legislative requirements.



... and through RoadShow Media on buses





*Distributing MPF information to Industry Scheme members*



*New Year gifts to show goodwill*

To encourage scheme members to proactively take care of their MPF investments, we launched education programmes aimed at different target groups. We sponsored groups of self-employed persons to organize a number of promotional activities and gave talks to their members. MPF messages were disseminated through talks and seminars and the distribution of souvenirs to minibus and taxi drivers and workers in the construction and catering industries. Also, we enhanced the contents of a publication for self-employed persons.

To leverage on the festive occasion of the Chinese New Year and to show our goodwill and to enhance public awareness of the characteristics of different types of MPF funds, a specially designed "fai chun" (Chinese New Year couplets) and a set of five "JJ Five" Band figurines carrying MPF messages to tie in with the festive season were produced. These were widely distributed via labour unions and community organizations and were well received. The "fai chun" was also distributed to the public through a popular newspaper, reaching out to hundreds of thousands of readers.

During the year, we issued more than 380 articles and press releases on enforcement and other MPF topics. The articles were published in newspapers, magazines and the newsletters of trustees and labour unions.

A list of major public education and publicity activities is set out at Appendix 7.



"Take good care  
of my treasures..."

## GOVERNMENT'S INJECTION OF SPECIAL CONTRIBUTIONS INTO THE ACCOUNTS OF ELIGIBLE MPF AND ORSO SCHEME MEMBERS

### OVERVIEW

#### Our Role

- Implement the Government's initiative to make a one-off injection of a special contribution of \$6,000 to each MPF and ORSO scheme member who meets the eligibility criteria (Government's Injection Project)

#### In 2008-2009, we

- Assisted the Government in preparing and introducing the Mandatory Provident Fund Schemes (Amendment) Bill 2008, which provides a legal framework for the MPFA to implement the Project, into the Legislative Council
- Collected, validated and consolidated the data of more than seven million MPF and ORSO accounts from 17 MPF trustees, one MPF service provider and 115 ORSO employers/trustees and performed centralized data matching
- Identified over 1.4 million eligible scheme members to receive the special contribution
- Assisted the Government in preparing for the submission of a \$9 billion funding application to the Finance Committee of the Legislative Council
- Launched publicity programmes in phases to tie in with different stages of the Project
- Commenced payment of the special contribution to eligible scheme members
- Installed a dedicated hotline to handle enquiries, complaints, grievances and requests for review of eligibility
- Commenced on-site reviews of trustees' data processing systems

#### As at 31 March 2009

Over 1.3 million (97%) of all eligible scheme members have received the special contribution

### BACKGROUND

In the Government's 2008-09 Budget, the Financial Secretary announced an initiative to make a one-off injection of \$6,000 into the accounts of each MPF and ORSO scheme member whose aggregate monthly income did not exceed \$10,000. The injection was subsequently extended to cover those recently unemployed. Eligibility was further extended to include those who were not employed on 29 February 2008<sup>1</sup>, but who had MPF preserved accounts on that day, and who had contributed to MPF contribution accounts or were ORSO scheme members between 1 March 2007 and 28 February 2008.

As the agent assigned to implement the initiative, the MPFA accorded a high priority to the Project.

<sup>1</sup> Two days after the Financial Secretary made his Budget Speech.

## OUR BUSINESS OPERATIONS

# GOVERNMENT'S INJECTION OF SPECIAL CONTRIBUTIONS INTO THE ACCOUNTS OF ELIGIBLE MPF AND ORSO SCHEME MEMBERS (cont'd)

## IMPLEMENTATION ARRANGEMENTS

The Project was a mammoth task involving the collection of data of more than seven million MPF/ORSO accounts and payment to over 1.4 million eligible persons. During the process, we required the co-operation of trustees of all MPF and ORSO schemes, as well as all employers operating ORSO schemes. This unprecedented exercise was outside the scope of the normal operations of the trustees and the MPFA. It entailed the enactment of new legislation, the construction of new computer systems, the installation of new telecommunications equipment, the establishment of a project office, the deployment of substantial human resources, and the implementation of comprehensive publicity and communication programmes.

### Initial Preparation

The determination of an individual's eligibility to receive the injection payment was based on an intricate set of criteria. The eligibility criteria as well as the methodology adopted by the MPFA in assessing whether an individual was eligible for the injection were considered by the Legislative Council Panel on Financial Affairs and the Bills Committee set up to scrutinize the amendments to the MPF Schemes Ordinance.

It was necessary to amend the MPF Schemes Ordinance to provide a legal framework for the MPFA to take the necessary steps, in collaboration with MPF trustees and ORSO employers, to implement the Project. The Mandatory Provident Fund Schemes (Amendment) Bill 2008 was introduced into the Legislative Council in June 2008 and enacted on 10 July 2008. The Bill empowered the MPFA to require the trustees and ORSO employers to provide relevant information on scheme members, to instruct trustees to enrol a person and set up an MPF preserved account for that person, and to make special contributions into the MPF accounts of eligible recipients.

### System and Process

Given that the MPFA is not a central repository of MPF/ORSO account information, all the data required for the Project had to be collected from MPF/ORSO trustees and ORSO employers. For this purpose, the MPFA upgraded its computer network with trustees and enhanced an existing IT system to enable the electronic submission of data from trustees and employers through a high security gateway under an IT industry standard security protocol. New application modules were developed to generate payment instructions and to keep track of payment status to facilitate the handling of subsequent enquiries and complaints. To facilitate the data matching to determine the eligibility of scheme members, a data warehouse solution was developed.

The trustees and ORSO employers were required to prepare their systems to extract the relevant data for submission to the MPFA. The MPFA formed an IT working group with trustees to discuss the detailed data requirements and preparatory work, and issued a Guidance Note in phases to trustees and ORSO employers, setting out the requirements for data preparation and submission, the action required of trustees to make payments, and the mechanism for enquiry, complaint, review and appeal.



The Privacy Commissioner for Personal Data was consulted on issues relating to the collection and handling of personal data for the implementation of the Project. All requirements pertaining to personal data privacy were observed.

### **Steering Group and Project Team**

The MPFA established a Steering Group led by the Managing Director and a Project Team led by the Chief Operating Officer (Enforcement) for the Project. The Steering Group oversaw the work of the Project Team. Starting in May 2008, it met weekly to monitor and review progress, assess latest developments, and discuss and resolve any implementation issues. The Project Team worked with trustees and ORSO employers on the submission of relevant data, compiled a list of eligible scheme members, and liaised closely with various parties, including the Government and trustees, to resolve policy and implementation issues.

### **Project Office**

A Project Office was set up in November 2008 to work on the post-preparation stages of the Project. In particular, the Office was responsible for following up on the data submitted by trustees and employers and, with the support of staff members of the Enforcement Division, handling enquiries and conducting investigations in response to requests for review of eligibility and complaints.

### **Injection Hotline**

A dedicated hotline was installed and commenced service on 30 March 2009 to handle enquiries, complaints, grievances and requests for review of eligibility. The hotline has an IVRS (interactive voice response system) feature with which scheme members can check their eligibility by inputting relevant personal identification information. Scheme members who found themselves ineligible were able to raise queries on their eligibility and request a review.

### **Communication**

Throughout the implementation process, the MPFA maintained regular dialogue with stakeholders, including trustees, political parties, Legislative Councillors, District Councillors, labour unions and the

media, to communicate with them on the policy, implementation details and progress on the Project. In addition, briefing sessions were organized for the media and relevant stakeholders to keep them informed of progress and developments.



*Members of the public learning about the details of the Government's Injection Project*

## OUR BUSINESS OPERATIONS

# GOVERNMENT'S INJECTION OF SPECIAL CONTRIBUTIONS INTO THE ACCOUNTS OF ELIGIBLE MPF AND ORSO SCHEME MEMBERS (cont'd)

### Publicity

To facilitate the smooth implementation of the Project, the MPFA mapped out a phased publicity plan to deliver key messages to tie in with the different stages of the Project. A high profile approach was adopted, where appropriate, to disseminate the publicity messages to all affected individuals.

The first round of publicity was launched in May 2008, after the Government had announced the details of the Project, to explain the eligibility criteria and to call on various stakeholders, including employers, employees and self-employed persons to take appropriate action. In particular, self-employed persons were reminded to declare their relevant income to their trustees. In addition to the wide distribution of flyers, print advertisements and a radio Announcement in the Public Interest (API) were launched in late July 2008. The second round of publicity was rolled out in August 2008 to urge employees to report non-enrolment and default contributions and to remind self-employed persons to declare their relevant income to their trustees. A dedicated webpage carrying comprehensive and updated information on the Project was set up on the MPFA's website in September 2008. We also made use of contribution articles in various newspapers, magazines and union newsletters to provide continuous updates about the Project to scheme members.



*Poster promoting the injection hotline number and the period for lodging requests for review of eligibility*

After funding approval for the injection exercise was obtained from the Finance Committee of the Legislative Council on 20 February 2009, the MPFA rolled out an extensive campaign from February to April 2009 to inform the public of the details of the Project, including the detailed and specific eligibility criteria, injection timetable, payment mechanism and arrangements for enquiries, complaints and appeals. Messages were delivered through print advertisements, TV and radio APIs, flyers with easy-to-read flowcharts and tables, contribution articles in newspapers and magazines, and press releases.

A mini-campaign was launched in March 2009 for eligible ORSO scheme members who might be less familiar with MPF matters to educate them about the MPF System, including the features of preserved accounts, how to make MPF investment choices and how to manage their MPF preserved accounts. This group was also reminded to open MPF preserved accounts to receive the special contribution and to indicate their fund choices.

To tie in with the launch of the injection hotline, another round of publicity measures has been rolled out since late March 2009 to promote the injection hotline number (2926 6000) as well as the deadline of 30 September 2009 for lodging requests for review of eligibility.

## IMPLEMENTATION PROCESS

In order to identify eligible scheme members to receive the injection, the MPFA collected, validated and consolidated the data of all MPF and ORSO accounts from 17 MPF trustees, one MPF service provider and 115 ORSO employers/trustees, and performed centralized data matching. After processing, over 1.4 million scheme members were identified to be eligible.

After gathering the data for the purpose of estimating the funding requirements, an application for \$9 billion was submitted to the Finance Committee of the Legislative Council. Following funding approval on 20 February 2009, the MPFA started the injection procedures. As at the end of March 2009, over 1.3 million (97%) of all eligible persons have received the special contribution. All injection procedures were subsequently completed by the end of April 2009.

### Requests for Review and Appeals

Persons who have not received the special contribution but who consider themselves eligible may check their eligibility status with the MPFA and can request a review on or before 30 September 2009.

As at the end of March 2009, the MPFA had received approximately 340 requests for review. Of these, about 110 were lodged by individuals who received notification of the injection but who did not think they were eligible. The other cases were from those who considered themselves eligible but who had not yet received notification of the injection. As the injection procedures proceed, more requests for review of eligibility are expected.

An individual aggrieved with a decision made by the MPFA on a request for review may, within three weeks from the date of the written reply, lodge an appeal. Appeal cases will be handled by an independent Appeal Panel chaired by the Chairman of the MPF Schemes Advisory Committee, assisted by non-executive directors of the MPFA as Panel members.

### Withdrawal of the Special Contribution

The original databases developed by MPF trustees to store income information and other personal particulars of employees, were designed to operate MPF schemes, i.e. to maintain MPF scheme contribution records and to report default contributions to the MPFA. They were not designed to cater for the injection exercise in which the income information for certain specified months was used to verify individuals' eligibility. Given the above limitation, the tight timeframe to build new data processing systems to accommodate the injection timetable, and complications caused by different employment practices (e.g. fortnightly instead of monthly salary payments), it was not possible to eliminate all data errors. Despite a series of preventive measures to minimize possible mistakes by trustees and administrators, it was anticipated that many issues would only be uncovered during the later stages of the implementation process.

## OUR BUSINESS OPERATIONS

### GOVERNMENT'S INJECTION OF SPECIAL CONTRIBUTIONS INTO THE ACCOUNTS OF ELIGIBLE MPF AND ORSO SCHEME MEMBERS (cont'd)

To tackle possible mis-injections caused by administrative or data errors, the relevant MPF legislation enacted for the purpose of the Project empowers the MPFA to direct the trustees concerned to withdraw the special contribution from the accounts to which the injection should not have been made. For scheme members who do not wish to receive the special contribution, regardless of their eligibility status, arrangements for withdrawal can also be made.

## MONITORING AND CONTROL

### Working Group with the Government

A working group chaired by the Financial Services and the Treasury Bureau with participation from the MPFA, was set up to oversee implementation of the exercise and to resolve any policy issues that emerged during the course of implementation.

### The Government's Injection Project Committee

The MPFA Management Board appointed a committee to oversee MPFA's implementation of the Project. This comprised non-executive directors of the MPFA to ensure transparency and public accountability of the implementation process. The membership list of the Committee to Oversee MPFA's Implementation of the Government Injection Project is at Appendix 1.

### Data Checks and System Reviews

The MPFA conducted two rounds of end-to-end tests with trustees on the new data systems. The first round was conducted before collecting the required data from trustees to ensure that the data could be transmitted successfully from their systems to the MPFA's. The second round was conducted to ensure the payment instructions were correctly issued to the trustees.

In addition, in a round of data health checks, all the data collected from trustees was crosschecked with the information obtained in their regular returns. Problems identified were resolved before the MPFA proceeded with the centralized data matching to compile the list of eligible recipients.

The MPFA also conducted on-site reviews of the information processing procedures adopted by trustees. The reviews focused on whether mis-reporting had occurred when trustees consolidated the stored information and transformed it into the format required for the Project. The MPFA has and will take appropriate follow-up action and implement remedial measures immediately as problems are identified.

### **Data Security**

The MPFA has been vigilant in handling the personal and sensitive data of scheme members collected for the implementation of the Project. Transmission of data from trustees and employers to the MPFA was conducted in highly secured settings, including mandatory encryption of files containing personal data under a key-based standard mechanism and the use of a Virtual Private Network for data transmission. Access control was in place in the information systems and the database containing the Project data maintained by the MPFA. A system audit logging mechanism was also put in place to ensure system integrity.

### **Financial Control**

The MPFA kept the funds received from the Government for the purpose of paying the special contribution in a separate bank account. Proper accounts and records were kept in respect of the money received from the Government and the special contributions paid and withdrawn. A special audit of the Project accounts by an independent auditor will be undertaken after completion of the Project.

The MPFA required trustees to maintain proper accounts and records of the special contributions paid and withdrawn, and to report regularly to the MPFA their compliance with the Project's requirements. Setting the specific and detailed audit requirements on the trustees' financial operations in respect of the Project, the MPFA also imposed high standards of control on the trustees.

### **Internal Controls**

MPFA's internal control policies, delegated authorities and administrative arrangements apply to the processes and financial transactions related to the Project.

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 Mandatory Provident Fund Schemes Ordinance (MPFSO) stipulates that the Management Board is to consist of not fewer than 10 directors appointed by the Chief Executive of the HKSAR (CE of HKSAR), and a majority of them must be non-executive directors. The CE of the 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 the CE of the HKSAR determines the terms and conditions of office of the directors.

On 27 February 2009, the HKSAR Government announced the appointment of Ms Anna Wu Hung-yuk as Chairman, Mr Andrew Leung Kwan-yuen and Mr Wong Kwok-kin as non-executive directors for a term of two years with effect from 17 March 2009, replacing Mr Henry Fan Hung-ling, Mr Kenneth Ting Woo-shou and Mr Tam Yiu-chung. Seven incumbent non-executive directors were also re-appointed for a further term of two years starting from 17 March 2009. As at 31 March 2009, the Management Board consists of eleven non-executive directors and five executive directors. Information on the directors is set out on pages 16 to 21 of this report and published on the MPFA's website.

Members of the Management Board are required to declare interests when they are first appointed and subsequently re-appointed and to declare their pecuniary interests in matters to be considered by the Board. Particulars of the disclosure made at meetings of the Board are recorded in a register available for public inspection.

The Management Board oversees the MPFA's delivery of functions set out in section 6E of the MPFSO and is responsible for determining key corporate strategies and policies, overseeing the delivery of the planned results, endorsing the corporate plan and budget of the MPFA for the approval of the Financial Secretary of the HKSAR, and ensuring that MPFA's operations are conducted prudently and within the framework of applicable laws, regulations and policies. 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.

The Management Board convened five meetings during the year, and also considered 29 papers by circulation. The average attendance rate of members was 78%.

## SUPPORTING COMMITTEES

A number of committees have been set up to give advice and assistance to, and perform functions delegated by the Management Board. They help provide checks and balances and capitalize on the specific expertise and experience of individual non-executive directors to refine and expedite the decision-making process. The membership lists of the Management Board and its supporting committees are in Appendix 1.

### The Audit Committee

The Audit Committee comprises only 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 met twice and also considered two papers by circulation. The attendance rate of members was 100%. Work included the following:

- reviewed the financial statements of the MPFA and the MPF Schemes Compensation Fund for the financial year 2007-08;
- received the half-yearly financial reports of the MPFA and the MPF Schemes Compensation Fund;
- considered and endorsed reports on internal audit on subjects including travel expense approval and control mechanism, and general ledger and accounting controls; and
- considered and endorsed an information technology security assessment conducted by an external consultant.

### The Administration Committee

The Administration Committee consists of three non-executive directors and two executive directors. It advises the Management Board on the development of human resources policies and procedures as well as policies relating to general administration. During the year, it held three meetings and the average attendance rate of members was 93%.

### The Finance Committee

The Finance Committee consists of three non-executive directors and two executive directors. 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 also considered 17 papers by circulation. The average attendance rate of members was 90%.

### **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. The Committee did not meet during the year, but scrutinized 10 sets of revised Guidelines and one Code through circulation of papers.

### **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 held two meetings during the year and the attendance rate of members was 100%.

### **The Committee to Oversee MPFA's Implementation of the Government Injection Project (The Government's Injection Project Committee)**

The Government's Injection Project Committee was formed in April 2008, comprising non-executive directors. It oversees the smooth implementation of the Government's injection of contributions into the accounts of MPF and ORSO scheme members, ensures proper financial control in the disbursement of funds, and oversees the handling of appeals and complaints arising from the implementation process. It held six meetings during the year and the average attendance rate of members was 69%.

The following table sets out the attendance of individual directors at Management Board and Committee meetings in 2008-09.



### Attendance of directors at meetings

	Management Board	Audit Committee	Administration Committee	Finance Committee	The Government's Injection Project Committee	Tender Board
<b>Number of meetings held during the year</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>2</b>
<b>Attendance of directors</b>						
Mr Henry Fan Hung-ling <sup>1</sup>	3/4			1/2	3/6	
Hon Tam Yiu-chung <sup>2</sup>	0/4	2/2				
Mr Kenneth Ting Woo-shou <sup>2</sup>	3/4		3/3		2/6	2/2
Mr Edward Chan King-sang	4/5					
Mr Leo Kung Lin-cheng	5/5			2/2	3/6	2/2
Mrs Angelina Lee Wong Pui-ling	5/5	2/2				
Mr David Sun Tak-kei	4/5	2/2		2/2	6/6	
Hon Wong Ting-kwong	5/5	2/2	3/3		6/6	
Hon Li Fung-ying	1/5		2/3		5/6	
Hon Anna Wu Hung-yuk <sup>3</sup>	1/1					
Hon Wong Kwok-kin <sup>3</sup>	1/1					
Hon Andrew Leung Kwan-yuen <sup>3</sup>	0/1					
Secretary for Labour and Welfare	2/5 <sup>4</sup>					
Secretary for Financial Services and the Treasury	5/5 <sup>5</sup>					
Mrs Diana Chan Tong Chee-ching	5/5		3/3	2/2		
Ms Hendera Yu	5/5					
Mr Darren Mark McShane	4/5					
Mr Thomas Yiu Kei-chung	5/5		3/3	2/2		2/2
Ms Cynthia Hui Wai-yee	5/5					

#### Notes:

1. On leave of absence from 25 October 2008 to 16 March 2009 and ceased to be a director with effect from 17 March 2009
2. Ceased to be a director with effect from 17 March 2009
3. Appointed as a director with effect from 17 March 2009
4. 1 meeting attended by alternate director
5. 3 meetings attended by alternate director

## **ACCOUNTABILITY AND TRANSPARENCY**

The MPFA 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. The financial statements are prepared in accordance with the recognized accounting standards, reporting standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants or the accounting and reporting standards, if any, notified under section 6N(3) of the MPFSO. The financial and budgetary statements and reports are considered and reviewed by the Finance Committee and the Audit Committee before endorsement by the Management Board, which oversees the preparation and the true and fair presentation of the MPFA's financial statements.

We release information on our operations to the public through press releases, and publish a quarterly Statistical Digest to provide statistics on MPF and ORSO schemes. These press releases, statistics, our annual report and other publications are available for download from the MPFA's website. The website also provides comprehensive information about the MPF System and the MPFA.

Since the "Code on Access to Information" came into operation in November 2007, we have received 19 requests under the Code. The required procedures set out in the Code were followed in the provision of information to the requesters.

## **INTERNAL CONTROLS**

The MPFA puts in place an internal control system to provide reasonable assurance regarding the achievement of MPFA's objectives through effective and efficient operations, reliable internal and external reporting, and compliance with applicable laws, regulations and internal policies.

Individual divisions and departments in the organization are responsible for implementing effective controls within their purview, following policies and guidelines applicable to their operations. Policies, strategies, principles, controls and procedures relating to financial and asset management, accountancy and budgetary control, procurement and tendering, and the use of administrative and human resources have been reviewed and endorsed by the Finance Committee and the Administration Committee respectively.

### **Internal Audit and Management Review**

The MPFA's internal audit function is performed by the Risk Management Unit, which provides an independent assessment of internal controls according to the guidelines and standards on internal audit promulgated by the Hong Kong Institute of Certified Public Accountants. Internal audits are conducted to examine whether operational policies, procedures and controls are adequate and whether they are complied with, and to identify improvement opportunities. Findings are reviewed by the executive management and reported to the Audit Committee, which reports to the Management Board directly to ensure objectivity and independence.

MPFA's organizational structure, roles and responsibilities are reviewed and operational process re-engineered when necessary for fine-tuning and to meet changing needs and requirements. During the year, the structure and manpower requirement of the Investigation and Claims Department, Regulation and Policy Division and Supervision Division were reviewed to meet operational needs.

### **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 a departmental risk register for each department are maintained to keep track of identified risks and risk management plans. These are reviewed and updated annually during the corporate planning process. Furthermore, regular security risk assessments of information technology infrastructure and application systems continued to be conducted in 2008. Solutions have been implemented to resolve the risks identified.

We have in place a set of policies and procedures to maintain business continuity of vital functions at times of contingencies and disaster and our information technology systems disaster recovery programme has been integrated as part of a corporate-wide business contingency and disaster recovery plan. During the year, various components of the business contingency and disaster recovery plan were reviewed and rehearsed.

## OUR ORGANIZATION AND OUR STAFF

### CORPORATE GOVERNANCE (cont'd)

#### Performance Pledges

The MPFA has a system of performance pledges to monitor the attainment of service standards and the achievement of operational targets. The achievement of our pledges to the public in the 2008-09 financial year is set out in the table below.

#### *Achievement of Performance Standards in 2008-09*

Service	Service Standard	Performance Achieved
<b>Complaints and Enquiries (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	100%
	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%
(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	99.87%
<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	99.81%
(2) Responding to enquiries by complainant/complaine on investigation progress	Inform complainant/complaine of investigation progress within 3 working days	99.81%
(3) Informing complainants of enforcement action		
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	100%
	A2. Notify complainants of prosecution results within 10 working days from the date of receiving a verdict	100%
B. Cases involving surcharge	B. Notify complainants by phone of issue of surcharge notices not less than 2 working days before actual issuance	100%

### **Code of Conduct**

MPFA's staff are required to comply with the Code of Conduct which sets out the standards of acceptable conduct, how they should respond to different situations in official dealings, and their legal and contractual obligations to the MPFA. The Code 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.

## **INDEPENDENT CHECKS AND BALANCES**

### **Reviews**

The MPFA may invite external reviews of its operations to ensure that the control measures are adequate and to identify improvement areas. During the year, the MPFA followed through the recommendations of an external consultant who had been engaged to conduct an assessment on MPFA's information technology security. The financial statements of the MPFA are subject to audit by an external auditor. During the auditing process, the auditor also provides management comments as appropriate. Deloitte Touche Tohmatsu continued to be the MPFA's auditor in the financial year 2008-09.

### **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.

## OUR ORGANIZATION AND OUR STAFF

### THE MANAGEMENT TEAM



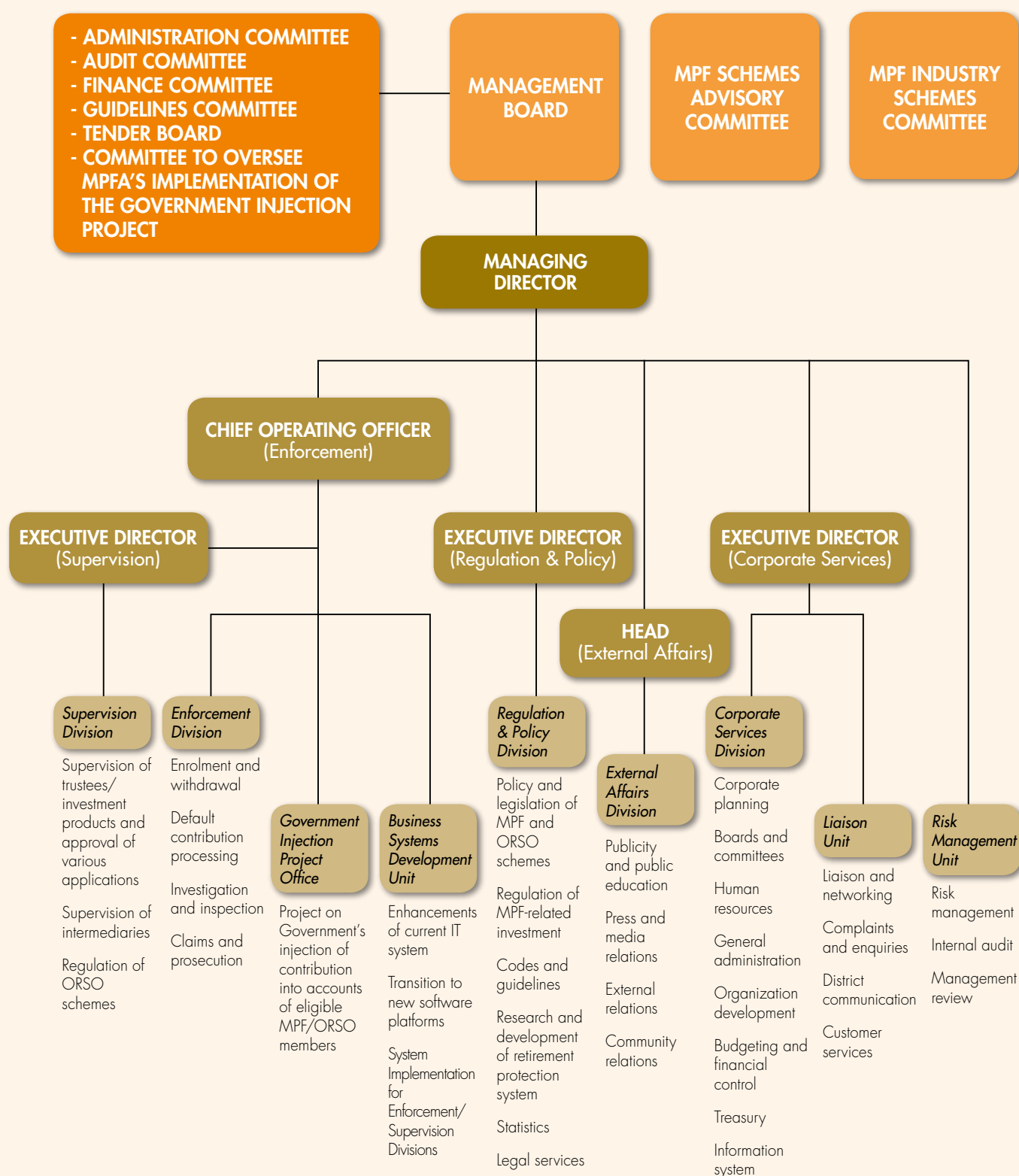
#### **On 31 March 2009, the senior management of the MPFA comprised:**

1. Mrs Diana Chan, Managing Director
2. Ms Hendena Yu, Chief Operating Officer (Enforcement)
3. Mr Darren McShane, Executive Director (Regulation & Policy)
4. Mr Thomas Yiu, Executive Director (Corporate Services)
5. Ms Cynthia Hui, Executive Director (Supervision)
6. Ms Ingrid Lai, General Counsel
7. Mrs Betty Chan, Head (External Affairs)

## OUR ORGANIZATION AND OUR STAFF

### THE ORGANIZATION STRUCTURE

(as at 31 March 2009)



## OUR ORGANIZATION AND OUR STAFF

# OUR STAFF AND FINANCIAL RESOURCES

As the statutory body established to regulate and supervise the retirement protection system in Hong Kong, the MPFA relies heavily on human resources to carry out its functions. We therefore give a high priority to the recruitment of suitable staff for our work, the training and development of our staff, the maintenance of a congenial working environment and the nurturing of a culture of sharing and communication.

## STAFFING

The approved headcount of the MPFA as at the end of the previous financial year (2007-08) was 514. During the 2008-09 financial year, new positions were created to strengthen the work in fund governance and investment compliance of MPF trustees, to process the increased default contribution cases due to the removal of the 30-day settlement period, and to support the work of various divisions and departments. As at 31 March 2009, the MPFA had an approved headcount of 559. Separately, a Government Injection Project Office with a headcount of 74 was set up with staff employed under short-term contracts. The MPFA's staff cost to total expenditure ratio for the year was 65%, and the staff turnover rate was 15%.

## REMUNERATION AND BENEFITS

The remuneration package of the MPFA comprises a fixed basic salary and performance-linked variable pay granted at the discretion of the Management Board. The fringe benefits for staff include annual leave, medical and dental benefits, insurance coverage and MPF. During the year, performance-linked variable pay for 2008-09 was granted to eligible staff to reward them according to their performance. Having considered a number of factors including the current economic downturn, market pay trends and the financial position of the MPFA, the Management Board did not recommend any general salary adjustment for 2009.

The remuneration of the top management staff of the MPFA is disclosed in the notes to the Financial Statements on page 95.

## WORK ENVIRONMENT



*New head office at International Commerce Centre*

To alleviate our rental burden in the long term, we relocated our head office from One International Finance Centre (IFC) in Central to International Commerce Centre in West Kowloon in August 2008. A small office is maintained at IFC to provide services to the public on Hong Kong Island. Our Kwun Tong office at Millennium City 1 has been expanded to accommodate the entire Enforcement Division and an additional office was set up in the same building to accommodate staff working on the Government's Injection Project. A video-conferencing system has been installed to facilitate meetings, briefings and training sessions involving staff at different office locations.



To align with the accommodation strategy, we migrated all production computer systems from IFC to the data centre at the Kwun Tong office in April 2008. The configuration of servers and network equipment in the data centre at the Kwai Fong office for disaster recovery purposes was completed in August 2008.

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 users, as and when necessary. 375 assessments were conducted in 2008-09, among which, 164 were conducted following the relocation of the head office in August 2008.

To facilitate the work of our staff, we continued to refine existing information systems. In 2008, we completed the development of the Trustees Reported Information System (TRIS), an electronic platform to improve the transmission of data between the MPFA and MPF trustees in a high-speed Virtual Private Network. With the TRIS, the MPFA can obtain information, such as default contribution records, in a more timely and secure manner. New systems were also developed for the purpose of the Government's Injection Project (see the chapter on "Government's Injection of Special Contributions into the Accounts of Eligible MPF and ORSO Scheme Members").

## TRAINING AND DEVELOPMENT

We attach great importance to staff training and development. During the year, the policy on staff training and development was reviewed and improved. Among the areas of improvement implemented was the introduction of examination leave to staff in support of their continued development and learning activities.

Meanwhile, a comprehensive training needs analysis was conducted, resulting in the formulation of an annual training programme plan. Under the plan, a series of training programmes was provided to staff at different levels throughout the year. These included management development programmes aimed at developing leadership and managerial skills, training sessions to equip our staff with business knowledge, technical skills (such as those related to legal, accounting and finance, information technology, human resources, writing skills) and soft skills (such as communication and telephone manner, resilience at work, negotiation and mediation), workshops providing insights to staff on process streamlining, and also building an effective team. Our staff took up opportunities to speak at or attend seminars and conferences to facilitate both local and international exchange and widen their professional exposure and network. Knowledge sharing sessions were organized, where staff shared with colleagues their knowledge and experience gained by attending external training sessions, seminars or conferences. In respect of the training programmes, sharing sessions, seminars and conferences mentioned above, 330 sessions/events were organized/attended, with a total attendance of 4 833.

We have been developing a Career Profile Guide to provide staff with a clear picture of career development in MPFA so that they can prepare themselves for development towards their career goals. After incorporating comments from staff collected through focus groups, we will publish the Guide for

## OUR ORGANIZATION AND OUR STAFF

### OUR STAFF AND FINANCIAL RESOURCES (cont'd)

staff's reference. In terms of career development opportunities, 59 staff members were promoted to more senior positions. Lateral transfers have also been arranged for 18 staff members to develop their capabilities and enhance their exposure.

## CULTURE BUILDING

We continue with our efforts to nurture a corporate culture that fosters trust, embraces change and values teamwork. We rolled out programmes to facilitate the sharing of corporate directions and raise staff's awareness of the progress of various corporate and departmental initiatives. A quarterly electronic bulletin was launched to report on corporate news, including the progress of corporate plan programmes and matters related to the working environment and staff welfare.

During the year, a series of face-to-face communication sessions between the senior management, including the Managing Director and the Chief Operating Officer (Enforcement), and different staff groups, was arranged. During these sessions, staff were invited to voice their needs and concerns and discuss work-related issues in a casual setting.

Team building workshops are held from time to time to foster mutual understanding amongst staff members, improve communication skills, and enhance co-operation and coping capacity to improve team spirit. During the year, team building activities were held involving senior management team members during the corporate planning process. A team building workshop was held for the Investigation and Claims Department, which took on a number of new staff during the year. Other social activities, such as those organized by the Staff Welfare Committee, also helped foster cohesiveness.

## STAFF RECOGNITION

The corporate staff recognition programme continued in 2008 to foster a culture of recognition and appreciation to staff who demonstrated the corporate core values. 163 staff members received recognition awards. Through a departmental staff recognition programme, support was also given to department heads to show direct appreciation and recognition to staff for a job well done in a timely manner.



*An inspector who won an Ombudsman's Award in 2008 shares his joy with colleagues at the award presentation ceremony*

Externally, MPFA staff members have been publicly recognized for their service excellence. Apart from commendation letters received from members of the public, one of our Inspectors received the Ombudsman's Award 2008 for Officers of Public Organizations in the Complaint-related Nominations category. The fact that eight members of our staff have won the award for six consecutive years is an affirmation and recognition of MPFA's dedication to professionalism in customer service.

## STAFF WELFARE AND SOCIAL ACTIVITIES



*Team spirit at play during the staff bowling competition*

During the year, the MPFA published four issues of the staff newsletter *The Orchard*. The Staff Welfare Committee organized numerous social activities, including a movie evening, a bowling competition, interest classes, a day-tour and an annual dinner. The interest clubs formed under the Committee, such as the Basketball Club, Hiking Club, Photo Club and Parents Club, continued to organize activities for the enjoyment and relaxation of staff and their family members.

## FINANCIAL RESOURCES



*Staff members displaying their talents at the annual dinner*

As at 31 March 2009, the balance of the \$5 billion Capital Grant from the HKSAR Government was \$5.14 billion.

Since the onset of the financial turmoil in September 2008, we have stepped up monitoring of the MPFA's own investments. We conducted additional reviews on our investment guidelines and implemented contingent measures regarding the exposure to certain investment instruments. We have enhanced the management reporting process to keep senior management and the Finance Committee updated on the status of the MPFA's investment portfolio and conditions in the financial market. Regarding the external fund managers appointed to manage the Capital Grant's securities investments, we have streamlined the procedures for their

reporting of investment compliance and requested them to review their respective compliance procedures. We have also imposed more stringent restrictions to limit the credit exposure of liquid funds and deposits to individual deposit banks.

## OUR ORGANIZATION AND OUR STAFF

### CARING FOR THE COMMUNITY

In performing MPFA's duties, we are always mindful of the community's needs. "Community Perspective" is therefore one of the MPFA's core values. We are also committed to our social responsibility, being vigilant in protecting the environment in our day-to-day operations and ready to show our care for the community through participation in charity work and community activities.

## THE ENVIRONMENT

Upholding the principle of environmental protection in our daily operations, we have put in place measures to reduce waste, to collect and recycle suitable materials, and to purchase recycled products. We are pleased that our efforts have enabled us to win the Wastewi\$e Environmental Label issued by the Hong Kong Productivity Council for our commitment to and achievements in, green management and waste reduction in 2008.

## THE COMMUNITY

We were involved in various community and fund-raising activities during the year. By taking part in the Dress Special Day 2008 organized by the Community Chest, we received the Highest Participation Rate Award and won the photo competition under the Companies and Organizations category. Our staff members participated in the Sowers Action Challenging 12 Hour Charity Marathon to raise funds in support of education for children in mountainous regions of the Mainland. For the first time, members of the MPFA Volunteer Team also helped man the supplies station for participants in the event. Following the Sichuan earthquake disaster, funds were raised amongst staff members and donated to local charities in support of their disaster-relief work for the victims.



*MPFA's winning entry in the Dress Special Day photo competition in the Companies and Organization Category*



*Participating in the Sowers Action charity marathon – as trekkers ...*



*... and as volunteers manning a supplies station at Shing Mun*



*Organizing a Christmas party for students at the Hong Kong Red Cross Princess Alexandra School's hostel*



*Happy to see elderly families settling in their new homes in Un Chau Estate after helping them move from So Uk Estate*

With almost a hundred members, the MPFA Volunteer Team offered over 1 000 hours of volunteer services to the community during the year. Its services extended to two sustainable long-term programmes, in which team members helped about 30 elderly families relocate from So Uk Estate, and organized a series of party and outings for students with special needs. Other volunteer activities included several visits to elderly and deprived families, during which our volunteers distributed festive rice dumplings and moon-cakes or helped them clean and paint their homes. With the Team's efforts, our staff's family members were mobilized to form a *Family Volunteer Team* to visit needy families in the annual *Share to Care* campaign of the Agency for Volunteer Service.

## MPFA – A CARING ORGANIZATION



*Spending time with the elderly*

We consider protection of employees' rights and interests an important element of corporate social responsibility. Since 2006, the MPFA has been a sponsor of the Caring Company Scheme run by the Hong Kong Council of Social Service, which promotes corporate social responsibility. We are pleased to have been awarded the "Caring Organization 2005-09" logo under the scheme 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 2005-09" logo*



## OUR ORGANIZATION AND OUR STAFF

### INTERNATIONAL EXCHANGES

The MPFA is a member of the International Organisation of Pension Supervisors (IOPS). In the previous financial year (2007-08), we led the IOPS' research project on governance arrangements for pension funds. Upon completion of the project, the working paper on Supervisory Oversight of Pension Fund Governance was published by IOPS in August 2008.

From time to time, 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.

#### 1-4 Apr 2008

Executive Director (Regulation & Policy) and Executive Director (Supervision) attended the Technical Committee meeting of the IOPS and the 4th Contractual Savings Conference organized by IOPS and Organization for Economic Co-operation and Development (OECD) in Washington, United States.



#### 1 Aug 2008

Chief Operating Officer (Enforcement) gave a presentation on the MPF System in Hong Kong to The Association of Financial Institutions Pension Fund and Pension Fund Bureau of Indonesia Government in Jakarta, Indonesia.

#### 6-8 Aug 2008

Executive Director (Regulation & Policy) attended the Annual Conference organized by The Investment and Financial Services Association in Gold Coast, Australia.



#### 26 Aug 2008

At MPFA, Chief Operating Officer (Enforcement) received a delegation of the PT. Jamsostek (Persero), the provider of employee social security service in Indonesia, and Executive Director (Supervision) gave a presentation to the delegates on the regulation and supervision of the MPF System.

#### 16 Sep 2008

At MPFA, Chief Operating Officer (Enforcement) received a delegation from the Guang Zhou Municipal People's Government, led by Vice-Mayor Mr Chen Guo, and briefed them on the latest developments in the MPF System.

**26 Sep 2008**

Executive Director (Regulation & Policy) attended the roundtable meeting on private pensions organized by OECD in Beijing, China.

**29-31 Oct 2008**

Executive Director (Regulation & Policy) attended the Technical Committee meeting of IOPS and the Global Forum on Private Pensions organized by OECD/IOPS in Mombasa, Kenya.

**25 Nov 2008**

A Delegation from the China Securities Regulatory Commission visited the MPFA and was briefed on the latest developments in the MPF System.

**9 Dec 2008**

Ms Chen Jing-wa from the Guangzhou Municipal Labour & Social Security Bureau visited the MPFA, and was briefed on the latest developments in the MPF System.

**5 Jan 2009**

At MPFA, Chief Operating Officer (Enforcement) met with a delegation from the Employees' Trust Fund Board, Sri Lanka, led by the Chairman, Mr K M A Godawatte, and briefed them on the regulation and supervision of the MPF System.

**19 Jan 2009**

At MPFA, Chief Operating Officer (Enforcement) met with a delegation from the Abu Dhabi Retirement Pensions and Benefits Fund, led by the Director General, Mr Hamad Al Mansouri, and briefed them on the features and regulatory framework of the MPF System.

**23-25 Mar 2009**

Executive Director (Regulation & Policy) attended the Technical Committee meeting of IOPS and two meetings on private pensions organized by OECD in Budapest, Hungary.

**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 79 to 99, which comprise the balance sheet as at 31 March 2009, 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 2009 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

24 June 2009



## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009

	NOTES	2009 HK\$	2008 HK\$
<b>INCOME</b>			
Fee income		8,403,061	8,891,924
Interest income on bank deposits		6,807,338	13,216,983
Net investment (loss) / income	6	(283,340,942)	352,024,884
		(268,130,543)	374,133,791
Other income	7	14,851,058	1,750
		(253,279,485)	374,135,541
<b>EXPENDITURE</b>			
Staff costs		211,963,823	188,690,442
Depreciation		17,102,400	10,899,936
Premises expenses		40,053,051	32,061,148
Public education and publicity expenses		13,672,988	9,744,079
Investment expenses		15,252,910	16,493,477
Other operating expenses		27,228,146	23,566,288
		325,273,318	281,455,370
<b>(DEFICIT) / SURPLUS FOR THE YEAR</b>		<b>(578,552,803)</b>	<b>92,680,171</b>

	NOTES	2009 HK\$	2008 HK\$
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	49,186,921	32,436,891
Projects in progress	13	–	2,667,855
		49,186,921	35,104,746
<b>CURRENT ASSETS</b>			
Investments designated at fair value through profit or loss	14	4,662,928,901	5,205,326,369
Derivative financial instruments	15	3,973,556	2,743,190
Unsettled investments receivable		45,038,298	94,534,462
Debtors, deposits and prepayments		42,596,792	49,992,225
Bank deposits		241,512,917	298,376,540
Bank balance of the Government Injection of Contributions Project	16	430,650,101	–
Other bank balances and cash		578,986,372	534,279,989
		6,005,686,937	6,185,252,775
<b>CURRENT LIABILITIES</b>			
Derivative financial instruments	15	301,792	9,718,793
Unsettled investments payable		422,736,394	421,471,494
Government Injection of Contributions Project fund	16	430,650,101	–
Creditors and accrued charges		59,192,826	68,688,936
Fees received in advance		3,781,800	3,714,550
		916,662,913	503,593,773
<b>NET ASSETS</b>		<b>5,138,210,945</b>	<b>5,716,763,748</b>
<b>CAPITAL AND RESERVE</b>			
Capital grant	17	5,000,000,000	5,000,000,000
Income and expenditure account		138,210,945	716,763,748
		5,138,210,945	5,716,763,748

The financial statements on pages 79 to 99 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 24 June 2009 and are signed on its behalf by:

**Diana Chan**  
Managing Director

## STATEMENT OF CHANGES IN CAPITAL AND RESERVE

For the year ended 31 March 2009

	Capital Grant HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2007	5,000,000,000	624,083,577	5,624,083,577
Surplus for the year	–	92,680,171	92,680,171
At 31 March 2008	5,000,000,000	716,763,748	5,716,763,748
Deficit for the year	–	(578,552,803)	(578,552,803)
At 31 March 2009	5,000,000,000	138,210,945	5,138,210,945

## CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009 HK\$	2008 HK\$
<b>OPERATING ACTIVITIES</b>		
(Deficit) / Surplus for the year	(578,552,803)	92,680,171
Adjustments for:		
Depreciation	17,102,400	10,899,936
Loss on disposals of property and equipment	575,809	158,108
Interest income on bank deposits	(6,807,338)	(13,216,983)
Interest income on investments designated at fair value through profit or loss	(155,309,643)	(195,063,391)
Dividends from investments designated at fair value through profit or loss	(28,783,634)	(25,350,069)
Net losses / (gains) on investments designated at fair value through profit or loss	516,533,598	(186,803,002)
Net realised (gains) / losses on derivative financial instruments	(38,452,013)	50,583,090
Net unrealised (gains) / losses on derivative financial instruments	(10,647,366)	4,608,488
Fund and interest received for the Government Injection of Contributions Project	8,592,048,151	–
Contributions and payments made for the Government Injection of Contributions Project	(8,161,398,050)	–
	146,309,111	(261,503,652)
Decrease / (increase) in debtors, deposits and prepayments	7,395,433	(16,969,014)
(Decrease) / increase in creditors and accrued charges	(10,480,560)	18,932,680
Increase (decrease) in fees received in advance	67,250	(220,543)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>143,291,234</b>	<b>(259,760,529)</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from investments designated at fair value through profit or loss	28,733,443	26,085,698
Interest received on bank deposits	7,270,961	13,227,003
Interest received from investments designated at fair value through profit or loss	161,425,330	195,684,376
Proceeds on disposals of property and equipment	200,780	15,270
Proceeds on disposals of investments designated at fair value through profit or loss	12,388,350,582	10,943,513,988
Purchase of property and equipment and projects in progress	(30,976,714)	(22,673,304)
Purchase of investments designated at fair value through profit or loss	(12,317,772,105)	(10,788,103,210)
Settlement (Purchase) of derivative financial instruments	38,452,013	(50,583,090)
Decrease (increase) in bank deposits	56,400,000	(17,900,000)
Increase in bank balances held for investment purposes	(46,488,106)	(34,300,937)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>285,596,184</b>	<b>264,965,794</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>428,887,418</b>	<b>5,205,265</b>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>	<b>9,055,177</b>	<b>3,849,912</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>437,942,595</b>	<b>9,055,177</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank balance of the Government Injection of Contributions Project	430,650,101	–
Other bank balances and cash	578,983,223	534,257,800
Less : Bank balances held for investment purposes	(571,690,729)	(525,202,623)
	<b>437,942,595</b>	<b>9,055,177</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

**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 Level 16, International Commerce Centre, 1 Austin Road West, Kowloon, 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the MPFA has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-INT 9 & HKAS 39 (Amendment)	Embedded Derivatives <sup>4</sup>
HK(IFRIC)-INT 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC)-INT 18	Transfers of Assets from Customers <sup>7</sup>

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (cont'd)

- 1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
- 2 *Effective for annual periods beginning on or after 1 January 2009*
- 3 *Effective for annual periods beginning on or after 1 July 2009*
- 4 *Effective for annual periods ending on or after 30 June 2009*
- 5 *Effective for annual periods beginning on or after 1 July 2008*
- 6 *Effective for annual periods beginning on or after 1 October 2008*
- 7 *Effective for transfers on or after 1 July 2009*

The MPFA anticipates that the application of these standards, amendments or interpretations will have no material impact on the financial statements.

## 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 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

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.

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

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

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

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 the contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated 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. The net gain or loss recognised in the income and expenditure account includes any dividend or interest earned on the financial assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. As at each balance sheet date subsequent to initial recognition, loans and receivables, including debtors, deposits, unsettled investments receivable, 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 as 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. The MPFA's financial liabilities are generally classified as other financial liabilities.

Financial liabilities, including creditors and unsettled investments payable, are subsequently measured at amortised cost, using the effective interest method.

#### *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.

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

#### *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, when 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 expires, is discharged or cancelled. 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 from 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.

#### **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.



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

#### **Impairment losses on tangible and intangible assets**

As at each balance sheet date, the MPFA reviews the carrying amounts of its tangible and intangible 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. As 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 from 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.

### 4. CAPITAL MANAGEMENT

The MPFA's objectives when managing capital are:

- to safeguard the MPFA's ability to continue as a going concern, so that it continues to regulate and supervise mandatory provident fund schemes and occupational retirement schemes; and
- to support the MPFA's stability and growth to provide benefits for stakeholders.

The MPFA actively and regularly reviews and manages its capital and reserve to ensure optimal returns, taking into consideration the future resources requirements of the MPFA and projected capital expenditures. As in prior years, the MPFA manages its capital and reserve through resources planning measures and regular reviews of the investment strategy.

## 5. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2009 HK\$	2008 HK\$
<i>Financial assets</i>		
Fair value through profit or loss	4,666,902,457	5,208,069,559
Loans and receivables (including bank deposits, bank balances and cash)	1,336,652,561	974,657,683
<i>Financial liabilities</i>		
Fair value through profit or loss	301,792	9,718,793
Other financial liabilities	887,178,105	464,077,351

### Financial Risk Management Objectives and Policies

MPFA's major financial instruments include bank deposits, bank balances and cash, equity and debt investments. The MPFA adopts a statistical approach for its strategic asset allocation. Investment Guidelines approved by the Management Board set out limits and restrictions on credit risk, interest rate risk, price risk, currency risk, liquidity risk, hedging and other activities. These Guidelines are reviewed from time to time. The Finance Committee, one of the standing committees of the MPFA, is responsible for overseeing the investment of all MPFA's funds.

The strategic asset allocation is set within a specific risk tolerance level and after consideration of the risk-return trade-off. MPFA's investment portfolio includes cash, bonds and equities with a target weighting for each asset class.

Apart from bank deposits that are managed internally, the MPFA contracts out the management of bonds and equities to external fund managers who make investment in accordance with the global balanced mandates. The fund managers are mandated to invest prudently to achieve principal protection and above-benchmark return.

Permissible investments should satisfy requirements in credit rating, concentration limits, listing, minimum market capitalization and marketability as detailed in the Investment Guidelines. Apart from proactive contributions to stock selection, interest rate and currency risk management, each external fund manager is expected to allocate assets between broad asset classes based on fundamentals and judgment of relative values. The deviation margins, measured against the target weighting, are permitted for each asset class. The deviation margins have been set using a risk budgeting approach and are based on the correlation of asset returns between asset classes, and the volatility and expected tracking error of each asset class.

In the light of the recent financial turmoil, the MPFA has increased its monitoring of its investments. During the financial year, additional reviews on the Investment Guidelines have been completed from the risk control perspective. A series of contingent measures relating to the exposure of certain investment instruments have been introduced. In addition, the MPFA has enhanced its management reporting process, in terms of both coverage and frequency, so that management and the Finance Committee are kept abreast of the investment portfolios' status as well as the general financial market conditions.

Furthermore, the MPFA has streamlined its investment compliance reporting procedures by its external fund managers. The MPFA has also requested its external fund managers to review their compliance procedures so as to ensure that all compliance issues are promptly reported and appropriate actions taken.

To better manage the credit risks on liquid funds and deposits, the MPFA has imposed more stringent restrictions to limit the credit exposure to individual deposit banks so as to avoid an over-concentration of risk.

## 5. FINANCIAL INSTRUMENTS (cont'd)

### Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the MPFA.

The investment portfolios can only invest in bonds that have a minimum credit rating of A- by Standard & Poor's Ratings Services ("S&P") and A3 by Moody's Investors Service, Inc. In the event of a split credit rating for a bond issue, the Investment Guidelines require that the lower credit rating will apply. The Investment Guidelines require the weighted average credit rating of the total bond portfolio to be at or above A+/A1.

As at the reporting date, the credit risk profile as weighted by market value (including accrued interest) was:

Credit rating	2009		2008	
	HK\$	%	HK\$	%
AAA <sup>1</sup>	1,950,308,486	52	2,097,639,458	50
AA <sup>2</sup>	1,109,581,333	30	1,443,732,562	35
A <sup>3</sup>	692,126,047	18	618,778,362	15
	3,752,015,866 <sup>Note</sup>	100	4,160,150,382 <sup>Note</sup>	100

1 AAA means AAA by S&P and Aaa by Moody's

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

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

*Note* A bond investment with market value of HK\$8,738,526 as at the balance sheet date was excluded from the above profile. The bond was downgraded by S&P to BBB while Moody's maintained its credit rating at A3. The impact of this downgrade was minimal to the total portfolio (2008: A bond investment with market value of HK\$6,582,636 as at the balance sheet date was excluded. The bond was downgraded by S&P to BBB- on 31 March 2008 and was then sold by the fund manager on 1 April 2008. The impact of this downgrade was minimal to the total portfolio).

The weighted average credit rating of the total bond portfolio is AA/Aa2.

The MPFA does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds, including bank balances and derivative financial instruments is limited because the counterparties are banks and other financial institutions with high credit-ratings assigned by international credit rating agencies. In addition, the credit exposures are guarded by the Investment Guidelines which set out limits and restrictions on the total exposure to a single bank or an issuer of debt securities.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial asset will fluctuate due to changes in interest rates.

The exposure to interest rate risk on bank deposits and bank balances carrying interest are limited to the impact of the interest rate fluctuations on the interest income. The MPFA adopts a sensitivity test of 100 basis points movement to measure such impact. If the interest rates on the bank deposits and bank balances moved up or down by 100 basis points on average throughout the year, with all other variables being held constant, income for the year would increase or decrease by HK\$8.2 million (2008: HK\$8.4 million).

## 5. FINANCIAL INSTRUMENTS (cont'd)

The investment portfolios are exposed to the interest rate risk in relation to holdings in debt securities. The fund managers may mitigate such risk by reducing the weight of bonds in the portfolio and hold either more cash or equities within the permitted deviation margins from the target weights. The fund managers may further reduce duration risk, i.e. price sensitivity to changes in interest rate, by reducing the bond portfolio duration by up to two years below the benchmark duration. The benchmark duration is a composite of durations of chosen bond indices. On the other hand, the fund managers may also increase duration risk by up to two years above the benchmark duration.

As at the reporting date, the average bond portfolio duration of all the external fund managers versus that of the benchmark is set out below:

	2009 Years	2008 Years
Benchmark duration	3.89	4.21
Portfolio duration	3.89	4.29

The MPFA measures the interest rate risks through Price Value of Basis Point ("PVBP"). PVBP is a sensitivity test to measure the fluctuation of potential gain or loss on interest rate positions upon a basis point movement.

The MPFA adopts a sensitivity test of 100 basis points movements. As at the reporting date, if interest rate had fluctuated 100 basis points and all other variables were held constant, the impact on the MPFA's income would be as follows.

	Increase (decrease) in the MPFA's income	
	2009 HK\$	2008 HK\$
If interest rate were 100 basis point lower	146,149,935	180,676,053
If interest rate were 100 basis point higher	(146,149,935)	(180,676,053)

### Price risk

Price risk is the risk that the price of a security or a portfolio of securities will fluctuate due to market changes. Price risk consists of both systematic risk, which is also known as market return risk, and non-systematic risk, which can be largely eliminated by diversification in accordance with the Investment Guidelines.

The investment portfolios are investments designated at fair value through profit or loss and are measured at fair value as at each balance sheet date. The MPFA manages this price risk exposure by maintaining a portfolio of investments with different risk profiles. There is a portfolio diversification benefit by virtue of different degrees of lesser than perfect correlation between different invested asset classes. The inclusion of cash in the benchmark portfolio further helps to control price risk. The investment performance is reported to the Finance Committee and the Management Board on a regular basis.

As at 31 March 2009, if the Equity Market<sup>Note</sup> had increased or decreased by 10%, with all other variables being held constant and all the equity instruments moved according to the historical relationship with the Equity Market, income for the year would have been HK\$92.8 million higher or lower (2008: HK\$116.6 million).

*Note* Equity Market consists of markets in which the MPFA is authorized to invest in accordance with the Investment Guidelines.

## 5. FINANCIAL INSTRUMENTS (cont'd)

### Currency risk

Currency risk is the risk of loss on an asset or liability denominated in foreign currency due to changes in the foreign exchange rates. Apart from investment portfolios, all MPFA's assets and liabilities are in HK dollar or US dollar and no currency risk is expected due to the linked exchange rate system in Hong Kong.

MPFA's Investment Guidelines only allow investments in assets denominated in freely convertible currencies. The investment portfolios must maintain a currency exposure of over 85% in HK dollar and US dollar with the remaining in foreign currency securities but not through currency trading. To meet this requirement, fund managers are permitted to hedge related currency risks by acquiring forward currency contracts. However, the over-hedging position for each foreign currency must not exceed 10% of the value of the investments denominated in the same currency and the total over-hedging position must not exceed 1% of the investment portfolio. The unhedged currency positions of the investment portfolio are measured and reported to the MPFA's management and the Finance Committee on a regular basis.

As at the reporting date, the currency exposure of the MPFA is given below:

	2009						
	HK dollar HK\$ equivalent	%	US dollar HK\$ equivalent	%	Others HK\$ equivalent	%	Total HK\$ equivalent
<b>Current assets</b>							
Investments designated at fair value through profit or loss	1,778,354,812	38%	2,519,191,827	54%	365,382,262	8%	4,662,928,901
Derivative financial instruments	–	0%	168,443,048	93%	12,224,436	7%	180,667,484
Unsettled investments receivable	5,792,545	13%	24,569,027	54%	14,676,726	33%	45,038,298
Debtors and deposits	40,464,873	100%	–	0%	–	0%	40,464,873
Bank deposits	241,512,917	100%	–	0%	–	0%	241,512,917
Bank balances & cash	567,331,241	56%	437,085,803	43%	5,219,429	1%	1,009,636,473
	2,633,456,388	43%	3,149,289,705	51%	397,502,853	6%	6,180,248,946
<b>Current liabilities</b>							
Derivative financial instruments	–	0%	11,662,424	7%	165,333,296	93%	176,995,720
Unsettled investments payable	24,653	0%	412,997,091	98%	9,714,650	2%	422,736,394
Creditors	464,414,301	100%	27,410	0%	–	0%	464,441,711
	464,438,954	44%	424,686,925	40%	175,047,946	16%	1,064,173,825
	2,169,017,434	43%	2,724,602,780	53%	222,454,907	4%	5,116,075,121

**5. FINANCIAL INSTRUMENTS (cont'd)****Currency risk (cont'd)**

	2008							
	HK dollar HK\$ equivalent	%	US dollar HK\$ equivalent	%	Others HK\$ equivalent	%	Total HK\$ equivalent	
<b>Current assets</b>								
Investments designated at fair value through profit or loss	1,942,966,042	37%	2,758,848,015	53%	503,512,312	10%	5,205,326,369	
Derivative financial instruments	15,000,000	3%	370,504,846	86%	47,781,566	11%	433,286,412	
Unsettled investments receivable	16,567,427	18%	76,156,883	80%	1,810,152	2%	94,534,462	
Debtors and deposits	47,466,692	100%	–	0%	–	0%	47,466,692	
Bank deposits	298,376,540	100%	–	0%	–	0%	298,376,540	
Bank balances & cash	86,369,128	16%	431,640,747	81%	16,270,114	3%	534,279,989	
	2,406,745,829	36%	3,637,150,491	55%	569,374,144	9%	6,613,270,464	
<b>Current liabilities</b>								
Derivative financial instruments	–	0%	60,431,983	14%	379,830,032	86%	440,262,015	
Unsettled investments payable	384,620	0%	414,971,726	99%	6,115,148	1%	421,471,494	
Creditors	42,605,857	100%	–	0%	–	0%	42,605,857	
	42,990,477	5%	475,403,709	53%	385,945,180	42%	904,339,366	
	2,363,755,352	41%	3,161,746,782	56%	183,428,964	3%	5,708,931,098	

Owing to the linked exchange rate system in Hong Kong, MPFA's currency risk primarily stems from the exposure to foreign currencies other than the US dollar. As most of the foreign exchange exposures are well hedged by acquiring forward currency contracts, the exposure is considered as insignificant.

**Liquidity risk**

Liquidity risk is the potential that the MPFA will encounter difficulty in raising funds to meet its cash commitments. Liquidity risk may result from the need to sell financial assets quickly at their fair values; counterparties' failure to settle a contractual obligation; or inability to generate cash flows as anticipated.

The MPFA does not have any borrowing and therefore has no repayment liability owing to debt. 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 at the reporting date, included in creditors balance was an amount of \$430,650,101 representing the balance not yet paid to eligible members or to be returned to the Government in relation to the Government Injection of Contributions Project. The amount was not subject to liquidity risk because as disclosed in Note 16, fund of the project was maintained in a separate bank account. As the remaining amount of creditors was not material, the MPFA considered that the preparation of maturity profile was not necessary.

## 5. FINANCIAL INSTRUMENTS (cont'd)

### Liquidity risk (cont'd)

The following table summaries the contractual maturity in relation to investment activities only. For non-derivative financial liabilities, the figures are undiscounted cash flows of financial liabilities based on the earliest date on which the MPFA can be required to pay. The cash flows include both principal and interest. For derivative instruments requiring gross settlement, the figures represent undiscounted gross inflows or outflows on these derivatives.

	2009		2008	
	Up to 1 month HK\$	1-3 months HK\$	Up to 1 month HK\$	1-3 months HK\$
<b>Non-derivatives financial liabilities</b>				
Unsettled investments payable <sup>Note</sup>	422,736,394	–	421,471,494	–
<b>Derivatives gross settlement</b>				
Foreign currency forward contracts				
– Inflows	(135,189,844)	(45,477,640)	(297,399,742)	(135,886,670)
– Outflows	132,308,952	44,686,768	304,536,357	135,725,658
<b>Total</b>	<b>(2,880,892)</b>	<b>(790,872)</b>	<b>7,136,615</b>	<b>(161,012)</b>

*Note* The fund managers are not allowed to borrow money for the managed portfolio or hold a negative cash position on a trade date basis.

### Fair values

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of listed investments and unlisted investments with standard terms and conditions are determined by reference to bid prices quoted in active markets and over-the-counter brokers' quotations respectively.

The fair values of derivative financial instruments are determined based on the quoted market prices for equivalent instruments as at the balance sheet date.

The fair values of other financial assets and financial liabilities stated at amortised costs approximate the corresponding carrying amounts.

**6. NET INVESTMENT (LOSS) / INCOME**

	2009 HK\$	2008 HK\$
Interest income on investments designated at fair value through profit or loss	155,309,643	195,063,391
Dividends from investments designated at fair value through profit or loss	28,783,634	25,350,069
Net realised and unrealised (losses) / gains on investments designated at fair value through profit or loss <sup>Note</sup>	(516,533,598)	186,803,002
Net realised gains / (losses) on derivative financial instruments	38,452,013	(50,583,090)
Net unrealised gains / (losses) on derivative financial instruments	10,647,366	(4,608,488)
	(283,340,942)	352,024,884

*Note* The amount included net realised and unrealised foreign exchange losses of HK\$101,049,496 from foreign currency securities (2008: HK\$58,474,356 gains).

**7. OTHER INCOME**

In April 2008, the MPFA entered into an agreement on early termination of the lease for one of its offices with a compensation of \$14.8 million from the landlord. The relocation was completed in August 2008 and the rental compensation received was recorded as other income.

**8. 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.

**9. DEFINED CONTRIBUTION PLAN**

The MPFA operates three Mandatory Provident Fund Schemes ("the Schemes") for all qualifying employees. The assets of the Schemes are held separately from those of the MPFA under the control of trustees.

The total expenses recognised in the income and expenditure account of HK\$13,299,043 represents contributions paid or payable to the Schemes at rates specified in the rules of the Schemes (2008: HK\$11,436,924). As at 31 March 2009, contributions of HK\$3,128 were due in respect of the year ended 31 March 2009 had not been paid over to the Schemes (2008: HK\$15,419).



## 10. DIRECTORS' EMOLUMENTS

The emoluments of all directors for the years ended 31 March 2009 and 2008 are set out below:

	2009				
	Fees HK\$	Salaries and other benefits HK\$	Contributions to MPF schemes HK\$	Variable pay HK\$	Total emoluments HK\$
<b>Executive Directors</b>					
Diana Chan Tong Chee-ching	–	4,302,973	501,475	752,110	5,556,558
Hendena Yu	–	3,180,626	370,654	556,060	4,107,340
Cynthia Hui Wai-yee	–	2,400,954	280,475	424,667	3,106,096
Darren Mark McShane	–	3,662,201	426,360	639,480	4,728,041
Thomas Yiu Kei-chung	–	2,484,927	290,596	435,880	3,211,403
<b>Non-Executive Directors</b>					
Anna Wu Hung-yuk <sup>1</sup>	–	–	–	–	–
Henry Fan Hung-ling <sup>2</sup>	–	–	–	–	–
Au King-chi <sup>3</sup>	–	–	–	–	–
K C Chan	–	–	–	–	–
Edward Chan King-sang	–	–	–	–	–
Matthew Cheung Kin-chung	–	–	–	–	–
Kevin Ho Chi-ming <sup>4</sup>	–	–	–	–	–
Leo Kung Lin-cheng	–	–	–	–	–
Angelina Lee Wong Pui-ling	–	–	–	–	–
Andrew Leung Kwan-yuen <sup>1</sup>	–	–	–	–	–
Li Fung-ying	–	–	–	–	–
David Sun Tak-kei	–	–	–	–	–
Tam Yiu-chung <sup>2</sup>	–	–	–	–	–
Paul Tang Kwok-wai <sup>5</sup>	–	–	–	–	–
Kenneth Ting Woo-shou <sup>2</sup>	–	–	–	–	–
Wong Kwok-kin <sup>1</sup>	–	–	–	–	–
Wong Ting-kwong	–	–	–	–	–
<b>Total</b>	–	16,031,681	1,869,560	2,808,197	20,709,438

<sup>1</sup> Appointment effective from 17 March 2009.

<sup>2</sup> Retired as from 17 March 2009.

<sup>3</sup> Alternate to K C Chan; appointment effective from 5 January 2009.

<sup>4</sup> Alternate to K C Chan; retired as from 5 January 2009.

<sup>5</sup> Alternate to Matthew Cheung Kin-chung.

## 10. DIRECTORS' EMOLUMENTS (cont'd)

	2008				
	Fees HK\$	Salaries and other benefits HK\$	Contributions to MPF schemes HK\$	Variable pay HK\$	Total emoluments HK\$
<b>Executive Directors</b>					
Diana Chan Tong Chee-ching	–	4,278,649	498,656	747,893	5,525,198
Hendena Yu	–	3,024,450	349,484	500,000	3,873,934
Cynthia Hui Wai-yee <sup>1</sup>	–	399,864	46,668	70,002	516,534
Darren Mark McShane	–	3,380,774	393,263	589,794	4,363,831
Jimmy Woo Jack-man <sup>2</sup>	–	2,173,039	244,810	300,000	2,717,849
Thomas Yiu Kei-chung	–	2,362,409	276,231	414,270	3,052,910
<b>Non-Executive Directors</b>					
Henry Fan Hung-ling	–	–	–	–	–
K C Chan <sup>3</sup>	–	–	–	–	–
Edward Chan King-sang	–	–	–	–	–
Matthew Cheung Kin-chung <sup>3</sup>	–	–	–	–	–
Kevin Ho Chi-ming <sup>4</sup>	–	–	–	–	–
Stephen Ip Shukwan <sup>5</sup>	–	–	–	–	–
Leo Kung Lin-cheng	–	–	–	–	–
Angelina Lee Wong Pui-ling	–	–	–	–	–
Li Fung-ying	–	–	–	–	–
Frederick Ma Si-hang <sup>5</sup>	–	–	–	–	–
David Sun Tak-kei	–	–	–	–	–
Tam Yiu-chung	–	–	–	–	–
Paul Tang Kwok-wai <sup>6</sup>	–	–	–	–	–
Kenneth Ting Woo-shou	–	–	–	–	–
Wong Ting-kwong	–	–	–	–	–
<b>Total</b>	–	15,619,185	1,809,112	2,621,959	20,050,256

<sup>1</sup> Appointment effective from 1 February 2008.

<sup>2</sup> Resigned as from 1 February 2008.

<sup>3</sup> Appointment effective from 1 July 2007.

<sup>4</sup> Alternate to K C Chan and Frederick Ma Si-hang.

<sup>5</sup> Retired as from 1 July 2007.

<sup>6</sup> Alternate to Matthew Cheung Kin-chung and Stephen Ip Shukwan.

## 11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the MPFA, all were Executive Directors, whose emoluments are included in note 10 above. The emoluments of the five highest paid individuals were within the following bands:

	2009 No. of employees	2008 No. of employees
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	2	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$5,000,001 to HK\$5,500,000	–	–
HK\$5,500,001 to HK\$6,000,000	1	1
	<b>5</b>	<b>5</b>

## 12. 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 2007	26,548,968	78,432,373	13,312,590	802,684	119,096,615
Additions	7,777,337	6,129,577	4,535,310	–	18,442,224
Disposals	(545,833)	(1,823,562)	(237,013)	–	(2,606,408)
At 31 March 2008	33,780,472	82,738,388	17,610,887	802,684	134,932,431
Additions	13,521,013	13,136,422	7,147,128	824,456	34,629,019
Disposals	(20,690,491)	(6,048,423)	(1,595,858)	(802,684)	(29,137,456)
At 31 March 2009	26,610,994	89,826,387	23,162,157	824,456	140,423,994
<b>DEPRECIATION</b>					
At 1 April 2007	21,020,979	62,836,025	9,368,946	802,684	94,028,634
Charge for the year	3,025,501	5,994,258	1,880,177	–	10,899,936
Eliminated on disposals	(545,833)	(1,814,145)	(73,052)	–	(2,433,030)
At 31 March 2008	23,500,647	67,016,138	11,176,071	802,684	102,495,540
Charge for the year	6,387,270	7,635,975	2,890,217	188,938	17,102,400
Eliminated on disposals	(20,069,512)	(6,048,048)	(1,440,623)	(802,684)	(28,360,867)
At 31 March 2009	9,818,405	68,604,065	12,625,665	188,938	91,237,073
<b>CARRYING AMOUNT</b>					
At 31 March 2009	16,792,589	21,222,322	10,536,492	635,518	49,186,921
At 31 March 2008	10,279,825	15,722,250	6,434,816	–	32,436,891

**13. PROJECTS IN PROGRESS**

Projects in progress consist of expenditure of capital projects not yet completed at the financial year end. There was no capital project not yet completed at 31 March 2009 (2008: HK\$2,667,855).

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

	2009 HK\$	2008 HK\$
<b>Equity securities</b>		
Listed	902,174,509	1,038,593,351
<b>Debt securities</b>		
Listed	1,394,710,681	1,402,880,338
Unlisted	2,366,043,711	2,763,852,680
	3,760,754,392	4,166,733,018
<b>Total</b>		
Listed	2,296,885,190	2,441,473,689
Unlisted	2,366,043,711	2,763,852,680
	4,662,928,901	5,205,326,369

**15. DERIVATIVE FINANCIAL INSTRUMENTS**

	2009		2008	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Foreign currency forward contracts	3,973,556	301,792	2,743,190	9,718,793

The above derivatives are not under hedge accounting and are measured at fair value at each balance sheet date.

**16. GOVERNMENT INJECTION OF CONTRIBUTIONS PROJECT**

The Financial Secretary of the Hong Kong Special Administrative Region announced in his 2008-09 Budget Speech that the Government would make a one-off injection of \$6,000 into the MPF account of a person who met the eligibility criteria. In this connection, the Government provided a sum of \$8,592,000,000 to the MPFA in early March 2009 for paying out the special contributions. A separate bank account was opened to handle all receipts and payments related to this project. At the balance sheet date, the Project had a balance of \$430,650,101, representing the amount of the fund not yet paid to eligible members and to be returned to the Government.

## 17. 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.

## 18. 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.

## 19. 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:

	2009 HK\$	2008 HK\$
Contracted but not provided for	881,520	3,217,121
Authorised but not contracted for	23,000	245,933
	904,520	3,463,054

## 20. OPERATING LEASE COMMITMENTS

Operating lease payments represent rental payable by the MPFA for its office premises and storage space. Office leases are with terms from one year to eight years.

At the balance sheet date, the MPFA had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2009 HK\$	2008 HK\$
Within one year	35,928,268	29,963,170
In the second to fifth year inclusive	102,027,216	42,285,611
Over five years	45,935,675	–
	183,891,159	72,248,781

## 21. 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. The 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.

### 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 101 to 111, which comprise the balance sheet as at 31 March 2009, 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 2009 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

24 June 2009

**MPF SCHEMES COMPENSATION FUND**  
**INCOME AND EXPENDITURE ACCOUNT**  
For the year ended 31 March 2009

	NOTE	2009 HK\$	2008 HK\$
<b>INCOME</b>			
Levy fee		62,682,144	78,252,888
Interest income on bank deposits		21,710,856	32,084,884
Net investment (loss) / income	6	(10,190,229)	22,947,147
		<b>74,202,771</b>	<b>133,284,919</b>
<b>EXPENDITURE</b>			
Auditor's remuneration		65,000	65,000
Investment expenses		63,746	64,534
Other operating expenses		545	1,500
		<b>129,291</b>	<b>131,034</b>
<b>SURPLUS FOR THE YEAR</b>		<b>74,073,480</b>	<b>133,153,885</b>

**BALANCE SHEET**

At 31 March 2009

	NOTES	2009 HK\$	2008 HK\$
<b>CURRENT ASSETS</b>			
Investments designated at fair value through profit or loss	8	275,249,836	270,471,399
Levy fees receivable		62,185,159	75,874,558
Bank deposits		913,922,654	830,900,085
Bank balances		267,435	307,795
		1,251,625,084	1,177,553,837
<b>CURRENT LIABILITIES</b>			
Creditors and accrued charges		78,672	80,905
		1,251,546,412	1,177,472,932
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVE</b>			
Seed money	9	600,000,000	600,000,000
Income and expenditure account		651,546,412	577,472,932
		1,251,546,412	1,177,472,932

The financial statements on pages 101 to 111 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 24 June 2009 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 2009

	Seed Money HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2007	600,000,000	444,319,047	1,044,319,047
Surplus for the year	–	133,153,885	133,153,885
At 31 March 2008	600,000,000	577,472,932	1,177,472,932
Surplus for the year		74,073,480	74,073,480
At 31 March 2009	600,000,000	651,546,412	1,251,546,412

**MPF SCHEMES COMPENSATION FUND**  
**CASH FLOW STATEMENT**  
For the year ended 31 March 2009

	2009 HK\$	2008 HK\$
<b>OPERATING ACTIVITIES</b>		
Surplus for the year	74,073,480	133,153,885
Adjustments for :		
Interest income on bank deposits	(21,710,856)	(32,084,884)
Interest income on investments designated at fair value through profit or loss	(7,356,445)	(8,030,034)
Dividends from investments designated at fair value through profit or loss	(1,291,320)	(1,286,670)
Net losses (gains) on investments designated at fair value through profit or loss	18,837,994	(13,630,443)
Operating cash flows before movements in working capital	62,552,853	78,121,854
Decrease (Increase) in levy fees receivable	13,689,399	(13,638,556)
(Decrease) Increase in creditors and accrued charges	(2,233)	23,788
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>76,240,019</b>	<b>64,507,086</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from investments designated at fair value through profit or loss	1,291,320	1,286,670
Interest received on bank deposits	19,307,929	34,366,914
Interest received from investments designated at fair value through profit or loss	9,009,114	7,724,645
Proceeds on disposals of investments designated at fair value through profit or loss	555,854,050	741,812,615
Purchase of investments designated at fair value through profit or loss	(581,123,150)	(733,527,500)
Increase in bank deposits	(80,619,642)	(116,082,001)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(76,280,379)</b>	<b>(64,418,657)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(40,360)</b>	<b>88,429</b>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>	<b>257,795</b>	<b>169,366</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>217,435</b>	<b>257,795</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank balances	267,435	307,795
Less : Bank balances held for investment purposes	(50,000)	(50,000)
	<b>217,435</b>	<b>257,795</b>

## 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.

The 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 Level 16, International Commerce Centre, 1 Austin Road West, Kowloon, 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Fund has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-INT 9 & HKAS 39 (Amendment)	Embedded Derivatives <sup>4</sup>
HK(IFRIC)-INT 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC)-INT 18	Transfers of Assets from Customers <sup>7</sup>

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (cont'd)

- 1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
- 2 *Effective for annual periods beginning on or after 1 January 2009*
- 3 *Effective for annual periods beginning on or after 1 July 2009*
- 4 *Effective for annual periods ending on or after 30 June 2009*
- 5 *Effective for annual periods beginning on or after 1 July 2008*
- 6 *Effective for annual periods beginning on or after 1 October 2008*
- 7 *Effective for transfers on or after 1 July 2009*

The Fund anticipates that the application of these standards, amendments or interpretations will have no material impact on the financial statements.

## 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.

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

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

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:

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

- 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 the contract containing one or more embedded derivatives and HKAS 39 permits the entire combined contract (asset or liability) to be designated 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. The net gain or loss recognised in the income and expenditure account includes any dividend or interest earned on the financial assets.

#### *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 fees receivable, 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 as 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. The Fund's financial liabilities are generally classified as other financial liabilities.

Financial liabilities, including creditors, are subsequently measured at amortised cost using the effective interest method.

#### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, when 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 expires, is discharged or cancelled. 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. CAPITAL MANAGEMENT

The Fund's objectives when managing capital are:

- to safeguard the Fund's ability to continue as a going concern, so that it continues to carry out its statutory functions; and
- to support the Fund's stability and growth to provide benefits under its statutory function.

The administrator of the Fund actively and regularly reviews and manages its capital and reserve to ensure optimal returns, taking into consideration the future resources requirements. As in prior years, the administrator manages the Fund's capital and reserve through regular reviews of the levy fee level and investment strategy.

#### 5. FINANCIAL INSTRUMENTS

##### Categories of financial instruments

	2009 HK\$	2008 HK\$
<i>Financial assets</i>		
Fair value through profit or loss	275,249,836	270,471,399
Loans and receivables (including bank deposits and bank balances)	976,375,248	907,082,438

##### Financial Risk Management Objectives and Policies

The Fund's major financial instruments include bank deposits and bank 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 for overseeing the investments of the Fund.

The Fund maintains a fairly high percentage of 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 (including bank deposits). Equity is managed with a passive investment style and its weighting is re-balanced to maintain the strategic asset allocation within the tolerance limit. The investment performance is reported to the Finance Committee and the Management Board on a regular basis.

In the light of the recent financial turmoil, the MPFA has increased its monitoring of the Fund's investments. During the financial year, additional reviews on the Investment Guidelines have been completed from the risk control perspective.

To better manage the credit risks on liquid funds and deposits, the MPFA has imposed more stringent restrictions to limit the credit exposure to individual deposit banks so as to avoid an over-concentration of risk.

##### Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to 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.

## 5. FINANCIAL INSTRUMENTS (cont'd)

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

Credit rating	2009 HK\$	%	2008 HK\$	%
AA <sup>Note</sup>	237,382,636	100	226,509,549	100

*Note* AA means between AA- and AA+ by Standard & Poor's Ratings Services and Aa3 and Aa1 by Moody's Investors Services, Inc.

### Interest rate risk

Interest rate risk is the risk that the fair value and/or future cash flow of a financial asset will fluctuate due to changes in interest rates.

The exposure to interest rate risk on bank deposits and bank balances carrying interest are limited to the impact of the interest rate fluctuations on the interest income. The Fund adopts a sensitivity test of 100 basis points movement to measure such impact. If the interest rates on the bank deposits and bank balances moved up or down by 100 basis points on average throughout the year, with all other variables being held constant, income for the year would increase or decrease by HK\$9.0 million (2008: HK\$8.2 million).

The investment portfolio is exposed to the interest rate risk in relation to holdings in debt securities. Such risks may be mitigated by reducing the asset weighting and portfolio duration of the bond portfolio. The Fund invests mainly in short-term HK dollar debt securities of up to two years' maturity.

As at the reporting date, the debt securities portfolio duration is set out below:

	2009 Years	2008 Years
Portfolio duration	1.32	1.14

The Fund measures the interest rate risks through Price Value of Basis Point ("PVBP"). PVBP is a sensitivity test to measure the fluctuation of potential gain or loss on interest rate positions upon a basis point movement.

The Fund adopts a sensitivity test of 100 basis points movements. As at the reporting date, if interest rate had fluctuated 100 basis points and all other variables were held constant, the impact on the Fund's income would be as follows.

	Increase (decrease) in the Fund's income	
	2009 HK\$	2008 HK\$
If interest rate were 100 basis point lower	3,139,730	2,591,648
If interest rate were 100 basis point higher	(3,139,730)	(2,591,648)

**5. FINANCIAL INSTRUMENTS (cont'd)****Price risk**

Price risk is the risk that the price of a security or a portfolio of securities will fluctuate due to market changes. Price risk consists of both systematic risk, which is also known as market price risk, and non-systematic risk, which can be largely eliminated by diversification in accordance with the Investment Guidelines.

As at 31 March 2009, if the Hong Kong stock market had increased or decreased by 10% with all other variables held constant and all the equity instruments move according to the historical relationship with the Hong Kong stock market, income for the year would have been HK\$3.8 million higher or lower (2008: HK\$4.3 million).

**Currency risk**

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

**Liquidity risk**

Liquidity risk is the potential that the Fund will encounter difficulty in raising funds to meet its cash commitments. Liquidity risk may result from the need to sell financial assets quickly at their fair values; counterparties' failure to settle a contractual obligation; or inability to generate cash flows as anticipated.

At the reporting date, the Fund maintained a substantial amount of short-term liquidity and therefore liquidity risk is considered to be minimal.

**Fair Values**

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of listed investments with standard terms and conditions are determined by reference to bid prices quoted in active markets.

The fair values of unlisted investments are determined based on estimated cash flows discounted at prevailing market rate as at each balance sheet date.

The fair values of other financial assets and financial liabilities stated at amortised costs approximate the corresponding carrying amounts.

**6. NET INVESTMENT (LOSS) / INCOME**

	2009 HK\$	2008 HK\$
Interest income on investments designated at fair value through profit or loss	7,356,445	8,030,034
Dividends from investments designated at fair value through profit or loss	1,291,320	1,286,670
Net realised and unrealised (losses) / gains on investments designated at fair value through profit or loss	(18,837,994)	13,630,443
	(10,190,229)	22,947,147



## 7. 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.

## 8. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK\$	2008 HK\$
<b>Equity securities</b>		
Listed	37,867,200	43,961,850
<b>Debt securities</b>		
Listed	237,382,636	106,739,171
Unlisted	–	119,770,378
	237,382,636	226,509,549
Total		
Listed	275,249,836	150,701,021
Unlisted	–	119,770,378
	275,249,836	270,471,399

## 9. SEED MONEY

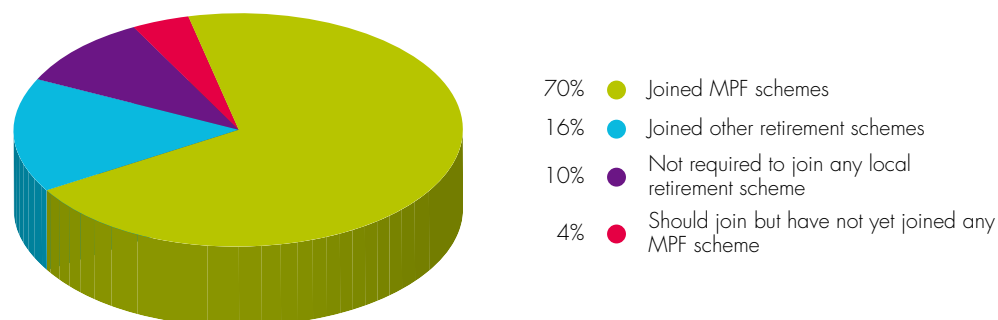
On 12 March 1999, an amount of HK\$600 million was injected from the Government of the Hong Kong Special Administrative Region as the seed money of the Fund.

# STATISTICS

## Part A – MPF Scheme Members

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

(as at 31.3.2009)



	No. of Persons (‘000)
Joined MPF schemes	2 468
Joined other retirement schemes	575
Not required to join any local retirement scheme	348
Should join but have not yet joined any MPF scheme	154

### 2. THE MPF UNIVERSE

#### Employers under the MPF System

	(‘000)
Number of main businesses <sup>1</sup>	303
Add	
– Number of owners’ corporations with employee(s) that are not covered in the Central Register of Establishments (CRE) <sup>2</sup>	4
– Number of employers engaged in other industries that are not covered in the CRE	6
Less	
– Number of businesses with no employees <sup>3</sup>	74
<b>Employers under the MPF System*</b>	<b>238</b>

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

The figures were estimated on the basis of:

- 1 Statistics obtained from the Central Register of Establishments and the Survey of Employment and Vacancies by the Census and Statistics Department.
- 2 Figures provided by the Land Registry.
- 3 Statistics obtained from the Survey of Employment and Vacancies by the Census and Statistics Department.

### Relevant Employees under the MPF System

	('000)
Number of employees (excluding employees aged below 18 or above 65) <sup>1</sup>	3 138
Less	
– Civil servants who are covered by the Civil Service Pension System <sup>2</sup>	138
– Teachers who are covered by the Grant Schools or Subsidized Schools Provident Fund <sup>3</sup>	38
– Employees who choose to remain as members of MPF exempted ORSO registered schemes <sup>4</sup>	399
– Domestic employees <sup>1</sup>	241
– 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>5</sup>	46
– Employees who are employed for less than 60 days, excluding employees participating in construction and catering industries <sup>6</sup>	14
<b>Relevant Employees under the MPF System*</b>	<b>2 262</b>

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

The figures were estimated on the basis of:

- 1 Statistics obtained from the General Household Survey by the Census and Statistics Department.
- 2 Figures published by the Civil Service Bureau.
- 3 Figures published by the Education Bureau.
- 4 Figures reported by employers of MPF exempted ORSO registered schemes.
- 5 Figures published by the Immigration Department.
- 6 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 (SEPs) under the MPF System

	('000)
Number of SEPs (excluding SEPs aged below 18 or above 65) <sup>1</sup>	362
Less	
– SEPs who are licensed hawkers <sup>2</sup> (excluding licensed hawkers aged below 18 or above 65)	3
<b>SEPs under the MPF System*</b>	<b>359</b>

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

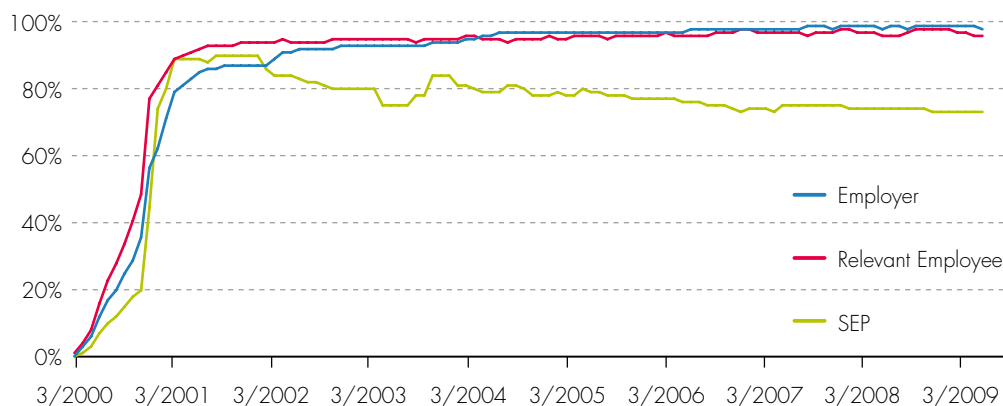
The figures were estimated on the basis of:

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

## STATISTICS

### Part A – MPF Scheme Members (cont'd)

#### 3. ENROLMENT IN MPF SYSTEM



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

As at	Employer		Relevant Employee		SEP		No. of Preserved Accounts ('000)
	Participating Employers <sup>1</sup> ('000)	Enrolment Rate (%)	Participating Members <sup>1</sup> ('000)	Enrolment Rate (%)	Participating Members <sup>1</sup> ('000)	Enrolment Rate (%)	
31.03.2008	235	99.1	2 129	96.5	267	74.8	2 672
30.06.2008	236	99.2	2 160	98.1	267	74.8	2 741
30.09.2008	238	99.8	2 162	99.1	267	73.8	2 838
31.12.2008	238	99.8	2 175	98.0	267	73.7	2 950
31.03.2009	237	99.3	2 202	97.3	266	74.1	3 077

<sup>1</sup> As the MPF System 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. CONTRIBUTIONS RECEIVED AND BENEFITS PAID – MPF SCHEMES

(1.4.2008 – 31.3.2009)

Quarter	Contributions Received				Benefits Paid			
	Mandatory	Voluntary	Special		Mandatory	Voluntary	Special	
			Voluntary <sup>1</sup>	Total*			Voluntary <sup>1</sup>	Total*
Q2 2008	7,371	1,046	142	8,558	1,130	436	38	1,604
Q3 2008	7,456	1,049	132	8,637	1,017	427	45	1,488
Q4 2008	7,692	1,092	122	8,907	925	397	53	1,375
Q1 2009	16,047 <sup>3</sup>	1,159	110	17,317 <sup>2</sup>	1,113	338	35	1,485
Total*	38,566	4,346	506	43,418	4,184	1 598	170	5,952

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

<sup>1</sup> "Special Voluntary Contributions" refers to voluntary contributions paid directly by a relevant employee to the trustee. Unlike general voluntary contributions, these contributions are non-employment related, i.e. contributions do not go through their employer, withdrawal of accrued benefits is neither tied to employment nor subject to preservation requirements.

<sup>2</sup> Including HK\$8.16 billion of special contributions injected by the Government into the MPF accounts of eligible scheme members.

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

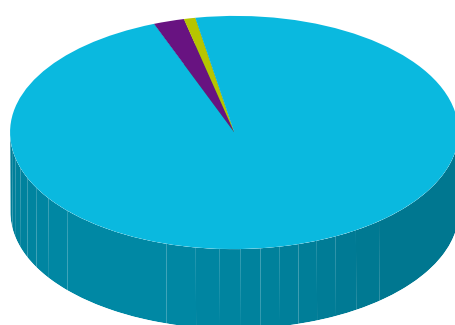
(HK\$ million)

As at	Type of MPF Schemes			Total*
	Master Trust Schemes	Industry Schemes	Employer Sponsored Schemes	
31.03.2008	241,594	4,672	1,982	248,247
30.06.2008	242,874	4,668	2,006	249,548
30.09.2008	217,529	4,396	1,843	223,768
31.12.2008	203,356	4,311	1,816	209,484
31.03.2009	211,432	4,644	1,664	217,741

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

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

(as at 31.3.2009)



		No. of Schemes
97%	Master Trust Schemes	34
2%	Industry Schemes	2
1%	Employer Sponsored Schemes	2

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

(HK\$ million)

As at	Type of Approved Constituent Funds						Total*
	Mixed Assets Fund	Equity Fund	Capital Preservation Fund	Guaranteed Fund	Bond Fund	Money Market Fund and Others <sup>2</sup>	
31.03.2008	122,304	67,150	28,653	25,434	3,578	1,129	248,247
30.06.2008	121,686	68,734	29,241	25,243	3,510	1,133	249,548
30.09.2008	105,473	57,498	30,897	25,191	3,561	1,148	223,768
31.12.2008	95,312	49,880	33,306	25,926	3,855	1,205	209,484
31.03.2009	95,638	52,852	36,565	27,425	3,964	1,296	217,741

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

<sup>1</sup> As reported by trustees. The figures include assets transferred from ORSO schemes.

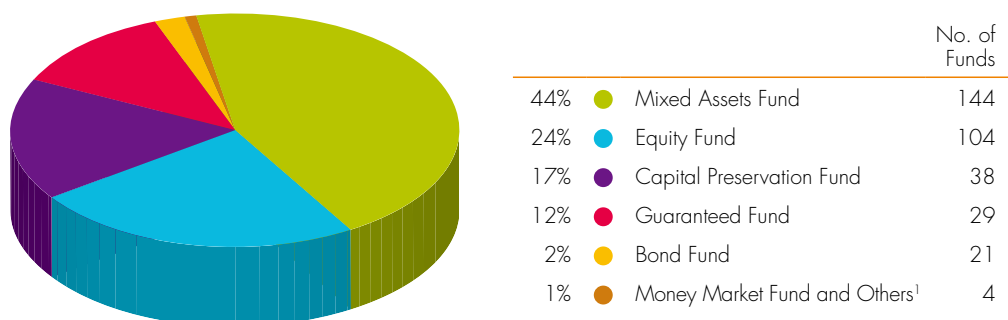
<sup>2</sup> Include Money Market Funds that are not Capital Preservation Funds and Uncategorized Funds as per the Performance Presentation Standards for MPF Investment Funds.

## STATISTICS

### Part B – MPF Products (cont'd)

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

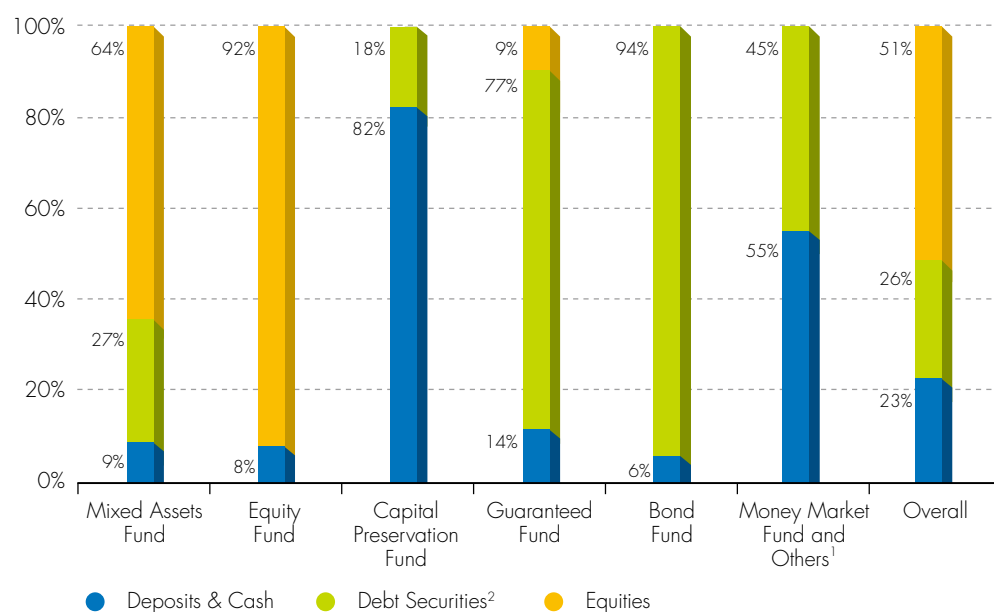
(as at 31.3.2009)



<sup>1</sup> Include Money Market Funds that are not Capital Preservation Funds and Uncategorized Funds as per the Performance Presentation Standards for MPF Investment Funds.

#### 3. ASSET ALLOCATION OF APPROVED CONSTITUENT FUNDS BY ASSET CLASS

(as at 31.3.2009)

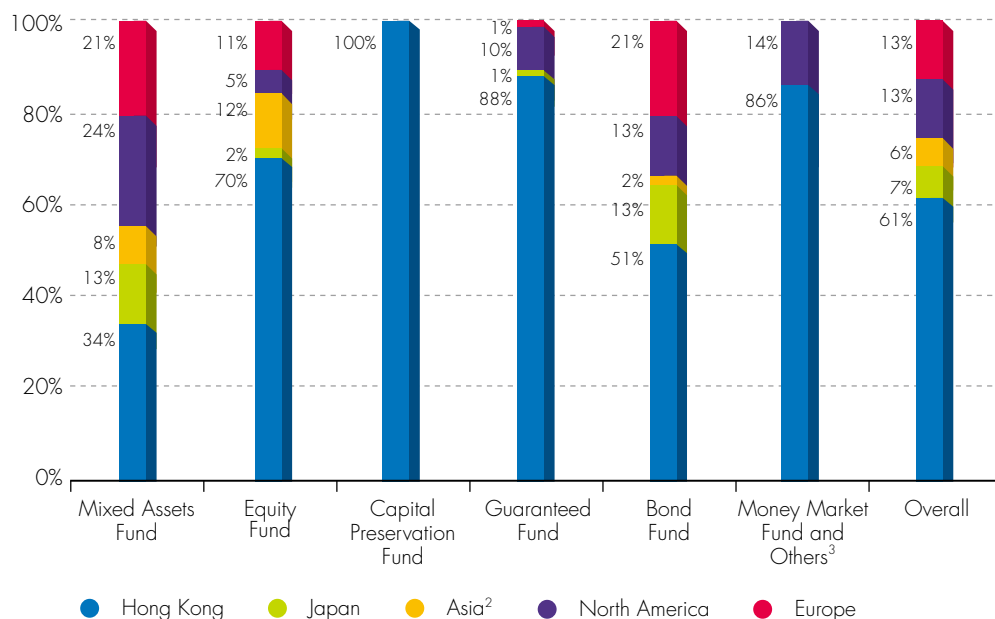


<sup>1</sup> Include Money Market Funds that are not Capital Preservation Funds and Uncategorized Funds as per the Performance Presentation Standards for MPF Investment Funds.

<sup>2</sup> Include convertible debt securities.

#### 4. ASSET ALLOCATION OF APPROVED CONSTITUENT FUNDS BY GEOGRAPHICAL REGION<sup>1</sup>

(as at 31.3.2009)



<sup>1</sup> For deposits, cash and debt securities, "Geographical Region" reflects the currency of denomination of the respective accounts and debt securities. For equities, "Geographical Region" reflects the country of primary listing of the equities.

<sup>2</sup> Exclude Japan and Hong Kong but include Australia, New Zealand and India.

<sup>3</sup> Include Money Market Funds that are not Capital Preservation Funds and Uncategorized Funds as per the Performance Presentation Standards for MPF Investment Funds.

#### 5. ASSET ALLOCATION OF APPROVED CONSTITUENT FUNDS BY ASSET CLASS AND GEOGRAPHICAL REGION<sup>1</sup>

(as at 31.3.2009)

	Deposits & Cash	Debt Securities <sup>2</sup>	Equities	Overall
Hong Kong	22%	13%	26%	61%
Japan	§	3%	4%	7%
Asia <sup>3</sup>	§	§	6%	6%
North America	1%	5%	7%	13%
Europe	§	5%	8%	13%
Overall	23%	26%	51%	100%

<sup>1</sup> For deposits, cash and debt securities, "Geographical Region" reflects the currency of denomination of the respective accounts and debt securities. For equities, "Geographical Region" reflects the country of primary listing of the equities.

<sup>2</sup> Include convertible debt securities.

<sup>3</sup> Exclude Japan and Hong Kong but include Australia, New Zealand and India.

§ Less than 0.5%.

## 6. ANNUALIZED INTERNAL RATE OF RETURN<sup>1</sup> OF THE MPF SYSTEM BY PERIOD

(HK\$ million)

Period	Net Asset Values		Total Net Contributions during the Period <sup>2</sup> (c)	Net Investment Return <sup>3</sup> during the Period (b)-(a)-(c)	Annualized Internal Rate of Return <sup>3</sup>
	Period-Beginning (a)	Period-End (b)			
1.12.2000 – 31.3.2002	–	42,125	43,878	-1,753	-4.9%
1.4.2002 – 31.3.2003	42,125	59,305	23,016	-5,837	-10.7%
1.4.2003 – 31.3.2004	59,305	97,041	22,133	15,604	22.0%
1.4.2004 – 31.3.2005	97,041	124,316	22,205	5,070	4.7%
1.4.2005 – 31.3.2006	124,316	164,613	23,435	16,862	12.3%
1.4.2006 – 31.3.2007	164,613	211,199	24,684	21,901	12.4%
1.4.2007 – 31.3.2008	211,199	248,247	26,844	10,205	4.5%
1.4.2008 – 31.3.2009	248,247	217,741	38,503 <sup>4</sup>	-69,010	-25.9%
<b>Since Inception of the MPF System</b>					
1.12.2000 – 31.3.2009	–	217,741	224,698	-6,958	-0.8%

<sup>1</sup> The return of the MPF System was calculated by way of the internal rate of return ("IRR"), a method commonly known as dollar-weighted return. The IRR method, which takes into account the amount and timing of contributions into and benefits withdrawn from the MPF System, was used as it could better reflect the feature of cash inflow and outflow of the MPF System. The annualized IRR was calculated by raising the monthly IRR to the power of 12.

<sup>2</sup> "Total Net Contributions during the Period" refers to the net contribution inflow after deducting the amount of benefits paid during the period.

<sup>3</sup> Return figures are net of fees and charges.

<sup>4</sup> Including HK\$8.16 billion of special contributions injected by the Government into the MPF accounts of eligible scheme members.

## 7. ANNUALIZED RETURN<sup>1</sup> OF APPROVED CONSTITUENT FUNDS BY FUND TYPE AND PERIOD

(as at 31.3.2009)

Type of Approved Constituent Funds	Past 1 year	Past 3 years	Past 5 years	Since 1.12.2000
Mixed Assets Fund	-30.9%	-6.0%	0.4%	1.1%
Equity Fund	-39.4%	-7.1%	1.2%	0.0%
Capital Preservation Fund	0.7%	2.1%	1.6%	1.4%
Guaranteed Fund	-5.1%	0.9%	0.9%	1.0%
Bond Fund	-3.9%	3.7%	1.7%	3.5%
Money Market Fund and Others <sup>2</sup>	-1.1%	1.4%	1.1%	1.0%
<b>Change of the Consumer Price Index ("CPI") for the Same Periods</b>				
Annualized Composite CPI % Change <sup>3</sup>	1.2%	2.6%	2.0%	0.3%

<sup>1</sup> Return figures are net of fees and charges. Returns of different types of constituent funds were calculated by way of time-weighted method. This time-weighted method takes into account the unit price and asset size of each constituent fund at different points in time. Unlike the IRR method, it does not capture the impact of the contributions into and benefits withdrawn from the constituent funds. The annualized return was calculated by raising the average monthly return to the power of 12.

<sup>2</sup> Include Money Market Funds that are not Capital Preservation Funds and Uncategorized Funds as per the Performance Presentation Standards for MPF Investment Funds.

<sup>3</sup> Calculated on the basis of the Composite CPI compiled by the Census and Statistics Department.



## 8. AVERAGE, HIGHEST AND LOWEST FUND EXPENSE RATIOS (FER) OF ALL CONSTITUENT FUNDS<sup>1</sup>

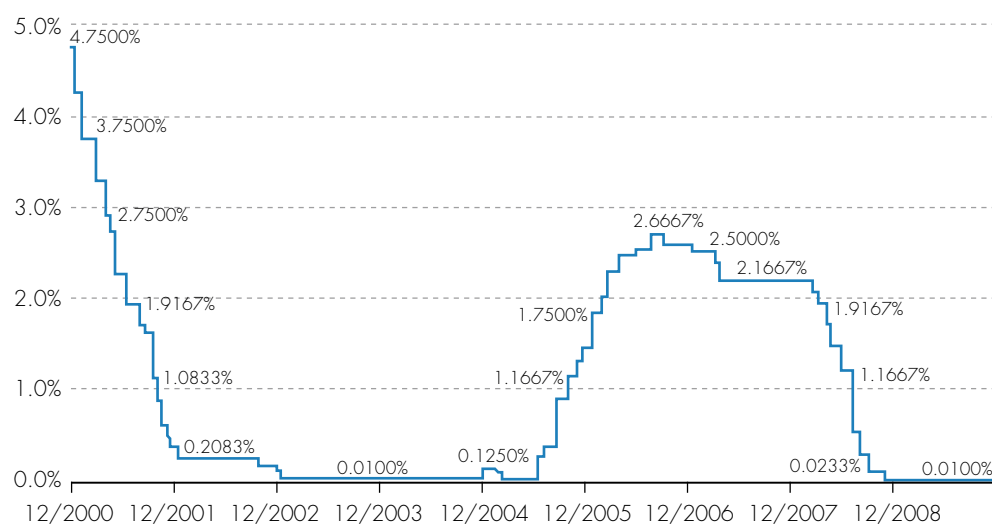
Fund Type	No. of Funds	Average FER	Highest FER	Lowest FER
Mixed Assets Fund	182	2.03%	2.90%	1.23%
Bond Fund	25	1.99%	2.72%	1.22%
Equity Fund	127	2.04%	3.32%	0.60%
Guaranteed Fund	31	2.48%	4.02%	1.37%
Money Market Fund – Capital Preservation Fund (CPF)	47	1.46%	2.27%	0.73%
Money Market Fund – non CPF	1	1.10%	1.10%	1.10%
Others	6	1.79%	1.83%	1.37%
<b>Overall</b>	<b>419<sup>2</sup></b>	<b>1.98%</b>	<b>4.02%</b>	<b>0.60%</b>

<sup>1</sup> The FER figures in the table are related to individual constituent funds of MPF registered schemes with financial year end dates falling within the period from 1 July 2007 to 30 June 2008.

<sup>2</sup> A constituent fund may comprise different fund classes. For the purpose of calculating the FER, each fund class of a constituent fund is in effect treated as a separate investment fund. As a result, the total number of funds shown here may be larger than the actual number of constituent funds.

## 9. PUBLISHED PRESCRIBED SAVINGS RATES<sup>1</sup>

(1.12.2000 – 31.3.2009)

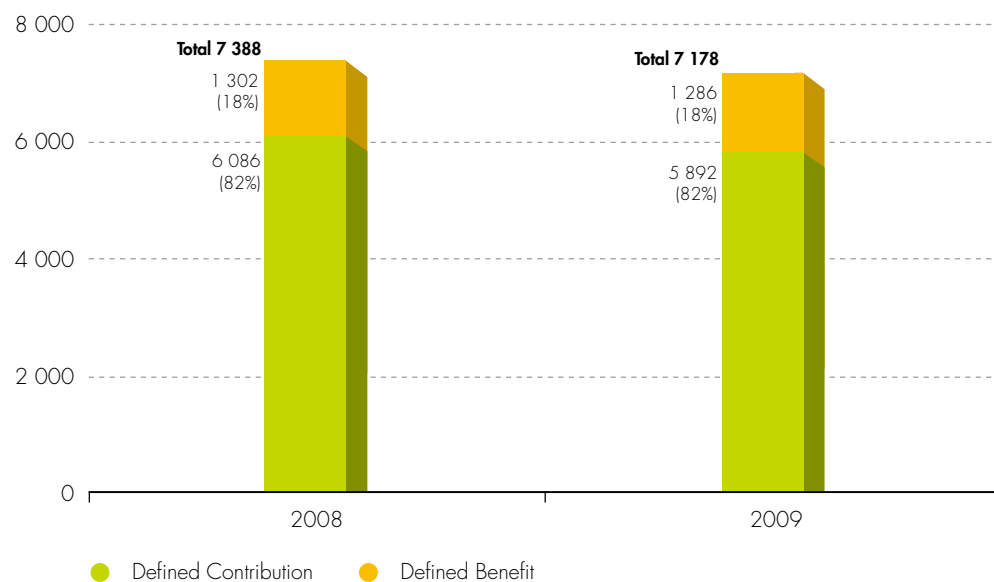


<sup>1</sup> The prescribed savings rates are prescribed by the MPFA pursuant to section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation for the operation of Capital Preservation Funds.

### ORSO SCHEMES

#### 1. Number of ORSO Schemes – By Benefit Type

(two year comparison)



#### 2. Number of ORSO Schemes – By Benefit Type

(as at 31.3.2009)

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	No. of Schemes	%	No. of Schemes	%	No. of Schemes	%
<b>Registered Scheme</b>						
– MPF exempted	4 009	68	252	20	4 261	59
– Non-MPF exempted	799	14	29	2	828	12
	4 808	82	281	22	5 089	71
<b>Exempted Scheme</b>						
– MPF exempted	184	3	137	11	321	4
– Non-MPF exempted	900	15	868	67	1 768	25
	1 084	18	1 005	78	2 089	29
<b>Total</b>	<b>5 892</b>	<b>100</b>	<b>1 286</b>	<b>100</b>	<b>7 178</b>	<b>100</b>

## MPF EXEMPTED ORSO SCHEMES

### 3. Number of MPF Exempted ORSO Schemes

(as at 31.3.2009)

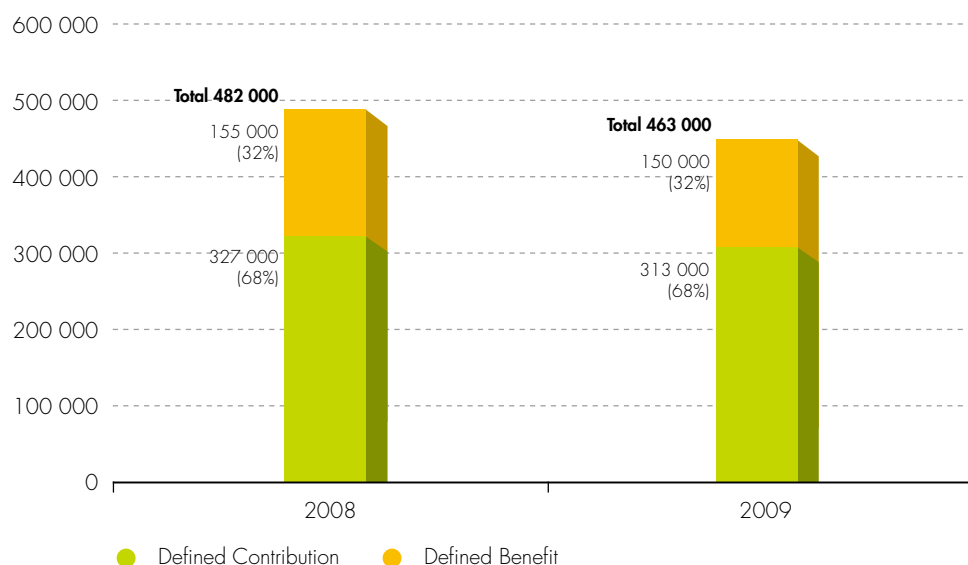
	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(a) Number of MPF Exempted ORSO Schemes approved as at 31 March 2008	4 414	340	4 754
(b) Number of new applications approved during the period from 1 April 2008 to 31 March 2009 <sup>1</sup>	14	0	14
(c) Number of withdrawals of MPF Exemption Certificates during the period from 1 April 2008 to 31 March 2009	167	19	186
<b>(d) Number of MPF Exempted ORSO Schemes as at 31 March 2009 [i.e. (d) = (a) + (b) – (c)]</b>	<b>4 261</b>	<b>321</b>	<b>4 582</b>

<sup>1</sup> 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

### Part C – ORSO Schemes (cont'd)

#### 5. Number of Members Covered by ORSO Registered Schemes – By Benefit Type

(as at 31.3.2009)

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	('000)	%	('000)	%	('000)	%
MPF exempted	272	66	142	34	414	100
Non-MPF exempted	41	84	8	16	49	100
<b>Total</b>	<b>313</b>	<b>68</b>	<b>150</b>	<b>32</b>	<b>463</b>	<b>100</b>

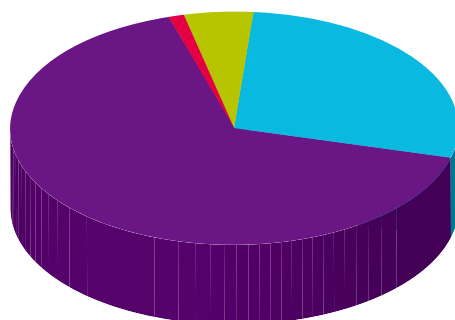
## CONTRIBUTION AMOUNT

#### 6. Annual Contribution Amount to ORSO Registered Schemes – By Employers and Employees

	MPF Exempted (HK\$ million)	Non-MPF Exempted (HK\$ million)	Total (HK\$ million)
<b>Employer's Contributions</b>			
– Ordinary	10,979 (76%)	608 (72%)	11,587 (76%)
– Initial/Special	184 (1%)	75 (9%)	259 (2%)
<b>Sub-total</b>	<b>11,163 (77%)</b>	<b>683 (81%)</b>	<b>11,846 (78%)</b>
<b>Employee's Contributions</b>			
	3,260 (23%)	167 (19%)	3,427 (22%)
<b>Total Contributions</b>	<b>14,423 (100%)</b>	<b>850 (100%)</b>	<b>15,273 (100%)</b>

Source: The latest annual returns in respect of 4 977 ORSO registered schemes

## 7. Annual Contribution Amount to ORSO Registered Schemes – By Benefit Type

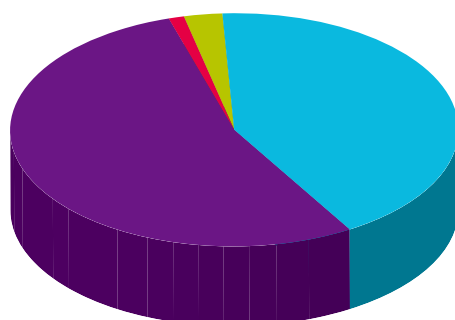


<b>Non-MPF Exempted</b>		<b>\$850M</b>
1%	Defined Benefit	\$175M
5%	Defined Contribution	\$675M
<b>MPF Exempted</b>		<b>\$14,423M</b>
28%	Defined Benefit	\$4,300M
66%	Defined Contribution	\$10,123M

**Contribution Amount: \$15,273 million**

Source: The latest annual returns in respect of 4 977 ORSO registered schemes

## 8. Asset Size of ORSO Registered Schemes – By Benefit Type (as at 31.3.2009)



<b>Non-MPF Exempted</b>		<b>\$12,055M</b>
1%	Defined Benefit	\$3,047M
3%	Defined Contribution	\$9,008M
<b>MPF Exempted</b>		<b>\$247,451M</b>
42%	Defined Benefit	\$108,291M
54%	Defined Contribution	\$139,160M

**Asset Size: \$259,506 million**

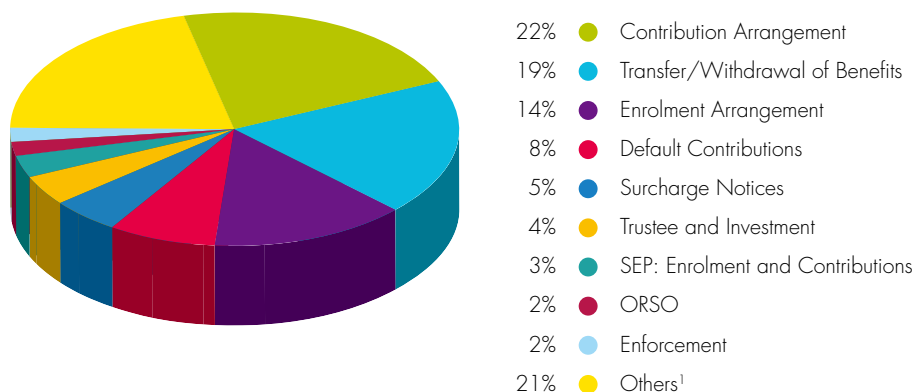
Source: The latest annual returns in respect of 4 977 ORSO registered schemes

# STATISTICS

## Part D – Enquiries and Complaints

### 1. ENQUIRIES RECEIVED BY NATURE

(1.4.2008 – 31.3.2009)

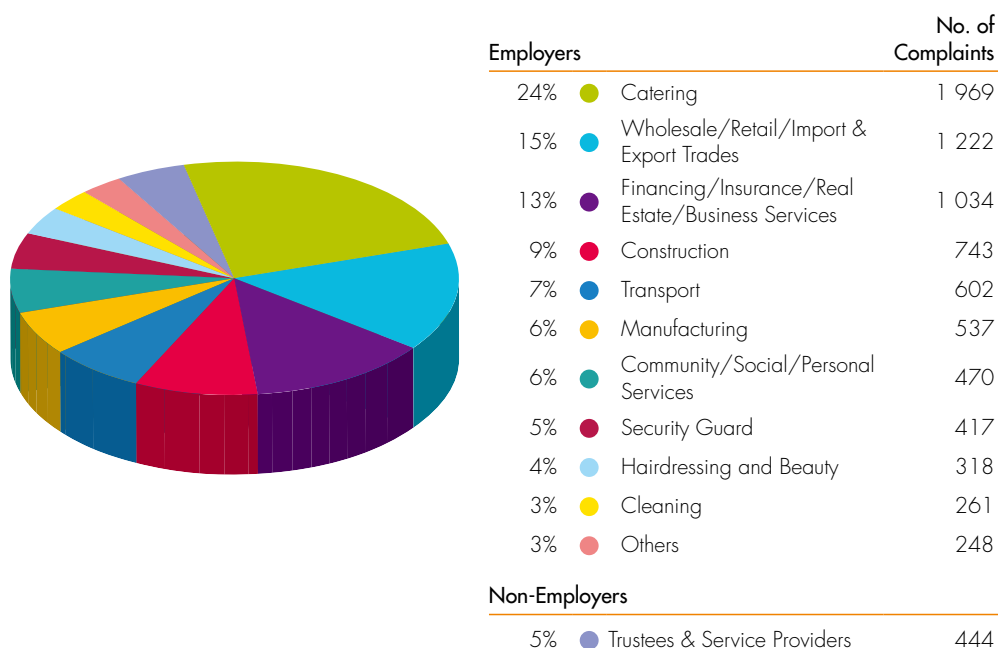


**Total number of enquiries received: 237 310**

<sup>1</sup> Others include MPF-related tax issues; Comments on different areas of the MPF System; Miscellaneous.

### 2. COMPLAINTS RECEIVED BY TARGET

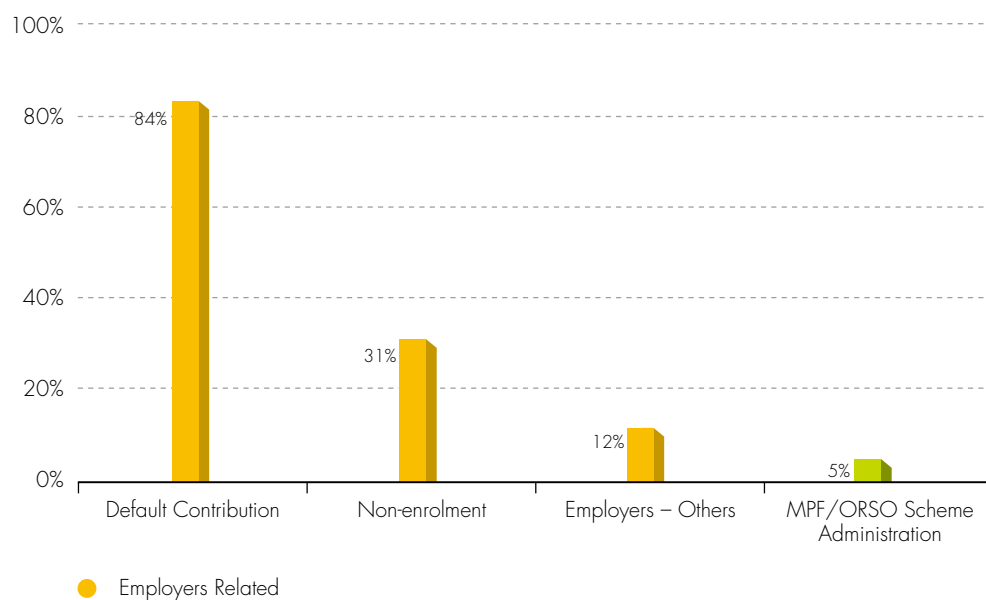
(1.4.2008 – 31.3.2009)



**Total number of complaints received: 8 265**

### 3. COMPLAINTS RECEIVED BY NATURE<sup>1</sup>

(1.4.2008 – 31.3.2009)



<sup>1</sup> Multiple selection of complaint categories allowed.

Complaint Nature	No. of Complaints
Default Contribution	6 975
Non-enrolment	2 536
Employers – Others	1 014
MPF/ORSO Scheme Administration	444
<b>Total number of complaints received</b>	<b>8 265</b>

### 1. NUMBER OF PAYMENT NOTICES ISSUED DUE TO DEFAULT CONTRIBUTION

(1.4.2008 – 31.3.2009)

Month	Notice @ 5% of the amount of arrears
Apr-08	21 000
May-08	20 600
Jun-08	20 300
Jul-08	20 300
Aug-08	19 800
Sep-08	19 000
Oct-08	19 900
Nov-08	17 900
Dec-08	17 600
Jan-09	19 000
Feb-09	26 100
Mar-09	26 800
<b>Total</b>	<b>248 300</b>

### 2. NUMBER OF INVESTIGATED COMPLAINTS AND TRUSTEE REPORTED CASES BY TYPE OF ALLEGED OFFENCES

(1.4.2008 – 31.3.2009)

Alleged Offences	Number
Default contribution	43 468
Non-enrolment	2 536
Forced change to SEP	40
Others <sup>1</sup>	974
<b>Total*</b>	<b>44 192</b>

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

<sup>1</sup> 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, failure to issue monthly pay record, etc.



### 3. NUMBER OF SUMMONS APPLICATIONS REFERRED TO THE POLICE – BY NATURE OF OFFENCES COMMITTED AND BY RESULTS

(1.4.2008 – 31.3.2009)

Nature of Offences	Prosecution Status as at 31.3.2009				Total Number of Summons Applied
	Guilty	Acquitted	Not yet available	Withdrawn*	
Contributions in arrears	254	0	271	4	529
Non-enrolment of employee	16	1	23	1	41
False statement	3	0	3	0	6
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>274</b>	<b>1</b>	<b>297</b>	<b>5</b>	<b>577</b>

\* Summons 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, BAILIFF AND LIQUIDATOR

(1.4.2008 – 31.3.2009)

	No. of cases	Related no. of employees
Lodged with the Small Claims Tribunal	1 004	4 603
Lodged with the District Court	148	4 871
Lodged with Bailiff	366	3 292
Lodged with Liquidators	355	4 809

### 5. NUMBER OF GARNISHEE ORDERS APPLIED

(1.4.2008 – 31.3.2009) :

166

### 6. FINANCIAL PENALTY NOTICES ISSUED TO EMPLOYERS

(1.4.2008 – 31.3.2009)

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)	21	275,000

## APPENDIX 1

# MEMBERSHIP LISTS OF BOARDS AND COMMITTEES

(as at 31 March 2009)

### ADVISOR TO THE MPFA

The Hon Charles Lee Yeh-kwong, *GBM, GBS, JP*

### MANAGEMENT BOARD

#### Chairman

The Hon Anna Wu Hung-yuk, *SBS, JP*  
(from 17 Mar 2009)

Mr Henry Fan Hung-ling, *SBS, JP*  
(until 16 Mar 2009)

#### Deputy Chairman

Mrs Diana Chan Tong Chee-ching, *JP*

#### Members

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, JP*

The Hon Wong Ting-kwong, *BBS*

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

The Hon Andrew Leung Kwan-yuen, *SBS, JP*  
(from 17 Mar 2009)

The Hon Wong Kwok-kin, *BBS*  
(from 17 Mar 2009)

The Hon Tam Yiu-chung, *GBS, JP*  
(until 16 Mar 2009)

Mr Kenneth Ting Woo-shou, *SBS, JP*  
(until 16 Mar 2009)

Prof the Hon K C Chan, *SBS, JP*  
*Alternate: Permanent Secretary for Financial Services and  
the Treasury (Financial Services)*

The Hon Matthew Cheung Kin-chung, *GBS, JP*  
*Alternate: Permanent Secretary for Labour and Welfare*

Ms Hendena Yu, *JP*

Mr Darren Mark McShane

Mr Thomas Yiu Kei-chung

Ms Cynthia Hui Wai-yee

### MANDATORY PROVIDENT FUND SCHEMES ADVISORY COMMITTEE

#### Chairman

Mr Lee Kai-ming, *SBS, JP*

#### Deputy Chairman

Mrs Diana Chan Tong Chee-ching, *JP*

#### Members

The Hon Chan Kin-por, *JP*

Mr Bob Chong Hothoi, *BBS*

The Hon Albert Ho Chun-yan

Mr Lam Yim-nam

Mr Leung Fu-wah, *MH, JP*

Mr Alvin Wong Tak-wai

The Hon V-Nee Yeh

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

Ms Ng Wai-yee

(from 30 Mar 2009)

The Hon Wong Kwok-kin, *BBS*  
(until 29 Mar 2009)

### MPF INDUSTRY SCHEMES COMMITTEE

#### Chairman

The Hon Wong Ting-kwong, *BBS*

#### Members

Mr Chung Wai-ping

Mr Hiew Chin, *BBS, MH*

Mr Thomas Ho On-sing

Mr Tsang Peng-sun

Mr Yuen Fuk-wo

Mr Ng Kwok-kwan

(from 25 Aug 2008)

Mr Suen Long-tai

(from 25 Aug 2008)

Mr Conrad Wong Tin-cheung, *JP*  
(from 25 Aug 2008)

Mr Adrian Li Man-kiu

Mr Ivan Liu Sin-keung

(from 25 Aug 2008)

Mr Thomas Yiu Kei-chung

Mr Choi Chun-wa, *MH*

(until 24 Aug 2008)

Mr Billy Wong Wing-hoo, *JP*  
(until 24 Aug 2008)

Mr Chan Sam-choi

(until 24 Aug 2008)

Ms Lau Ka-shi

(until 24 Aug 2008)

### ADMINISTRATION COMMITTEE

#### Chairman

The Hon Wong Ting-kwong, *BBS*

#### Members

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

The Hon Anna Wu Hung-yuk, *SBS, JP*  
(from 25 Mar 2009)

Mrs Diana Chan Tong Chee-ching, *JP*

Mr Thomas Yiu Kei-chung

Mr Kenneth Ting Woo-shou, *SBS, JP*  
(until 16 Mar 2009)

## FINANCE COMMITTEE

### Chairman

Mr David Sun Tak-kei, *BBS, JP*

### Members

The Hon Anna Wu Hung-yuk, *SBS, JP*  
(from 25 Mar 2009)

Mr Leo Kung Lin-cheng, *JP*  
Mrs Diana Chan Tong Chee-ching, *JP*  
Mr Thomas Yiu Kei-chung  
Mr Henry Fan Hung-ling, *SBS, JP*  
(until 16 Mar 2009)

## AUDIT COMMITTEE

### Chairman

Mrs Angelina Lee Wong Pui-ling, *JP*

### Members

Mr David Sun Tak-kei, *BBS, JP*  
The Hon Wong Ting-kwong, *BBS*  
The Hon Wong Kwok-kin, *BBS*  
(from 25 Mar 2009)  
The Hon Tam Yiu-chung, *GBS, JP*  
(until 16 Mar 2009)

## TENDER BOARD

### Chairman

Mr Leo Kung Lin-cheng, *JP*

### Members

The Hon Andrew Leung Kwan-yuen, *SBS, JP*  
(from 25 Mar 2009)  
Mr Kenneth Ting Woo-shou, *SBS, JP*  
(until 16 Mar 2009)  
Mr Thomas Yiu Kei-chung  
One other executive director or head responsible  
for the subject under consideration

## GUIDELINES COMMITTEE

### Chairman

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

### Members

Mrs Angelina Lee Wong Pui-ling, *JP*  
Mr Alex Chu  
Mr Desmond Ng  
(from 28 Oct 2008)  
Ms Cynthia Chung  
(from 16 Feb 2009)  
Mr Bonn Liu  
Ms Lau Ka-shi  
Mr Duncan Abate  
Mr Darren Mark McShane  
Mr Ken Tam  
(until 27 Oct 2008)  
Mr Jimmy Pun  
(until 28 Oct 2008)

## COMMITTEE TO OVERSEE MPFA'S IMPLEMENTATION OF THE GOVERNMENT INJECTION PROJECT

### Chairman

Mr David Sun Tak-kei, *BBS, JP*

### Members

Mr Leo Kung Lin-cheng, *JP*  
The Hon Wong Ting-kwong, *BBS*  
The Hon Li Fung-ying, *BBS, JP*  
Mr Henry Fan Hung-ling, *SBS, JP*  
(until 16 Mar 2009)  
Mr Kenneth Ting Woo-shou, *SBS, JP*  
(until 16 Mar 2009)

## APPENDIX 1

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

(as at 31 March 2009)

#### APPEAL PANEL TO HANDLE APPEALS RELATING TO THE GOVERNMENT INJECTION PROJECT

##### Chairman

Mr Lee Kai-ming, SBS, JP

##### Panel Members

(to attend Panel meetings by rotation)

The Hon Anna Wu Hung-yuk, SBS, JP

(from 17 Mar 2009)

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, JP

The Hon Wong Ting-kwong, BBS

The Hon Li Fung-ying, BBS, JP

The Hon Andrew Leung Kwan-yuen, SBS, JP

(from 17 Mar 2009)

The Hon Wong Kwok-kin, BBS

(from 17 Mar 2009)

The Hon Tam Yiu-chung, GBS, JP

(until 16 Mar 2009)

Mr Kenneth Ting Woo-shou, SBS, JP

(until 16 Mar 2009)

#### MANDATORY PROVIDENT FUND SCHEMES APPEAL BOARD

##### Chairman

Mr Joseph Paul Fok, SC, JP

##### 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, MH

Ms Maria Xuereb

#### OCCUPATIONAL RETIREMENT SCHEMES APPEAL BOARD

##### Chairman

Mr Joseph Paul Fok, SC, JP

##### 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, MH

Ms Maria Xuereb

## LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND

(as at 31 March 2009)

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

American International Assurance Company (Trustee) Limited is a member of the AIA group of companies (the "AIA group"). The AIA group is a well established life insurance organization in Asia with a unique heritage of serving the world's most dynamic region for 90 years. It provides consumers and businesses with products and services for life insurance, retirement planning, accident and health insurance as well as wealth management solutions.

**AXA CHINA REGION TRUSTEES LIMITED**

AXA China Region Trustees Limited is a member of the global AXA Group, a worldwide organization in 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 insurance, retirement, savings and investments.

**AXA FINANCIAL SERVICES TRUSTEES LIMITED**

AXA Financial Services Trustees Limited is a member of the global AXA Group, a worldwide organization in 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 insurance, retirement, savings and investments.

**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.

## APPENDIX 2

### LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND (cont'd)

(as at 31 March 2009)

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

Bank of East Asia (Trustees) Limited is a wholly-owned subsidiary of The Bank of East Asia ("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.

#### **BOCI-PRUDENTIAL TRUSTEE LIMITED**

BOCI-Prudential Trustee Limited is a joint-venture company founded between the subsidiaries of Bank of China Limited and the Prudential plc. The business activities of Bank of China Limited are principally corporate banking, retail banking, investment banking, insurance and other financial services. The Prudential plc 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 consumer banking and credit, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions.

#### **FORTIS TRUSTEES (HK) LIMITED**

Fortis Trustees (HK) Limited is a wholly-owned subsidiary of Fortis Asia Holdings Limited which, together with its other subsidiaries, is principally engaged in individual life insurance, group insurance and general insurance business.

#### **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. HSBC Institutional Trust Services (Asia) Limited 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. HSBC Provident Fund Trustee (Hong Kong) Limited 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, investments, life insurance and retirement services. 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 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, trust services and other financial products and services. MassMutual Financial Group is a marketing designation for the Massachusetts Mutual Life Insurance Company and its affiliates.

### **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, fund administration and scheme administration services. In addition, the Company is engaged in the provision of mutual fund administration and registration services to mutual fund investors.

### **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 is a member of the 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 3****LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS**

(as at 31 March 2009)

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
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AIA-JF Comprehensive Retirement Benefit MPF Scheme	Capital Preservation Portfolio Guaranteed Portfolio
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AIA-JF Mandatory Provident Fund Scheme	Asian Equity Fund Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Global Bond Fund Greater China Equity Fund Green Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund Manager's Choice Fund North American Equity Fund RCM Capital Stable Fund RCM Growth Fund RCM Stable Growth Fund World Equity Fund
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AIA-JF Premium MPF Scheme	Asian Equity Fund Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Global Bond Fund Greater China Equity Fund Green Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund Manager's Choice Fund North American Equity Fund RCM Capital Stable Fund RCM Growth Fund RCM Stable Growth Fund World Equity Fund
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Bank Consortium Industry Plan	BCT Absolute Return Fund BCT Asian Equity Fund BCT Capital Preservation Fund BCT E30 Mixed Asset Fund BCT E50 Mixed Asset Fund BCT E70 Mixed Asset Fund BCT Global Bond Fund BCT Global Equity Fund BCT Hong Kong Equity Fund
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**MPF SCHEME****UNDERLYING CONSTITUENT FUNDS**

Bank Consortium MPF Plan

Bank Consortium Absolute Return Fund  
Bank Consortium Asian Equity Fund  
Bank Consortium Capital Preservation Fund  
Bank Consortium China and Hong Kong Equity Fund  
Bank Consortium E30 Mixed Asset Fund  
Bank Consortium E50 Mixed Asset Fund  
Bank Consortium E70 Mixed Asset Fund  
Bank Consortium E90 Mixed Asset Fund  
Bank Consortium European Equity Fund  
Bank Consortium Global Bond Fund  
Bank Consortium Global Equity Fund  
Bank Consortium Hong Kong Equity Fund  
Bank Consortium International Equity Fund  
Bank Consortium SaveEasy 2020 Fund  
Bank Consortium SaveEasy 2025 Fund  
Bank Consortium SaveEasy 2030 Fund  
Bank Consortium SaveEasy 2035 Fund  
Bank Consortium SaveEasy 2040 Fund

BCOM Joyful Retirement MPF Scheme

BCOM Asian Dynamic Equity (CF) Fund  
BCOM Balanced (CF) Fund  
BCOM China Dynamic Equity (CF) Fund  
BCOM Dynamic Growth (CF) Fund  
BCOM Guaranteed (CF) Fund  
BCOM Hong Kong Dynamic Equity (CF) Fund  
BCOM Joyful Capital Preservation (CF) Fund  
BCOM Stable Growth (CF) Fund

BEA (MPF) Industry Scheme

BEA (Industry Scheme) Balanced Fund  
BEA (Industry Scheme) Capital Preservation Fund  
BEA (Industry Scheme) Growth Fund  
BEA (Industry Scheme) Stable Fund

BEA (MPF) Master Trust Scheme

BEA (MPF) Asian Growth Fund  
BEA (MPF) Balanced Fund  
BEA (MPF) Capital Preservation Fund  
BEA (MPF) Global Bond Fund  
BEA (MPF) Greater China Growth Fund  
BEA (MPF) Growth Fund  
BEA (MPF) Hong Kong Growth Fund  
BEA (MPF) Japan Growth Fund  
BEA (MPF) Long Term Guaranteed Fund  
BEA (MPF) Stable Fund

## APPENDIX 3

### LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (cont'd)

(as at 31 March 2009)

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme	BOC-Prudential Asia Equity Fund BOC-Prudential Balanced Fund BOC-Prudential Bond Fund BOC-Prudential Capital Preservation Fund BOC-Prudential China Equity Fund BOC-Prudential Global Equity Fund BOC-Prudential Growth Fund BOC-Prudential Hong Kong Equity Fund BOC-Prudential Japan Equity Fund BOC-Prudential Stable Fund
China Life MPF Master Trust Scheme	China Life Balanced Fund China Life Capital Preservation Fund China Life Growth Fund China Life Guaranteed Return Fund China Life Retire-Easy Balanced Fund China Life Retire-Easy Capital Stable Fund China Life Retire-Easy Global Equity Fund China Life Retire-Easy Guarantee Fund
Double Easy Mandatory Provident Fund	Double Easy Balanced Fund Double Easy Capital Preservation Fund Double Easy Cash Fund Double Easy Growth Fund Double Easy Guaranteed Fund Double Easy Stable Fund Double Easy Top Select Fund
Elite Mandatory Provident Fund	Capital Preservation Fund Multi-Manager Asia Pacific (Ex-Japan) Equity Fund Multi-Manager Balanced Fund Multi-Manager Global Bond Fund Multi-Manager Global Equity Fund Multi-Manager Growth Fund Multi-Manager Hong Kong Equity Fund Multi-Manager Japan Equity Fund Multi-Manager Stable Fund

**MPF SCHEME****UNDERLYING CONSTITUENT FUNDS**

Fidelity Retirement Master Trust

Asia Pacific Equity Fund  
Balanced Fund  
Capital Preservation Fund  
Capital Stable Fund  
Fidelity SaveEasy 2020 Fund  
Fidelity SaveEasy 2025 Fund  
Fidelity SaveEasy 2030 Fund  
Fidelity SaveEasy 2035 Fund  
Fidelity SaveEasy 2040 Fund  
Global Equity Fund  
Growth Fund  
Hong Kong Bond Fund  
Hong Kong Equity Fund  
MultiManager Balanced Fund  
MultiManager Capital Stable Fund  
MultiManager Growth Fund  
MultiManager Stable Growth Fund  
Stable Growth Fund  
World Bond Fund

Fortis Master Trust MPF Scheme

Fortis Capital Preservation Fund  
Fortis Global Balanced Fund  
Fortis Hong Kong Fund

Hang Seng Mandatory Provident Fund  
— SimpleChoice

Capital Preservation Fund  
Global Bond Fund  
Global Equity Fund

Hang Seng Mandatory Provident Fund  
— SuperTrust

Balanced Fund  
Capital Preservation Fund  
Growth Fund  
Guaranteed Fund  
Hang Seng Index Tracking Fund

Hang Seng Mandatory Provident Fund  
— SuperTrust Plus

Asia Pacific Equity Fund  
Balanced Fund  
Capital Preservation Fund  
European Equity Fund  
Growth Fund  
Guaranteed Fund  
Hang Seng Index Tracking Fund  
Hong Kong and Chinese Equity Fund  
North American Equity Fund  
Stable Growth Fund

**APPENDIX 3****LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (cont'd)**

(as at 31 March 2009)

<b>MPF SCHEME</b>	<b>UNDERLYING CONSTITUENT FUNDS</b>
HSBC Mandatory Provident Fund – SimpleChoice	Capital Preservation Fund Global Bond Fund Global Equity Fund
HSBC Mandatory Provident Fund – SuperTrust	Balanced Fund Capital Preservation Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund
HSBC Mandatory Provident Fund – SuperTrust Plus	Asia Pacific Equity Fund Balanced Fund Capital Preservation Fund European Equity Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund Hong Kong and Chinese Equity Fund North American Equity Fund Stable Growth Fund
ING MPF Master Trust Basic Scheme	ING MPF Basic Scheme Balanced Growth Portfolio ING MPF Basic Scheme Capital Guaranteed Portfolio ING MPF Basic Scheme Capital Preservation Portfolio ING MPF Basic Scheme Hong Kong Equity Portfolio ING MPF Basic Scheme International Equity Portfolio ING MPF Basic Scheme Stable Growth Portfolio
ING MPF Master Trust Comprehensive Scheme	ING MPF Comprehensive Scheme Asian Equity Portfolio ING MPF Comprehensive Scheme Balanced Growth Portfolio ING MPF Comprehensive Scheme Capital Guaranteed Portfolio ING MPF Comprehensive Scheme Capital Preservation Portfolio ING MPF Comprehensive Scheme Growth Portfolio ING MPF Comprehensive Scheme Hong Kong Equity Portfolio ING MPF Comprehensive Scheme International Equity Portfolio ING MPF Comprehensive Scheme Stable Growth Portfolio ING MPF Comprehensive Scheme Stable Portfolio
Invesco Strategic MPF Scheme	Asian Equity Fund Balanced Fund Capital Preservation Fund Capital Stable Fund Global Bond Fund Growth Fund Guaranteed Fund Hong Kong and China Equity Fund
Jones Lang LaSalle Property Management Division Mandatory Provident Fund Scheme	Jones Lang LaSalle Capital Preservation Fund Jones Lang LaSalle Guarantee Fund

**MPF SCHEME****UNDERLYING CONSTITUENT FUNDS**

Manulife Global Select (MPF) Scheme

Manulife MPF Aggressive Fund  
Manulife MPF Capital Preservation Fund  
Manulife MPF China Value Fund  
Manulife MPF European Equity Fund  
Manulife MPF Fidelity Growth Fund  
Manulife MPF Fidelity Stable Growth Fund  
Manulife MPF Growth Fund  
Manulife MPF Healthcare Fund  
Manulife MPF Hong Kong Bond Fund  
Manulife MPF Hong Kong Equity Fund  
Manulife MPF Interest Fund  
Manulife MPF International Bond Fund  
Manulife MPF International Equity Fund  
Manulife MPF Japan Equity Fund  
Manulife MPF North American Equity Fund  
Manulife MPF Pacific Asia Equity Fund  
Manulife MPF Stable Fund

Manu-Lifestyle (MPF) Scheme

Manulife MPF Aggressive Fund  
Manulife MPF Capital Preservation Fund  
Manulife MPF Growth Fund  
Manulife MPF Interest Fund  
Manulife MPF Stable Fund

Mass Mandatory Provident Fund Scheme

Asian Balanced Fund  
Asian Pacific Equity Fund  
Capital Preservation Fund  
European Equity Fund  
Global Bond Fund  
Global Equity Fund  
Global Growth Fund  
Global Stable Fund  
Guaranteed Fund  
Hong Kong Equities Fund  
Japan Equity Fund  
US Equity Fund

Principal MPF Scheme Series 500

Aggressive Growth Fund  
Balanced Growth Fund  
Capital Preservation Fund  
Guaranteed Fund  
Stable Growth Fund

Principal MPF Scheme Series 600

Principal Capital Preservation Fund  
Principal Global Growth Fund  
Principal HK Dollar Savings Fund  
Principal Long Term Accumulation Fund  
Principal Long Term Guaranteed Fund

## APPENDIX 3

### LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (cont'd)

(as at 31 March 2009)

MPF SCHEME	UNDERLYING CONSTITUENT FUNDS
Principal MPF Scheme Series 800	Principal Asian Equity Fund Principal Capital Guaranteed Fund Principal Capital Preservation Fund Principal China Equity Fund Principal Global Growth Fund Principal HK Dollar Savings Fund Principal Hong Kong Equity 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
Prosperity MPF Master Trust Scheme	Prosperity Balanced Fund Prosperity Capital Preservation Fund Prosperity Growth Fund Prosperity Templeton Global Equity Fund
Rainbow 65	Sun Life MPF First State Balanced Portfolio Fund Sun Life MPF First State Capital Preservation Fund Sun Life MPF First State Fixed Income Fund Sun Life MPF First State Hong Kong Equity Fund Sun Life MPF First State Progressive Growth Fund Sun Life MPF First State Stable Income Fund Sun Life MPF INVESCO Global Equities Fund Sun Life MPF INVESCO Hong Kong and China Equity Fund Sun Life MPF RCM Asian Equity Fund Sun Life MPF RCM Balanced Fund Sun Life MPF RCM Capital Stable Fund Sun Life MPF RCM Stable Growth Fund
RCM MPF Plan	RCM Absolute Return Fund RCM Asian Fund RCM Balanced Fund RCM Capital Preservation Fund RCM Capital Stable Fund RCM Growth Fund RCM Hong Kong Fund RCM Stable Growth Fund
Schroder MPF Master Trust	Schroder MPF Asian Portfolio Schroder MPF Balanced Investment Portfolio Schroder MPF Capital Guaranteed Portfolio Schroder MPF Capital Preservation Portfolio Schroder MPF Capital Stable Portfolio Schroder MPF Growth Portfolio Schroder MPF HK Dollar Fixed Income Portfolio Schroder MPF Hong Kong Portfolio Schroder MPF International Portfolio Schroder MPF Stable Growth Portfolio

**MPF SCHEME****UNDERLYING CONSTITUENT FUNDS**

SHKP MPF Employer Sponsored Scheme	Fidelity Balanced Fund Fidelity Stable Growth Fund HSBC Capital Stable Fund New-Alliance Global Balanced Fund RCM Stable Growth Fund SHKP MPF Fund Standard Chartered Capital Preservation Fund – SHKP Standard Chartered Career Average Guaranteed Fund – SHKP
Standard Chartered MPF Plan – Advanced	Fidelity Global Investment Fund – Balanced Fund Fidelity Global Investment Fund – Capital Stable Fund Fidelity Global Investment Fund – Growth Fund HSBC MPF "A" – Balanced Fund HSBC MPF "A" – Hong Kong and Chinese Equity Fund HSBC MPF "A" – Stable Fund Invesco Global Balanced Fund Invesco Global Equities Fund Invesco MPF Bond Fund Legg Mason Balanced Fund Legg Mason Conservative Fund Legg Mason Hong Kong Equities Fund RCM Balanced Fund RCM Capital Stable Fund RCM Growth Fund Schroder MPF Asian Fund Schroder MPF Balanced Investment Fund Schroder MPF HK Dollar Fixed Income Fund Standard Chartered Balanced Fund - Advanced Standard Chartered Capital Preservation Fund – Advanced Standard Chartered Career Average Guaranteed Fund – Advanced Standard Chartered Growth Fund – Advanced Standard Chartered Stable Fund – Advanced Templeton MPF Asian Balanced Fund Templeton MPF Global Bond Fund Templeton MPF Global Equity Fund
Standard Chartered MPF Plan – Basic	Standard Chartered Balanced Fund – Basic Standard Chartered Capital Preservation Fund – Basic Standard Chartered Career Average Guaranteed Fund – Basic Standard Chartered Growth Fund – Basic Standard Chartered Stable Fund – Basic
Taifook MPF Retirement Fund	Taifook Asia Pacific (excluding HK) Fund Taifook Capital Preservation Fund Taifook Global Diversification Fund Taifook Hong Kong SAR Fund Taifook Korea Fund

#### APPENDIX 4

## LIST OF RECOGNIZED INSTITUTIONS/PROFESSIONAL BODIES PROVIDING CORE CPD ACTIVITIES FOR MPF INTERMEDIARIES

(as at 31 March 2009)

Caritas Adult & Higher Education Service  
Hong Kong Securities Institute  
Management and Executive Development Centre of the Hong Kong Polytechnic University  
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  
LexisNexis  
Institute of Financial Planners of Hong Kong



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

(as at 31 March 2009)

## 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 Insurance Company Limited  
 HSBC Life (International) Limited  
 ING Life Insurance Company (Bermuda) Limited  
 Manufacturers Life Insurance Company – The  
 Manulife (International) Limited  
 Fortis Insurance Company (Asia) 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  
 Principal Trust Company (Asia) Limited  
 Shanghai Commercial Bank Trustee Limited  
 AzureTrustees Limited

## APPENDIX 6

# WORK OF THE MPFA AS THE REGISTRAR OF OCCUPATIONAL RETIREMENT SCHEMES

### Registrar of Occupational Retirement Schemes

Monitoring of ORSO Registered Schemes including examination of Annual Returns and Audited Financial Statements (4 938 annual returns processed)

Monitoring of ORSO Exempted Schemes including examination of Compliance Certificates and Membership Statements (8 overseas compliance certificates and 744 membership statements processed)

Processing of Applications for ORSO Registration and Exemption (73 schemes registered and 14 schemes exempted)

Processing of Termination of ORSO Registered and Exempted Schemes (227 registered schemes and 31 exempted schemes)

Granting Consent for Changes of Pooling Agreements (40 ORSO registered schemes processed)

Processing of Applications for MPF Exemption (14 ORSO registered schemes) and Withdrawal of MPF Exemption (167 ORSO registered schemes and 19 ORSO exempted schemes)

Processing of Changes of Trustees for MPF Exempted ORSO Registered Schemes (78 applications processed)

Processing of Notifications of Changes in relation to scheme name, administrator, address, and employer (1 286 notifications of changes processed)

*Note: Figures denote workload for the year ended 31 March 2009*

Other major work includes recovery of default contribution, collection of periodic fee, complaint and enquiry handling, and maintenance of the ORSO public register.

## LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES

(April 2008 – March 2009)

**INVESTMENT EDUCATION PROGRAMMES – TO EDUCATE THE PUBLIC ON MPF INVESTMENT**

Apr – Jun 2008	As an on-going effort to disseminate MPF investment education messages to MPF scheme members and the general public, a series of five 15-second Announcements in the Public Interest (APIs), each featuring one type of MPF fund, was broadcast on local free and paid television channels, outdoor video walls, television panels at MTR stations, RoadShow Media on buses and some commercial and industrial buildings to enhance the public's understanding of the characteristics and risk levels of MPF funds.
Sep – Oct 2008	To sustain the investment education efforts aiming at the general public, the five 15-second APIs were broadcast on outdoor video walls at major locations, television panels on MTR trains and RoadShow Media on buses.
Nov 2008	Two leaflets were produced to explain the navigation and design of the Phase II of the Fee Comparative Platform on the MPFA's website, which was launched in October 2008, and the fund and risk analytics available in the Platform.
Jan – Mar 2009	To educate scheme members on how to look after their MPF investments and how the existing MPF regime safeguards their interests under a volatile market, a thematic campaign on risk management for MPF investments was rolled out. A new radio series was launched and a new section "FAQs on MPF Investments" was created on the MPFA's website. To augment the overall impact, a series of 30-second sound bites, episodes of a previous TV series and the 15-second APIs were broadcast to disseminate MPF investment education messages to the general public.

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

Apr – Jun 2008, Jan – Mar 2009	In partnership with political parties, the MPFA organized 32 MPF district carnivals at various districts to disseminate MPF messages at the community level.
Apr 2008 – Mar 2009	A total of 89 talks were organized for different target groups including labour unions, community groups, civil servants, participants of retraining programme, employers, professionals, Mainland visitors and members of the general public to enhance their understanding of the MPF System and MPF investment.

## APPENDIX 7

### LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES (cont'd)

(April 2008 – March 2009)

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

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Apr – May 2008, Oct – Dec 2008, Mar 2009	A series of talks for the students of universities and tertiary institutions were organized during the year. 16 talks were conducted to provide them with knowledge on the MPF System and MPF investment before they join the workforce and to draw their attention to the merits of early planning for retirement.
Feb – Mar 2009	An Inter-University Competition for Creating a Radio Programme was launched in partnership with a radio station. Roving exhibitions and recruitment briefings to disseminate MPF messages were staged at all nine local universities and a thematic webpage was also developed to facilitate public access.
Oct – Nov 2008, Jan – Mar 2009	For senior secondary school students, the Skit Programme organized in partnership with the Institute of Financial Planners of Hong Kong continued. Through an interactive drama, messages including the benefits of early planning for retirement, the merits of MPF and compounding effect were disseminated. The skit was performed in a total of 49 schools in this financial year. It was targeted at a total of 60 performances in the academic year 2008/09.
Nov 2008 – Feb 2009	A parenting programme “Saving Plan Writing Competition for Primary School Students” was organized in partnership with a kids’ magazine with the objectives to educate primary school children on the proper concepts of money and attitudes towards saving and spending, and to disseminate MPF messages to their parents. A parenting day camp which comprised games, workshop, seminar for parents and prize presentation ceremony was held to further disseminate money management concepts and MPF messages to winners of the competition and their parents.
Oct 2008 – Feb 2009	A parenting programme “Book Report Competition for Kindergarten Kids” was organized in partnership with a kids’ magazine. A storybook was developed to promote the concept of saving for the future among kindergarten kids and to disseminate MPF messages to their parents. A fun event which comprised games, seminar and prize presentation ceremony was held to wrap up the programme.
Feb – Mar 2009	Selected winning entries of this competition were displayed at the Community Art Gallery of MTR stations to further disseminate messages to encourage youngsters to form the good habit of saving for the future.
Mar 2009	The MPFA was invited to participate in a career fair held by a university to promote MPF messages to their students.

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

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May 2008 – Mar 2009

A series of communication and publicity activities were rolled out at different places to publicize the injection of \$6,000 into the MPF accounts of eligible MPF/ORSO scheme members (The Government's Injection Project).

A flyer on the eligibility and to call for scheme members' complementary action was produced for wide distribution to scheme members and the general public through various channels including Home Affairs Department, Labour Department, labour unions, trustees, and associations of human resources practitioners and self-employed persons (SEPs).

An advertising campaign including two print announcements on all local newspapers and broadcasting of a radio API on a taxi call centre and three radio stations was rolled out to widely publicize the eligibility and call for scheme members' action. Contribution articles were published on local newspapers, newsletters of labour unions and website for job seekers to disseminate messages on the Government's Injection Project. Press releases were issued to call for scheme members' actions and remind them to take note of the development of the Project.

A dedicated webpage on the Government's Injection Project was also created on the MPFA's website to contain all essential information of the Project and six sets of FAQs for public's access.

Following the approval of the Government's funding application on the Project by the Legislative Council in February 2009, an extensive publicity and communication programme was rolled out through the media and various channels to widely publicize various aspects of the Government's Injection Project, including commencement of the Injection Hotline at the end of March 2009.

The initiatives included three print announcements on all local newspapers, TV and radio APIs on all local free and paid TV channels and all local radio stations, production and wide distribution of three leaflets to MPF and ORSO scheme members and the general public through various channels and enrichment of the dedicated webpage on the Project on the MPFA's website with essential information. Briefing sessions and seminars were arranged for various stakeholders and members of the public to facilitate their understanding of the Project.

## APPENDIX 7

### LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES (cont'd)

(April 2008 – March 2009)

#### OTHER EDUCATION AND PUBLICITY ACTIVITIES – TO DISSEMINATE MPF-RELATED INFORMATION TO THE PUBLIC (cont'd)

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Apr 2008 – Feb 2009	<p>To publicize the commencement date and details of the amendments relating to the removal of the 30-day Settlement Period, inclusion of housing allowance as “relevant income” and streamlining of the treatment of unclaimed benefits, as well as the uplifting of the maximum penalties of MPF offences, publicity was rolled out for the MPF Schemes (Amendment) Ordinance 2008 and the MPF Schemes (Amendment) (No. 2) Ordinance 2008.</p> <p>TV APIs were broadcast on all local free and paid TV channels, MTR trackside and concourse plasma screens, some commercial and industrial buildings, outdoor TV walls and TV panels on buses, while radio APIs were broadcast on all local radio stations. Print advertisements were published at all local newspapers and various labour unions’ newsletters. Flyers were produced for wide distribution to the general public through various channels and they were also uploaded on the MPFA’s website for public access. The flyers were mailed directly to all enrolled employers and SEPs and they were also sent with payment notices to employers as a reminder.</p>
May – Aug 2008	<p>Two talks and two MPF promotional events were co-organized with stakeholders for SEPs to promote the MPF System.</p>
Nov 2008	<p>A mini-publicity campaign for SEPs was launched to enhance their understanding of their obligations under the MPF System. Three outreach activities were held for minibus and taxi drivers.</p>
Nov – Dec 2008	<p>Three outreach activities and two seminars cum dinners were organized for the construction and catering industries to publicize the Industry Schemes.</p>
Jan 2009	<p>A Chinese New Year mini-publicity campaign comprising the production of a specially designed Fai Chun and educational decorations with a set of five figurines of the “J Five Band” characters, each representing one type of MPF fund, was launched to show festive goodwill to the public and gently remind them to save for the future. These giveaway items were distributed to the general public via a newspaper, labour unions and community organizations.</p>
Feb 2009	<p>The MPFA participated in the “Education and Careers Expo 2009” organized by the Hong Kong Trade Development Council. An exhibition booth was staged to enhance the understanding of the workforce and school-leavers of the MPF System and MPF investment, and to remind them of the benefits of having an early start on retirement planning. A seminar on how to manage the MPF accounts when changing jobs was conducted during the Expo.</p>
Apr 2008 – Mar 2009	<p>More than 380 articles and press releases were issued on enforcement actions and other MPF topics. The articles were carried in newspapers, magazines as well as newsletters of trustees and labour unions.</p>

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**(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: <ol 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> </ol>
Insurance arrangement	Means an agreement or arrangement: <ol 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> </ol>
Member	Includes, in relation to an occupational retirement scheme, an individual who is entitled or prospectively entitled to benefits under the scheme by virtue of: <ol style="list-style-type: none"> <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, and where appropriate, "member" also includes the estate of a deceased member.</li> </ol>
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: <ol style="list-style-type: none"> <li>a) is comprised in one or more instruments or agreements; and</li> <li>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,</li> </ol> and includes, where the context admits, a proposed such scheme.

## APPENDIX 8

### DEFINITION OF TERMS (cont'd)

#### (A) ORSO SCHEMES (cont'd)

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	Means: <ul style="list-style-type: none"><li>a) in the case of a scheme or pooling agreement governed by a trust, the trustee concerned;</li><li>b) in the case of a scheme or pooling agreement which is the subject of or regulated by an insurance arrangement, the insurer concerned;</li><li>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.</li></ul>
Pooling agreement	Means an agreement or arrangement: <ul style="list-style-type: none"><li>a) which is:<ul style="list-style-type: none"><li>i) governed by a single trust; or</li><li>ii) the subject of or regulated by an insurance arrangement including a series of insurance arrangements which are of the same class or description;</li></ul></li><li>b) which applies to 2 or more individual occupational retirement schemes each of which is:<ul style="list-style-type: none"><li>i) governed by such trust; or</li><li>ii) (where appropriate) the subject of or regulated by such insurance arrangement, by virtue of such application;</li></ul></li><li>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;</li><li>d) which is managed, in the case of an agreement or arrangement governed by such trust, by a registered trust company;</li><li>e) in relation to which, and its participating schemes, proper accounts and records are kept; and</li><li>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.</li></ul>
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	An investment fund which is an insurance policy, authorized unit trust or authorized mutual fund that: a) complies with the requirements set out in section 17(2) of Schedule 1 to the General Regulation; and b) is approved by the MPFA.
Approved trustee	Means a company or a natural person approved by the MPFA as a trustee in accordance with section 20 of the MPFSO.
Casual employee	Means a relevant employee who is declared by an order made under section 2(2) of the MPFSO to be a casual employee for the purposes of the MPFSO. Section 2(2) of the MPFSO provides that if relevant employees: a) are engaged in an industry for which a provident fund scheme is registered as an industry scheme; and b) employed in that industry by an employer on a day to day basis or for a fixed period of less than 60 days, the MPFA may, by order published in the Gazette, declare those employees to be casual employees for the purposes of the MPFSO.
Constituent fund	In relation to a registered scheme, means the fund that constitutes a registered scheme, or a fund that forms part of the scheme, and complies with the requirements set out in section 36 of the General Regulation.
Employer sponsored scheme	Means a registered scheme membership of which is: a) in the case of an employer who is not a company, open only to the employees of that employer; or b) in the case of an employer that is a company, open only to the employees of that company or an associated company.
Industry scheme	Means a provident fund scheme registered under section 21A of the MPFSO as an industry scheme. Such a scheme may be for the persons engaged (whether as employees or as self-employed persons) in a particular industry or a particular class of industries or in 2 or more industries or classes of industries.

## APPENDIX 8

### DEFINITION OF TERMS (cont'd)

#### (B) MPF SCHEMES (cont'd)

Mandatory contribution	<p>Means:</p> <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;</li><li>b) an amount that is required to be paid as a contribution to the MPFA under section 7AA of the MPFSO;</li><li>c) an amount that is payable to the MPFA under section 7AE of the MPFSO; or</li><li>d) 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	<p>Means a registered scheme membership of which is open to:</p> <ul style="list-style-type: none"><li>a) the employees of more than one employer; and</li><li>b) self-employed persons and former self-employed persons; and</li><li>c) 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	<p>Means a scheme governed by a trust:</p> <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, and includes a proposed provident fund scheme.</li></ul></li></ul>
Registered scheme	<p>Means a provident fund scheme registered under section 21 of the MPFSO as an employer sponsored scheme or a master trust scheme or registered under section 21A of the MPFSO as an industry scheme.</p> <p>The term "Registered scheme" is usually used interchangeably with the term "MPF scheme".</p>
Relevant employee	<p>Means an employee of 18 years of age or over and below retirement age.</p>

## (B) MPF SCHEMES (cont'd)

Relevant income	Means: a) in the case of a relevant employee, any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance, 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 a 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 8

### DEFINITION OF TERMS (cont'd)

#### (C) ABBREVIATIONS

API	stands for	Announcement in the Public Interest
Code on Disclosure	stands for	Code on Disclosure for MPF Investment Funds
CPD	stands for	Continuing Professional Development
Exemption Regulation	stands for	Mandatory Provident Fund Schemes (Exemption) Regulation
General Regulation	stands for	Mandatory Provident Fund Schemes (General) Regulation
The Government's Injection Project	stands for	The project to implement the HKSAR Government's initiative to inject \$6,000 into the account of each eligible MPF/ORSO scheme member
The Government's Injection Project Committee	stands for	Committee to Oversee MPFA's Implementation of the Government Injection Project
HKSAR	stands for	Hong Kong Special Administrative Region
ISC	stands for	MPF Industry Schemes Committee
MPF	stands for	Mandatory Provident Fund
MPFA	stands for	Mandatory Provident Fund Schemes Authority
MPFSAC	stands for	Mandatory Provident Fund Schemes Advisory Committee
MPFSO	tands for	Mandatory Provident Fund Schemes Ordinance
ORSO	stands for	Occupational Retirement Schemes Ordinance
SEP	stands for	Self-employed person

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