



Mandatory Provident Fund
Schemes Authority



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").

The MPF System has been in operation since 1 December 2000. MPF schemes are mandatory and privately managed contribution schemes. ORSO schemes are retirement schemes set up voluntarily by employers to provide retirement benefits for their employees. Just before the launch of the MPF System, employers operating ORSO schemes had the option to apply for exemption from MPF requirements.

MISSION

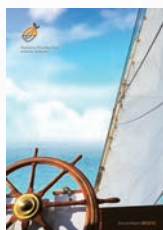
To ensure the provision of retirement protection for Hong Kong's workforce through an effective and efficient system of regulation and supervision of privately managed provident fund schemes.

VISION

MPF — A Way of Life

CORE VALUES

- Commitment
- Quality
- Teamwork
- Community Perspective



2012–13 Annual Report Design Theme

The MPFA works with vision, sets clear directions and plans ahead in pursuing reforms to chart the future of the MPF System.

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STATISTICAL HIGHLIGHTS

	As at 31 Mar 2013	As at 31 Mar 2012
About MPF schemes		
Enrolment rates (with number of participating members in brackets)*		
Employers	100% (259 100)	98% (254 300)
Employees	98% (2 376 400)	99% (2 347 300)
Self-employed persons	65% (219 000)	69% (228 800)
Number of approved trustees	19	19
Number of registered schemes	41	40
Number of approved constituent funds	469	445
Number of approved pooled investment funds	297	297
Number of approved index-tracking collective investment schemes	120	109
Aggregate net asset value of all schemes	\$455.33 billion	\$390.74 billion
Annual contribution amount	\$49,592 million	\$42,955 million
Annualized internal rate of return for the MPF System since 1 December 2000	4.0%	3.6%
Total value of the Compensation Fund	\$1.79 billion	\$1.64 billion
About ORSO schemes		
Total number of schemes	5 206	5 333
Exempted schemes:		
Number of schemes	878	874
Registered schemes:		
Number of schemes	4 328	4 459
Number of employees covered	405 000	411 000
Aggregate net asset value of all schemes	\$261.55 billion	\$264.56 billion
Annual contribution amount	\$17,984 million	\$16,677 million

* Estimated figures

Detailed statistics are included in the Statistics section.

MAJOR RESULTS AND FUTURE INITIATIVES

The major results of MPFA's work in 2012–13, as well as the initiatives to be taken in 2013–14 and beyond, are set out below.

OBJECTIVE 1:

To refine, simplify and vigilantly regulate and supervise the MPF System to maximize its value to scheme members

Major results in 2012–13	More information	Initiatives in 2013–14 and beyond
Reviewing the regulatory framework and refining the MPF System		
<ul style="list-style-type: none"> Attended to the enactment of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2012, which mainly provides for a statutory regulatory regime for MPF intermediaries 	Page 33	
<ul style="list-style-type: none"> Attended to the enactment of the Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2012, which provides for an automatic levy triggering mechanism for the Compensation Fund 	Page 33	
<ul style="list-style-type: none"> Started to prepare legislative proposals after a review of the regulation of withdrawal of MPF benefits and a public consultation thereon in order to allow early withdrawal of MPF accrued benefits by scheme members having been certified as suffering from a terminal illness and phased withdrawal of MPF accrued benefits 	Page 31	<ul style="list-style-type: none"> Assist the Government in introducing legislative proposals into the Legislative Council to effect the suggested changes
<ul style="list-style-type: none"> Completed a review of the contribution calculation methods for casual employees in Industry Schemes and commenced work to draw up relevant legislative proposals 	Page 32	<ul style="list-style-type: none"> Introduce legislative proposals into the Legislative Council to effect the proposed changes
<ul style="list-style-type: none"> Commenced a review of the statutory adjustment mechanism for the minimum and maximum levels of relevant income ("RI") for MPF contribution purposes 	Page 32	<ul style="list-style-type: none"> Consult stakeholders on proposals to refine the adjustment mechanism and report the findings to the Government
<ul style="list-style-type: none"> Proposed adjustments to the minimum and maximum RI levels for MPF contribution purposes 	Page 32	<ul style="list-style-type: none"> Assist the Government in introducing legislative proposals into the Legislative Council

MAJOR RESULTS AND FUTURE INITIATIVES (CONTINUED)

Major results in 2012–13	More information	Initiatives in 2013–14 and beyond
<ul style="list-style-type: none">Put forward to the Government fundamental reform approaches for the MPF System	Page 31	<ul style="list-style-type: none">Assist the Government in conducting a public consultation on proposals regarding rationalization of the types and numbers of MPF funds and controlling fees of MPF fundsDevelop proposals on providing a type of simple choice, low-fee default fund arrangementReview MPFA’s powers in controlling MPF fees and approving MPF fundsSet out different options for implementing full portability
Member protection		
<ul style="list-style-type: none">Recovered \$120.3 million in default MPF contributions on behalf of employees	Page 37	<ul style="list-style-type: none">Continue to improve efficiency and effectiveness of enforcement actions against non-compliance with MPF statutory requirements
<ul style="list-style-type: none">Implemented measures to enhance the compliance of self-employed persons (“SEPs”) and took enforcement actions against non-compliant SEPs	Page 38	
<ul style="list-style-type: none">Applied for summonses against 83 scheme members who made false statements to withdraw their MPF accrued benefits on grounds of permanent departure from Hong Kong	Page 38	<ul style="list-style-type: none">Pursue initiatives to promote the public’s understanding of the MPF legislation and enhance deterrent effect against non-compliance
<ul style="list-style-type: none">Continued to promote awareness and understanding of MPF requirements through publicity and public education	Page 39	
Supervision		
<ul style="list-style-type: none">Launched a Trustee Service Comparative Platform to provide information on the services offered by different MPF schemes	Page 41	<ul style="list-style-type: none">Supervise the industry’s preparation for and implementation of changes to the MPF System that may come into effect in 2013–14, for example, new minimum and maximum RI levels, and simplified contribution calculation methods for casual employees in Industry Schemes
<ul style="list-style-type: none">Supervised the industry’s preparation for and implementation of the changes to the MPF System that came into effect in 2012–13, including the Employee Choice Arrangement (“ECA”), a statutory regulatory regime for MPF intermediaries, and a new maximum RI level	Pages 42 to 44	

Major results in 2012–13	More information	Initiatives in 2013–14 and beyond
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<ul style="list-style-type: none"> Completed a Consultancy Study on MPF Trustees' Administration Costs. Commenced work on short-term measures to simplify and enhance the efficiency of the MPF System, including requesting trustees to provide low-fee funds, and facilitating further automation and streamlining of administration processes among trustees, merger of smaller scale or less efficient schemes and funds and consolidation of scheme members' personal accounts 	Page 42	<ul style="list-style-type: none"> Continue the work on the short-term measures to simplify and enhance the efficiency of the MPF System, including requesting trustees to provide low-fee funds, and facilitating further automation and streamlining of administration processes among trustees, merger of smaller scale or less efficient schemes and funds and consolidation of scheme members' personal accounts
<ul style="list-style-type: none"> Commenced the statutory regulatory regime for MPF intermediaries 	Pages 43 and 44	<ul style="list-style-type: none"> Maintain close liaison with frontline regulators and monitor the implementation of the regulatory framework Register, by 31 October 2014, MPF intermediaries with valid registration immediately before the commencement of the statutory regime and who wish to carry out regulated activities under the statutory regime

Preparing for and Implementing ECA

<ul style="list-style-type: none"> Prepared for the launch of ECA by issuing relevant operational policies and MPF Guidelines, enhancing training for MPF intermediaries, and supervising trustees' preparatory work 	Pages 56 and 57	<ul style="list-style-type: none"> Monitor and review the operation of ECA and identify areas that call for improvement Continue to study issues in relation to the introduction of full portability of MPF accrued benefits and complete drawing up the implementation plans before 2016
<ul style="list-style-type: none"> Rolled out publicity and communication programmes on ECA in phases 	Pages 58 and 59	<ul style="list-style-type: none"> Continue to roll out publicity and communication programmes on ECA
<ul style="list-style-type: none"> Launched an electronic Portability Automation Services System for electronic transmission of data on transfer of MPF accrued benefits between MPF trustees 	Page 57	<ul style="list-style-type: none"> Devise and implement more electronic business solutions to enhance efficiency
<ul style="list-style-type: none"> Launched a Personal Account Register 	Page 57	<ul style="list-style-type: none"> Encourage scheme members with multiple personal accounts to consolidate their accounts

MAJOR RESULTS AND FUTURE INITIATIVES (CONTINUED)

OBJECTIVE 2:

To strengthen public support and promote understanding of the MPF System, MPF investment, and the work of MPFA

Major results in 2012–13	More information	Initiatives in 2013–14 and beyond
<ul style="list-style-type: none"> Launched new MPF investment education programmes to educate scheme members on MPF investment decision-making process 	Pages 48 and 49	<ul style="list-style-type: none"> Roll out investment education programmes to equip scheme members with knowledge on managing their MPF investment and accounts
<ul style="list-style-type: none"> Organized 272 joint programmes with stakeholders to broaden and consolidate support for the MPF System 	Page 50	<ul style="list-style-type: none"> Expand networking activities and step up communication with stakeholders to enhance their understanding of the MPF System and the work of MPFA
<ul style="list-style-type: none"> Launched thematic campaigns for different target groups including SEPs, members of Industry Schemes and ethnic minorities 	Page 50	<ul style="list-style-type: none"> Continue to organize new thematic campaigns for different target groups including SEPs and members of Industry Schemes
<ul style="list-style-type: none"> Educated the younger generation and their parents on the merits of starting early in financial planning through school activities and parenting programmes as well as online publicity 	Pages 51 to 54	<ul style="list-style-type: none"> Organize renewed education and publicity activities for different age groups
<ul style="list-style-type: none"> Publicized MPFA's new initiatives, the roles and functions of the MPF System and MPFA, changes to the MPF System, and proposed directions to reform the MPF System 	Pages 54 and 55	<ul style="list-style-type: none"> Organize communication, publicity and education programmes to enhance understanding of MPF reform initiatives, and changes to the MPF System and the roles and functions of MPFA Conduct an image-building exercise for MPFA and the MPF System

OBJECTIVE 3

To build a strong team and effective systems to achieve MPFA's mission and deliver the planned programmes

Major results in 2012–13	More information	Initiatives in 2013–14 and beyond
<ul style="list-style-type: none"> Commissioned a study on the remuneration for MPFA's staff and started an organization structure review 	Page 73	<ul style="list-style-type: none"> Review and refine the manpower requirements and organization structure of core operations
<ul style="list-style-type: none"> Established an MPFA Training and Development Framework to provide a structure for staff's training and development activities 	Page 77	<ul style="list-style-type: none"> Continue to step up our efforts in offering training and development opportunities to gear our colleagues up for their current and prospective roles
<ul style="list-style-type: none"> Reviewed accommodation needs and renewed leases for some offices 	Page 78	
<ul style="list-style-type: none"> Adopted green measures in office operations and participated in community service and charitable activities 	Pages 74 to 76	<ul style="list-style-type: none"> Continue to extend MPFA's care towards employees, the environment and the community in fulfilment of its corporate social responsibility
<ul style="list-style-type: none"> Two staff members won the Ombudsman's Awards for Officers of Public Organizations 	Page 78	
<ul style="list-style-type: none"> Awarded the Caring Organization logo, the Class of Excellence Wastewi\$e Environmental Label, "Excellent Class" certificates under the Indoor Air Quality Certification Scheme, the "Manpower Developer" title, and a Bronze prize under the Best Annual Reports Awards for the 2010–11 Annual Report 	Pages 74, 77, 78, 79 and 71	



MS ANNA WU
CHAIRMAN

Ever since the inception of the Mandatory Provident Fund (“MPF”) System, the Mandatory Provident Fund Schemes Authority has been continually reviewing and refining the System in the light of the evolving needs of our society. In recent years, the reviews and reforms have gathered ever greater momentum resulting in much discussion and important developments in the System. Many more fundamental reforms are on the drawing board or in the pipeline, all poised to bring about more substantial improvements.

CHAIRMAN'S STATEMENT

WHERE WE ARE

Let us first take stock of what MPF has achieved so far. At the end of March 2013, the MPF System embraces over 2.5 million members of the working population. Together with those under other retirement schemes, such as statutory pension schemes and MPF exempted occupational retirement schemes, 84% of the employed population has some form of retirement protection. It must always be remembered that this remains as one of the key objectives and achievements of the MPF System. Before the commencement of the MPF System in December 2000, only about 30% of the working population was protected, now the coverage of Hong Kong employees by an occupational retirement savings framework is amongst the highest in the world.

In recent years, a net amount of over \$30 billion was contributed to the MPF System annually. The net contribution amount¹ in 2012–13 was \$38.32 billion. As at 31 March 2013, the net asset value of the MPF System was \$455.33 billion. This represents a total net contribution amount of \$359.05 billion accumulated over the years plus \$96.28 billion in the form of investment returns. The overall annualized internal rate of return, after fees and charges, since inception of the MPF System was 4%, compared to the average annual inflation rate of 1.4% and the average one-month Hong Kong Dollar deposit rate of 0.8% per year over the same period. The latest available average Fund Expense Ratio ("FER") of MPF funds² is 1.72%, representing a drop of 17% from the ratio of 2.06% when FER was first published³.

MAJOR DEVELOPMENTS IN THE YEAR

Refinements and Reforms

After thorough preparation, the Employee Choice Arrangement ("ECA"), commonly known as "MPF semi-portability", came into effect in November 2012. This has brought about a change to the employer-based MPF System by giving employees a right to transfer the accumulated MPF benefits attributed to their own mandatory contributions to a trustee and scheme of their own choice. The implementation of a statutory regime for the regulation of MPF intermediaries is another major development, offering better protection to individuals who have become selling targets when choice is opened up to them.

As to other refinement initiatives, after the conclusion of the consultation on proposals relating to the regulation of withdrawal of MPF benefits, we have been working out the relevant legislative proposals with the Government. A review of the statutory adjustment mechanism for the minimum and maximum relevant income levels for MPF contribution purposes has commenced. Meanwhile, the need to adjust the relevant income levels before the adoption of a revised adjustment mechanism was reviewed, having regard to the results of a previous review and new developments in the Statutory Minimum Wage rate.

During the year, a Consultancy Study on Trustees' Administration Costs ("Cost Study") concluded and generated significant input to a series of short-term and long-term measures to achieve simplicity and cost reduction, and gave us insight on how to further improve the MPF System. The improvement measures would require the concerted efforts of four parties. First, trustees and sponsors need to provide low-fee funds for each scheme. Second, scheme members and employers need to change their way of managing their MPF such as consolidating their accounts and using electronic or online services. Third, the Authority, together with the trustees, should continue to drive for improvements in scheme operation, such as adopting electronic platforms and consolidating less efficient schemes or funds. Fourth, we need to work with the Government to develop a better understanding of the intended role of the MPF System, and to press ahead with the fundamental reforms that would improve the System.

1 Net contribution amount refers to the net contribution inflow after deducting the amount of benefits paid during the period.

2 Derived from FERs of individual constituent funds of MPF schemes with financial year-end dates falling within the period from 1 July 2011 to 30 June 2012.

3 The average FER of individual constituent funds was first published in 2007 for MPF schemes with financial year-end dates falling within the period from 1 October 2005 to 30 September 2006.

CHAIRMAN'S STATEMENT (CONTINUED)

Education and Member Protection

While working with the industry and other stakeholders on various refinement measures, the Authority continues to educate the public about the MPF System and MPF investment, providing scheme members with necessary information to facilitate their MPF decisions, and recovering default MPF contributions on behalf of employees. Education requires long-term efforts. It is important that we educate the public from a young age, and make as many workers as possible understand the principles behind investing for retirement so that they can make appropriate MPF choices for their own future. But we also appreciate that we need to have mechanisms in place to protect and assist those who cannot, or do not want to, make investment decisions.

The above are just highlights of this year's work. I will leave the readers to read up the details of these and other activities in the rest of this report. Meanwhile, let me share my thoughts here on the objectives of reforming the MPF System, which should guide the Authority's work in the years to come.

REFORM OBJECTIVES

The MPF System is set up as the second pillar of retirement protection according to the World Bank's three-pillar approach⁴. In order for the MPF System to better fulfil its role as a pillar of retirement protection, measures or reforms should be considered in that context such that the MPF System would:

- have a clearly defined role in retirement protection;
- have a stronger member advocate function;
- be member-driven;
- be reasonably simple to users; and
- be maintained at a reasonable cost to members.

Clearly Define the Role of MPF System

The three pillars should work together to provide sufficient retirement protection for any individual in the community. Criticisms that the MPF System cannot adequately provide for individual's retirement needs are not infrequent. Such criticisms arise from an inadequate understanding of the intended role and scope of the MPF System, which, being only one of the three pillars, is not intended to cover all retirement needs. To address such mismatch of expectations, there is the need to further explain to the public the role of the MPF System in the context of an overall retirement policy. The Authority will work together with the Government in this regard.

Strengthen Member Advocate Function

The MPF System is a privately managed social programme. There is inherent tension when a social programme is to be run by commercial operators, whose primary focus is the generation of profit. Under such settings, it is particularly important to further refine and reform the System to ensure that product development and pricing are done in a manner that enhances members' interests. Development of the System should ensure that members' interests are kept as the core objective and that some relevant party maintains a members' advocate role.

Put Members in the Driver's Seat

Employers are key decision-makers in the choice of MPF products and service providers. It is natural that market players will seek to meet the needs of employers to grow their customer base. A key purpose of ECA is to give some control back to employees and change the market focus by allowing employees to choose their MPF schemes for the portion of their benefits attributed to their own mandatory contributions. In the longer term, full portability should be the ultimate goal, giving full control to employees over all of their benefits. And as the MPF System becomes more member-driven, information and tools to raise the literacy of scheme members in respect of investing for retirement and to help them make informed decisions are indispensable.

⁴ The first pillar is a publicly-managed, tax-financed social safety net. The second pillar is a mandatory, employment-based, privately-managed, fully funded scheme with contributions made into individual accounts of contributors. The third pillar comprises voluntary personal savings and insurance.

Make System Simple to Use

There are some 40 schemes and over 400 funds in the MPF System. Choosing a fund among those on offer is not easy for the average scheme member. There is the need to make this decision-making process easier, especially for those who do not have sufficient knowledge to make investment decisions, whether through better intermediation services in a regulated environment or development of products that meet such ends.

Maintain System at Reasonable Cost

The fees and charges of MPF have been dropping gradually, but the pace of reduction is not as fast as we have wished. The offer of more low-fee fund choices and the control of fees charged to funds are possible solutions.

The cost of administering MPF schemes and funds is a major input into fees charged in the MPF System. Introducing further measures to eliminate unnecessary procedures and enhance efficiency of the MPF System, thereby reducing scheme administration costs, would be the right direction to go. The adoption of electronic platforms among trustees for various processes and the wider use of online services by employers would be equally important.

REFORM INITIATIVES

The Authority has apprised the Government of the reform objectives and put forward fundamental reform proposals for its consideration. The Government, in the 2013 Policy Address and 2013–14 Budget, has affirmed its commitment to working with the Authority on a number of policy initiatives to improve various areas of the MPF System. The reform measures and initiatives demonstrate the determination of the Government and the Authority to make the MPF System better for the benefits of all scheme members. We welcome views from all stakeholders in this regard, and look to the Government for policy directions.

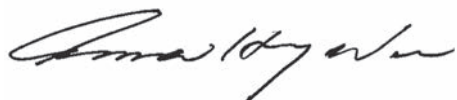
VOTE OF THANKS

The Management Board and its supporting committees and working groups have put in another year of hard work and contributed conscientiously to the development of reform options and initiatives and the in-depth study of various issues. I must thank my fellow directors for their commitment and tremendous efforts. I am also grateful to the MPF Schemes Advisory Committee ("MPFSAC") and the Industry Schemes Committee ("ISC") for their sterling advice on the operation of the MPF System and Industry Schemes respectively.

My special thanks go to the members who retired this year. Mr Rimsy Yuen, non-executive director, and Mr David Sun, Chairman of MPFSAC, resigned in June 2012 to take up significant roles in the Judiciary and Administration of the HKSAR Government respectively. Mr Wong Ting-kwong, having served as Chairman of ISC for six years, continues his commitment to the MPF cause by chairing the MPFSAC. Ms Li Fung-ying, who completed six years of service as a non-executive director in March 2013, has taken up the chair of ISC. To them, and to members of MPFSAC and ISC who retired in the year, I would like to convey my most sincere gratitude for their valuable contributions and staunch support over the years.

The staff of the Authority continued to demonstrate their professionalism and dedication under the capable leadership of Mrs Diana Chan, the Managing Director. I am most grateful to them for their devotion and excellent teamwork.

Finally, I wish to record my warm appreciation for the enormous efforts put in by the industry in complementing the Authority's initiatives. Their valuable input and relentless support have been instrumental to the process of improving and refining the MPF System. We are also thankful to the Government for its guidance and support, which are indispensable. We will continue to work closely with them in bringing about more groundbreaking reforms going forward.



Anna Wu Hung-yuk
Chairman



MRS DIANA CHAN
MANAGING DIRECTOR

In 2012–13, the Mandatory Provident Fund Schemes Authority (“MPFA”) continued to exercise its statutory authority to monitor the operations of Mandatory Provident Fund (“MPF”) service providers, enforce the law against non-compliance, educate the public on the MPF System and MPF investment, and network and communicate with different sectors of the community on MPF issues. At the same time, major efforts were spent on refining the MPF System. As at the end of the financial year, some of the work had been completed with significant changes brought to the MPF System and others were progressing in full speed.

MANAGING DIRECTOR'S REPORT

THE YEAR IN REVIEW

Reviews and Studies and Legislative Programmes

The Employee Choice Arrangement ("ECA"), or known as "MPF semi-portability", came into force on 1 November 2012, setting down a significant milestone in the development of the MPF System. ECA gives employees greater autonomy in managing part of their MPF investments. To cope with the intensified selling activities following ECA, better protection of scheme members against mis-selling was effected by putting in place a statutory regulatory regime for MPF intermediaries, giving a legal backing to an administrative regulatory regime adopted since the inception of the MPF System. The statutory regime became effective on the same day as ECA.

Some of the reviews and studies we conducted in previous years with an aim of refining the MPF System came to fruition upon the conclusion of the relevant legislative programmes in 2012–13. First, two new enforcement-related provisions to enhance the deterrent effect against non-compliance came into operation, making employers' failure to pay mandatory contributions a continuous offence, and making employers' failure to pay any sum payable under tribunal or court awards a criminal offence. Second, a mechanism was put in place for the Compensation Fund, under which the resumption and suspension of the Compensation Fund levy of 0.03% of scheme assets will be triggered at the minimum and maximum reserve levels of \$1 billion and \$1.4 billion respectively. Given that the balance of the Compensation Fund has exceeded the maximum level¹, the suspension of the levy has been triggered under the mechanism. This reduces scheme expenses, thus having a corresponding positive impact on the net asset value of members' accounts. Third, the monthly maximum relevant income ("RI") level for MPF contribution purposes was adjusted from \$20,000 to \$25,000 with effect from 1 June 2012 on the recommendation of a previous review conducted in 2010². This was the first adjustment to the maximum RI level since the inception of the MPF System, helping the relevant scheme members to save more for retirement.

Legislative exercises arising from other reviews and studies completed earlier are in progress. These included proposals related to the introduction of an additional ground for early withdrawal and allowing phased withdrawal of accrued MPF benefits, simplifying the contribution calculation methods in respect of casual employees who are members of Industry Schemes, increasing the minimum RI level having regard to a new Statutory Minimum Wage rate³, and taking forward the second-phase adjustment of the maximum RI level recommended in the last review. In addition, we are in the course of reviewing the statutory adjustment mechanism for the minimum and maximum RI levels.

As part of our continuous efforts to facilitate better disclosure of MPF information, we have enhanced a web-based calculator for projecting MPF accrued benefits, launched a Trustee Service Comparative Platform, and enhanced access to past fund performance data on our website. We have also modified the Fee Comparative Platform to facilitate easy identification of low-fee funds.

Supervising the Industry

We gave guidance to trustees to facilitate a smooth transition for the changes introduced to the MPF System in the year. Trustees' handling of MPF contributions was closely monitored in the initial period after the new maximum RI level took effect. For the launch of ECA, we issued relevant MPF Guidelines and supervised trustees' preparatory work. We have established a formal communication channel with each trustee to continue monitoring ECA-related issues. In preparing the statutory regulatory regime for MPF intermediaries, we enhanced the training of MPF intermediaries and issued several sets of guidelines, including the MPF Guidelines on Conduct Requirements for Registered Intermediaries, to provide the industry with guidance in respect of the minimum standards of conduct expected of MPF intermediaries. Registration of MPF intermediaries will undergo a two-year transition period. We continue to monitor market activities, share intelligence and keep a close dialogue with the frontline regulators of MPF intermediaries and are providing assistance and support to some 32 000 intermediaries in this transition up to 31 October 2014.

1 As at 31 March 2012, the balance of the Compensation Fund was \$1.64 billion.

2 In the same review, an adjustment to the minimum RI level was also suggested. With the passage of proposed legislative amendments, the monthly minimum RI level was adjusted with effect from 1 November 2011.

3 Announced in December 2012 and took effect from 1 May 2013.

MANAGING DIRECTOR'S REPORT (CONTINUED)

Over the years, we have been looking into ways to reduce the costs of the MPF System, thus facilitating fee reduction. In this connection, we engaged an independent consultant in late 2011 to analyse the scheme administration costs of the MPF System and suggest how to better achieve simplicity and cost reduction ("Cost Study"). Taking into account the results of the Cost Study, which were released in late 2012, we have pressed ahead with the implementation of short-term measures within the existing legislative framework, with a view to creating more room for fee reduction. A task force formed with the industry immediately set out to work on a programme to standardize, simplify and automate administrative processes. By the end of March 2013, we have agreed on the priority items to be pursued. Trustees have responded positively to our request to provide at least one low-fee fund investing in equities and bonds in each MPF scheme, and some low-fee funds are expected to be launched in 2013–14. Guided by a set of criteria provided by MPFA, trustees have identified some small-scale or less efficient schemes and funds for termination or amalgamation. Meanwhile, we have started a project to encourage multiple personal account holders to consolidate their accounts.

Member Protection

Ensuring that the contributions of members are properly remitted by employers and self-employed persons remains a key focus of MPFA. In 2012–13, we recovered on behalf of employees over \$120 million in default MPF contributions through the courts, or by persuading and counselling the employers concerned. We also continued to enhance the compliance of self-employed persons through proactive inspections and following up cases of non-compliance. Scheme members who make false declarations in order to withdraw MPF benefits on grounds of permanent departure from Hong Kong are another focus of our enforcement efforts. In March 2013, for the first time, a scheme member was given a suspended jail sentence instead of a fine as in past cases for making false or misleading statements to MPF trustees in order to withdraw MPF benefits before retirement. This enhances the deterrent effects on non-compliance.

We believe that our effective enforcement measures and heightened awareness of employers' MPF obligations brought about by our publicity and education efforts have contributed to the reduction of complaints received against MPF non-compliance, from 8 000 to 10 000 per year before 2007–08 to below 5 000 since 2010–11.

Public Education and Publicity

MPF is an integral part of our workforce's savings for retirement. It is imperative that scheme members take care of their MPF investments and possess the know-how to do so. Particularly in view of the launch of ECA, we carried out renewed programmes during the year to educate scheme members about the MPF System, MPF investment and how to manage their MPF accounts. Various messages were disseminated to a broad spectrum of the community, including all levels of students and their parents and teachers, as well as specific target groups such as the catering and construction industries and ethnic minorities.

At the same time, we carried out widespread publicity on MPFA's new initiatives, the roles and functions of the MPF System and MPFA, and developments of the MPF System, including the adjustment to the maximum RI level, the results of the Cost Study and proposed directions to reform the MPF System. Massive publicity was carried out to educate both scheme members and the public on ECA and the statutory regulatory regime for MPF intermediaries before and after their launch on 1 November 2012.

Staff and the Organization

Our corporate social responsibility is reflected in our vigilance in protecting the environment, visible care for the community, and keenness to promote the well-being of our staff. During the year, we continued to earn various recognitions for our efforts in these aspects, including the Caring Organization logo for the eighth consecutive year and the Wastewi\$e Environmental Label for the third consecutive year. We were also honoured with the "Manpower Developer" status by the Employees Retraining Board in recognition of our efforts in staff training and development.

Two members of our staff won the Ombudsman's Awards 2012 for their exemplary service to the public. This is the tenth consecutive year that the award has been conferred on MPFA staff members. Internally, staff members who exemplify our core values are recognized through our annual corporate staff recognition programme. Through the operation of the MPFA Volunteer Team, our staff have been encouraged to render volunteer services to extend their care towards the community.

LOOKING FORWARD

There are growing expectations from the public for more fundamental changes to the MPF System. In pursuit of the reform objectives as expounded by the Chairman in her statement, we have put forward to the Government long-term reform approaches in the light of the Cost Study, and laid down relevant work plans in response to the Government's directions in the 2013 Policy Address and the 2013–14 Budget. Building on the work that has started in 2012–13, it is expected that further progress will be made in the coming years, bringing about substantial developments in the MPF System.

In the coming year, we will continue to take forward the short-term measures to simplify and enhance the efficiency of the MPF System. Specifically, we will further facilitate the standardization, simplification and automation of operational processes and launch a publicity campaign on the consolidation of personal accounts. At the same time, we will follow through the legislative programmes that are already in the pipeline, such as proposals to adjust the minimum and maximum RI levels, and carry on with the reviews started in 2012–13, such as the review of the statutory adjustment mechanism for the minimum and maximum RI levels. We will also further improve the disclosure and presentation of MPF fund information, including fees and performance.

On long-term reforms, we will continue the work to develop proposals on rationalization of the types and numbers of MPF funds and controlling fees of MPF funds and on providing a type of simple choice, low-fee default fund arrangement, bearing in mind the Government's aim to conduct a public consultation on the relevant proposals within 2013. We believe that in the long run, it will be in MPF scheme members' best interest if "MPF semi-portability" could be expanded to "full portability" to also cover accrued benefits derived from employers' mandatory contributions. We have been studying the necessary supporting measures for the implementation of full portability and will complete mapping out the implementation plans before 2016.

In introducing any changes, we will always be mindful of the need for balance and consensus. The eventual outcome might well be an amalgam of the different approaches that would be acceptable by the community as a whole and could best address the issues and concerns. We welcome comments from different sectors and will continue to work under the Government's directions for reforms.

VOTE OF THANKS

I am deeply indebted to the Chairman, other members of the Management Board, as well as members of the supporting committees for their leadership in shaping the development of the MPF System and MPFA, their contribution of ideas and sound advice in mapping out the reform direction, and their staunch support for the work of the executives. Special thanks are due to the members of various working groups who have devoted much time and effort to working out the details of reform proposals. I am immensely grateful to the chairmen of these working groups, including Mr Rimsky Yuen of the Working Group on Review of Withdrawal of MPF Benefits, Ms Anna Wu of the Working Group on MPF Reform Issues, Mr John Poon of the Project Steering Committee on Consultancy Study on MPF Trustees' Administration Costs, and Mr Philip Tsai of the Working Group on Review of Adjustment Mechanism for Minimum and Maximum Levels of Relevant Income. My sincere appreciation also goes to the chairmen and members of the MPF Schemes Advisory Committee and Industry Schemes Committee, who have rendered us valuable advice and support.

Last but not least, I must express my deep appreciation for the professionalism, dedication and commitment of all my colleagues at MPFA. Without their enthusiasm and hard work, we would not have been able to achieve these results in 2012–13.



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 66 to 70 in the chapter "Corporate Governance".

MEMBERS OF THE MANAGEMENT BOARD

(as at 31 March 2013)

CHAIRMAN

Hon Anna Wu Hung-yuk, GBS, JP

(Since 17 March 2009; current term will expire on 16 March 2015)

Solicitor, Hong Kong; Non-official Member, Executive Council; Director, Financial Dispute Resolution Centre Limited; 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); 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 ("SFC").

NON-EXECUTIVE DIRECTORS

Hon Andrew Leung Kwan-yuen, GBS, JP

(Since 17 March 2009; current term will expire on 16 March 2015)

Member, Legislative Council; Honorary President, Federation of Hong Kong Industries; Honorary Chairman, Textile Council of Hong Kong; Council Member, Hong Kong Trade Development Council; Deputy Chairman, Business Facilitation Advisory Committee; Member, Economic Development Commission; Member, Independent Commission Against Corruption Advisory Committee on Corruption; Director, The Hong Kong Mortgage Corporation Limited; Chairman, Sun Hing Knitting Factory Ltd.



Hon Wong Kwok-kin, BBS

(Since 17 March 2009; current term will expire on 16 March 2015)

Member, Legislative Council; Vice President, Hong Kong Federation of Trade Unions; Non-executive Director, Urban Renewal Authority; Member, Hong Kong Housing Authority; Member, Subsidised Housing Committee, Hong Kong Housing Authority; Member, Security and Guarding Services Industry Authority.





Hon Ip Kwok-him, GBS, JP

(Since 17 March 2011; current term will expire on 16 March 2015)

Deputy to the National People's Congress of the PRC; Member, Legislative Council; Member, Central and Western District Council (Kwun Lung); Non-executive Director, Urban Renewal Authority; Member, Hong Kong Housing Authority.

Ms Paddy Lui Wai-yu, BBS, JP

(Since 17 March 2011; current term will expire on 16 March 2015)

Executive Director, K Wah International Holdings Limited; Executive Director, Galaxy Entertainment Group Limited; Member, Election Committee of the HKSAR; Member, General Committee of The Chamber of Hong Kong Listed Companies; Founding Member, Board of Opera Hong Kong Limited; Member, Shanghai Committee of the Chinese People's Political Consultative Conference.



Mr John Poon Cho-ming, JP

(Since 17 March 2011; current term will expire on 16 March 2015)

Solicitor, Hong Kong; Chairman, Financial Reporting Council; Council Member, Hong Kong Institute of Certified Public Accountants (2005–11); Member, Board of Review (Inland Revenue Ordinance) (2004–10); Member, Standing Committee on Company Law Reform (2003–09).

Mr Philip Tsai Wing-chung, JP

(Since 17 March 2011; current term will expire on 16 March 2015)

Audit Partner, Deloitte Touche Tohmatsu; Past President, Hong Kong Institute of Certified Public Accountants; Member, Exchange Fund Advisory Committee; Director, West Kowloon Cultural District Authority; Panel Member, Securities and Futures Appeals Tribunal; Member, Vetting Committee of the Professional Services Development Assistance Scheme; Member, Nomination Committee of the Chinese Gold and Silver Exchange.



THE MANAGEMENT BOARD (CONTINUED)



Mr Horace Wong Yuk-lun, SC

(Since 1 October 2012; current term will expire on 30 September 2014)

Senior Counsel; Chairman, Administrative Appeals Board; Member, Criminal and Law Enforcement Injuries Compensation Boards; Member, Disciplinary Chair Committee, SFC; Member, Appeal Board Panel (Human Organ Transplant Ordinance).

Hon Poon Siu-ping, BBS, MH

(Since 17 March 2013; current term will expire on 16 March 2015)

Member, Legislative Council; Vice Chairman, The Federation of Hong Kong and Kowloon Labour Unions; Chairman, Hong Kong Storehouses, Transportation & Logistics Staff Association; Member, Occupational Safety & Health Council; Member, Protection of Wages on Insolvency Fund Board.



Secretary for Financial Services and the Treasury

Prof Hon K C Chan, GBS, JP (the incumbent)

(Since 1 July 2007; current term will expire on 16 March 2015)

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

Hon Matthew Cheung Kin-chung, GBS, JP (the incumbent)

(Since 1 July 2007; current term will expire on 16 March 2015)

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 2016)

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 Alice Law Shing-mui

Chief Operating Officer & Executive Director

(Since 16 July 2012; current term will expire on 15 July 2015)

Solicitor, Hong Kong; Senior Director (Policy, China & Investment Products), SFC (2008–12); Director (Intermediaries & Investment Products), SFC (2004–06, 2007–08); Director of Licensing, SFC (2006–07); Non-executive Director, the Hong Kong Securities Institute (2004–08); Government appointed adjudicator of the Registration of Persons Tribunal (2007–11); was a partner specializing in corporate and commercial practice in a Hong Kong law firm before joining the public sector in 1998.



Mr Darren Mark McShane

Executive Director (Regulation & Policy)

(Since 25 March 2002; current term will expire on 24 March 2014)

Barrister-at-law, Australia; Deputy Chair, Technical Committee, International Organisation of Pension Supervisors; Member, Product Advisory Committee, SFC; Member, Examination 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 Limited, United Kingdom (1996–97).

THE MANAGEMENT BOARD (CONTINUED)



Mr Thomas Yiu Kei-chung
Executive Director (Corporate Services)

(Since 7 November 2006; retired with effect from 1 April 2013)

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 2014)

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



NON-EXECUTIVE AND EXECUTIVE DIRECTORS WHO RETIRED/RESIGNED IN 2012–13



Ms Li Fung-ying, SBS, JP

(Since 17 March 2007; retired with effect from 17 March 2013)

(Biographical information as at 16 March 2013)

Non-official Member, Commission on Poverty; Member, Minimum Wage Commission; Chairman, MPF Industry Schemes Committee; Member, Fight Crime Committee; Member, Vocational Training Council; Ex-officio Executive Councillor, Heung Yee Kuk New Territories; Member, Legislative Council (2000–12).



Mr Rimsky Yuen Kwok-keung, SC, JP

(Since 17 March 2010; resigned with effect from 1 July 2012)

(Biographical information as at 30 June 2012)

Senior Counsel; Chairman, Transport Advisory Committee; Member, Judicial Officers Recommendation Commission; Member, High Court Rules Committee; Chairman, Hong Kong Bar Association (2007–09).



Ms Hendena Yu, JP

Chief Operating Officer (Enforcement)

(Since 4 June 2001; retired with effect from 3 July 2012)

(Biographical information as at 2 July 2012)

Qualified actuary; Executive Director (ORSO Schemes), MPFA (1999–2001); seconded from the Government to 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.

MPF SCHEMES ADVISORY COMMITTEE

The MPF Schemes Advisory Committee ("MPFSAC") is a statutory committee established under the Mandatory Provident Fund Schemes Ordinance ("MPFSO") to make recommendations to MPFA as to the operation of the MPFSO and the effectiveness and efficiency of MPFA. The MPFSAC consists of an executive director designated by MPFA and 10 other members appointed by the Chief Executive of HKSAR. The chairman and deputy chairman of the MPFSAC are appointed by the Chief Executive from amongst its members.

MEMBERS OF THE MPFSAC

(as at 29 March 2013)

CHAIRMAN



Hon Wong Ting-kwong, SBS, JP

(Since 1 November 2012; current term will expire on 31 October 2014)
Member, Legislative Council

DEPUTY CHAIRMAN



Mrs Diana Chan Tong Chee-ching, JP

(Since 1 July 2003; current term will expire on 29 March 2015)
Managing Director, MPFA

OTHER MEMBERS



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

(Since 30 March 2007; retired with effect from 30 March 2013)
Deputy Chairman, Federation of Hong Kong Industries



Ms Ng Wai-yee, MH

(Since 30 March 2009; current term will expire on 29 March 2015)
Chairman, Federation of Hong Kong and Kowloon Labour Unions



Mr William Chan Che-kwong

(Since 30 March 2011; current term will expire on 29 March 2015)
Director, Broadway Photo Supply Limited



Mr Ip Wai-ming, MH

(Since 30 March 2011; current term will expire on 29 March 2015)
Member, Legislative Council (2008–12)



Mrs Agnes Koon Woo Kam-oi

(Since 30 March 2011; current term will expire on 29 March 2015)
Chief Executive, KSY Speciality Limited



Mr Larry Kwok Lam-kwong, BBS, JP

(Since 30 March 2011; current term will expire on 29 March 2015)
Managing Partner (China), Mallesons Stephen Jaques



Mr Fred Li Wah-ming, SBS, JP

(Since 30 March 2011; current term will expire on 29 March 2015)
Member, Legislative Council (1998–2012)



Mr Paul Pong Po-lam

(Since 30 March 2011; current term will expire on 29 March 2015)
Managing Director, Pegasus Fund Managers Limited



Mrs Bethy Tam Ho Kum-man

(Since 30 March 2011; current term will expire on 29 March 2015)
Head of Governance & Strategic Initiatives, Hong Kong, Standard Chartered Bank (Hong Kong) Limited

Mr David Sun Tak-kei resigned from the MPFSAC as from 1 July 2012.

The Chief Executive has made the following new appointment to the MPFSAC for a term of two years with effect from 30 March 2013:

Dr Roy Chung Chi-ping, BBS, JP

(Since 30 March 2013; current term will expire on 29 March 2015)
Chairman, Federation of Hong Kong Industries

During the year, the MPFSAC convened three meetings. The average attendance rate of members was 81%. The Committee's views were sought on the proposals related to the review of the regulation of withdrawal of MPF benefits and the recommendations on the adjustment of the minimum and maximum relevant income levels for MPF contribution purposes. The Committee was briefed on the results of the Consultancy Study on MPF Trustees' Administration Costs and gave valuable comments on MPF reform proposals. It also received reports on various aspects of MPFA's work, including supervision, enforcement, regulation and policy, public education and publicity, and the implementation of the Employee Choice Arrangement and the statutory regulatory regime for MPF intermediaries.

MPF INDUSTRY SCHEMES COMMITTEE

Industry Schemes are MPF schemes set up for employers and employees in the catering and construction industries, which are of high labour mobility. The MPF Industry Schemes Committee ("ISC") is a statutory committee established under the Mandatory Provident Fund Schemes Ordinance to monitor the effectiveness of Industry Schemes and advise on ways to improve the administration and operation of the schemes in the interests of scheme members. The ISC is comprised of a chairman, at least one (but no more than two) representative(s) of the approved trustee of each Industry Scheme, and no fewer than six other persons, appointed by the Financial Secretary of HKSAR. An executive director is designated by MPFA to sit on the ISC.

MEMBERS OF THE ISC

(as at 31 March 2013)

CHAIRMAN



**Ms Li Fung-ying,
SBS, JP**

*(Since 25 August 2012;
current term will expire on
24 August 2014)*
Member, Legislative
Council (2000–12)

OTHER MEMBERS

Mr Ng Kwok-kwan

*(Since 25 August 2008;
current term will expire on
24 August 2014)*
Vice Chairman, Hong
Kong Construction
Industry Employees
General Union



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

*(Since 25 August 2008;
current term will expire
on 24 August 2014)*
Vice Chairman, Yau Lee
Holdings Limited



Mr Chan Sam-choi

*(Since 25 August 2010;
current term will expire on
24 August 2014)*
Executive, Construction
Site Workers General
Union



Mr Chan Wing-on

*(Since 25 August 2010;
current term will expire on
24 August 2014)*
President, Hong Kong
Federation of
Restaurants & Related
Trades



Mr Koon Ting-shan

*(Since 25 August 2012;
current term will expire on
24 August 2014)*
Secretary, Eating
Establishment
Employees General
Union and the Hong
Kong Professional Chefs
General Union



**Mr Lawrence Ng
San-wa**

*(Since 25 August 2012;
current term will expire on
24 August 2014)*
President, Hong Kong
Construction Sub-
Contractors Association



Mr Tang Ka-hin

*(Since 25 August 2012;
current term will expire on
24 August 2014)*
Chairman, Chinese and
Western Food Workers
Union



**Mr Simon Wong
Kit-lung**

*(Since 25 August 2012;
current term will expire
on 24 August 2014)*
Chairman, Institution of
Dining Art



**Mr Adrian Li
Man-kiu, JP**

*(Since 25 August 2006;
current term will expire on
24 August 2014)*
Director, Bank of East
Asia (Trustees) Limited



Mr Ivan Liu Sin-keung

*(Since 25 August 2008;
current term will expire
on 24 August 2014)*
Senior Vice President
(Scheme
Administration), Bank
Consortium Trust
Company Limited



**Mr Thomas Yiu
Kei-chung**

*(Since 7 November 2006;
retired with effect from
1 April 2013)*
Executive Director
(Corporate Services),
MPFA

The Hon Wong Ting-kwong, Mr Hiew Chin, Mr Thomas Ho On-sing, Mr Tsang Peng-sun and Mr Yuen Fuk-wo retired from the ISC as from 25 August 2012.

During the year, the ISC held three meetings. The average attendance rate of members was 85%. It received reports from MPFA and the approved trustees of Industry Schemes on enrolment, administration, enforcement and publicity matters associated with the Industry Schemes. It provided advice on the operational aspects of the construction and catering industries with a view to fostering support and enhancing compliance. It also discussed the recommendations on the adjustment of minimum and maximum relevant income levels for MPF contribution purposes and further examined the proposal to simplify the contribution calculation methods for casual employees who are members of Industry Schemes.

THE MANAGEMENT TEAM



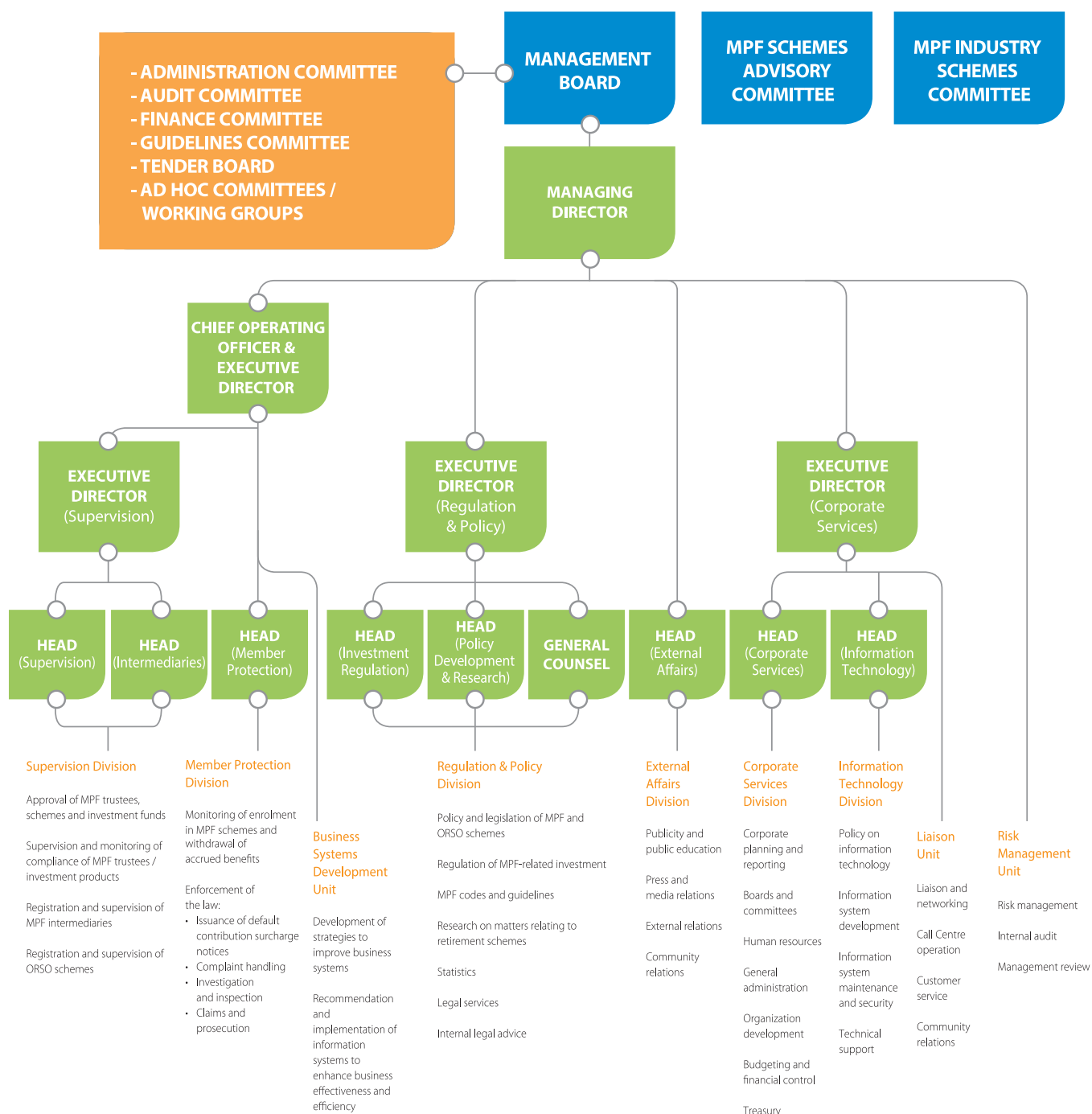
As at 31 March 2013, the senior management of MPFA comprised:

- 1 Mrs Diana Chan, Managing Director
- 2 Ms Alice Law, Chief Operating Officer & Executive Director
- 3 Mr Darren Mark 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)
- 8 Mr Andy Tong, Head (Information Technology)
- 9 Mr Ronnie Lai, Head (Member Protection)
- 10 Mr Joseph Lee, Head (Supervision)
- 11 Ms Gabriella Yee, Head (Policy Development & Research)
- 12 Ms Stella Yiu, Head (Investment Regulation)
- 13 Mr Eric K Lee, Head (Corporate Services)
- 14 Mr Robin Gill, Head (Intermediaries)



THE ORGANIZATION STRUCTURE

(as at 31 March 2013)







PLANNING

REFINING THE REGULATORY FRAMEWORK

OVERVIEW

Our role

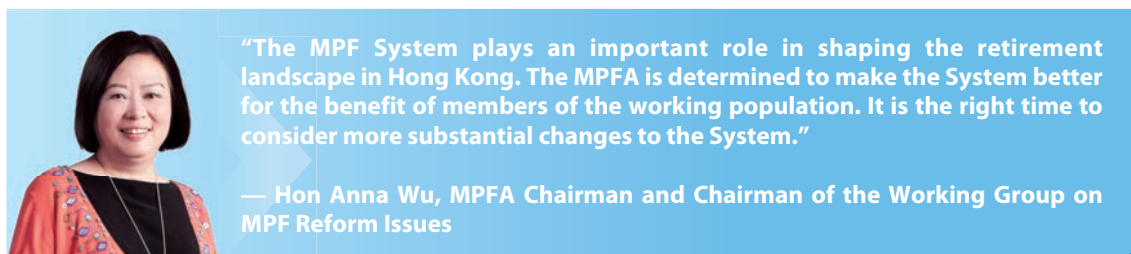
- To review regulatory issues and operational policies of the MPF System
- To consider the need for amendments or reforms to existing legislation and make proposals to the Government where appropriate
- To review and amend existing MPF Guidelines and Codes as appropriate
- To prepare new MPF Guidelines and Codes as appropriate
- To conduct research in support of MPFA's role as regulator of the MPF System

In 2012–13, we

- Put forward to the Government fundamental reform approaches for the MPF System and commenced work on long-term reform proposals
- Released the results of a review of the regulation of withdrawal of MPF benefits and a public consultation thereon and commenced work to draw up relevant legislative proposals
- Commenced a review of the statutory adjustment mechanism for the minimum and maximum levels of relevant income for MPF contribution purposes and also conducted a review of the relevant income levels in the light of the increase of the Statutory Minimum Wage rate effective in 2013
- Reviewed the contribution calculation methods for casual employees in Industry Schemes and commenced work to draw up relevant legislative proposals
- Continued with the project to improve disclosure of information about MPF schemes
- Attended to the enactment and implementation of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2012 which mainly provides for a statutory regime for regulating MPF intermediaries
- Assisted the Government in introducing into the Legislative Council the Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2012 and attended to the subsequent enactment and implementation to put in place an automatic levy triggering mechanism for the Compensation Fund
- Amended eight sets of existing MPF Guidelines and one Code and issued seven sets of new MPF Guidelines

REFORMING THE MPF SYSTEM

In recent years, there have been many comments in the community concerning the MPF System. The most frequent comments are about high fees and unsatisfactory returns of MPF funds. We take the issues to heart and have been looking for measures to improve the situation.



Fees and Charges of MPF Funds

As one of the responses to the fee issue, we commissioned a Consultancy Study on MPF Trustees' Administration Cost ("Cost Study"). The Cost Study suggested some initiatives for cost reduction and we have pressed ahead with measures¹ to drive down those costs thus creating scope for greater reduction in MPF fees. It also affirmed that cost reductions alone are unlikely to bring about fee changes addressing concerns about fee levels. Subsequently, we put forward to the Government four fundamental reform approaches for the MPF System in achieving more substantial fee reductions including controlling fees of MPF funds, mandating various types of low-fee funds in each MPF scheme, providing a type of simple choice, low-fee default fund arrangement, and introducing a not-for-profit operator to operate a simple and low-fee MPF scheme. The Chief Executive announced in the 2013 Policy Address that a multi-pronged approach will be adopted to bring down MPF fees and charges. In this regard, the Government and MPFA are working together on several long-term reform proposals.

Employees' Choices of MPF Schemes

On increasing employees' choices, the Employee Choice Arrangement² ("ECA") (commonly known as "MPF semi-portability") was launched on 1 November 2012, bringing about a significant change to the employer-based MPF System. The introduction of "MPF semi-portability"/ECA has stimulated an appetite for full portability, giving employees full control over their own MPF investments. We are studying the necessary supporting measures and will complete drawing up the implementation plans before 2016.

Withdrawal of MPF Accrued Benefits

We completed an open consultation in early 2012 on proposals to increase flexibility with regard to the withdrawal of MPF accrued benefits. There was overwhelming support for the proposals to provide an option to withdraw MPF accrued benefits in phases upon scheme members attaining age 65 or satisfying the criteria for early retirement, and to allow early withdrawal by scheme members having been certified as suffering from a terminal illness³. The consultation conclusions were released to the public and a report was sent to the Government in September 2012. Subsequently, we submitted to the Government details of the relevant legislative proposals to effect the proposed changes. It is the Government's aim to introduce legislative amendments into the Legislative Council within the 2013–14 legislative session.

1 Details of the measures are set out in the chapter "Supervising the Industry".

2 An arrangement to allow employees to elect to transfer the MPF accrued benefits derived from employee mandatory contributions made during current employment and held in a contribution account under an MPF scheme to an MPF scheme of their own choice at least once per calendar year. Details of the implementation of the arrangement are reported in the chapter "Preparing for and Implementing the Employee Choice Arrangement".

3 Terminal illness refers to an illness that is life endangering, such that the remaining life expectancy of the individual is reduced to 12 months or less.

REFINING THE REGULATORY FRAMEWORK (CONTINUED)

Minimum and Maximum Levels of Relevant Income for MPF Contribution Purposes

With effect from 1 June 2012, the monthly maximum relevant income ("RI") level for MPF contribution purposes went up to \$25,000 as a result of the review of the minimum and maximum RI levels conducted in 2010⁴ (the "2010 Review").

During the relevant legislative process following the 2010 Review, there were views that the statutory adjustment mechanism of the minimum RI level should be updated having regard to the introduction of the Statutory Minimum Wage ("SMW") on 1 May 2011. It was then agreed that MPFA would review the mechanism after the effect of SMW on employees' income distribution has become apparent. We have commenced the review and will consult the public on the options in due course.

The current minimum RI level was set with reference to, among other factors, the SMW. Given that the SMW will be raised to \$30 per hour effective from 1 May 2013, we conducted a review of the minimum and maximum RI levels pending a new statutory adjustment mechanism. We consulted the Labour Advisory Board, MPF Schemes Advisory Committee and MPF Industry Schemes Committee and reported the findings and made recommendations to the Government. The recommendations were put forward to and discussed by the Legislative Council Panel on Financial Affairs on 4 March 2013. The relevant legislative process has started.

Simplification of the Contribution Calculation Methods for Casual Employees in Industry Schemes

Scales of contribution amounts are set out in the MPF Schemes (Contributions for Casual Employees) Order ("Order") to provide simplified methods for employers to calculate the mandatory contributions payable for and in respect of their casual employees who are members of Industry Schemes. In the light of operational experience and comments received that the contribution calculation methods are too complicated, we have reviewed the methods with the aim to simplify them. We consulted the MPF Industry Schemes Committee and stakeholders, mainly employer groups and labour unions representing the construction and the catering industries, on the possible simplification options. It was agreed that new contribution calculation methods and contribution scales be adopted. The proposal was considered by the Legislative Council Panel on Financial Affairs on 4 March 2013. The relevant legislative process has started.

Information Disclosure

Improving the presentation and disclosure of MPF information has been an important ongoing project on MPFA's work agenda. During the year, we enhanced various tools on our website, including a calculator for projecting MPF accrued benefits to demonstrate the impact of different variables on accrued benefits over time. Also, we have launched a Trustee Service Comparative Platform for comparing fund choices, account administration, and customer services across trustees, enhanced access to past fund performance data⁵ and modified the Fee Comparative Platform so that it ranks MPF funds from the lowest to the highest Fund Expense Ratios⁶ ("FERs") to facilitate easy identification of low-fee funds.

Starting from 21 December 2012, we regularly publish on MPFA's website a list of funds with lower FERs. The list contains information on approximately 5% of MPF funds (excluding MPF Conservative Funds) that have the lowest FERs. The first list contains 20 MPF funds with FERs ranging from 0.44% to 1.29%. A print version of the list is also available for distribution together with our quarterly publication, *Summary of Fee Comparative Platform on MPF Funds*.

⁴ The MPF legislation provides that MPFA must, not less than once every four years, conduct a review of the minimum and maximum RI levels to ascertain whether or not there are grounds to amend the levels.

⁵ Fund performance figures are provided by Lipper.

⁶ Fund Expense Ratio is a ratio that measures the fees and expenses of an MPF fund as a percentage of fund size.

LEGISLATIVE AMENDMENTS

Several legislative programmes resulting from previous reviews came to fruition in 2012–13.

Statutory Regulatory Regime for MPF Intermediaries

The Mandatory Provident Fund Schemes (Amendment) Ordinance 2012 was enacted on 21 June 2012 and came into operation on 1 November 2012, giving a legal backing to an administrative regulatory regime for MPF intermediaries adopted since the inception of the MPF System. The new regime adopts an institution-based approach. MPF intermediaries are required to register with MPFA before they can carry out sales and marketing activities or give advice in relation to MPF schemes. The three frontline regulators (i.e. Hong Kong Monetary Authority, Insurance Authority and Securities and Futures Commission) are responsible for investigating and supervising registered MPF intermediaries whose core business falls within their respective authority. Substantiated cases of non-compliance with the statutory conduct requirements will be subject to disciplinary sanctions imposed by MPFA.

Deterrent Effect against Default Contributions

The Mandatory Provident Fund Schemes (Amendment) Ordinance 2012 also gave effect to two enforcement-related provisions with a view to enhancing the deterrent effect against default contributions by employers, thus better protecting scheme members' interests. The provisions make an employer's failure to pay mandatory contributions a continuous offence and an employer's failure to pay any sum payable under tribunal or court awards a criminal offence.

An Electronic Platform for Transmitting Data during Transfer of Accrued Benefits

The Mandatory Provident Fund Schemes (Amendment) Ordinance 2012 has also empowered MPFA to establish, operate and designate an electronic system for transmission of data among trustees to facilitate the transfer of MPF accrued benefits. This system was implemented successfully together with the commencement of ECA⁷.

Automatic Levy Triggering Mechanism for the Compensation Fund

Under the MPF legislation, a Compensation Fund has been set up to compensate scheme members for losses of MPF accrued benefits due to misfeasance or illegal conduct of MPF trustees or other persons concerned with the administration of those schemes. The funding of the Fund includes \$600 million seed money from the Government, levies collected from MPF schemes at an annual rate of 0.03% of their net asset values and investment returns over the years. Following the passage of the Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2012 in July 2012, an automatic levy triggering mechanism has been put in place for the Fund to suspend the levy when the reserve level of the Fund exceeds \$1.4 billion and resume it when the reserve level falls below \$1 billion. The balance of the Fund as at 31 March 2012 has exceeded \$1.6 billion and suspension of the levy has been triggered and applied progressively to MPF schemes with financial years beginning on or after 1 September 2012.

⁷ Details of the implementation are reported in the chapter "Preparing for and Implementing the Employee Choice Arrangement".

REFINING THE REGULATORY FRAMEWORK (CONTINUED)

GUIDELINES AND CODES

We issue MPF Guidelines and Codes to elaborate on and support the legislative requirements, hence facilitating compliance with the MPF and ORSO legislation. During the year, we revised eight sets of MPF Guidelines, one Code and issued seven sets of new MPF Guidelines, mainly to:

- (1) reflect the MPF legislative amendments in relation to the implementation of ECA, the statutory regulatory regime for MPF intermediaries, the electronic system for transmission of data on transfer of accrued benefits and the automatic levy triggering mechanism for the Compensation Fund; and
- (2) include certain securities approved by MPFA as permissible investments and clarify the status and implication of securities, or a kind of securities, specified in the relevant MPF Guidelines.

As at 31 March 2013, 72 sets of Guidelines and two Codes were in force.

PROTECTING THE INTERESTS OF SCHEME MEMBERS

OVERVIEW

Our role

- To monitor enrolment in MPF schemes and withdrawal of MPF accrued benefits
- To handle and investigate complaints against non-compliant employers
- To take enforcement actions against non-compliance
- To recover default MPF contributions on behalf of scheme members
- To enhance the image of MPFA as a law enforcer and promote the understanding of MPF legislation

In 2012-13, we

- Conducted 2 892 proactive inspections at employment establishments to check on compliance with MPF statutory requirements
- Recovered on behalf of employees \$120.3 million in default MPF contributions by taking various debt recovery actions
- Implemented measures to enhance the compliance of self-employed persons ("SEPs") and took enforcement actions against non-compliant SEPs
- Applied for summonses against 83 scheme members who made false statements to withdraw their accrued benefits on grounds of permanent departure from Hong Kong
- Took steps to prevent non-compliance with MPF statutory requirements by promoting the understanding of MPF legislation through publicity and public education

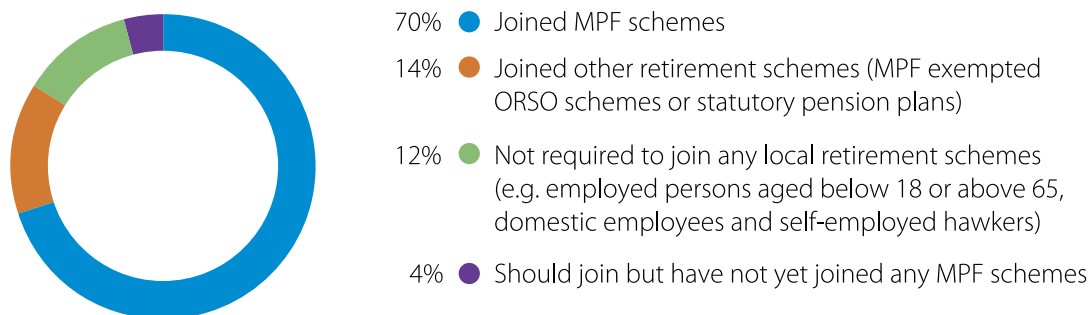
PROTECTING THE INTERESTS OF SCHEME MEMBERS (CONTINUED)

ENROLMENT

Employed Population by Type of Retirement Schemes

(as at 31 March 2013)

At present, 84% of the working population in Hong Kong are under the coverage of MPF or other retirement protection schemes. Details are as shown in the following figure.



MPF Enrolment Rates

Participation rates in the MPF System remained high throughout the year. As at 31 March 2013, the estimated enrolment rates and estimated numbers of participating members are as follows:

	Employer	Relevant Employee	Self-Employed Person
Number (rounded to the nearest 100)	259 100	2 376 400	219 000
Enrolment Rate (rounded to the nearest integer)	100%	98%	65%

More statistics on enrolment are in Part A of the Statistics section.

ENQUIRIES AND COMPLAINTS

In 2012–13, we received:

- 117 638 Enquiries — Majority were about transfer or withdrawal of benefits, contribution arrangement and enrolment arrangement.
- 4 461 Complaints — Majority were about default contribution and non-enrolment.

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

The number of complaints received per year has dropped from 8 000–10 000 before 2007–08 to 7 000–8 000 in the two years that followed and further to below 5 000 since 2010–11. We believe that effective enforcement measures by MPFA and heightened awareness of employers' MPF obligations through publicity and education activities have contributed to the downward trend.

ENFORCEMENT ACTIONS AGAINST NON-COMPLIANT EMPLOYERS

Most employers are law-abiding. Unfortunately, there are still some who seek to evade their MPF obligations by not enrolling their employees in any MPF schemes or not making mandatory contributions for them. We continue to take enforcement actions against non-compliant employers to protect scheme members' interests.

Proactive Inspection

Proactive inspection is one of the measures to uncover non-enrolment and default contribution cases. In 2012–13, we conducted 2 892 proactive inspections at employment establishments to check on compliance with MPF statutory requirements. Major targets included catering establishments, retail outlets and construction sites.

Debt Recovery Actions

In 2012–13, we recovered on behalf of employees \$120.3 million in default MPF contributions through the courts, or by persuasion and counselling of the employers concerned. Debt recovery actions taken are summarized below:

Debt Recovery Actions	In 2012–13
A surcharge of 5% of the default amount is imposed on employers who fail to make MPF contributions for their employees. The surcharges received are credited into the relevant employees' MPF accounts.	<p>We issued 252 000 surcharge notices to employers with defaulted cases reported by trustees.</p> <p>We investigated about 20 500 employers regarding contributions and surcharges in arrears.</p>
When a case is substantiated, we persuade the employers concerned to honour their obligations and, where appropriate, initiate civil claims against them.	<p>On substantiated defaulted cases, we filed:</p> <ul style="list-style-type: none"> 47 claims with the District Court on behalf of 1 184 employees 313 claims with the Small Claims Tribunal on behalf of 1 432 employees <p>We made 123 applications for 1 783 employees to liquidators in respect of default contribution cases.</p>
Where sufficient evidence is available, we refer non-compliant cases to the Department of Justice and the Police for prosecution .	<p>We applied for 1 479 summonses in respect of default contribution cases and 96 summonses in respect of non-enrolment cases. As at 31 March 2013:</p> <ul style="list-style-type: none"> 86 employers (involving 981 summonses) pleaded guilty or had been convicted after trial. The total amount of fines imposed was \$2,228,400; and 11 directors/managers of limited companies (involving 131 summonses) had been convicted and fined between \$5,000 and \$36,000 each. <p>We applied for 11 court orders to compel convicted employers to rectify their non-compliance with enrolment and contribution requirements.</p>
The MPFA is empowered under the MPF legislation to impose financial penalties on defaulters.	We imposed 31 financial penalties on 28 repeat defaulters.

PROTECTING THE INTERESTS OF SCHEME MEMBERS (CONTINUED)

ENFORCEMENT ACTIONS AGAINST TARGET GROUPS

Non-Compliant SEPs

We continue to implement measures to enhance the compliance of SEPs. We proactively inspected suspected non-compliant SEPs, tackled SEP default contribution cases reported by trustees and followed up any non-compliant instances identified. Letters and leaflets on MPF rights and obligations were sent to SEPs upon their first joining an MPF scheme.

Scheme Members Making False Statements to Withdraw Accrued Benefits on Grounds of Permanent Departure from Hong Kong

Scheme members who make false declarations in order to withdraw MPF benefits on grounds of permanent departure from Hong Kong¹ are another focus of our enforcement efforts. During the year, summonses were served on 83 scheme members for making false statements in this regard. By 31 March 2013, 59 of them pleaded guilty or had been convicted after trial and had been fined between \$2,000 and \$8,000. We are awaiting the court's decisions for the other cases. On 18 March 2013, a scheme member was sentenced to an eight-month prison term (suspended for three years) upon conviction of making false or misleading statements to MPF trustees in order to withdraw MPF benefits.

More statistics on enforcement actions taken relating to employers and specific target groups are in Part E of the Statistics section.

DETERRENT TO NON-COMPLIANCE

Legislative Amendments

The Mandatory Provident Fund Schemes (Amendment) Ordinance 2012, which commenced operation on 1 November 2012, provides that it is a continuous offence for an employer to fail to pay mandatory contributions and a criminal offence for an employer to fail to pay any sum payable under tribunal or court awards. We believe that the new provisions will enhance the deterrent effect against default contributions by employers.

Non-Compliant Employer and Officer Records

We have maintained a Non-Compliant Employer and Officer Records section in the Enforcement Corner on MPFA's website since mid-2011, to increase the transparency of MPFA's enforcement actions against non-compliant employers. From the database, members of the public can view and search for information on employers and officers with MPF non-compliance records, including criminal convictions and civil awards or judgments. As at 31 March 2013, the database contained 3 510 non-compliance records (comprising 700 criminal conviction records and 2 810 civil awards or judgments).

¹ Under the current MPF legislation, the benefits accrued in a member's account in an MPF scheme are to be preserved until retirement. Permanent departure from Hong Kong is one of the circumstances under which a scheme member may apply for early withdrawal of MPF accrued benefits.

Promotion of Understanding of MPF Legislation

We notice that non-compliance is sometimes due to misunderstanding and/or unawareness of MPF requirements. While we strive to enforce the MPF legislation, we also help members of the public better understand the legislation. We continued to upload landmark enforcement cases and explain common misconceptions about MPF obligations and requirements in the Enforcement Corner on MPFA's website to promote understanding of MPF legislation. A TV drama series on common MPF offences and MPFA's enforcement actions launched in early 2012 was further promoted and rerun on TV panels on public vehicles from April to May 2012 to raise awareness and understanding of MPF requirements.

In April 2012, we issued letters to all employers to remind them of the importance of compliance with MPF obligations under the law and draw their attention to the financial penalty that may be imposed on offenders. To spread the messages more widely, we also placed print advertisements in all local newspapers in June 2012 and advertisements in the publications of six major employers and human resources associations from August to October 2012.

Intelligence Exchange with Stakeholders

To enhance the efficiency of our enforcement efforts, we maintained close communication and exchanged intelligence with relevant stakeholders to enhance the deterrent effect against non-compliant employers and SEPs. We also maintained close contact with labour unions to monitor and keep abreast of the situations of specific industries, especially those which tended to have more non-compliant cases, including the catering, retail, cleaning, security and construction industries.

SUPERVISING THE INDUSTRY

OVERVIEW

Our role

- To approve and supervise MPF trustees
- To register and approve MPF schemes and funds
- To register and supervise MPF intermediaries
- To supervise the operation of occupational retirement schemes ("ORSO schemes")

In 2012–13, we

- Supervised trustees' preparation for and implementation of the changes to the MPF System that came into effect in the year, including the Employee Choice Arrangement ("ECA")
- Launched a Trustee Service Comparative Platform
- Completed a Consultancy Study on MPF Trustees' Administration Costs and commenced developing short-term measures with the industry to improve the MPF System
- Commenced the statutory regulatory regime for MPF intermediaries

As at 31 March 2013,

- There were 19 MPF approved trustees, 41 registered MPF schemes, 469 approved constituent funds and 297 approved pooled investment funds
- Aggregate net asset value of all MPF schemes was \$455.33 billion
- There were 34 131 registered MPF intermediaries, comprising 388 principal intermediaries and 33 743 subsidiary intermediaries
- There were 5 206 ORSO schemes
- The total asset size of ORSO registered schemes was \$261.55 billion

SUPERVISION OF MPF APPROVED TRUSTEES

In 2012–13, the number of MPF trustees remained unchanged from last year at 19. A list of the trustees and their background as at 31 March 2013 is at Appendix 2.

Ongoing Monitoring

We continued to adopt a proactive and risk-based supervisory approach and refine the risk profile of each trustee as a basis for monitoring and supervising trustees via on-site visits, thematic reviews of specific areas of operation and off-site monitoring. Our off-site monitoring effort encompasses investigation of complaints and breaches, review of regular returns, audited financial statements and reports in respect of trustees and the schemes under their trusteeship. We also continued to review fund governance and investment compliance issues relating to MPF funds.

In 2012–13, we received 347 complaints (compared with 269 in the previous financial year) against trustees, most of which were related to customer service, and handling of contributions and transfer requests by scheme administrators. We have been taking actions to follow up and resolve the issues with the trustees concerned. During the year, we assessed 34 and 19 breach incidents relating to non-compliance with scheme administration and investment requirements respectively. Trustees and their service providers were required to take appropriate actions to ensure that all incidents were properly rectified in a timely manner, affected MPF scheme members and MPF funds were appropriately compensated and effective preventive measures were implemented. In addition, 14 financial penalty notices were issued to seven trustees in relation to 14 incidents of non-compliance with the regulatory requirements under the MPF legislation.

We maintained a regular dialogue with trustees on MPF-related issues and worked closely with them to pursue initiatives to enhance the MPF System. There was regular dialogue between senior management of MPFA and the trustees to exchange views on the development of the MPF System, reform initiatives, and ways to enhance the MPF System. Separately, the Trustees Operations Liaison Group, comprising representatives from trustees and MPFA, met three times during the year to discuss the development of information systems, MPF scheme operation issues that are of common interest across the industry, and developments in the MPF System. We also conducted individual meetings with trustees on a regular basis to discuss governance, compliance, operational and trustee-specific issues.

Launch of Trustee Service Comparative Platform

On 28 September 2012, we launched on MPFA's website a Trustee Service Comparative Platform. On the Platform, there is information on the services offered by different MPF schemes of each trustee in respect of fund choice, account administration and customer service. This new tool facilitates comparison of services across trustees by scheme members. Employers and self-employed persons can also refer to the information when selecting trustees and schemes for their employees or themselves. We have prepared a user guide for the Platform and made it available on MPFA's website and offices. A summary of the content of the Trustee Service Comparative Platform is also available in printed form.

SUPERVISING THE INDUSTRY (CONTINUED)

Streamlining and Standardization of Scheme Administration

The MPF System involves scheme administration such as the processing of contributions, the reporting of default contributions, and the processing of fund transfer and withdrawal requests. Over the years, we have been looking into ways to simplify and standardize scheme administration with a view to reducing the costs of the MPF System, thus facilitating fee reduction. In this light, we engaged an independent consultant in late 2011 to analyse the scheme administration costs of the MPF System, and make suggestions on how to better achieve simplicity and cost reduction ("Cost Study"). The results of the Cost Study were released in November 2012. The consultant identified several cost drivers and recommended strategic responses to provide the industry with an overall direction in improving efficiency and achieving simplicity, thereby reducing scheme administration costs.

In the light of the Cost Study, we have commenced developing short-term measures to improve the MPF System. The work included requesting trustees to provide low-fee funds, and facilitating further automation and streamlining of administration processes among trustees, mergers of smaller scale or less efficient schemes and funds, and consolidation of scheme members' personal accounts. We have formed a task force with trustees to make plans for standardizing and simplifying administration processes and encouraging wider adoption of electronic solutions.

We have also put forward to the Government fundamental MPF reform approaches to achieve more substantial fee reductions. Policy directions were subsequently given in the 2013 Policy Address and the 2013–14 Budget on the adoption of a multi-pronged approach to bring down MPF fees. The Government and MPFA are now working together on several long-term reform proposals.¹

Implementation of Changes to the MPF System

We supervised trustees' preparation for, and implementation of the changes to the MPF System that came into effect in 2012–13. We assessed trustees' readiness for the implementation of ECA² and supervised their preparatory work. We also monitored trustees' handling of contributions in the initial period of implementation of the new maximum level of relevant income for MPF contribution purposes that took effect on 1 June 2012, and urged trustees to step up communication with employers.

¹ More information can be found in the chapter "Refining the Regulatory Framework".

² An arrangement to allow employees to elect to transfer the MPF accrued benefits derived from employee mandatory contributions made during current employment and held in a contribution account under an MPF scheme to an MPF scheme of their own choice at least once per calendar year. Details of the implementation of the arrangement are reported in the chapter "Preparing for and Implementing the Employee Choice Arrangement".

SUPERVISION OF MPF INTERMEDIARIES

The number of MPF intermediaries is on the rise. As at 31 March 2013, there were 34 131 registered MPF intermediaries (compared with 30 071 last year), comprising 388 principal intermediaries and 33 743 subsidiary intermediaries.

Table 1. Breakdown of the Number of Registered MPF Intermediaries
(as at 31 March 2013)

	Principal Intermediary	Subsidiary Intermediary	Total
Number of Registered MPF Intermediaries	388	33 743	34 131
By Frontline Regulator			
— the Insurance Authority	329	24 795	25 124
— the Monetary Authority	20	7 321	7 341
— the Securities and Futures Commission	39	1 344	1 383
Total *	388	33 460	33 848

* A subsidiary intermediary, who is registered with MPFA, may be attached to more than one principal intermediary or none (normally, for a period not exceeding 90 days). All subsidiary intermediaries are assigned to their principal intermediary's frontline regulator. Therefore, depending on the specific circumstances, a subsidiary intermediary may be assigned to more than one frontline regulator or may not have any frontline regulator.

Members of the public can check MPF intermediaries' registration status through the public register on MPFA's website or by calling MPFA's hotline.

Statutory Regulatory Regime for MPF Intermediaries

The statutory regulatory regime for MPF intermediaries came into operation on 1 November 2012. All MPF intermediaries are required to register with MPFA before they can carry out sales and marketing activities or give advice in relation to MPF schemes, and are supervised by the regulator of their respective trade (i.e. Hong Kong Monetary Authority, Insurance Authority or Securities and Futures Commission) ("frontline regulators"). In September 2012, we issued a set of MPF Guidelines on Conduct Requirements for Registered Intermediaries to provide the industry with guidance in respect of the minimum standards of conduct expected of MPF intermediaries, and uploaded to MPFA's website a set of Frequently Asked Questions to facilitate understanding of the legislative requirements. Three other sets of MPF Guidelines on Registration, Annual Returns and Continuing Training have also been issued. Operationally, we maintain a close dialogue with the frontline regulators. For instance, for a small number of complaints against MPF intermediaries received so far, we have assessed the cases and passed some of them to the appropriate regulator to consider whether to launch an investigation. Statistics on complaints against intermediaries and enforcement actions relating to intermediaries taken in the period from 1 November 2012 to 31 March 2013 are in Parts D and E of the Statistics section respectively.

MPF intermediaries with valid registration with MPFA immediately before the commencement of the statutory regime are given two years to apply for registration under the statutory regime, if they wish to conduct MPF sales and marketing activities after the transitional period that ends on 31 October 2014. During the transitional period, these intermediaries are subject to the conduct requirements and sanctions in the same way as any other newly registered MPF intermediaries under the statutory regime. New applicants for registration as an MPF intermediary or applicants who had left the industry for three years or more are required to take an MPF intermediary examination. We have updated the relevant study notes and examination questions to take account of ECA and the new regulatory regime.

SUPERVISING THE INDUSTRY (CONTINUED)

Under the new regime, MPFA is empowered to impose disciplinary sanctions on registered intermediaries if they fail to comply with performance requirements or are convicted of an offence under the MPF legislation. For those persons carrying out regulated activities without the appropriate registration, offenders are liable, upon conviction, to a maximum fine of \$5 million and imprisonment for seven years.

Training of MPF Intermediaries

In preparation for the implementation of the new regulatory regime for MPF intermediaries, we had enhanced the training of intermediaries to improve the quality of MPF services provided to scheme members. The training was conducted in three phases. Phase 1, covering “MPF Investment Education Campaign — Making Investment Decisions for Your MPF Life”, was conducted from 2009 to 2010. Phase 2, covering the legislation on, and operational details of ECA and general guidelines for MPF intermediaries, was conducted in 2011. Phase 3, covering the new regulatory regime and conduct requirements for MPF intermediaries, was conducted in 2012 to familiarize intermediaries with the new regime.

Principal intermediaries have the responsibility to arrange for their subsidiary intermediaries to undertake the training and ensure that subsidiary intermediaries are equipped with the relevant up-to-date knowledge about ECA and the new regime before they engage in any MPF sales and marketing activities. In 2012, we held 16 “train-the-trainer” workshops for trainers who were representatives of trustees, promoters and core Continuing Professional Development (“CPD”) activity providers. We closely monitored attendance at training courses, and to ensure consistency and quality, we prepared and distributed a set of standard teaching materials for use in the training and conducted class visits to some training sessions for quality assurance.

To maintain their professional competencies in MPF business, all subsidiary intermediaries must comply with the CPD requirement by undertaking a minimum of 10 hours of CPD activities in each calendar year, with at least two hours devoted to core subject areas. Non-compliance with the CPD requirement may result in suspension or revocation of the registration of the subsidiary intermediaries concerned. As at 31 March 2013, there were 56 activities recognized by MPFA as MPF core CPD activities. We carried out quality assurance checks on these activities, which included vetting the materials used, visiting classes to ensure quality delivery of the activities and reviewing participants’ evaluation of the CPD activities. During the year, we conducted 35 such class visits. In March 2013, we conducted three sessions with course providers to share with them best practices and our assessment of the core CPD activities conducted in 2012.

REGISTRATION AND APPROVAL OF MPF SCHEMES AND FUNDS

As at 31 March 2013, there were 41 registered MPF schemes, 469 approved constituent funds and 297 approved pooled investment funds ("APIFs"). The number of constituent funds available under each registered scheme ranged from 3 to 26 (see Figure 1) and the aggregate net asset value of all MPF schemes was \$455.33 billion.

Figure 1. Number of Constituent Funds per MPF Scheme

(as at 31 March 2013)

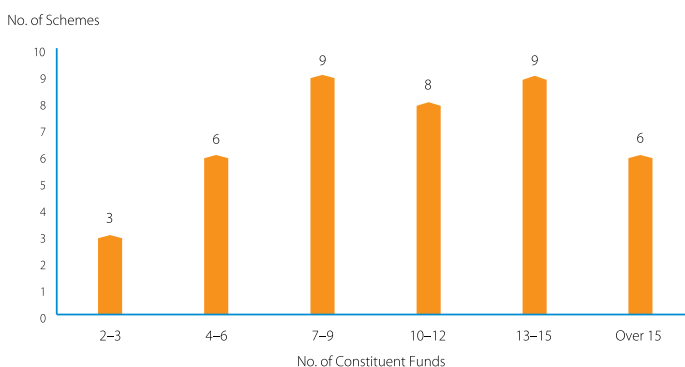


Table 2. Processing Statistics on Registration and Approval of MPF Schemes and Funds

	Number as at 31 March 2012	Terminated/ Withdrawn during the year	Registration/ Approval during the year	Number as at 31 March 2013
Registered Schemes	40	0	1	41
Master Trust Schemes	37	0	1	38
Industry Schemes	2	0	0	2
Employer Sponsored Scheme	1	0	0	1
Approved Constituent Funds	445	1	25	469
APIFs	297	13	13	297
Approved Index-Tracking Collective Investment Schemes	109	0	11	120

Table 3. Analysis of APIFs by Fund Structures

	Unit Trust		Insurance Policy		Total	
	as at 31 March 2012	as at 31 March 2013	as at 31 March 2012*	as at 31 March 2013*	as at 31 March 2012	as at 31 March 2013
Umbrella Funds	25	25	1	1	26	26
Internal Portfolios	178	178	1	1	179	179
Feeder Funds	22	23	8	8	30	31
Portfolio Management Funds	59	58	3	3	62	61
Total	284	284	13	13	297	297

* These refer to Class G insurance policy APIFs.

A list of the registered schemes and their respective underlying constituent funds is at Appendix 3, and more statistics on MPF schemes and funds are included in Part B of the Statistics section.

SUPERVISING THE INDUSTRY (CONTINUED)

Fees and Charges of MPF Funds

Over the years, we noted a steady reduction in the average Fund Expense Ratio³ ("FER"). The average FER of individual constituent funds with financial year-end dates falling within the period from 1 July 2011 to 30 June 2012 was 1.72%. This represents a fall of 17% from the average FER of 2.06% of individual constituent funds with financial year-end dates falling within the period from 1 October 2005 to 30 September 2006 (for which period the ratio was first reported).

According to the Cost Study mentioned earlier, it is anticipated that if all the initiatives recommended by the consultant are implemented and potential benefits are fully realized, coupled with the natural growth of MPF assets, the average FER of individual constituent funds could be reduced by 60 basis points. We consider that the pace and extent of fee reduction will not be fast or large enough if we simply rely on the proposed measures to lower administration costs. We have therefore proposed to the Government some fundamental changes to the MPF System⁴. Meanwhile, we are taking some short-term measures to improve the MPF System with a view to reducing the costs of the System, as mentioned on page 42.

REGULATION OF OCCUPATIONAL RETIREMENT SCHEMES ("ORSO SCHEMES")

The MPFA is the Registrar of Occupational Retirement Schemes. As at 31 March 2013, there were 5 206 ORSO schemes. The total asset size of ORSO registered schemes was \$261.55 billion.

MPF Exempted ORSO Schemes

Prior to the launch of the MPF System, employers operating ORSO schemes had an option to apply for exemption from MPF requirements. Existing members of MPF exempted ORSO schemes had a one-off option to choose between their existing ORSO 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, or to freeze or terminate them.

During the year, 119 MPF exempted ORSO schemes, covering about 700 members, relinquished their exemption status. The number of MPF exempted ORSO schemes as at 31 March 2013 was 3 948, covering about 6 000 employers and 361 000 scheme members. Among these MPF exempted ORSO schemes, 270 were ORSO exempted schemes and 3 678 were ORSO registered schemes.

Termination of ORSO Schemes

During the year, 139 ORSO registered schemes and 38 ORSO exempted schemes (comprising 120 MPF exempted schemes and 57 non-MPF exempted schemes) were terminated. As at 31 March 2013, 80 ORSO schemes (including 49 MPF exempted schemes and 31 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 MPFA. After the termination of these schemes, the number of remaining ORSO schemes would be 5 126, including 3 899 MPF exempted schemes (covering about 360 000 scheme members) and 1 227 non-MPF exempted schemes (covering about 44 000 scheme members).

Based on the information obtained from the 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.

3 Fund Expense Ratio is a ratio that measures the expenses of an MPF fund as a percentage of fund size. The higher the ratio, the higher the percentage of operating expenses to fund size. The ratio is calculated based on data from the most recently ended financial period. It does not reflect the latest expenses or adjustments to fees and charges.

4 Details are described in the chapter "Refining the Regulatory Framework".

Table 4. Asset Arrangements on Termination of the ORSO Registered Schemes Effected in the Period from 1 April 2012 to 31 March 2013

ORSO Asset Arrangements	Number of Schemes	%	Asset Size (HK\$ million)	%
Transferred to MPF scheme	24	17	158	28
Transferred to another ORSO scheme	3	2	77	14
Paid out to scheme members	112	81	327	58
Total	139	100	562	100

Funding of ORSO Schemes

We monitor the funding status of ORSO schemes by examining their annual returns and audited financial statements. In the case of defined benefit schemes, actuarial certificates must be supplied to MPFA at least once every three years. According to the reports received up to 31 March 2013, four out of the 250 defined benefit schemes were under-funded, covering around 400 scheme members. The asset size of these schemes was \$0.3 billion and the total shortfall was \$0.03 billion, representing about 9% of the total assets of these under-funded schemes. For comparison, a year ago, six out of the 254 defined benefit schemes were under-funded with a total shortfall of \$0.3 billion, representing about 25% of the total assets of \$1.1 billion of these under-funded schemes. Shortfalls in the four under-funded schemes were all caused by investment loss. The relevant employers were required to make up the shortfall in funding by making either a lump sum contribution or regular monthly contributions within three years and to submit actuarial certificates annually until the schemes were fully funded. We continue to monitor the situation closely to ensure that contributions are made in accordance with the terms and rules of the schemes 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 4. More statistics on ORSO schemes are set out in Part C of the Statistics section. Information on other operations of MPFA as the Registrar of Occupational Retirement Schemes is presented in Appendix 5.

EDUCATING THE PUBLIC AND REACHING OUT TO THE COMMUNITY

OVERVIEW

Our role

- To educate the public on the MPF System and MPF investment
- To foster continuous community support for the MPF System

In 2012-13, we

- Rolled out new MPF investment education programmes to enhance the public's knowledge of MPF investment
- Educated the younger generation and their parents on the merits of making an early start in financial planning through a variety of school and parenting activities as well as online publicity
- Organized outreach programmes and seminars to deliver information on the MPF System to different target groups and to the community at large
- Publicized changes to the MPF System and MPFA's new initiatives, such as the implementation of the Employee Choice Arrangement ("ECA") and the statutory regulatory regime for MPF intermediaries
- Published over 350 articles and press releases on enforcement and other MPF topics

MPF INVESTMENT EDUCATION

To tie in with the launch of the Employee Choice Arrangement ("ECA"), new MPF investment education programmes were rolled out to educate scheme members on the MPF investment decision-making process, with special emphases on the factors to be considered in fund selection, scheme selection and when and how to adjust fund choices. The programmes took a variety of formats and were launched on different media platforms. On **television**, an interactive game show with short drama and quiz on the MPF System and MPF investment was run. Educational messages on MPF investment were broadcast on **radio** in the form of short segments and a drama cum quiz segment. MPF **Fun Day** and **roving exhibitions** were held in high-patronage shopping malls, with games and free MPF consultation services provided by Certified Financial Planners.



⚙️ Lively and interesting comic strips featuring the comic character "Maggiology" drew the public's attention to MPF investment education messages



⚙️ Investment education roving exhibitions at popular shopping malls attracted a high flow of visitors



⚙️ Experts were invited to share their investment experience with participants at open seminars





A local athlete, a young inventor and a cook book author shared their stories to inspire scheme members to manage their MPF investment proactively

Public seminars on MPF investment, retirement planning and ECA were co-organized with a local university and a media partner respectively. A **video series** on the MPF investment decision-making process was telecast on different platforms including television, smartphone applications, websites and out-of-home media. Three series of **comic strips** featuring a popular local comic character “Maggiology” carrying crisp and punchy MPF investment education messages in graphical and animation formats were run on popular websites, out-of-home platforms and in the print media.

Several publicity campaigns with specific themes relating to MPF investment were rolled out during the year. A thematic campaign on **promoting the proper attitude in managing MPF investment** was launched. Through the sharing of several celebrities’ proactive spirit in their career development on radio and print articles, scheme members were encouraged to adopt such a proactive attitude in managing their MPF investment.

To reinforce public understanding of the key features and relative risk levels of MPF products, a series of print advertisements on the “JJ Five” Band, the icons that represent the five major types of MPF funds, was carried in the print media and escalator panels in MTR stations. Educational columns were run in newspapers to explain the major types of risk in MPF investment and remind scheme members of the issues in relation to **managing the risks** of their MPF investment.

Through a designated publication, a radio drama series and newspaper columns, we provided scheme members with the technical know-how on **MPF fund operation and transaction**.

Radio programmes were launched to encourage the use of various **disclosure tools**, such as Fund Fact Sheet, Offering Document, Annual Benefit Statement, and the Fee Comparative Platform and Trustee Service Comparative Platform on MPFA’s website. To publicize the launch of the Trustee Service Comparative Platform in September 2012, various programmes were rolled out, including the production of a user guide and a summary of the essential information extracted from the Platform for distribution to members of the public. Publicity was also given to the enhanced access to fund performance information on MPFA’s website and the availability of low-fee fund information on the Fee Comparative Platform. A print copy of a list of low-fee funds, covering the 5% of MPF funds with the lowest Fund Expense Ratios (excluding MPF Conservative Funds), was published every quarter.



“JJ Five” characters explain the key features of the five major types of MPF funds

EDUCATING THE PUBLIC AND REACHING OUT TO THE COMMUNITY (CONTINUED)

OUTREACHING PROGRAMMES

We continued to expand our reach to **stakeholders**, including employer groups, labour unions, community organizations, professional bodies, political parties and District Councils, and organize joint programmes with them. 272 such programmes were organized during the year. Further network and liaison points were built up with major chambers of commerce and employer associations, and we collaborated with them by giving talks and contributing articles to their publications. MPF messages were also disseminated at the **community** level through MPF district carnivals and tea gatherings organized in partnership with political parties. We also gave MPF talks and set up enquiry counters jointly with District Council members, and participated in activities organized by labour unions and trade associations to reach out to their members.



Partnership with political parties in organizing district carnivals and tea gatherings to promote the MPF System

Outreaching activities targeting **self-employed persons** (mini-bus and taxi drivers) and **employees and employers under the Industry Schemes** were organized to remind them of their MPF obligations. Letters and leaflets on MPF rights and obligations were sent to self-employed persons who first joined MPF. We have produced leaflets in minority languages and organized train-the-trainer seminars for staff of non-government organizations serving the **ethnic minorities** to help them disseminate MPF messages to the latter.



Reaching out to workers in the catering and construction industries, as well as mini-bus and taxi drivers to spread MPF messages



In collaboration with non-government organizations, we disseminated MPF messages to **job-seekers** and **employees** at their training courses. We continued to organize seminars for newly established small and medium-sized companies to reinforce **employers'** knowledge of MPF compliance. Practical information on how to enrol employees into MPF schemes and make contributions was given in the seminars.

During public events, we recruited members of the public to become **"Friends of MPF"** and sent them MPF information from time to time. During the year, five issues of the *MPFA Newsletter* have been distributed to them to provide updates on MPFA's work, the MPF System and retirement planning information. A workshop on retirement planning was organized specially for them.



⚙️ Publications were sent to Friends of MPF, and a workshop was organized for them



EDUCATING THE YOUNG

We continued to organize a variety of programmes for different youth groups from kindergarten kids to students of tertiary institutions as well as young working adults to educate the youngsters and their families on the importance of saving for the future and to disseminate MPF messages. Where possible, MPF investment education messages were incorporated into these programmes to enhance the overall impact of our education efforts.

For **kindergarten children**, a series of programmes was organized to spread money management concepts to the kids and to disseminate MPF messages to their **parents** and **teachers**, through storybooks, a territory-wide inter-school acting competition, parenting workshops and seminars.



⚙️ A series of parenting programmes was organized, with an inter-school acting competition, training workshops for kindergarten kids, and seminars for their parents



EDUCATING THE PUBLIC AND REACHING OUT TO THE COMMUNITY (CONTINUED)

For **primary school students**, a recognition programme was developed to educate students about proper attitudes towards money management and to disseminate MPF messages to their parents and teachers. Under the programme, task books were developed specifically for primary school students of junior and senior grades. Jointly with a non-government organization, a series of school-based money management workshops was conducted for senior primary school students to expose participants to different simulated scenes related to money management, and seminars for their **parents** were held to disseminate MPF messages.



Primary school students learnt money management concepts through participation in games under a series of money management workshops



For **secondary school students**, 74 skit performances targeting junior form students and 15 sessions of the Other Learning Experience Programme for senior form students were arranged to publicize MPF concepts and proper attitudes towards money management and the merits of making an early start in retirement planning. Posters with money management and MPF messages were distributed to all local secondary schools for display, and a youth booklet was distributed to all secondary school leavers. A training workshop was organized for Liberal Studies teachers to help them apply financial planning concept and MPF knowledge to the secondary school curriculum.



Skit performances and workshops under an Other Learning Experience Programme were held, through which secondary school students learnt about the proper attitude towards money management and the merits of starting early in retirement planning



For **students of tertiary institutions**, a Multimedia Competition on MPF was co-organized with a media partner to enhance the students' knowledge of the MPF System and MPF investment. Training workshops were conducted to equip participants with multimedia production skills as well as knowledge on financial planning and MPF investment. On-campus promotion counters and a dedicated page on an online social media platform were set up to promote the activities, and "netizens" were invited to vote online for their most favourite video and smartphone application produced by the participants.



Winners of the Multimedia Competition on MPF for post-secondary students received awards at the prize presentation ceremony. Before submitting their entries, the participants attended training workshops on multimedia production skills and financial planning



A total of 38 MPF talks were organized in the year for students of tertiary institutions and youth centres to promote MPF messages and the merits of starting early in financial planning including MPF investment planning. At education and job fairs as well as the Education and Careers Expo 2013 organized by the Hong Kong Trade Development Council, we staged exhibition booths and conducted seminars to deliver MPF messages to the visitors.



The MPFA's booth attracted a big crowd at the Education and Careers Expo



EDUCATING THE PUBLIC AND REACHING OUT TO THE COMMUNITY (CONTINUED)

We had explored more opportunities to communicate messages on money management, the MPF System and MPF investment to young people through multimedia tools. MPF messages were disseminated through MPFA's fan page on a popular social networking platform, and a QR code quiz was launched on the fan page to motivate young people to learn more about MPF. A smartphone application MVP (Most Valuable Player) @ Workplace was launched to help spread MPF messages to **young working adults**.



MPF messages are disseminated to young working adults through a smartphone application with practical job seeking information



Members of the public can join an online game by scanning a specific QR code

OTHER EDUCATION AND PUBLICITY ACTIVITIES

Publicity was given to changes to the MPF System, MPFA's new initiatives, and the roles and functions of the MPF System and MPFA. These included the adjustment to the maximum level of relevant income for MPF contribution purposes, the implementation of ECA and the statutory regulatory regime for MPF intermediaries, the results of a consultancy study on MPF trustees' administration costs and proposed directions to reform the MPF System, as well as the initiative to encourage multiple personal account holders to consolidate their accounts. Messages were disseminated by holding press conferences and press briefings, issuing press releases, contributing articles to various publications, and launching publicity on different media platforms. During the year, we issued over 130 press releases on MPFA's enforcement actions and various initiatives, and contributed more than 200 articles to newspapers, magazines and the newsletters of trustees and labour unions, covering the MPF System and MPF investment. The publicity campaign on ECA and the new regulatory regime for MPF intermediaries is described in greater detail in the chapter "Preparing for and Implementing the Employee Choice Arrangement".

During the year, MPFA had produced a corporate video and a corporate brochure to outline MPFA's mission, roles and functions as well as the development and operation of the MPF System. Furthermore, radio segments were produced and broadcast to enhance the public's understanding of the MPF System and the work of MPFA. The video and the brochure were updated in late 2012 to incorporate information on ECA and the new regulatory regime for MPF intermediaries.

⚙ The MPFA's work and the MPF System are introduced in the corporate brochure and corporate video



Riding on the festive mood of the Chinese New Year, a specially designed Chinese New Year painting featuring the "JJ Five" Band and carrying the slogans of the six major decision points of an MPF investment journey was inserted in a popular newspaper for distribution to the public.



⚙ The six decision points in the MPF investment decision making process came along with greetings in a Chinese New Year painting

A list of major public education and publicity activities is set out at Appendix 6.

PREPARING FOR AND IMPLEMENTING THE EMPLOYEE CHOICE ARRANGEMENT

OVERVIEW

Our role

- To prepare for and implement the proposal to expand employees' control over their MPF investments (known as the "Employee Choice Arrangement") ("ECA")

In 2012–13, we

- Issued relevant operational policies and MPF Guidelines to align industry standards and streamline the process of transferring accrued benefits, enhanced training for MPF intermediaries, and supervised MPF trustees' preparatory work, such as upgrading their scheme administration systems and processes and updating MPF scheme documentation and disclosure materials
- Rolled out publicity and communication programmes on ECA in phases
- Launched an electronic platform for transmission of data on transfer of accrued benefits among trustees
- Launched a Personal Account Register
- Implemented ECA with effect from 1 November 2012 and have been monitoring its operation since then

ECA allows employees to transfer from their contribution accounts the accrued benefits derived from the employees' portion of mandatory contributions made during their current employment to an MPF trustee and a scheme of their own choice on a lump sum basis once per calendar year. The purpose of the arrangement is to enhance employees' control over their MPF investments and to encourage them to look after their MPF more actively. ECA is also expected to encourage keener market competition in the long run, putting pressure on the industry to provide better MPF products and services to scheme members and reduce MPF fees. The new arrangement came into operation on 1 November 2012.

Prior to ECA, MPF intermediaries' sales and marketing activities were mainly directed at employers who were responsible for choosing MPF schemes for their employees. It was expected that ECA would expand the selling targets of MPF schemes to cover employees. To enhance the protection of scheme members, relevant legislation was amended, before the launch of ECA, to give a statutory backing to the regulatory regime for MPF intermediaries. The new statutory regime for regulating MPF intermediaries took effect on the same day when ECA came into operation. Before that, we had stepped up the training of MPF intermediaries to enhance their understanding of the new regulatory regime and ECA, thus helping to improve the quality of MPF services provided to scheme members. Details of the new regime and the training arrangements made are set out in the chapter "Supervising the Industry".



⚙️ A wide range of promotional and educational programmes on ECA, featuring an MPF Boss starred by a celebrity, were launched

SYSTEMS AND PROCESSES

Operational Arrangements

Before ECA's launch, we developed and issued a set of MPF Guidelines to provide guidance to the industry on the steps that should be taken in transferring MPF benefits under ECA and the time limit within which the steps should be completed. We had arranged "mystery shoppers" to test the readiness of staff of trustees' call centres for the implementation of ECA and shared the findings with trustees so that they could make improvements. At the same time, trustees had enhanced their scheme administration systems for the implementation of ECA and updated MPF scheme documentation and disclosure materials to include information on new transfer arrangements under ECA.

We have established a formal communication channel with each trustee to monitor ECA-related issues that may require immediate attention. Trustees are also required to submit statistics of their call centres, processing time of transfer cases, and the transfer volumes for our monitoring of transfer activities under ECA and assessment of the adequacy of the resources that trustees have deployed in handling ECA-related enquiries and transactions.

Automation of the Transfer Process

We completed the development of an automated system, known as the electronic Portability Automation Services System ("ePASS"), to facilitate speedy and accurate exchange of data among trustees for transfer of MPF accrued benefits. Before ePASS was launched along with ECA, we had performed thorough testing with the trustees to ensure that the system would work properly in a secure manner, and developed and issued a set of MPF Guidelines on ePASS to provide the industry with guidance on the relevant operational procedures.

Personal Account Register

The legislation that provides for ECA also provides for the establishment of a Personal Account Register by MPFA. If scheme members wish to know the number of personal accounts they have and with which trustees they maintain such accounts, they may approach MPFA to look up the information from the Register. With the information, scheme members may then obtain details of their MPF accounts from the relevant trustees and decide how to manage their accounts. The Register was formally launched at the same time as ECA.

PREPARING FOR AND IMPLEMENTING THE EMPLOYEE CHOICE ARRANGEMENT (CONTINUED)

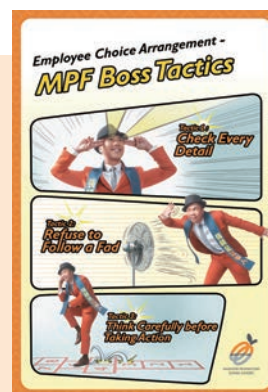
PUBLICITY AND PUBLIC EDUCATION ON ECA

We have been rolling out publicity and public education programmes on ECA since the first quarter of 2012 to explain the key features of ECA to members of the public. To gear up for the commencement of ECA, we have progressively intensified the publicity and education activities since August 2012 to publicize through various channels the operational details of ECA and to remind employees to exercise the new transfer right cautiously. We have conducted hundreds of briefings and talks to explain details of ECA and the new regulatory regime for MPF intermediaries to stakeholders, including talks conducted for employees at employers' premises and a round of briefings at all 18 District Councils. We have mailed to all employers in Hong Kong a letter and a leaflet introducing ECA, together with a poster that allowed them to fill in details of the MPF schemes they have enrolled their staff in for display at their work premises.



- ⚙️ A thematic mini-site on ECA launched on MPFA's website to provide detailed information to the public

- ⚙️ A comic strip series conveying ECA information and key points that scheme members should note about ECA



- ⚙️ New publications were produced and widely distributed to members of the public

Other programmes to publicize ECA and the new regulatory regime for MPF intermediaries included an educational video, a thematic mini-site on MPFA's website, publicity such as briefings, interviews and contribution articles to the local media, and a special issue of the *MPFA Newsletter*. A TV drama series and TV and radio advertisements were broadcast. Outreaching events, including ECA Fun Days, a promotion truck and information panel displays at high traffic MTR stations, were arranged. New publications and giveaway items carrying ECA messages were widely distributed. A comic strips series introducing key concepts of ECA in a light-hearted manner was developed for release on various media platforms. A leaflet was produced to introduce the new regulatory regime for MPF intermediaries and their roles. We also produced a *User Guide for the Public Register of MPF Intermediaries* to provide guidance on how to check the registration status of MPF intermediaries. Advertorials about the new regulatory regime were placed in free tabloids and on MPFA's website.



A poster for filling in key details required in ECA transfer form were directly mailed to all employers for display at work premises for employees' easy reference

SINCE THE COMMENCEMENT OF ECA

The launch of ECA is a significant milestone in the development of the MPF System. We have been closely monitoring ECA's impact on the market and the behaviour of scheme members, in order to assess its effect and identify areas for improvement.



A video was produced to explain the key features of ECA, factors to consider before transferring accrued benefits, points to note when making a transfer, how to fill in a transfer form, and the new regulatory regime for MPF intermediaries



Two versions of TV and radio Announcements in the Public Interest as well as print advertisements were launched before and after 1 November 2012 respectively to publicize the launch of ECA, and explain the factors to consider before transferring accrued benefits and points to note when making a transfer

PREPARING FOR AND IMPLEMENTING THE EMPLOYEE CHOICE ARRANGEMENT (CONTINUED)



- ✦ The MPFA Newsletter Special Issue with a double cover on ECA and the new statutory regulatory regime for MPF intermediaries was published on 1 November 2012 and sent to more than 40 000 subscribers by mail and email. The Newsletter was also available on MPFA's website and at MPFA's offices

The purpose of ECA is to give employees greater autonomy of choice in their MPF investments and encourage them to manage their MPF accounts more actively. So long as scheme members find their current MPF investments suitable for themselves, they are not obliged to exercise their right under ECA and make any change hastily. According to the statistical returns provided by trustees, there were about 58 000 transfer requests made under ECA for the first five-month period from 1 November 2012 to 31 March 2013. The long-term response is yet to be seen.

In late November 2012, we conducted a survey to assess how well scheme members and employers understand the new arrangement. The results revealed a very high level of awareness of ECA among employers and employees, but some interviewees have yet to grasp certain operational details at the time of the survey. We had subsequently refined the messages of the publicity and public education programmes launched in the first quarter of 2013 based on the survey findings.



- ✦ Series of outreaching events from November 2012 to March 2013 included an ECA Promotion Truck touring the 18 districts of Hong Kong and stopping at high-traffic spots and public and private housing estates, and Fun Days in high-traffic shopping malls

INTERNATIONAL EXCHANGES

The MPFA is a member of the International Organisation of Pension Supervisors ("IOPS"). During the year, we contributed to the development and drafting of a number of guidelines, good practices and working papers of IOPS relating to pension regulation and supervision. We shared our regulatory, supervisory and enforcement experience with other IOPS members and learned from their experience by participating in discussion sessions at IOPS meetings. Executive Director (Regulation & Policy) is the Deputy Chair of the Technical Committee of IOPS, which met three times during 2012–13 in France, Chile and Romania.

MPFA representatives also participated in or gave presentations on the MPF System at international conferences. Highlights of these activities are given below.

- 2012 9 MAY** Executive Director (Supervision) gave a presentation on "The Role of Provident Funds in Social and Economic Development" at the International Actuarial Association Fund Meeting in Hong Kong.
- 4–5 JUN** Executive Director (Regulation & Policy) attended the Working Party on Private Pensions Meeting of Organisation for Economic Co-operation and Development ("OECD") in Paris, France.
- 6 JUN** Executive Director (Regulation & Policy) attended the Research Seminar on Pensions Adequacy organized by IOPS, OECD and Network for Studies on Pensions, Aging and Retirement in Paris, France.
- 23 AUG** Executive Director (Regulation & Policy) participated in the Conference on Enhancing Income Support for the Elderly organized by the Hong Kong Council of Social Service in Hong Kong.
- 7 SEP** Chairman gave a keynote address and Executive Director (Regulation & Policy) gave a presentation on "The Employees' Choice Arrangement Regulatory Requirements under MPF" at the Hong Kong MPF Employees' Choice Seminar organized by the Hong Kong Retirement Schemes Association and AsianInvestor in Hong Kong.
- 11 SEP** Executive Director (Supervision) gave a presentation on "The Latest Regulating Updates and their Impact on Financial Planners" at the Financial Planning Conference 2012 hosted by the Institute of Financial Planners of Hong Kong in Hong Kong.
- 18 SEP** Executive Director (Regulation & Policy) gave a presentation on "Mandatory Provident Funds: Aspects of Fund & Manager Selection" at the Fund Manager Selection Asia Conference in Hong Kong.
- 25 SEP** Chairman gave an opening address and Executive Director (Regulation & Policy) gave a presentation on "Regional Pension Overview — An Analysis of the Current System Designs and System Governance" at the 2nd Asia-Pacific 2012 Pensions Forum organized by the Association of Superannuation Funds of Australia in Hong Kong. The Forum was also attended by Chief Operating Officer & Executive Director and Executive Director (Supervision).
- 15 OCT** Executive Director (Regulation & Policy) gave a presentation on "The Evolution of Hong Kong's 2nd Pillar MPF System" at the 8th Asia Conference on Pensions and Retirement Planning in Hong Kong.
- 23–24 OCT** Executive Director (Regulation & Policy) attended the Global Forum on Private Pensions organized by IOPS, OECD and the Superintendencia de Pensiones of Chile in Santiago, Chile.

INTERNATIONAL EXCHANGES (CONTINUED)



11 JUN 2012



12 JUN 2012



20 JUN 2012



28 JUN 2012

29 OCT Executive Director (Regulation & Policy) gave a presentation on “MPF — moving to the Next Stage” at the 6th Annual Conference of Hong Kong Investment Funds Association in Hong Kong.

13–14 DEC Chief Operating Officer & Executive Director and Executive Director (Regulation & Policy) attended the Asian Seminar and Roundtable Auditorium organized by the Hong Kong Monetary Authority, Securities and Futures Commission and OECD in Hong Kong.

2013 14–15 JAN Managing Director, Chief Operating Officer & Executive Director, Executive Director (Regulation & Policy), Executive Director (Supervision) and Executive Director (Corporate Services) attended the Asian Financial Forum 2013 organized by the Government and Hong Kong Trade Development Council in Hong Kong.

1 MAR Chief Operating Officer & Executive Director and Executive Director (Regulation & Policy) attended the Seminar on Pension Developments in the Central & Eastern European Region organized by IOPS, PensionsEurope and Romanian Private Pension System Supervisory Commission in Bucharest, Romania.

During the year, we received more than 20 groups of visitors from overseas and the Mainland, including representatives of governments, regulatory counterparts and relevant organizations. We briefed the delegations on the key features and latest developments of the MPF System, the work of MPFA as well as shared views and experience with them, thereby promoting the understanding and image of the MPF System and MPFA at the international level.

The visitors included:

2012 7 JUN A delegation from Shenzhen Social Insurance Fund Office, led by Vice Director, Mr Du Bin

11 JUN A delegation from Social Insurance General Office of Mongolia led by Director General, Mr Ch.Altankhuyag

12 JUN A delegation from Korea National Pension Service

18 JUN A delegation from Maldives Retirement Pension Office

20 JUN A delegation from China Insurance Regulatory Commission, led by Director of Personnel and Education Department, Education and Training Division, Mr Min Xiangqiang

28 JUN A delegation from the China Securities Regulatory Commission

10 JUL Judicial officials from the Mainland and a delegation from Shantou University Law School led by Professor Michael Palmer, Dean of Shantou University Law School



11 JUL 2012



9 AUG 2012



15 NOV 2012



26 NOV 2012

- 11 JUL** Students from Shantou University Law School
- 8 AUG** A delegation from Organization Department of Shunde District Committee of the Communist Party of China, Foshan
- 9 AUG** A delegation led by Deputy Minister of Finance, Malaysia, Hon Senator Donald Lim Siang Chai
- 11 SEP** A delegation from Ningbo Municipal City Housing and Urban-Rural Construction Committee
- 12 NOV** Mr Julian Adams, Director of Insurance Division, Financial Services Authority, United Kingdom
- 15 NOV** A delegation led by Vice Minister of Ministry of Human Resources and Social Security of the People's Republic of China, Mr Hu Xiaoyi
- 22 NOV** A delegation from Shenzhen Social Insurance Fund Office, led by Vice Director, Mr Huang Shaoqiang
- 26 NOV** A delegation from China Insurance Regulatory Commission, led by Director General of Insurance Consumer Protection Bureau, Ms Li Shiling
- 29 NOV** A delegation from Beijing Municipal Bureau of Financial Work, led by Deputy Director, Mr Ke Yongguo
- 5 DEC** Ms Mo Jielan, Deputy Director of the Yangjiang Municipal Human Resources and Social Security Bureau and Mr Zheng Shi Er, Deputy Director of Shantou Municipal Social Insurance Fund Office
- 6 DEC** A delegation from Shenzhen Human Resources and Social Security Bureau, led by Deputy Director, Mr Chu Gang
- 13 DEC** A delegation from Employees Trust Fund of Brunei
- 2013 15 FEB** Mr Aisake Taito, General Manager and Chief Executive Officer of the Fiji National Provident Fund
- 18 MAR** A delegation from the Vietnam Ministry of Finance led by Vice Minister, Mr Tran Xuan Ha
- 26 MAR** A delegation, led by Executive Vice Mayor, Mr Tu Guangshao, from Shanghai Municipal People's Government



29 NOV 2012

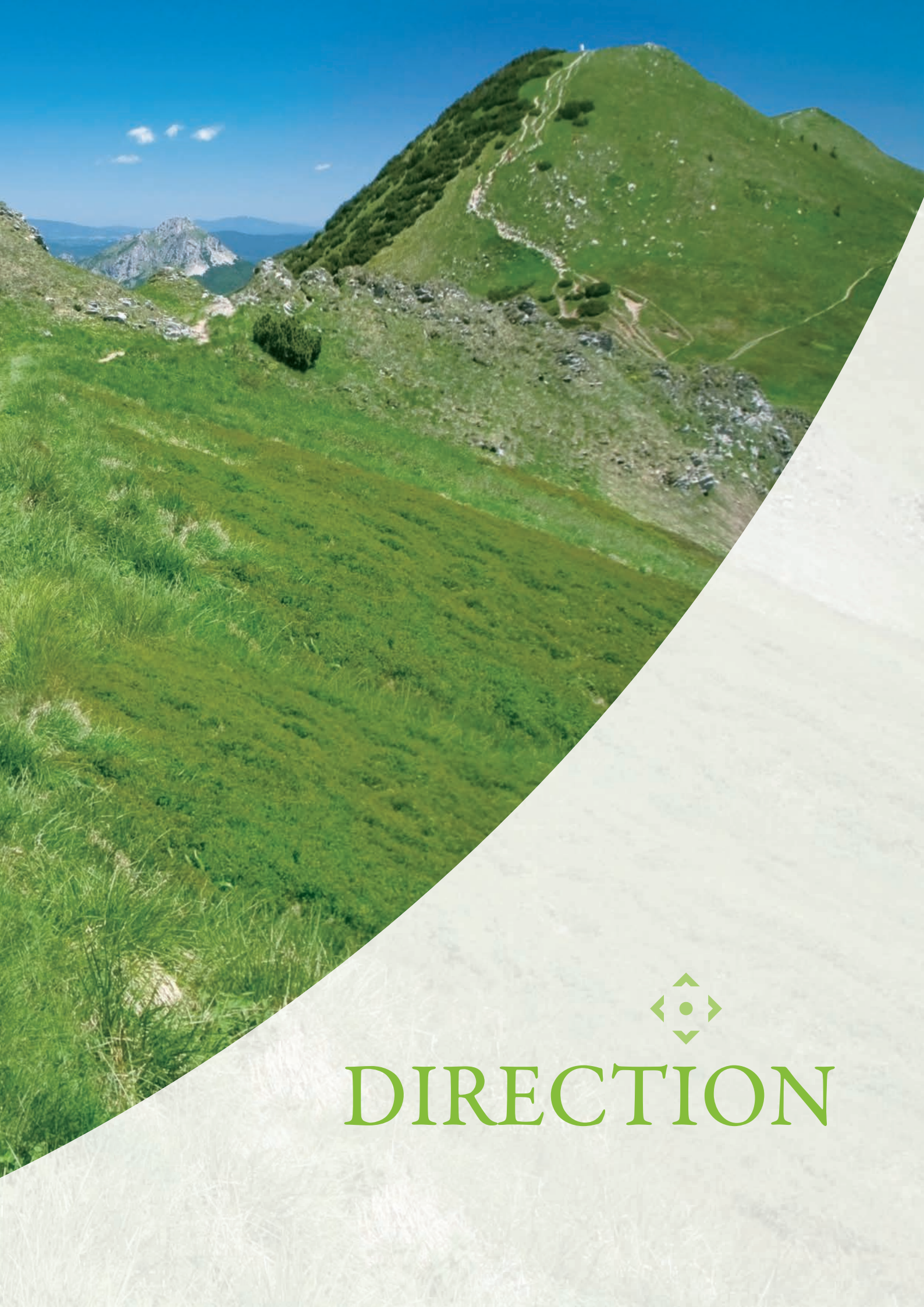


18 MAR 2013



26 MAR 2013





DIRECTION

CORPORATE GOVERNANCE

In fulfilling its regulatory role under the Mandatory Provident Fund Schemes Ordinance ("MPFSO"), MPFA is mindful of the interests of the community and recognizes the importance of fairness, accountability and transparency. To this end, we have put in place a corporate governance framework in line with the requirements of MPFSO and the governance principles and practices applicable to public bodies. The key elements of this framework are explained below.

GOVERNING STRUCTURE



The Management Board

The MPFSO requires that the MPFA Management Board consist of not fewer than 10 directors appointed by the Chief Executive of HKSAR. A majority of the directors are non-executive directors, contributing to an independent and objective decision-making process. With a balance of expertise, experience and background, directors exercise a reasonable degree of care and diligence to ensure that MPFA performs its functions properly. Newly appointed directors are given briefings and information packages to familiarize them with the MPF System and the work of MPFA. Additional information is provided as and when necessary to enable the directors to make informed decisions. The posts of Chairman and Managing Director are separated. The Chairman is a non-executive director providing the Management Board and MPFA with the necessary leadership, while the Managing Director is an executive director and the administrative head responsible for administering the affairs of MPFA subject to the direction of the Management Board.

As at 31 March 2013, MPFA's Management Board has 11 non-executive directors and five executive directors. Information on the directors is set out on pages 16 to 20 of this report and has been promptly published on MPFA's website upon their appointment.

The MPF legislation provides that the terms and conditions of office of MPFA's directors are determined by the Chief Executive of HKSAR. Except for the Managing Director, the authority to determine the terms and conditions of office of executive directors has been delegated to the Financial Secretary. Non-executive directors are not employees of MPFA and are not paid for their service. The remunerations of individual directors of MPFA are disclosed in the notes to the Financial Statements on page 99.

The Management Board performs the functions set out in section 6E of MPFSO. It is responsible for determining key corporate strategies and policies, overseeing the delivery of planned results, endorsing the corporate plan and budget of MPFA, and ensuring that MPFA's operations are conducted prudently and within the framework of applicable laws, regulations and policies. It gives directions to the executives of MPFA for the administration of MPFA's affairs and delegates the management of day-to-day operations to the executives.

The Management Board held nine meetings during the year. The average attendance rate of members was 84%.

Supporting Committees

A number of committees, including standing committees as well as ad hoc committees/working groups on specific projects, have been set up to give advice and assistance to, and perform functions delegated by, the Management Board. The composition and terms of reference of the supporting committees are set out in Appendix 1.

Standing Committees:

The Audit Committee



"Internal audit exercises were conducted during the year according to a five-year internal audit programme endorsed in 2012. The results of these audits as reported by the Risk Management Unit show that control measures in respect of the areas studied are generally adequate and relevant procedures are complied with. Further enhancement opportunities were identified during the exercises."

— Ms Paddy Lui, Chairman of MPFA Audit Committee

During the year, the Audit Committee met twice. The Committee's work included the following:

- reviewed the financial statements of MPFA and the MPF Schemes Compensation Fund for the financial year 2011–12;
- received the half-yearly financial reports for 2012–13;
- considered internal audit reports on the controls and procedures relating to procurement and inventory management activities, receipt process on default contributions recovered and compliance checking on investments through external fund managers; and
- received summary reports on process control audits on the handling of employers' liquidation cases and approval of MPFA's sponsorship programmes.

The average attendance rate of members was 75%.

The Administration Committee



"The leases for a number of MPFA's office premises were due for review during the year. In making recommendations on whether to renew the leases, we have considered MPFA's business needs, and compared the renewal terms with those of other offers available."

— Hon Ip Kwok-him, Chairman of MPFA Administration Committee

During the year, the Administration Committee met twice. The Committee considered various human resources and general administration matters, including appointment matters concerning executive directors, the manpower plan and proposed budget for 2013–14, remuneration matters and office accommodation arrangements. The average attendance rate of members was 90%.

CORPORATE GOVERNANCE (CONTINUED)

The Finance Committee



"The current investment strategy of MPFA's Capital Grant is based on recommendations made in 2004. In 2012, a review of the strategy was initiated, re-visiting MPFA's investment objectives, risk tolerance, investment preferences and constraints. While MPFA should remain prudent and conservative in managing public money, we believe there are opportunities for MPFA to pursue a better possible return at an acceptable risk tolerance level."

— Mr Philip Tsai, Chairman of MPFA Finance Committee

During the year, the Finance Committee held four meetings. The matters considered included the investment guidelines, strategy and performance of the Capital Grant and the MPF Schemes Compensation Fund, the audited financial statements for 2011–12, the half-yearly financial reports for 2012–13, the proposed budget for 2013–14 and other financial control issues. The average attendance rate of members was 95%.

The Guidelines Committee



"With the implementation of major projects, like the Employee Choice Arrangement and the statutory regulatory regime for MPF intermediaries this year, we have to prepare a series of new guidelines to elaborate on the statutory requirements and amend existing guidelines to reflect the changes to the legislation. Careful consideration is given to every detail to ensure that industry practitioners are provided with clear guidance."

— Hon Anna Wu, MPFA Chairman and Chairman of MPFA Guidelines Committee

The Guidelines Committee met twice during the year. Seven sets of new MPF Guidelines, eight sets of amended MPF Guidelines and one amended Code were endorsed by the Committee. The average attendance rate of members was 88%.

The Tender Board

There was no tender submitted to the Tender Board for consideration during the year.

Ad hoc Committees/Working Groups:

The Working Group on Review of Withdrawal of MPF Benefits



"We are glad that members of the public have shown clear support for the proposals to increase flexibility with regard to the withdrawal of MPF accrued benefits. This forms the basis for the legislative proposals that MPFA and the Administrations are working on for introduction into the Legislative Council in the 2013–14 legislative session."

— Hon Anna Wu, MPFA Chairman and Chairman of Working Group on Review of Withdrawal of MPF Benefits

The Working Group held one meeting during the year to consider the results of the public consultation on withdrawal of MPF benefits, covering the grounds for early withdrawal and the mode of benefits payment. The attendance rate of members was 100%.

The Working Group on MPF Reform Issues



"The MPF System is a social policy aimed at providing retirement benefits to the working population. Purely relying on market forces to set fee levels may not be enough and more needs to be done. With the System entering its second decade of operation, it is time to consider more substantial changes."

— Hon Anna Wu, MPFA Chairman and Chairman of Working Group on MPF Reform Issues

During the year, the Working Group held four meetings to discuss measures to drive down the fees of MPF. The average attendance rate of members was 81%.

Project Steering Committee on Consultancy Study on MPF Trustees' Administration Costs



"The consultant has recommended measures to improve the efficiency of the administration processes and simplify the MPF System. The improvement measures would require the concerted efforts of four parties: trustees and sponsors to provide low-fee funds; scheme members and employers to modify their way of managing their MPF accounts, such as consolidating their accounts and using online services; MPFA to continue with MPF System enhancement initiatives, such as facilitating trustees' use of electronic platforms; and the Government to clearly define the role of MPF in Hong Kong's retirement protection."

— Mr John Poon, Chairman of Project Steering Committee on Consultancy Study on MPF Trustees' Administration Costs

The Steering Committee held five meetings during the year to steer and discuss the results of the Consultancy Study on MPF Trustees' Administration Costs and consider the way forward. The attendance rate of members was 100%.

Working Group on Review of Adjustment Mechanism for Minimum and Maximum Levels of Relevant Income



"In devising an adjustment mechanism for the minimum and maximum relevant income levels, we will consider the use of available statistical information on employee earnings and take into account new developments in relation to income parameters. During the process, we are mindful of the importance of striking a balance between immediate and retirement needs, upholding the fundamental principle that MPF is a retirement scheme."

— Mr Philip Tsai, Chairman of Working Group on Review of Adjustment Mechanism for Minimum and Maximum Levels of Relevant Income

The Working Group met twice during the year to consider a recommended adjustment mechanism for the minimum and maximum levels of relevant income for MPF contribution purposes. The average attendance rate of members was 75%.

CORPORATE GOVERNANCE (CONTINUED)

The table below sets out the attendance of individual directors at Management Board, Committee and Working Group meetings in 2012–13.

Attendance of directors at meetings

	Management Board	Audit Committee	Administration Committee	Finance Committee	Guidelines Committee ¹	Tender Board	Working Group on Review of Withdrawal of MPF Benefits ¹	Working Group on MPF Reform Issues	Project Steering Committee on Consultancy Study on MPF Trustees' Administration Costs	Working Group on Review of Adjustment Mechanism for Minimum and Maximum Levels of Relevant Income ¹
Number of meetings held during the year	9	2	2	4	2	0	1	4	5	2
Attendance of directors										
Hon Anna Wu Hung-yuk	8/9		2/2	3/4	2/2		1/1	4/4		
Ms Li Fung-ying ²	5/8		2/2				1/1			2/2
Hon Andrew Leung Kwan-yuen	6/9					0/0				1/2
Hon Wong Kwok-kin	5/9	0/2								
Mr Rimsy Yuen Kwok-keung ³	2/2				0/0		1/1			
Hon Ip Kwok-him	7/9	2/2	2/2					1/4		
Ms Paddy Lui Wai-yu	5/9	2/2							5/5	
Mr John Poon Cho-ming	9/9			4/4		0/0		4/4	5/5	
Mr Philip Tsai Wing-chung ⁴	8/9	2/2		4/4				3/3	5/5	2/2
Mr Horace Wong Yuk-lun ⁵	3/5				0/0					
Hon Poon Siu-ping ⁶	1/1		0/0							
Secretary for Financial Services and the Treasury ⁷	7/9									
Secretary for Labour and Welfare ⁸	8/9									
Mrs Diana Chan Tong Chee-ching	9/9		1/2 ⁹	4/4						
Ms Hendena Yu ¹⁰	2/2									
Ms Alice Law Shing-mui ¹¹	6/7 ¹²									
Mr Darren Mark McShane	8/9 ¹²				2/2					
Mr Thomas Yiu Kei-chung	9/9		2/2	4/4		0/0				
Ms Cynthia Hui Wai-yee	9/9									

Notes:

- Attendance of co-opted members not included in this table
- Retired with effect from 17 March 2013
- Resigned as a director with effect from 1 July 2012 and ceased to be a member of Guidelines Committee on the same day
- Appointed as a member of Working Group on MPF Reform Issues from 17 July 2012
- Appointed as a director with effect from 1 October 2012 and a member of Guidelines Committee with effect from 23 November 2012
- Appointed as a director with effect from 17 March 2013 and a member of Administration Committee with effect from 22 March 2013
- Six meetings attended by alternate director
- Seven meetings attended by alternate director
- Absent from one meeting at which the re-appointment of the Managing Director was discussed
- Retired with effect from 3 July 2012
- Appointed as a director with effect from 16 July 2012
- Absent from a meeting whilst away for duty visit

ACCOUNTABILITY AND TRANSPARENCY

Management of Conflicts of Interest

Directors are required to make a general disclosure of their interests, such as remunerated directorship and employment, on appointment to the Management Board, review the disclosed information on an annual basis, and notify the Secretary of the Board promptly of any changes to such information. Directors are also required by legislation to report the nature of a pecuniary interest in a matter placed before the Management Board if the interest appears to raise a conflict with the proper performance of the director's duties in relation to the consideration of the matter. Particulars of the disclosure made at Management Board meetings are recorded in a register available for public inspection.

Corporate Planning

Section 6J of MPFSO requires that before the end of each financial year, MPFA should submit a corporate plan and budget for the next year to the Financial Secretary of HKSAR. The corporate plan must specify the objectives for the year, the nature and scope of the planned activities and the estimated expenditure for achieving the objectives. The progress of implementation of the corporate plan is monitored and reviewed regularly. A review of the budget is carried out in parallel with a mid-year review of the corporate plan, with any proposed adjustments submitted to the Financial Secretary for approval. A full year review of the corporate plan is conducted with the results submitted to the Financial Secretary in the context of the next proposed corporate plan. The achievement of the initiatives and goals set out in the corporate plan are reported in this annual report.

Financial Resources

The operations of MPFA are financed by the investment returns generated from a one-off Capital Grant of \$5 billion from the HKSAR Government and by fees and charges collected. The annual registration fee provided under MPFSO payable by MPF trustees in respect of MPF schemes is intended to be a major source of recurrent income for MPFA, but its collection has been held in abeyance since inception of the MPF System. Currently, fee income comprises mainly fees collected in respect of ORSO schemes. As at 31 March 2013, the balance of the Capital Grant was \$4.98 billion. We continued to exercise stringent control over our spending and prudence in preparing the annual budget. For details of the financial position of MPFA, please refer to the financial statements on pages 82 to 103.

Reporting and Communication

In accordance with section 6I of MPFSO, we deliver an annual report, together with audited financial statements and auditor's report, to the Financial Secretary of HKSAR. The financial statements comply with the 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 in writing by the Financial Secretary under section 6N(3) of MPFSO.

For seven years in a row, our annual report has won Best Annual Reports Awards of the Hong Kong Management Association. The report for 2011-12 won a Bronze Award under the non-profit making and charitable organizations category.

The news and development of the MPF System and MPFA are communicated to the public through different channels including press releases, the quarterly *Statistical Digest* and *MPFA Newsletter*, pamphlets and other publications. Considering the efficiency of using the internet as a communication channel, useful information and tools are made available at MPFA's website to facilitate the public's understanding of the MPF System. The website was revamped during the year to enhance its content, functions and interactivity.

CORPORATE GOVERNANCE (CONTINUED)

Performance Pledges

A system is in place to monitor the attainment of service standards and the achievement of operational targets. The achievement of our pledges to the public in the 2012-13 financial year is set out in the table below.

Achievement of Performance Standards in 2012-13

Service	Service Standard	Performance Achieved
Call Centre Service (Hotline 2918 0102)		
(1) Answering hotline enquiries and messages	A. Answer hotline enquiries within 3 minutes under normal circumstances (i.e. not more than 600 incoming calls a day)	99.24%
	B. Reply hotline voice mail messages within the next working day	100%
(2) Answering written enquiries	A. Acknowledge receipt within 3 working days	100%
	B. Answer general enquiries within 10 working days	100%
	C. Provide an interim reply within 10 working days for enquiries requiring more processing time	100%
(3) Complaint acknowledgement	Acknowledge receipt within 3 working days	100%
Complaints Investigation (Complaints relating to employers' non-compliance)		
(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	99.83%
(2) Responding to enquiries by complainant/complaine on investigation progress	Inform complainant/complaine of investigation progress within 3 working days	100%
(3) Informing complainants of enforcement actions — Cases involving prosecution	A. Inform complainant of the plea date in writing within 7 working days upon receipt of Plea Date Notice	100%
	B. Notify complainant of prosecution results within 10 working days from the date of receiving court's decision	100%

Supply and Disclosure of Information

In 2012-13, MPFA received 10 requests under the Code on Access to Information and followed the required procedures set out in the Code in processing the requests.

INTERNAL CONTROLS

We put in place an internal control system governing financial and non-financial matters to provide assurance regarding the effectiveness and efficiency of operations, reliability of internal and external reporting, and compliance with applicable laws, regulations and internal policies.

Internal Audit and Management Review

The MPFA's internal audit function is performed by the Risk Management Unit which has unlimited access to operational information for discharging its duty. It reviews the adequacy of and compliance with operational policies, procedures and controls and identifies areas for improvement. Reporting to the Managing Director, the Unit provides an independent assessment of internal controls in line with the guidelines and standards on internal audit promulgated by the Hong Kong Institute of Certified Public Accountants. Findings are reviewed by the executive management and reported to and considered by the Audit Committee, which reports to the Management Board directly to ensure objectivity and independence. During the year, it reviewed the receipt process on default contributions recovered, compliance checking on investments through external fund managers, human resources related procurement activities, inventory management activities in relation to office equipment, furniture and supplies item, and process controls on handling employers' liquidation cases and approval of MPFA's sponsorship programmes.

Risk Management

We have been implementing 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 treatments of identified risks, and are reviewed and updated annually during the corporate planning process. Furthermore, regular security risk assessments of information technology infrastructure and application systems are conducted. In 2012–13, a security assessment was performed for the revamped corporate website, web-based applications, desktop workstations, email servers, etc. Recommendations to enhance security of the areas assessed were subsequently reviewed and implemented.

We have also put in place a set of policies and procedures for maintaining the continuity of our vital business functions in case of a market contingency or physical disaster situation. In January 2013, a disaster recovery drill was conducted in respect of our information technology system to familiarize staff with the recovery procedures for continuing the operation of critical computer systems in the event of a disaster. In March 2013, a staff communication drill was conducted to test the effectiveness of and to familiarize colleagues with the relevant communication channels and the communication flow in the event of an emergency or crisis.

In December 2012 we participated, jointly with other local financial regulators, in a cross-market contingency exercise co-ordinated by the Financial Services and the Treasury Bureau. The purpose of the exercise was to test the information flow within and among participating organizations, participants' responses to emergency scenarios and their handling of public and media reactions. After the exercise, we became more familiar with the flow and procedures of communication with the Government and other regulators in case of emergency.

Code of Conduct

To promote high ethical standards and fair dealings in the conduct of its business, MPFA has adopted a Code of Conduct that must be observed by all of its employees. The Code sets out the expected standards of behaviour and reminds staff of their legal and contractual obligations to MPFA. It also provides specific guidelines on various issues, such as confidentiality of information, offer and acceptance of advantages, avoidance of conflicts of interest and declaration of financial and other interests. A copy of the Code is provided to all employees. Periodic reminders are circulated to staff regarding the rules on declaration of interests and acceptance of gifts. Procedures are in place to facilitate the reporting and handling of suspected improprieties.

INDEPENDENT CHECKS AND BALANCES

Reviews

To ensure adequate control measures and fairness in operational procedures and to identify areas for improvement, we invite external firms to conduct reviews of our operations from time to time. During the year, an external consultant was engaged to conduct a study on the remuneration for MPFA's staff. We also started an organization structure review.

The financial statements of MPFA are subject to audit by an external auditor which is not engaged in any other non-audit services for MPFA. PricewaterhouseCoopers continued to be MPFA's external auditor in the financial year 2012–13.

Appeal Boards

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

CORPORATE SOCIAL RESPONSIBILITY

Sustainability is at the heart of MPFA's operations. In fulfilling our mission, we work towards a sustainable future through our commitment to the retirement protection of Hong Kong's workforce. In our daily operations, we contribute to the sustainable development of the community by pursuing initiatives that help bring about a greener environment, a caring society, and a happy workforce in the organization.

THE ENVIRONMENT

We adopt environmentally-friendly practices in our operations. Efforts have been made to reduce consumption of paper and energy and to reuse and recycle resources.

Automation of processes would not only enhance operational efficiency but also help protect the environment by reducing paper usage. Many of our administrative procedures have been automated. These include the handling of applications for annual leave, claims for reimbursement of local travelling expenses, and booking of office meeting rooms. We also encourage our staff to file tax returns to the Inland Revenue Department online and to choose to receive medical insurance claim settlement advices by email. To reduce paper records, we established an electronic filing system in 2005 and have since been promoting its wider usage. We further reduce paper consumption by promoting the practice of double-sided printing, producing staff publications, such as *Corporate Bulletin* and *The Orchard*, in electronic version only, and subscribing to electronic versions of journals if these are available. The MPFA was awarded in 2012–13 the Class of Excellence Wastewise Label for the third consecutive year by the Hong Kong Productivity Council in recognition of our efforts in reducing and avoiding waste.

We also encourage the use of electronic platforms among the industry to enhance efficiency, which would also contribute to environmental protection. With the launch of the electronic Portability Automation Services System during the year, MPF trustees can transmit electronically among themselves data on scheme members' requests for transfer of accrued benefits, reducing the need to pass around hard copies of documents. We are exploring the feasibility of electronic solutions for other business areas, such as processes in the course of supervising MPF intermediaries.

Regarding reduction in energy consumption, we have more frequent Green Days in 2012–13, on which lighting for the general office areas was switched off for fixed durations. Office equipment such as copiers, shredders, printers and water dispensers are installed with timers to disconnect the power supply automatically after office hours.


To encourage reuse and recycling of resources, clearly labelled recycle bins are placed in our offices to collect waste paper, plastics, aluminium cans and glass bottles for recycling. Recycled paper is used for producing certain office stationery, such as letterheads and name cards. We also collect used printer cartridges for recycling and donate old computer equipment to charitable organizations. A goods exchange platform is maintained to encourage staff to exchange items, such as household products, that they no longer need but are still in good condition.

THE COMMUNITY

We support and encourage staff's involvement in voluntary services through the organization's participation in charitable activities and the operation of the MPFA Volunteer Team. During the year, the Volunteer Team mobilized our staff, their family members and friends to give over 1 300 hours of services to the community. Activities included the following:

- The elderly — the Volunteer Team joined a local social service group to distribute festive food to the elderly during the Dragon Boat Festival and Mid-Autumn Festival. Members also participated in longer-term programmes, offering assistance to elderly tenants affected by the demolition of So Uk Estate, and paying visits and making calls to elderly residents in the Wong Tai Sin district;



 Volunteer Team members posed for a photo before setting off to visit the elderly

- Students with special needs — supported by funds raised among MPFA staff, an outing and a Christmas party were organized for students of the Hong Kong Red Cross Princess Alexandra School. With management's support, summer internship placements were offered to two students from the school in 2012;



 The Volunteer Team organized a Christmas party for the Hong Kong Red Cross Princess Alexandra School

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

- Needy families — members of the Volunteer Team, together with their friends and families, joined an 18-month programme to deliver basic health education to families participating in the programme;
- Fund-raising events — MPFA staff took part in several fund-raising events organized by the Community Chest, including the Green Day, Dress Casual Day and Skip Lunch Day, and won an award in the Dress Casual Day photo competition. Hiking Club members participated in the Sowers Action Challenging 12 Hours Charity Marathon to raise funds in support of education for students in mountainous regions on the Mainland. Volunteer Team members provided support at the finishing point during the Sowers Action event and at the “Beat the Banana!” charity run organized by World Cancer Research Fund Hong Kong; and
- Other volunteer programmes — MPFA staff participated in a disaster drill in the airport at the call of the Agency for Volunteer Service.

Outside Hong Kong, some of our staff members provided financial and other support, through the China Care Fund, to students in the Guangdong, Guangxi, Qinghai and Gansu Provinces. Some of these students have commenced university studies after completing three years’ high school with such support.

OUR STAFF

At MPFA, we treasure our staff as our most valuable asset. We accord high priority to maintaining the competitiveness of our remuneration, providing sufficient training and career development opportunities to our staff, maintaining a congenial working environment and nurturing a culture of sharing and communication, with a view to fostering an engaged workforce.



MPFA's winning entry in the Dress Casual Day photo competition



Participation in the Sowers Action charity marathon

Staffing

The approved headcount as at the end of the previous financial year (2011–12) was 703. During 2012–13, the manpower requirements of various divisions/departments were reviewed and staff resources were redeployed to strengthen the supervision and regulation of MPF intermediaries. The resulting approved headcount as at 31 March 2013 was 691. The staff cost to total expenditure ratio for the year was 61.48%, and the staff turnover rate was 11.90%.

Remuneration, Benefits and Staff Development

The remuneration package of MPFA comprises a fixed basic salary and a discretionary variable pay. Fringe benefits include annual leave, medical and dental benefits, insurance coverage and MPF. With the Management Board's approval, a variable pay for 2012–13 and an adjustment in fixed pay with effect from 1 April 2013 were granted to eligible staff, having regard to their individual performance.

During the year, we established an MPFA Training and Development Framework to provide a structure for our training and development activities and a basis for consistent and advance planning of our training resources. Programmes were rolled out according to the annual training plan drawn up on the basis of the Framework. We nominated staff to attend or speak at seminars and conferences to facilitate both local and international exchange and widen their professional exposure and network. In 2012–13, there were 2 586 instances of staff attending training programmes, seminars and conferences. The training programmes included knowledge sharing sessions, management development programmes, and training courses on business knowledge, technical/professional skills (such as those related to legal, accounting and finance, information technology, human resources and project management) and soft skills (such as presentation skills, writing skills, customer servicing skills and problem solving skills). A Putonghua self-learning kit was also produced to equip front-line staff with the skills to deal with Putonghua-speaking customers.


In terms of career development opportunities, 40 staff members were promoted to higher positions and 20 staff members were transferred laterally to other positions to develop their capabilities and enrich their organization and job knowledge.

MPFA has been awarded the "Manpower Developer" title for two years from 2013 to 2015 under the Employees Retraining Board's "ERB Manpower Developer Award Scheme" to recognize its achievements in manpower training and development. This is an affirmation of our efforts in cultivating a strong learning culture in the organization.



 Awarded the "Manpower Developer" title



 Snapshots at training classes



CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Culture Building

We strive to promote the core values of “Commitment”, “Quality”, “Teamwork” and “Community Perspective” in our organization development and team building activities to nurture a corporate culture that fosters trust, embraces change and values teamwork. During the year, the Managing Director and her senior management team conducted a series of face-to-face communication sessions with all staff members, at which participants were free to share their thoughts and give comments and suggestions on matters relating to the MPF System and MPFA. We also maintained regular communication across the organization through various channels, including a quarterly *Corporate Bulletin* on corporate business news and the quarterly staff newsletter, *The Orchard*, on staff news.

We give recognition to our staff who demonstrate well the corporate core values in their work. A total of 83 recognitions, namely, Customer Service Award, Community Participation Award and Service to MPFA Award, were awarded to staff members and two departments this year. Separately, under the Long Service Award Scheme, 11 colleagues who had completed 10 years of continuous service were granted awards in appreciation of their long service and dedication to MPFA.

Externally, MPFA staff members have been recognized for their service excellence by third parties. In 2012–13, 20 staff members received commendations from members of the public. Over the past ten years, a total of 16 staff members have won the Ombudsman’s Awards for Officers of Public Organizations, two of which were won in 2012.



Two inspectors who won the Ombudsman’s Awards shared their joy with colleagues at the award presentation ceremony

Employee Wellness

The MPFA takes measures to promote the physical, mental and social well-being of our staff. We follow the occupational safety and health legislation to assess and re-assess the risks of workstations to the safety and health of users, as and when necessary, and conducted 212 such assessments in 2012–13. We have made available a video produced by the Occupational Safety and Health Council to be run on staff members’ computers at specified intervals reminding them to do stretching exercises to relieve the physical stress caused by prolonged use of computer equipment.

We maintain a team of first aiders recruited from among our staff and provide them with appropriate training. Staff members can help themselves to basic health check equipment and health care information available at Health Check Corners to monitor their health situation. Besides, we provide personal hygiene advice to our staff members during flu seasons.

The MPFA was awarded “Excellent Class” certificates under the Indoor Air Quality (“IAQ”) Certification Scheme by the Government’s IAQ Information Centre for the second consecutive year in recognition of the good IAQ management of our offices. To further improve our work environment, we have set up Premises Management Committees at respective offices to collect comments and recommendations from staff on office premises management issues. We also reviewed our accommodation needs and, in accordance with our requirements, renewed expiring leases for some of our offices.

Under the Employee Assistance Programme, counselling services are provided by qualified professionals to help staff cope with workplace stress and personal issues. A series of lunch seminars on emotional well-being and physical health related topics were also organized during the year to raise staff’s awareness of health issues.



At a consultation session, a physiotherapist assessed the spine of each participant and answered questions on spine health



Staff of different departments and office locations enjoyed themselves at the Wellness Fantasia



Competing teams posed at the staff bowling competition



At a leather DIY workshop, participants learnt how to make cardholders and purses



Management Board and committee members shared a joyful evening with staff at the Annual Dinner

The MPFA Basketball Team was second runner-up at the Supervisory Cup Basketball Competition 2012



Through the Staff Welfare Committee, we organize numerous social activities for our staff. Activities during the year included a bowling competition, interest classes ranging from art and craft creation to cake decoration, day-tours to the countryside, an inter-departmental event "Wellness Fantasia" and an annual dinner. The interest clubs formed under the Committee, such as Basketball Club, Hiking Club, Photo Club, Parents Club and Soccer Club, continued to share useful information and organize activities for the enjoyment and relaxation of staff and their family members.

MPFA — A CARING ORGANIZATION

For eight consecutive years, we have been awarded the Caring Organization logo under the Caring Company Scheme of the Hong Kong Council of Social Service in recognition of our ongoing commitment to caring for our staff, the environment and the community. We are also delighted that three MPFA Volunteer Team members were selected as MPFA's Caring Ambassadors under the Caring Organization Scheme to recognize their efforts in actively supporting our community programmes.



MPFA's Caring Ambassadors received their certificates from Executive Director (Corporate Services)

VISION





INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT BOARD OF THE MANDATORY PROVIDENT FUND SCHEMES AUTHORITY (THE "MPFA")

(Established in Hong Kong under the Mandatory Provident Fund Schemes Ordinance)

We have audited the financial statements of the MPFA set out on pages 83 to 103, which comprise the statement of financial position as at 31 March 2013, the income and expenditure account, the statement of comprehensive income, the statement of changes in capital and reserve and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

THE MANAGEMENT BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 about 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 of financial statements that give a true and fair view 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 the MPFA's affairs as at 31 March 2013, and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2013

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2013

	NOTES	2013 HK\$	2012 HK\$
INCOME			
Fee income		17,770,950	7,229,050
Interest income on bank deposits		4,534,220	4,709,968
Net investment income	7	260,780,071	237,121,840
		283,085,241	249,060,858
Other income		8,038	70,508
		283,093,279	249,131,366
EXPENDITURE			
Staff costs	9	294,933,940	263,962,101
Depreciation and amortisation	12, 13	12,091,008	15,423,721
Premises expenses		65,346,054	54,668,331
Public education and publicity expenses		61,636,930	31,755,234
Investment expenses		14,521,460	14,933,965
Other operating expenses		31,208,281	31,741,487
		479,737,673	412,484,839
DEFICIT FOR THE YEAR		(196,644,394)	(163,353,473)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

The MPFA had no components of comprehensive income other than “deficit for the year” in either of the years presented. Accordingly, no separate statement of comprehensive income is presented as the MPFA’s “total comprehensive loss” was the same as the “deficit for the year” in both years.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 March 2013

	NOTES	2013 HK\$	2012 HK\$
NON-CURRENT ASSETS			
Property and equipment	12	10,745,721	14,977,383
Intangible assets	13	7,979,732	9,787,559
Projects in progress	14	10,108,121	5,503,927
		28,833,574	30,268,869
CURRENT ASSETS			
Investments designated at fair value	15	4,495,189,415	4,712,848,107
Derivative financial instruments	16	5,957,366	2,431,206
Unsettled investments receivable		25,815,453	51,780,818
Debtors, deposits and prepayments		25,990,225	27,781,880
Bank deposits		212,083,245	230,555,600
Cash and cash equivalents		899,314,599	909,762,954
		5,664,350,303	5,935,160,565
CURRENT LIABILITIES			
Derivative financial instruments	16	806,270	6,495,918
Unsettled investments payable		676,356,702	738,518,035
Creditors and accrued charges		34,383,594	42,052,576
Fees received in advance		3,779,150	3,860,350
		715,325,716	790,926,879
NET ASSETS			
		4,977,858,161	5,174,502,555
CAPITAL AND RESERVE			
Capital grant	17	5,000,000,000	5,000,000,000
Income and expenditure account		(22,141,839)	174,502,555
		4,977,858,161	5,174,502,555

The financial statements on pages 83 to 103 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 26 June 2013 and are signed on its behalf by:

Diana Chan
Managing Director

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN CAPITAL AND RESERVE

for the year ended 31 March 2013

	Capital Grant HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2011	5,000,000,000	337,856,028	5,337,856,028
Deficit for the year	—	(163,353,473)	(163,353,473)
At 31 March 2012	5,000,000,000	174,502,555	5,174,502,555
Deficit for the year	—	(196,644,394)	(196,644,394)
At 31 March 2013	5,000,000,000	(22,141,839)	4,977,858,161

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	2013 HK\$	2012 HK\$
OPERATING ACTIVITIES		
Deficit for the year	(196,644,394)	(163,353,473)
Adjustments for:		
Depreciation and amortisation	12,091,008	15,423,721
Gains on disposals of property and equipment and intangible assets	(87,102)	(75,749)
Interest income on bank deposits	(4,534,220)	(4,709,968)
Interest income on investments designated at fair value	(91,123,794)	(98,985,890)
Dividends from investments designated at fair value	(28,238,183)	(29,616,246)
Net gains on investments designated at fair value	(114,169,051)	(108,702,268)
Net (gains)/losses on derivative financial instruments	(27,249,043)	182,564
	(449,954,779)	(389,837,309)
Decrease in debtors, deposits and prepayments	1,391,968	4,552,847
Decrease in creditors and accrued charges	(8,664,334)	(2,061,170)
(Decrease)/increase in fees received in advance	(81,200)	41,000
NET CASH USED IN OPERATING ACTIVITIES	(457,308,345)	(387,304,632)
INVESTING ACTIVITIES		
Dividends received from investments designated at fair value	28,163,193	29,056,089
Interest received on bank deposits	4,933,907	4,110,463
Interest received from investments designated at fair value	92,572,973	100,264,169
Proceeds on disposals of property and equipment and intangible assets	88,950	90,860
Proceeds on disposals of investments designated at fair value	14,852,594,330	13,546,890,369
Purchase of property and equipment, intangible assets and projects in progress	(9,662,208)	(14,335,381)
Purchase of investments designated at fair value	(14,558,336,744)	(13,583,871,113)
Net settlement of derivative financial instruments	18,033,234	(2,936,999)
Decrease in bank deposits	18,472,355	26,944,758
NET CASH FROM INVESTING ACTIVITIES	446,859,990	106,213,215
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,448,355)	(281,091,417)
CASH AND CASH EQUIVALENTS AT 1 APRIL	909,762,954	1,190,854,371
CASH AND CASH EQUIVALENTS AT 31 MARCH	899,314,599	909,762,954
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances held for investment purposes	199,489,506	904,153,257
Short term debt securities	693,994,034	—
Other bank balances and cash	5,831,059	5,609,697
	899,314,599	909,762,954

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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")

The MPFA has not early applied the following new or revised standards, amendments or interpretations that have been issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") but are not yet effective. The MPFA anticipates that the application of these new and revised standards, amendments or interpretations will have no material impact on the financial statements.

HKFRS 9, 'Financial instruments' ("HKFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The MPFA intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015.

HKFRS 13, 'Fair value measurement', is effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the MPFA would change its valuation inputs for listed financial assets and liabilities to last traded prices. The use of last traded prices is recognised as a standard pricing convention within the industry. The new standard is not expected to have a significant impact on the financial statements of the MPFA.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the MPFA.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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 preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3.1 Revenue recognition

Fee income consists of application fees, annual fees and financial penalties arising from the occupational retirement schemes and mandatory provident fund schemes. Application fees and annual fees are accounted for on an accrual basis whereas financial penalties are recognised as and when determined and imposed.

Interest income from a financial asset is accrued on a time proportionate 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

3.2 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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) 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 are recognised immediately in the income and expenditure account.

3.3 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.

Effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest is recognised on an effective interest basis.

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 at fair value upon initial recognition if:

- (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (b) 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
- (c) 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.

Investments designated at fair value recognised in the statement of financial position are categorised as financial assets designated at fair value through profit or loss. Subsequent to initial recognition, financial assets at fair value are measured at fair value, with changes in fair value arising from remeasurement recognised directly in the income and expenditure account in the period in which they arise. The net investment income/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. Subsequent to initial recognition, loans and receivables, including debtors, deposits, unsettled investments receivable, bank deposits and cash and cash equivalents, are carried at amortised cost using the effective interest method, less any identified impairment losses.

3.4 Impairment of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- (a) significant financial difficulty of the issuer or counterparty;
- (b) a breach of contract, such as default or delinquency in interest or principal payments;
- (c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

3.4 Impairment of financial assets (Continued)

- (d) the disappearance of an active market for that financial asset because of financial difficulties; or
- (e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial assets is reduced by the impairment loss directly. Subsequent recoveries of amounts previously written off are credited to the income and expenditure account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.5 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.

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

Effective interest method is used to calculate the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derivative Financial Instruments

For derivative financial instruments that do not qualify for hedge accounting, they are deemed as financial assets or liabilities held for trading. They are initially designated at fair value through profit or loss. Changes in fair values of such derivatives are recognised directly in the income and expenditure account.

3.6 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 is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income and expenditure account.

3.7 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the MPFA and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

3.7 Property and equipment (Continued)

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	3–4 years
Office equipment and furniture	4 years
Motor vehicle	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.

3.8 Intangible Assets

Computer software licenses

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which do not exceed 4 years.

Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the MPFA are recognised as intangible assets when the following criteria are met:

- (a) it is technically feasible to complete the software product so that it will be available for use;
- (b) management intends to complete the software product and use or sell it;
- (c) there is an ability to use or sell the software product;
- (d) it can be demonstrated how the software product will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (f) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 4 years.

3.9 Projects in progress

Projects in progress consist of expenditure of capital projects not yet completed and are not subject to depreciation or amortisation. The resultant asset will be capitalised as property and equipment or intangible assets upon completion. Any 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.

3.10 Impairment of non-financial assets

At the end of the reporting period, the MPFA reviews the carrying amounts of its non-financial assets (i.e. non-current 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

3.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, cash in transit, cash at banks and other short-term highly liquid investments with original maturities of three months or less.

3.12 Creditors and accrued charges

Creditors and accrued charges are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Creditors and accrued charges are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.13 Foreign currencies

In preparing the financial statements of the MPFA, transactions in currencies other than the functional currency of the MPFA are recorded in its functional currency (that is the currency of the primary economic environment in which the MPFA operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are recognised in the income and expenditure account in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income and expenditure account for the period.

3.14 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease.

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.

3.15 Retirement benefit costs

Contributions paid or payable to Mandatory Provident Fund schemes are charged as expenses when employees have rendered services entitling them to the benefits.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The MPFA makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The key estimates and assumptions that may cause a material impact to the carrying amounts of assets and liabilities are addressed below.

Fair value of derivatives and other financial instruments

The valuation of all the MPFA's financial instruments, including over-the-counter debt securities and derivatives, are measured at fair value and the quotations are provided by a reputable independent custodian bank. At 31 March 2013, the fair value of financial instruments held by the MPFA excluding those fair values obtained using quoted prices in active market are based on the market quotations from external sources. These market quotations may be indicative and not executable or legally binding. As such, these market quotations do not necessarily indicate the price at which the security could actually be traded as at 31 March 2013. Actual transacted prices may differ from the quotes provided by these external sources. The MPFA considers that in the absence of any other reliable market sources, the quotes available from these sources reflect the best estimate of fair value.

Default contributions claims receivables and payables

As at the reporting date, the default contribution claims receivable amounted to HK\$4,220,030 (2012: HK\$8,390,621) included in the debtors, deposits and prepayments represents the mandatory contributions that are not paid within the period prescribed by the regulations. Such mandatory contributions become due to the MPFA on the expiry of that period. As at the reporting date, the default contribution claims payable amounted to HK\$4,220,030 (2012: HK\$8,390,621) included in the creditors and accrued charges represents the mandatory contributions which will be received by the MPFA as mentioned above and in turn, payable to the approved trustees for allocation to scheme members' MPF accounts in accordance with the Ordinance. The amount of these default contribution claims receivable and payable is best estimated by the MPFA as at the reporting date with the use of certain assumptions.

5. CAPITAL MANAGEMENT

The MPFA's objectives when managing capital are:

- (a) 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
- (b) 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.

6. FINANCIAL INSTRUMENTS

6.1 Categories of financial instruments

	2013 HK\$	2012 HK\$
Financial assets		
At fair value	4,501,146,781	4,715,279,313
Loans and receivables (including bank deposits, cash and cash equivalents)	1,156,925,611	1,208,386,809
Financial liabilities		
At fair value	806,270	6,495,918
Other financial liabilities	703,797,128	766,200,410

6.2 Financial risk management objectives and policies

MPFA's major financial instruments include bank deposits, cash and cash equivalents, unsettled investments receivable and payable, debtors and deposits, creditors, derivative financial instruments, debt and equity investments.

The MPFA adopts a statistical approach for strategic asset allocation of its investments. 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, debt and equity securities with a target weighting for each asset class. 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.

Apart from bank deposits that are managed internally, the MPFA contracts out the management of debt and equity securities to external fund managers who make investments 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.

The MPFA keeps monitoring its investments with due care and would promptly impose contingent measures relating to the investment exposures in light of financial market conditions. The MPFA has also conducted regular due diligence exercises on the external fund managers' compliance and risk management process. In addition, with the efficient management reporting process, management and the Finance Committee are kept abreast of the investment portfolios' status as well as the general financial market conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

6.3 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 debt securities that have a minimum credit rating of A- by Standard & Poor's Ratings Services ("S&P") and A3 by Moody's Investors Service, Inc ("Moody's"). In the event of a split credit rating for a debt securities issue, the Investment Guidelines require that the lower credit rating will apply. The Investment Guidelines require the weighted average credit rating of the total debt securities 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	2013 HK\$	% of net assets	2012 HK\$	% of net assets
AAA ¹	106,178,544	2	164,898,817	3
AA ²	2,373,343,710	48	2,553,297,980	49
A ³	958,234,474	19	924,722,022	18
	3,437,756,728	69	3,642,918,819	70

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

The weighted average credit rating of the total debt securities portfolio is AA-/Aa3 (2012: AA-/Aa3).

The MPFA does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The MPFA's credit risk exposure on bank deposits, cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks and other financial institutions with high credit ratings (investment grade or above) assigned by international credit rating agencies and are approved by the Finance Committee from time to time. 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 in order to mitigate concentration risk to a single counterparty. The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the statement of financial position. As at 31 March 2013 and 2012, none of the assets is impaired nor past due but not impaired.

6.4 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 cash and cash equivalents carrying interest are limited to the impact of the interest rate fluctuations on the interest income. The MPFA adopts a sensitivity test of 10 basis points (2012: 10 basis points) movement to measure such impact. If the interest rates on the bank deposits and cash and cash equivalents had moved up or down by 10 basis points (2012: 10 basis points) on average throughout the year, with all other variables being held constant, income for the year would have increased or decreased by HK\$1.1 million (2012: HK\$1.1 million).

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 weighting of debt securities in the portfolios and hold either more cash or equities within the permitted deviation margins from the target weighting. The fund managers may further reduce duration risk, i.e. price sensitivity to changes in interest rate, by reducing the debt securities portfolio duration by up to three 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 debt securities portfolio duration versus that of the benchmark is set out below:

	2013 Years	2012 Years
Benchmark duration	4.96	4.91
Portfolio duration	4.72	4.58

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.

6. FINANCIAL INSTRUMENTS (Continued)

6.4 Interest rate risk (Continued)

The MPFA adopts a sensitivity test of 10 basis points (2012: 10 basis points) movements. As at the reporting date, if interest rate had fluctuated 10 basis points (2012: 10 basis points) and all other variables were held constant, the impact on the MPFA's income would have been as follows.

	Increase/(decrease) in the MPFA's income	
	2013 HK\$	2012 HK\$
If interest rate were 10 basis points lower	16,235,521	16,680,908
If interest rate were 10 basis points higher	(16,235,521)	(16,680,908)

6.5 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 and are measured at fair value as at each reporting 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. Control on the concentration of investments has been set out in the Investment Guidelines in order to ensure that the investment portfolios are well diversified. 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 2013, if the Equity Market^{Note} had increased or decreased by 10% (2012: 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\$116.9 million higher or lower (2012: HK\$116.5 million).

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

6.6 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, most of the MPFA's assets and liabilities are in HK dollar or US dollar and minimal currency risk is expected due to the linked exchange rate system in Hong Kong.

MPFA's Investment Guidelines for the investment portfolios 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.

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. Other currencies shown in the tables below include euro, pound sterling, Australian dollar, Japanese yen, Singapore dollar etc. The net financial assets of each type of foreign currencies in terms of HK dollar equivalent is not material. Also, as most of the foreign exchange exposures are well hedged by acquiring forward currency contracts, the exposure is considered as not significant and sensitivity analysis is hence not provided.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

6.6 Currency risk (Continued)

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

2013							
	HK dollar		US dollar		Others		Total
	HK\$ equivalent	%	HK\$ equivalent	%	HK\$ equivalent	%	HK\$ equivalent
Financial assets							
Investments designated at fair value	1,602,189,606	36%	2,394,889,246	53%	498,110,563	11%	4,495,189,415
Derivative financial instruments	25,076,466	6%	403,039,092	88%	26,666,148	6%	454,781,706
Unsettled investments receivable	8,960,589	35%	13,895,863	54%	2,959,001	11%	25,815,453
Debtors and deposits	19,597,708	99%	—	0%	114,606	1%	19,712,314
Bank deposits	180,343,692	85%	—	0%	31,739,553	15%	212,083,245
Cash and cash equivalents	157,315,425	17%	740,215,134	83%	1,784,040	0%	899,314,599
	1,993,483,486	33%	3,552,039,335	58%	561,373,911	9%	6,106,896,732
Financial liabilities							
Derivative financial instruments	—	0%	51,780,342	12%	397,850,268	88%	449,630,610
Unsettled investments payable	11,201,363	2%	665,155,339	98%	—	0%	676,356,702
Creditors and accrued charges	27,336,364	100%	104,061	0%	—	0%	27,440,425
	38,537,727	3%	717,039,742	63%	397,850,268	34%	1,153,427,737
	1,954,945,759	39%	2,834,999,593	58%	163,523,643	3%	4,953,468,995

2012							
	HK dollar		US dollar		Others		Total
	HK\$ equivalent	%	HK\$ equivalent	%	HK\$ equivalent	%	HK\$ equivalent
Financial assets							
Investments designated at fair value	1,742,041,550	37%	2,477,565,891	53%	493,240,666	10%	4,712,848,107
Derivative financial instruments	10,000,000	2%	390,712,294	90%	34,572,977	8%	435,285,271
Unsettled investments receivable	9,233,513	18%	40,841,777	79%	1,705,528	3%	51,780,818
Debtors and deposits	16,154,401	99%	—	0%	133,036	1%	16,287,437
Bank deposits	200,129,127	87%	—	0%	30,426,473	13%	230,555,600
Cash and cash equivalents	104,948,804	12%	803,946,687	88%	867,463	0%	909,762,954
	2,082,507,395	33%	3,713,066,649	58%	560,946,143	9%	6,356,520,187
Financial liabilities							
Derivative financial instruments	—	0%	44,389,297	10%	394,960,686	90%	439,349,983
Unsettled investments payable	1,011,103	0%	728,853,705	99%	8,653,227	1%	738,518,035
Creditors and accrued charges	27,682,376	100%	—	0%	—	0%	27,682,376
	28,693,479	2%	773,243,002	64%	403,613,913	34%	1,205,550,394
	2,053,813,916	40%	2,939,823,647	57%	157,332,230	3%	5,150,969,793

6. FINANCIAL INSTRUMENTS (Continued)

6.7 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 sufficient short-term liquidity to fund its operations and runs a bank deposit portfolio to achieve reasonable return on cash. Monthly cash flow forecasting is performed to estimate the cash required for operations, including payment for goods/services, office accommodation expenses and payroll.

As at the reporting date, MPFA held cash and cash equivalents and deposits including interest receivable of HK\$1,111,397,844 (2012: HK\$1,140,318,554) that are of short maturity and will be due orderly. Therefore, liquidity risk is considered to be minimal.

The following table summarises the contractual maturity in relation to non-derivative financial liabilities and derivative instruments. For non-derivative financial liabilities, the figures are undiscounted cash flows of financial liabilities based on the earliest date on which the MPFA is required to pay. The cash flows include both principal and interest. For derivative instruments requiring net settlement, the figures represent undiscounted net cash flows on these derivatives.

	2013			2012		
	≤1 month HK\$	1-3 months HK\$	>3 months HK\$	≤1 month HK\$	1-3 months HK\$	>3 months HK\$
Non-derivative financial liabilities						
Unsettled investments payable ¹	676,356,702	—	—	738,518,035	—	—
Creditors and accrued charges	21,542,845	2,707,074	3,190,506	18,748,266	6,666,243	2,267,867
Total	697,899,547	2,707,074	3,190,506	757,266,301	6,666,243	2,267,867
Derivative financial liabilities						
Foreign currency forward contracts	806,054	216	—	6,008,388	487,530	—

¹ The fund managers are not allowed to borrow money for the managed portfolios or hold a negative cash position on a trade date basis.

6.8 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 market quotations respectively.

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

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

6.9 Fair value measurements recognised in the statement of financial position

The MPFA has adopted the amendment to HKFRS 7. This requires the MPFA to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

6. FINANCIAL INSTRUMENTS (Continued)

6.9 Fair value measurements recognised in the statement of financial position (Continued)

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting date, the fair values of the financial assets and liabilities are set out below:

2013				
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets				
Equity securities	1,057,432,687	—	—	1,057,432,687
Debt securities	2,435,872,698	1,001,884,030	—	3,437,756,728
Derivative financial instruments	5,957,366	—	—	5,957,366
	3,499,262,751	1,001,884,030	—	4,501,146,781
Financial liabilities				
Derivative financial instruments	806,270	—	—	806,270
	806,270	—	—	806,270

2012				
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets				
Equity securities	1,069,929,288	—	—	1,069,929,288
Debt securities	2,634,837,060	1,008,081,759	—	3,642,918,819
Derivative financial instruments	2,431,206	—	—	2,431,206
	3,707,197,554	1,008,081,759	—	4,715,279,313
Financial liabilities				
Derivative financial instruments	6,495,918	—	—	6,495,918
	6,495,918	—	—	6,495,918

During the years ended 31 March 2013 and 2012, no financial assets or financial liabilities were classified under Level 3. During the year ended 31 March 2013, there was one transfer of debt securities from level 2 to level 1 amounting to HK\$3,679,127 as these debt securities existed more trading activities on 31 March 2013 but they were thinly traded on 31 March 2012. During the year ended 31 March 2011, there was no transfer between levels.

7. NET INVESTMENT INCOME

	2013 HK\$	2012 HK\$
Interest income on investments designated at fair value	91,123,794	98,985,890
Dividends from investments designated at fair value	28,238,183	29,616,246
Net realised gain on investments designated at fair value ¹	90,383,946	89,158,243
Net change in unrealised gain on investments designated at fair value ²	23,785,105	19,544,025
Net realised gain/(loss) on derivative financial instruments	18,033,234	(2,936,999)
Net change in unrealised gain on derivative financial instruments	9,215,809	2,754,435
	260,780,071	237,121,840

1 The amount included net realised foreign exchange loss of HK\$9,456,115 (2012: net realised foreign exchange gain of HK\$8,490,562) from foreign currency securities.

2 The amount included net change in unrealised foreign exchange loss of HK\$15,842,496 (2012: HK\$24,039,049) from foreign currency securities.

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. STAFF COSTS

	2013 HK\$	2012 HK\$
Salary and performance related remuneration	269,101,758	241,254,016
Contributions to MPF Schemes	19,785,097	17,421,820
Staff benefits	6,047,085	5,286,265
	294,933,940	263,962,101

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 and are under the control of trustees.

The total expenses recognised in the income and expenditure account represent contributions paid or payable to the Schemes at rates specified in the participation rules. As at 31 March 2013, contributions of HK\$337,941 were due but not yet paid over to the Schemes (2012: HK\$290,159).

10. DIRECTORS' EMOLUMENTS

The emoluments of all directors for the years ended 31 March 2013 and 2012 are set out below:

	2013				
	Fees HK\$	Salaries and other benefits HK\$	Contributions to MPF schemes HK\$	Variable pay HK\$	Total emoluments HK\$
Executive Directors					
Diana Chan Tong Chee-ching	—	4,298,853	501,475	752,110	5,552,438
Alice Law Shing-mui ¹	—	2,356,613	266,290	454,000	3,076,903
Hendena Yu ²	—	848,202	83,245	—	931,447
Cynthia Hui Wai-yee	—	2,536,848	289,793	384,409	3,211,050
Darren Mark McShane	—	3,838,456	446,634	669,895	4,954,985
Thomas Yiu Kei-chung	—	2,659,098	310,938	466,380	3,436,416
Non-Executive Directors					
Anna Wu Hung-yuk	—	—	—	—	—
Au King-chi ³	—	—	—	—	—
K C Chan	—	—	—	—	—
Matthew Cheung Kin-chung	—	—	—	—	—
Ip Kwok-him	—	—	—	—	—
Andrew Leung Kwan-yuen	—	—	—	—	—
Li Fung-ying ⁴	—	—	—	—	—
Paddy Lui Wai-yu	—	—	—	—	—
John Poon Cho-ming	—	—	—	—	—
Poon Siu-ping ⁵	—	—	—	—	—
Annie Tam Kam-lan ⁶	—	—	—	—	—
Paul Tang Kwok-wai ⁷	—	—	—	—	—
Philip Tsai Wing-chung	—	—	—	—	—
Wong Kwok-kin	—	—	—	—	—
Horace Wong Yuk-lun ⁸	—	—	—	—	—
Rimsky Yuen Kwok-keung ⁹	—	—	—	—	—
	—	16,538,070	1,898,375	2,726,794	21,163,239

1 Appointment effective from 16 July 2012.

2 Retired as from 3 July 2012.

3 Alternate to K C Chan.

4 Retired as from 17 March 2013.

5 Appointment effective from 17 March 2013.

6 Alternate to Matthew Cheung Kin-chung from 1 July 2012.

7 Alternate to Matthew Cheung Kin-chung until 30 June 2012.

8 Appointment effective from 1 October 2012.

9 Retired as from 1 July 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

10. DIRECTORS' EMOLUMENTS (Continued)

	2012				
	Fees HK\$	Salaries and other benefits HK\$	Contributions to MPF schemes HK\$	Variable pay HK\$	Total emoluments HK\$
Executive Directors					
Diana Chan Tong Chee-ching	—	4,296,860	501,475	752,110	5,550,445
Hendena Yu	—	3,316,750	387,334	580,900	4,284,984
Cynthia Hui Wai-yee	—	2,454,175	280,441	372,008	3,106,624
Darren Mark McShane	—	3,743,232	435,740	653,600	4,832,572
Thomas Yiu Kei-chung	—	2,658,094	310,938	466,380	3,435,412
Non-Executive Directors					
Anna Wu Hung-yuk	—	—	—	—	—
Au King-chi ¹	—	—	—	—	—
K C Chan	—	—	—	—	—
Matthew Cheung Kin-chung	—	—	—	—	—
Ip Kwok-him	—	—	—	—	—
Andrew Leung Kwan-yuen	—	—	—	—	—
Li Fung-ying	—	—	—	—	—
Paddy Lui Wai-yu	—	—	—	—	—
John Poon Cho-ming	—	—	—	—	—
Paul Tang Kwok-wai ²	—	—	—	—	—
Philip Tsai Wing-chung	—	—	—	—	—
Wong Kwok-kin	—	—	—	—	—
Rimsky Yuen Kwok-keung	—	—	—	—	—
	—	16,469,111	1,915,928	2,824,998	21,210,037

1 Alternate to K C Chan.

2 Alternate to Matthew Cheung Kin-chung.

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:

	2013 No. of employees	2012 No. of employees
HK\$3,000,001 to HK\$3,500,000	3	2
HK\$3,500,001 to HK\$4,000,000	—	—
HK\$4,000,001 to HK\$4,500,000	—	1
HK\$4,500,001 to HK\$5,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	—	—
HK\$5,500,001 to HK\$6,000,000	1	1
	5	5

12. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$	Computer equipment HK\$	Office equipment and furniture HK\$	Motor vehicle HK\$	Total HK\$
COST					
At 1 April 2011	30,489,192	30,521,255	24,342,664	824,456	86,177,567
Additions	326,620	2,386,559	519,213	—	3,232,392
Disposals	(11,530)	(1,553,452)	(3,695,912)	—	(5,260,894)
At 31 March 2012	30,804,282	31,354,362	21,165,965	824,456	84,149,065
Additions	287,534	3,043,168	445,213	529,900	4,305,815
Disposals	(468,342)	(3,135,203)	(187,641)	(824,456)	(4,615,642)
At 31 March 2013	30,623,474	31,262,327	21,423,537	529,900	83,839,238
DEPRECIATION					
At 1 April 2011	21,721,860	23,408,161	16,385,769	601,166	62,116,956
Charge for the year	5,096,016	3,289,055	3,709,325	206,114	12,300,510
Eliminated on disposals	(11,530)	(1,538,672)	(3,695,582)	—	(5,245,784)
At 31 March 2012	26,806,346	25,158,544	16,399,512	807,280	69,171,682
Charge for the year	2,889,556	2,998,940	2,530,601	116,532	8,535,629
Eliminated on disposals	(468,342)	(3,135,203)	(185,793)	(824,456)	(4,613,794)
At 31 March 2013	29,227,560	25,022,281	18,744,320	99,356	73,093,517
CARRYING AMOUNT					
At 31 March 2013	1,395,914	6,240,046	2,679,217	430,544	10,745,721
At 31 March 2012	3,997,936	6,195,818	4,766,453	17,176	14,977,383

13. INTANGIBLE ASSETS

	Computer software licenses HK\$	Software development cost HK\$	Total HK\$
COST			
At 1 April 2011	16,173,645	45,382,466	61,556,111
Additions	3,296,537	4,853,007	8,149,544
Disposals	—	—	—
At 31 March 2012	19,470,182	50,235,473	69,705,655
Additions	1,508,552	239,000	1,747,552
Disposals	(1,809,372)	—	(1,809,372)
At 31 March 2013	19,169,362	50,474,473	69,643,835
AMORTISATION			
At 1 April 2011	13,233,220	43,561,665	56,794,885
Charge for the year	1,802,727	1,320,484	3,123,211
Eliminated on disposals	—	—	—
At 31 March 2012	15,035,947	44,882,149	59,918,096
Charge for the year	1,828,288	1,727,091	3,555,379
Eliminated on disposals	(1,809,372)	—	(1,809,372)
At 31 March 2013	15,054,863	46,609,240	61,664,103
CARRYING AMOUNT			
At 31 March 2013	4,114,499	3,865,233	7,979,732
At 31 March 2012	4,434,235	5,353,324	9,787,559

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

14. PROJECTS IN PROGRESS

Projects in progress consisted of expenditure of capital projects not yet completed at 31 March 2013 amounting to HK\$10,108,121 (2012: HK\$5,503,927).

15. INVESTMENTS DESIGNATED AT FAIR VALUE

	2013 HK\$	2012 HK\$
Equity securities		
Listed	1,057,432,687	1,069,929,288
Debt securities		
Listed	1,402,692,771	1,457,620,913
Unlisted	2,035,063,957	2,185,297,906
	3,437,756,728	3,642,918,819
Total		
Listed	2,460,125,458	2,527,550,201
Unlisted	2,035,063,957	2,185,297,906
	4,495,189,415	4,712,848,107

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2013		2012	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Foreign currency forward contracts	5,957,366	806,270	2,431,206	6,495,918

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

The notional principal amount of the outstanding foreign currency forward contracts as at 31 March 2013 is HK\$449,630,610 (2012: HK\$439,349,983). The contractual maturity of these foreign exchange forward contracts is within 12 months.

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 years ended 31 March 2013 and 2012 and no loans were outstanding at 31 March 2013 and 2012.

19. CAPITAL COMMITMENTS

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

	2013 HK\$	2012 HK\$
Contracted but not provided for	3,035,316	2,970,269
Authorised but not contracted for	3,092,994	433,090
	6,128,310	3,403,359

20. OPERATING LEASE COMMITMENTS

Operating lease payments represent rental payable by the MPFA for its office premises and storage space.

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

	2013 HK\$	2012 HK\$
Within one year	53,620,866	39,984,373
In the second to fifth year inclusive	94,856,547	73,559,990
	148,477,413	113,544,363

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 2016. 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. The MPFA has not charged any administration fee to this compensation fund during the years 2013 and 2012.

INDEPENDENT AUDITOR'S REPORT

TO THE ADMINISTRATOR OF THE MANDATORY PROVIDENT FUND SCHEMES COMPENSATION FUND ("THE FUND")

(Established in Hong Kong under the Mandatory Provident Fund Schemes Ordinance)

We have audited the financial statements of the Fund set out on pages 105 to 116, which comprise the statement of financial position as at 31 March 2013, the income and expenditure account, the statement of comprehensive income, the statement of changes in capital and reserve and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

THE ADMINISTRATOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Administrator is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the Administrator determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 about 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 of financial statements that give a true and fair view 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 the Fund's affairs as at 31 March 2013, and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2013

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2013

	NOTES	2013 HK\$	2012 HK\$
INCOME			
Levy fee	9	122,791,662	115,031,212
Interest income on bank deposits		18,812,244	15,236,410
Net investment gain/(loss)	6	7,159,476	(5,332,132)
		148,763,382	124,935,490
EXPENDITURE			
Auditor's remuneration		79,000	73,000
Investment expenses		72,860	70,485
Other operating expenses		4,257	3,189
		156,117	146,674
SURPLUS FOR THE YEAR		148,607,265	124,788,816

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

The Fund had no components of comprehensive income other than “surplus for the year” in either of the years presented. Accordingly, no separate statement of comprehensive income is presented as the Fund’s “total comprehensive income” was the same as the “surplus for the year” in both years.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 March 2013

	NOTES	2013 HK\$	2012 HK\$
CURRENT ASSETS			
Investments designated at fair value	8	395,904,246	363,361,886
Levy fees receivable	9	122,958,562	113,913,928
Interest receivable on bank deposits		6,880,364	6,766,870
Bank deposits		1,263,975,494	1,157,093,927
Cash and cash equivalents		410,726	351,007
		1,790,129,392	1,641,487,618
CURRENT LIABILITIES			
Creditors and accrued charges		93,183	58,674
NET ASSETS		1,790,036,209	1,641,428,944
CAPITAL AND RESERVE			
Seed money	10	600,000,000	600,000,000
Income and expenditure account		1,190,036,209	1,041,428,944
		1,790,036,209	1,641,428,944

The financial statements on pages 105 to 116 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 26 June 2013 and signed on its behalf by:

Diana Chan
Managing Director

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN CAPITAL AND RESERVE

for the year ended 31 March 2013

	Seed Money HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2011	600,000,000	916,640,128	1,516,640,128
Surplus for the year	—	124,788,816	124,788,816
At 31 March 2012	600,000,000	1,041,428,944	1,641,428,944
Surplus for the year	—	148,607,265	148,607,265
At 31 March 2013	600,000,000	1,190,036,209	1,790,036,209

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	2013 HK\$	2012 HK\$
OPERATING ACTIVITIES		
Surplus for the year	148,607,265	124,788,816
Adjustments for :		
Interest income on bank deposits	(18,812,244)	(15,236,410)
Interest income on investments designated at fair value	(836,228)	(3,906,434)
Dividends from investments designated at fair value	(1,811,040)	(1,728,720)
Net (gain)/loss on investments designated at fair value	(4,512,208)	10,967,286
Operating cash flows before movements in working capital	122,635,545	114,884,538
Increase in levy fees receivable	(9,044,634)	(2,122,335)
Increase in creditors and accrued charges	34,509	4,389
NET CASH FROM OPERATING ACTIVITIES	113,625,420	112,766,592
INVESTING ACTIVITIES		
Dividends received from investments designated at fair value	1,811,040	1,728,720
Interest received on bank deposits	18,698,750	11,586,446
Interest received from investments designated at fair value	1,462,044	4,201,366
Proceeds on disposals of investments designated at fair value	462,000,000	260,357,200
Purchase of investments designated at fair value	(490,655,968)	(288,714,266)
Increase in bank deposits	(106,881,567)	(101,680,848)
NET CASH USED IN INVESTING ACTIVITIES	(113,565,701)	(112,521,382)
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,719	245,210
CASH AND CASH EQUIVALENTS AT 1 APRIL	351,007	105,797
CASH AND CASH EQUIVALENTS AT 31 MARCH	410,726	351,007
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances	355,823	301,007
Bank balances held for investment purposes	54,903	50,000
	410,726	351,007

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. PURPOSE AND CLAIM FOR PAYMENT

The Mandatory Provident Fund Schemes Compensation Fund ("the Fund") was established under section 17 of the Mandatory Provident Fund Schemes Ordinance ("the Ordinance") which came into effect on 12 March 1999 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 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 2012 and 2013. 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")

The Fund has not early applied the following new or revised standards, amendments or interpretations that have been issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") but are not yet effective. The Fund anticipates that the application of these new and revised standards, amendments or interpretations will have no material impact on the financial statements.

HKFRS 9, 'Financial instruments' ("HKFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The MPFA intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015.

HKFRS 13, 'Fair value measurement', is effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the MPFA would change its valuation inputs for listed financial assets and liabilities to last traded prices. The use of last traded prices is recognised as a standard pricing convention within the industry. The new standard is not expected to have a significant impact on the financial statements of the MPFA.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the MPFA.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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.

3.1 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 proportionate 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.

3.2 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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) 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 are recognised immediately in the income and expenditure account.

3.3 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.

Effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest is recognised on an effective interest basis.

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 at fair value upon initial recognition if:

- (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (b) 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
- (c) 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.

Investments designated at fair value recognised in the statement of financial position are categorised as financial assets designated at fair value through profit or loss. Subsequent to initial recognition, financial assets at fair value are measured at fair value, with changes in fair value arising from remeasurement recognised directly in the income and expenditure account in the period in which they arise. The net investment income/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. Subsequent to initial recognition, loans and receivables, including levy fees receivable, bank deposits and cash and cash equivalents, are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Basis of preparation (Continued)****3.4 Impairment of financial assets**

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- (a) significant financial difficulty of the issuer or counterparty;
- (b) a breach of contract, such as default or delinquency in interest or principal payments;
- (c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- (d) the disappearance of an active market for that financial asset because of financial difficulties; or
- (e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial assets is reduced by the impairment loss directly. Subsequent recoveries of amounts previously written off are credited to the income and expenditure account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.5 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, they are subsequently measured at amortised cost using the effective interest method.

Effective interest method is used to calculate the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.6 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 is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income and expenditure account.

3.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, cash in transit, cash at banks, and other short-term highly liquid investments with original maturities of three months or less.

3.8 Creditors and accrued charges

Creditors and accrued charges are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Creditors and accrued charges are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4. CAPITAL MANAGEMENT

The Fund's objectives when managing capital are:

- (a) to safeguard the Fund's ability to continue as a going concern, so that it continues to carry out its statutory functions; and
- (b) 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

5.1 Categories of financial instruments

	2013 HK\$	2012 HK\$
Financial assets		
At fair value	395,904,246	363,361,886
Loans and receivables (including bank deposits and cash and cash equivalents)	1,394,225,146	1,278,125,732
Financial liabilities		
Other financial liabilities	93,183	58,674

5.2 Financial Risk Management Objectives and Policies

The Fund's major financial instruments include bank deposits and cash and cash equivalents, levy fees receivable, equity and debt securities 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. Regular reviews on the Investment Guidelines will be conducted. 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% (2012: less than 5%) of the total investments (including bank deposits). Equity securities are managed with a passive investment style and their weightings are 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.

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

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	2013 HK\$	% of net assets	2012 HK\$	% of net assets
AA ^{Note}	333,889,846	19	306,286,686	19

Note AA means between AA- and AA+ by Standard & Poor's Ratings Services ("S&P") and Aa3 and Aa1 by Moody's Investors Services, Inc. ("Moody's")

The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Fund's credit risk exposure on bank deposits and cash and cash equivalents is limited because the counterparties are banks and other financial institutions with high credit ratings (investment grade or above) assigned by international credit rating agencies and are approved by the Finance Committee from time to time. 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. The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the statement of financial position. As at 31 March 2013 and 2012, none of the assets is impaired nor past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

5. FINANCIAL INSTRUMENTS (Continued)

5.4 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 cash and cash equivalents carrying interest are limited to the impact of the interest rate fluctuations on the interest income. The Fund adopts a sensitivity test of 10 basis points movement to measure such impact. If the interest rates on the bank deposits and cash and cash equivalents had moved up or down by 10 basis points (2012: 10 basis points) on average throughout the year, with all other variables being held constant, income for the year would have increased or decreased by HK\$1.3 million (2012: HK\$1.2 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 debt securities 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:

	2013 Years	2012 Years
Portfolio duration	0.29	0.42

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 10 basis points movements. As at the reporting date, if interest rate had fluctuated 10 basis points (2012: 10 basis points) and all other variables were held constant, the impact on the Fund's income would have been as follows.

	Increase/(decrease) in the Fund's income	
	2013 HK\$	2012 HK\$
If interest rate were 10 basis points lower	95,675	128,133
If interest rate were 10 basis points higher	(95,675)	(128,133)

5.5 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 2013, 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\$6.1 million higher or lower (2012: HK\$5.6 million).

5.6 Currency risk

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

5.7 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.

As at 31 March 2013, the Fund held cash and deposits including interest receivable of HK\$1,271,266,584 (2012: HK\$1,164,211,804) that were expected to orderly mature. In addition, the Fund held marketable securities of HK\$395,904,246 (2012: HK\$363,361,886), which could be readily realized to provide a further source of cash if the need arose. Therefore, liquidity risk is considered to be minimal.

As at 31 March 2013, the creditors and accrued charges of the Fund amounted to HK\$93,183 (2012: HK\$58,674) with the maturity less than 3 months.

5. FINANCIAL INSTRUMENTS (Continued)

5.8 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.

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

5.9 Fair value measurements recognised in the statement of financial position

The Fund has adopted the amendment to HKFRS 7. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013 HK\$	2012 HK\$
Level 1		
Financial assets measured at fair value:		
— Equity securities	62,014,400	57,075,200
— Debt securities	333,889,846	306,286,686
	395,904,246	363,361,886

During the years ended 31 March 2013 and 2012, no financial assets were classified under Levels 2 and 3 and there was no transfer between levels.

6. NET INVESTMENT GAIN/(LOSS)

	2013 HK\$	2012 HK\$
Interest income on investments designated at fair value	836,228	3,906,434
Dividends from investments designated at fair value	1,811,040	1,728,720
Net realised losses on investments designated at fair value	(1,900,287)	(4,302,759)
Net change in unrealised gain/(loss) on investments designated at fair value	6,412,495	(6,664,527)
	7,159,476	(5,332,132)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

8. INVESTMENTS DESIGNATED AT FAIR VALUE

	2013 HK\$	2012 HK\$
Equity securities		
Listed	62,014,400	57,075,200
Debt securities		
Listed	—	124,362,516
Unlisted	333,889,846	181,924,170
	333,889,846	306,286,686
Total		
Listed	62,014,400	181,437,716
Unlisted	333,889,846	181,924,170
	395,904,246	363,361,886

9. LEVY SUSPENSION

Under Sections 191A & B of the Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A), the regulation on and exemption and revocation of exemption of approved trustee from payment of compensation fund levy was enacted in July 2012. In short,

- (a) The levy of 0.03% of the net asset value ("NAV") of MPF schemes would be imposed if the NAV of the Fund has fallen below HK\$1 billion; and
- (b) The levy would be suspended if the NAV of the Fund has exceeded HK\$1.4 billion.

Given that the audited NAV of the Fund as at 31 March 2012 was HK\$1.64 billion, an exemption notice was gazetted on 27 July 2012 allowing MPFA to suspend the levy in relation to the financial periods of MPF schemes commencing on or after 1 September 2012.

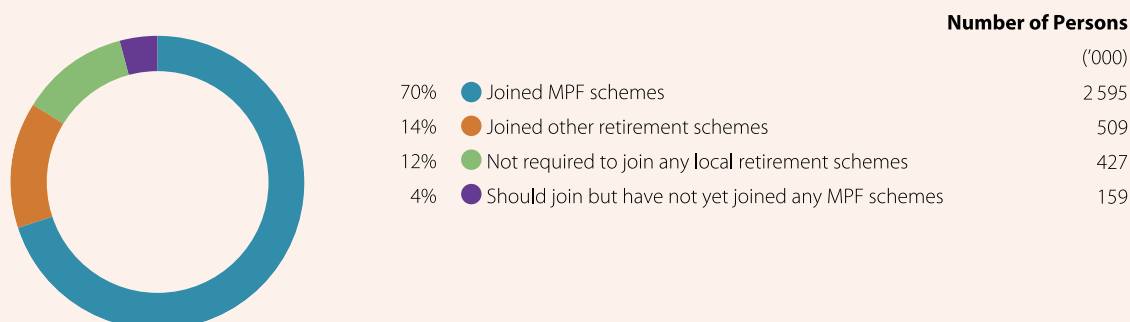
10. SEED MONEY

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

PART A — MPF SCHEME MEMBERS

1. EMPLOYED POPULATION BY TYPE OF RETIREMENT SCHEMES

(as at 31.3.2013)



2. THE MPF UNIVERSE

(as at 31.3.2013)

Employers under the MPF System

	(‘000)
Number of main businesses ¹	345
Add	
— Number of owners’ corporations with employee(s) that are not covered in the Central Register of Establishments (“CRE”) ²	4
— Number of employers engaged in other industries that are not covered in the CRE	6
Less	
— Number of businesses with no employees ³	96
Number of Employers under the MPF System*	259

* 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

Employees who are 18 years old or over but under 65 years of age are required to join an MPF scheme, with the exception of certain exempt persons. The table below shows the process of calculating the number of relevant employees under the MPF System.

	(‘000)
Total number of employees in Hong Kong (excluding those aged below 18 or above 65) ¹	3 279
Less	
— Number of civil servants who are covered by the Civil Service Pension System ²	119
— Number of teachers who are covered by the Grant Schools or Subsidized Schools Provident Fund ³	38
— Number of employees who choose to remain as members of MPF exempted ORSO registered schemes ⁴	352
— Number of domestic employees ¹	291
— Number of 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 ⁵	47
— Number of employees who are employed for less than 60 days, excluding employees participating in construction and catering industries ⁶	17
Number of Relevant Employees under the MPF System*	2 415

* 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 2009 by the Census and Statistics Department.

PART A — MPF SCHEME MEMBERS (CONTINUED)

Self-employed Persons (“SEPs”) under the MPF System

SEPs who are 18 years old or over but under 65 years of age are required to join an MPF scheme, with the exception of certain exempt persons. The table below shows the process of calculating the number of SEPs under the MPF System.

	('000)
Total number of SEPs in Hong Kong (excluding those aged below 18 or above 65) ¹	342
Less	
— Number of SEPs who are licensed hawkers ² (excluding licensed hawkers aged below 18 or above 65)	3
Number of SEPs under the MPF System*	339

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

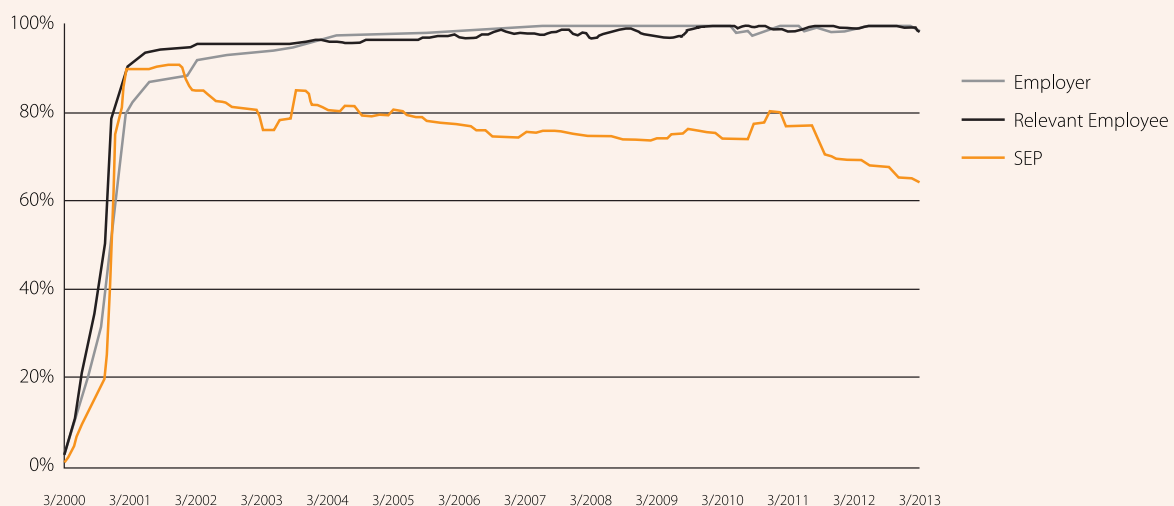
The figures were estimated on the basis of:

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.

3. ENROLMENT IN MPF SCHEMES*

Enrolment Rate



* Estimated figures

4. NUMBER OF PARTICIPATING MEMBERS AND ENROLMENT RATES*

As at	Employer		Relevant Employee		SEP		Number of Personal Accounts ² ('000)
	Participating Employers ¹ ('000)	Enrolment Rate (%)	Participating Members ¹ ('000)	Enrolment Rate (%)	Participating Members ¹ ('000)	Enrolment Rate (%)	
31.03.2012	254	98	2 347	99	229	69	4 035
30.06.2012	257	99	2 353	100	228	68	4 104
30.09.2012	260	100	2 361	100	228	68	4 178
31.12.2012	260	100	2 375	99	220	65	4 290
31.03.2013	259	100	2 376	98	219	65	4 380

* Estimated figures

1 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.

2 Since 1 November 2012, Preserved Account has been renamed as Personal Account.

5A. CONTRIBUTIONS RECEIVED AND BENEFITS PAID — MPF SCHEMES

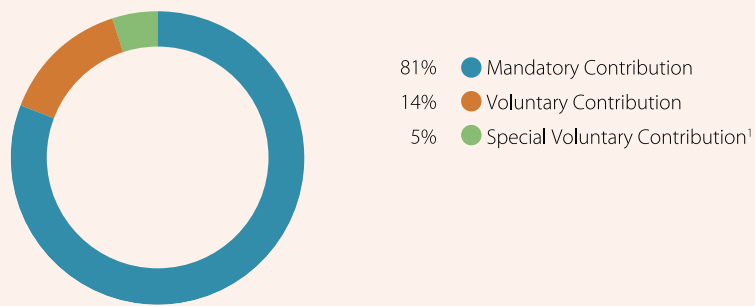
(1.4.2012–31.3.2013)

(HK\$ million)

Quarter	Contributions Received				Benefits Paid			
	Mandatory	Voluntary	Special Voluntary ¹	Total ²	Mandatory	Voluntary	Special Voluntary ¹	Total ²
Q2 2012	9,051	1,672	612	11,336	1,564	560	530	2,653
Q3 2012	9,948	1,597	645	12,190	1,691	619	585	2,895
Q4 2012	10,196	1,678	750	12,624	1,936	752	685	3,373
Q1 2013	10,902	1,783	756	13,441	2,023	877	699	3,600
Total²	40,098	6,731	2,763	49,592	7,215	2,808	2,499	12,522

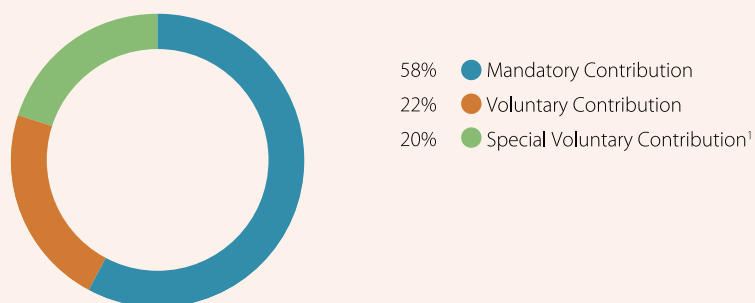
5B. PERCENTAGE SHARE OF CONTRIBUTIONS RECEIVED BY CONTRIBUTION TYPE

(1.4.2012–31.3.2013)



5C. PERCENTAGE SHARE OF BENEFITS PAID BY CONTRIBUTION TYPE

(1.4.2012–31.3.2013)



¹ "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 his/her employer, and withdrawal of accrued benefits is neither tied to employment nor subject to preservation requirements.

² Figures may not sum up to the total due to rounding.

PART B — MPF PRODUCTS

1A. NET ASSET VALUES OF APPROVED CONSTITUENT FUNDS BY SCHEME TYPE

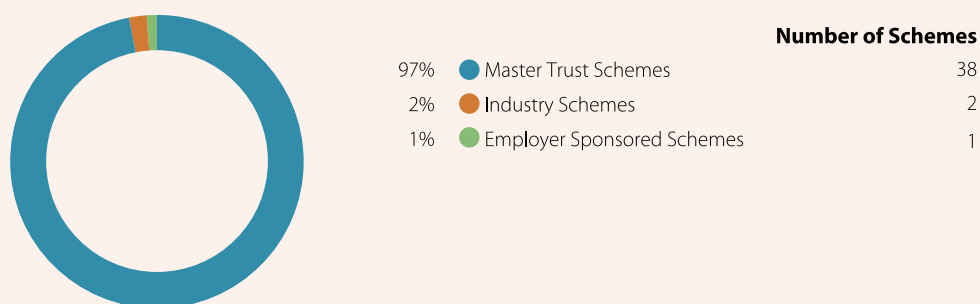
(HK\$ million)

As at	Type of MPF Schemes			Total ¹
	Master Trust Schemes	Industry Schemes	Employer Sponsored Schemes	
31.03.2012	380,168	7,613	2,963	390,744
30.06.2012	373,758	7,629	2,942	384,329
30.09.2012	401,277	8,086	3,116	412,480
31.12.2012	428,117	8,482	3,240	439,839
31.03.2013	443,222	8,754	3,355	455,331

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

1B. PERCENTAGE SHARE OF NET ASSET VALUES AND NUMBER OF SCHEMES BY SCHEME TYPE

(as at 31.3.2013)

2A. NET ASSET VALUES¹ OF APPROVED CONSTITUENT FUNDS BY FUND TYPE

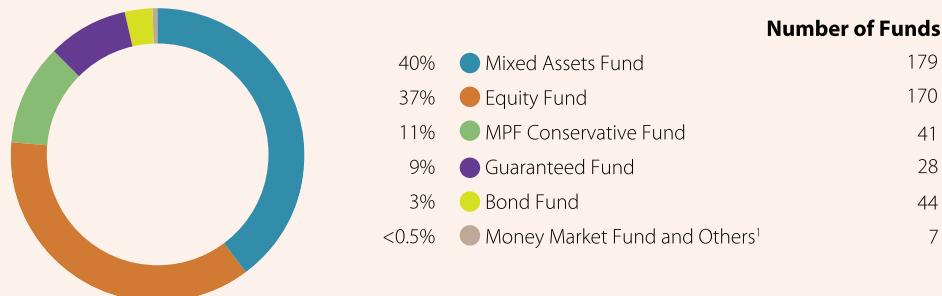
(HK\$ million)

As at	Type of Approved Constituent Funds						Total ³
	Mixed Assets Fund	Equity Fund	MPF Conservative Fund	Guaranteed Fund	Bond Fund	Money Market Fund and Others ²	
31.03.2012	163,029	135,429	45,733	36,771	8,382	1,401	390,744
30.06.2012	158,307	132,127	46,301	37,269	8,916	1,409	384,329
30.09.2012	169,341	145,880	47,473	38,537	9,811	1,438	412,480
31.12.2012	177,946	161,001	48,619	39,818	10,972	1,482	439,839
31.03.2013	184,502	167,440	49,464	40,739	11,636	1,550	455,331

¹ The figures include assets transferred from ORSO schemes.² Includes Money Market Funds that are not MPF Conservative Funds and Uncategorized Funds as per the *Performance Presentation Standards for MPF Investment Funds*.³ Figures may not sum up to the total due to rounding.

2B. PERCENTAGE SHARE OF NET ASSET VALUES AND NUMBER OF APPROVED CONSTITUENT FUNDS BY FUND TYPE

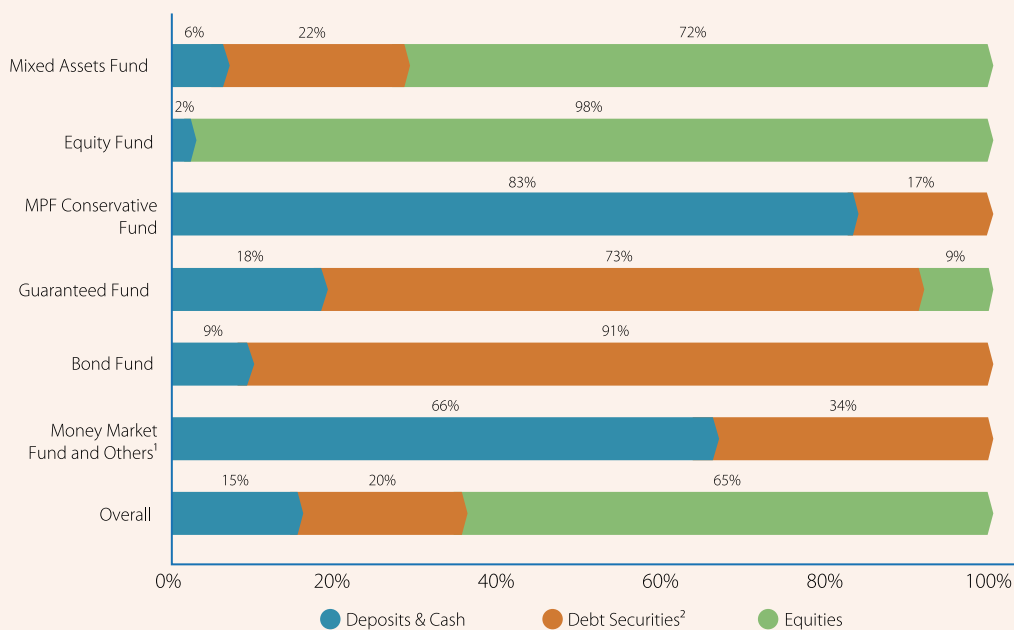
(as at 31.3.2013)



¹ Includes Money Market Funds that are not MPF Conservative Funds and Uncategorized Funds as per the *Performance Presentation Standards for MPF Investment Funds*.

3 ASSET ALLOCATION OF APPROVED CONSTITUENT FUNDS BY FUND TYPE AND ASSET CLASS

(as at 31.3.2013)



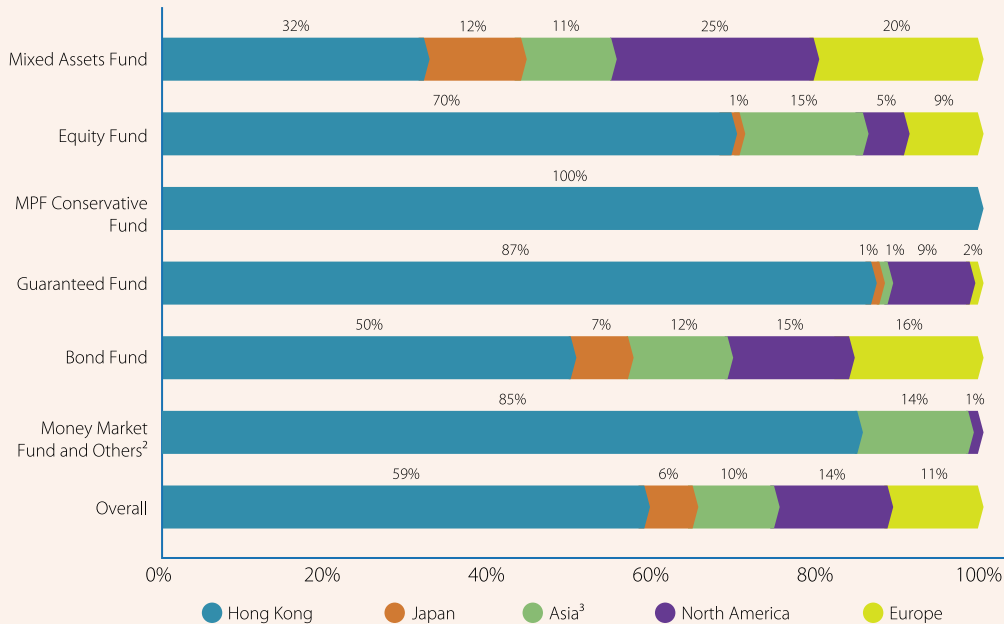
¹ Includes Money Market Funds that are not MPF Conservative Funds and Uncategorized Funds as per the *Performance Presentation Standards for MPF Investment Funds*.

² Includes convertible debt securities.

PART B — MPF PRODUCTS (CONTINUED)

4. ASSET ALLOCATION OF APPROVED CONSTITUENT FUNDS BY FUND TYPE AND GEOGRAPHICAL REGION¹

(as at 31.3.2013)



- 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.
- Includes Money Market Funds that are not MPF Conservative Funds and Uncategorized Funds as per the *Performance Presentation Standards for MPF Investment Funds*.
- Excludes Japan and Hong Kong but includes Australia, New Zealand and India.

5. ASSET ALLOCATION OF APPROVED CONSTITUENT FUNDS BY GEOGRAPHICAL REGION¹ AND ASSET CLASS

(as at 31.3.2013)

	Deposits & Cash	Debt Securities ²	Equities	Overall
Hong Kong	14%	9%	36%	59%
Japan	\$	2%	4%	6%
Asia ³	\$	1%	9%	10%
North America	1%	5%	8%	14%
Europe	\$	3%	8%	11%
Overall	15%	20%	65%	100%

- 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.
 - Includes convertible debt securities.
 - Excludes Japan and Hong Kong but includes Australia, New Zealand and India.
- \$ Less than 0.5%.

6. ANNUALIZED INTERNAL RATE OF RETURN¹ OF THE MPF SYSTEM BY PERIOD

(HK\$ million, unless otherwise specified)

Period	Net Asset Values		Total Net Contributions	Net Investment Return ³	Annualized Internal Rate of Return ³
	Period-Beginning (a)	Period-End (b)	during the Period ² (c)	during the Period (b)-(a)-(c)	
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 ⁴	-69,010	-25.9%
1.4.2009 – 31.3.2010	217,741	317,310	29,484 ⁴	70,086	30.1%
1.4.2010 – 31.3.2011	317,310	378,280	31,864 ⁴	29,106	8.7%
1.4.2011 – 31.3.2012	378,280	390,744	34,687	-22,224	-5.6%
1.4.2012 – 31.3.2013	390,744	455,331	38,321	26,267	6.4%
Since Inception of the MPF System					
1.12.2000 – 31.3.2013	—	455,331	359,054⁴	96,277	4.0%

1 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 better reflects the features of cash inflow and outflow of the MPF System. The annualized IRR was calculated by raising the monthly IRR to the power of 12.

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

3 Return figures are **net of fees and charges**. Figures may not sum up to the total due to rounding.

4 Includes the Government's injection of special contributions into accounts of eligible scheme members.

7. ANNUALIZED RETURN¹ OF APPROVED CONSTITUENT FUNDS BY FUND TYPE AND PERIOD

(as at 31.3.2013)

Type of Approved Constituent Funds	Past 1 year	Past 3 years	Past 5 years	Since 1.12.2000
Mixed Assets Fund	6.7%	3.7%	1.1%	4.2%
Equity Fund	9.7%	3.2%	1.1%	4.6%
MPF Conservative Fund	0.1%	0.1%	0.2%	1.0%
Guaranteed Fund	1.6%	1.3%	0.9%	1.5%
Bond Fund	1.6%	3.1%	2.4%	3.7%
Money Market Fund and Others ²	0.2%	-0.2%	-0.3%	0.7%

Change of the Consumer Price Index ("CPI") for the Same Periods

Annualized Composite CPI % Change ³	3.6%	4.3%	3.2%	1.4%
--	------	------	------	------

1 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 monthly return to the power of 12.

2 Includes Money Market Funds that are not MPF Conservative Funds and Uncategorized Funds as per the *Performance Presentation Standards for MPF Investment Funds*.

3 Calculated on the basis of the 2009/10-based Composite CPI compiled by the Census and Statistics Department.

PART B — MPF PRODUCTS (CONTINUED)

8. AVERAGE, HIGHEST AND LOWEST FUND EXPENSE RATIOS (“FER”) OF ALL CONSTITUENT FUNDS¹

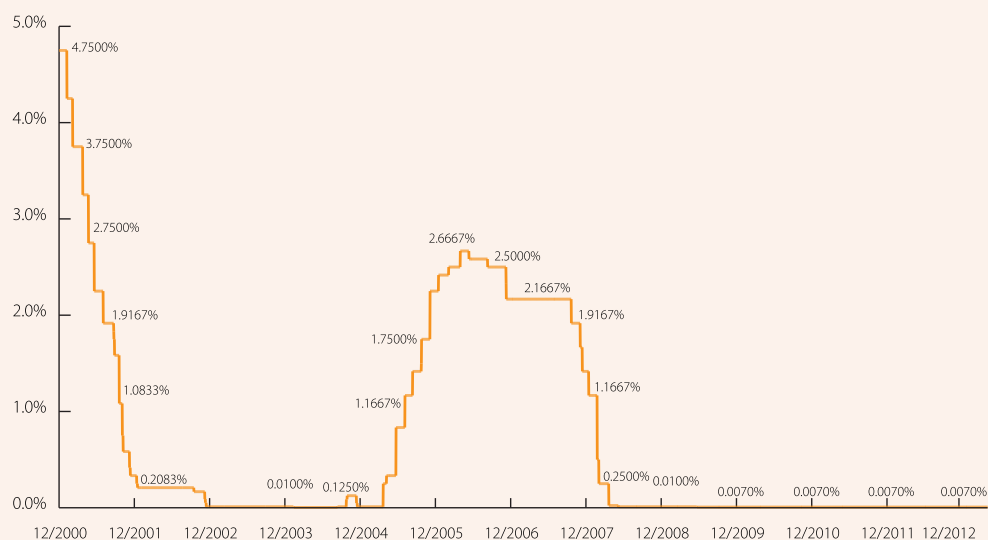
Fund Type	Number of Funds	Average FER	Highest FER	Lowest FER
Equity Fund	194	1.74%	2.96%	0.51%
Mixed Assets Fund	216	1.90%	4.32%	0.44%
Bond Fund	49	1.60%	2.74%	0.98%
Guaranteed Fund	32	2.16%	3.86%	1.33%
Money Market Fund — MPF Conservative Fund	47	0.67%	1.43%	0.17%
Money Market Fund — non MPF Conservative Fund	5	1.13%	1.13%	1.13%
Others	4	1.39%	1.43%	1.33%
Overall	547²	1.72%	4.32%	0.17%

1 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 2011 to 30 June 2012.

2 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 RATES¹

(1.12.2000–31.3.2013)



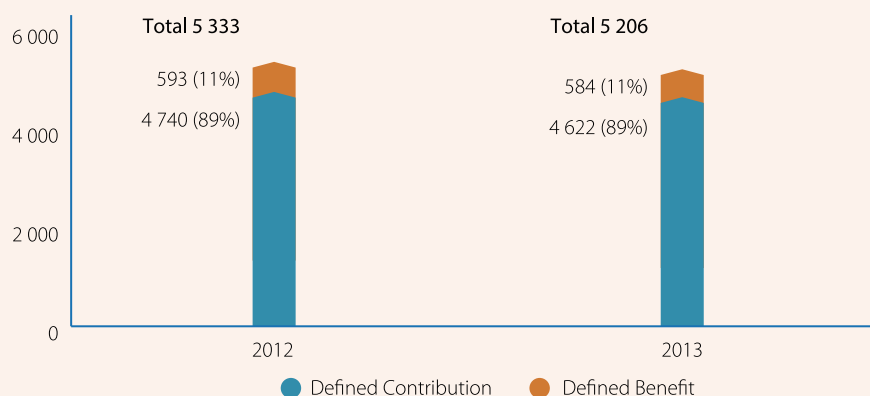
1 The prescribed savings rates are prescribed by MPFA pursuant to section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation for the operation of MPF Conservative Funds.

PART C — ORSO SCHEMES

ORSO SCHEMES

1. NUMBER OF ORSO SCHEMES BY BENEFIT TYPE

(two year comparison)



2. NUMBER OF ORSO SCHEMES BY BENEFIT TYPE

(as at 31.3.2013)

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	Number of Schemes	%	Number of Schemes	%	Number of Schemes	%
Registered Scheme						
— MPF exempted	3 452	75	226	39	3 678	71
— Non-MPF exempted	626	14	24	4	650	12
	4 078	89	250	43	4 328	83
Exempted Scheme						
— MPF exempted	152	3	118	20	270	5
— Non-MPF exempted	392	8	216	37	608	12
	544	11	334	57	878	17
Total	4 622	100	584	100	5 206	100

PART C — ORSO SCHEMES (CONTINUED)

MPF EXEMPTED ORSO SCHEMES

3. NUMBER OF MPF EXEMPTED ORSO SCHEMES

(as at 31.3.2013)

	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(a) Number of MPF Exempted ORSO Schemes approved as at 31 March 2012	3 783	279	4 062
(b) Number of new applications approved during the period from 1 April 2012 to 31 March 2013 ¹	5	0	5
(c) Number of withdrawals of MPF Exemption Certificates during the period from 1 April 2012 to 31 March 2013	110	9	119
(d) Number of MPF Exempted ORSO Schemes as at 31 March 2013 [i.e. (d) = (a) + (b)–(c)]	3 678	270	3 948

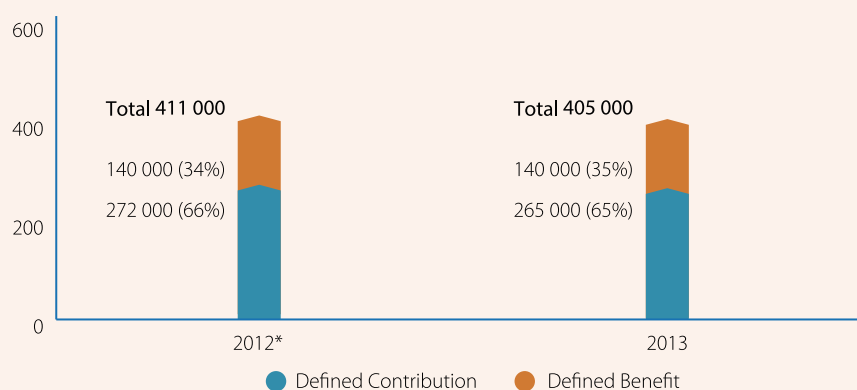
¹ This refers to the application for MPF exemption in respect of newly established ORSO registered schemes whereby all or a substantial portion of the members and assets of the schemes were transferred from one or more MPF exempted ORSO schemes as a result of scheme restructuring or bona fide business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

ORSO REGISTERED SCHEMES

4. NUMBER OF MEMBERS COVERED BY ORSO REGISTERED SCHEMES BY BENEFIT TYPE

(two year comparison)

('000)



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

5. NUMBER OF MEMBERS COVERED BY ORSO REGISTERED SCHEMES BY BENEFIT TYPE

(as at 31.3.2013)

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit			Total
	('000)	%	('000)	%	('000)	
MPF exempted	227	63	134	37	361	100
Non-MPF exempted	38	86	6	14	44	100
Total	265	65	140	35	405	100

CONTRIBUTION AMOUNT

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

(as at 31.3.2013)

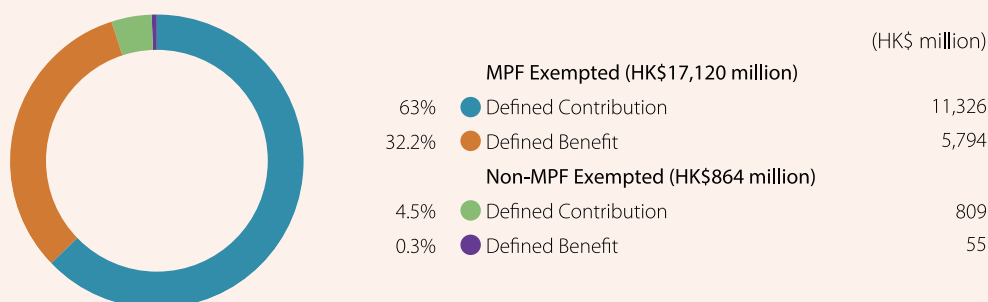
	MPF Exempted (HK\$ million) %		Non-MPF Exempted* (HK\$ million) %		Total (HK\$ million) %	
Employer's Contributions						
— Ordinary	13,082	76	583	67	13,665	76
— Initial/Special	323	2	87	10	410	2
	13,405	78	670	78	14,075	78
Employee's Contributions	3,715	22	194	22	3,909	22
Total Contributions	17,120	100	864	100	17,984	100

Source: The latest annual returns in respect of 4 298 ORSO registered schemes

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

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

(as at 31.3.2013)

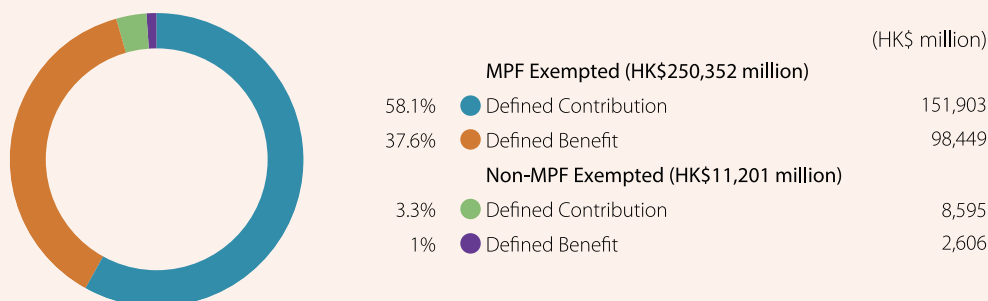


Contribution Amount: HK\$17,984 million

Source: The latest annual returns in respect of 4 298 ORSO registered schemes

8. ASSET SIZE OF ORSO REGISTERED SCHEMES BY BENEFIT TYPE

(as at 31.3.2013)



Asset Size: HK\$261,553 million

Source: The latest annual returns in respect of 4 298 ORSO registered schemes

PART D — ENQUIRIES AND COMPLAINTS

1. ENQUIRIES RECEIVED* BY ENQUIRER TYPE

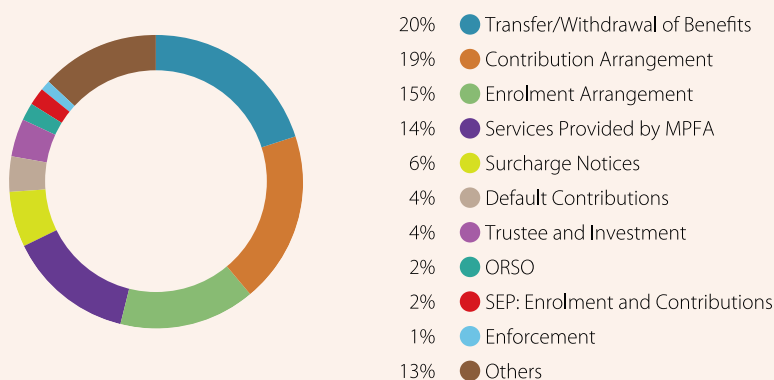
(1.4.2012–31.3.2013)

Enquirer Type	Number of Enquiries	%
Employee	50 397	43
Employer	43 911	37
Self-employed Person	2 203	2
Service Provider	4 231	4
Others/Unknown	16 896	14
Total	117 638	100

* Excludes enquiries about personal account information. For details of personal account enquiries, please refer to Item 3 — Personal Account Enquiries Received by Enquirer Type.

2. NATURE OF ENQUIRIES*

(1.4.2012–31.3.2013)



Total Number of Enquiry Nature: 169 635[#]

* Excludes enquiries about personal account information. For details of personal account enquiries, please refer to Item 3 — Personal Account Enquiries Received by Enquirer Type.

Since an enquiry may cover more than one enquiry nature, total number of enquiry nature may exceed the total number of enquiries.

3. PERSONAL ACCOUNT ENQUIRIES RECEIVED BY ENQUIRER TYPE

(1.4.2012–31.3.2013)

Enquirer Type	Number of Enquiries	%
Authorized Person of a Scheme Member	98 754	80
Scheme Member	24 253	20
Personal Representative of a Deceased Scheme Member	344	§
Total	123 351	100

§ Less than 0.5%

4. COMPLAINTS RECEIVED BY INDUSTRY OF COMPLAINEE

(1.4.2012–31.3.2013)



Total Number of Complaints Received: 4 461

5. COMPLAINTS RECEIVED BY COMPLAINEE TYPE

(1.4.2012–31.3.2013)

Complainee	Number of Complaints
Employers (MPF and ORSO)	4 010
MPF Trustees & Service Providers	347
MPF Intermediaries	24
ORSO Administrators	11
Others	69
Total Number of Complaints Received	4 461

6. NATURE OF COMPLAINTS

(1.4.2012–31.3.2013)

Type of Allegations	Number of Allegations
Employers (MPF and ORSO)	6 168
— Default Contribution	3 471
— Non-enrolment	1 699
— Others	998
MPF Trustees & Service Providers	425
— Scheme Administration	387
— Others	38
MPF Intermediaries	28
— Conduct Issues	13
— Unregistered Activities	0
— Servicing & Others	15
ORSO Administrators	27
— Scheme Administration	21
— Others	6
Others	72
Total Number of Allegations	6 720[#]

[#] Since a complaint may cover more than one allegation, total number of allegations may exceed the total number of complaints.

PART E — ENFORCEMENT

RELATING TO EMPLOYERS

1. NUMBER OF PAYMENT NOTICES ISSUED IN RESPECT OF DEFAULT CONTRIBUTION

(1.4.2012–31.3.2013)

Month	Number of Payment Notices Issued
April 2012	18 700
May 2012	22 200
June 2012	19 800
July 2012	19 500
August 2012	21 700
September 2012	20 600
October 2012	20 700
November 2012	21 200
December 2012	19 400
January 2013	21 800
February 2013	22 800
March 2013	23 600
Total	252 000

2. NUMBER OF CASES INVESTIGATED (INCLUDING COMPLAINT CASES AND CASES REPORTED BY TRUSTEES) BY TYPE OF ALLEGED OFFENCES

(1.4.2012–31.3.2013)

Alleged Offences	Number
Default contribution	35 763
Non-enrolment	1 699
Forced change to SEP	89
Others [#]	848
Total*	36 306

[#] Others include failure to notify trustees of termination of employment, evading MPF contributions by setting aside and labelling part of an employee's salary as housing allowance, failure to issue monthly pay record, etc.

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

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

(1.4.2012–31.3.2013)

Nature of Offences	Prosecution Status as at 31.3.2013				Total Number of Summonses Applied
	Guilty	Acquitted	Not yet available	Withdrawn*	
Contributions in arrears	918	0	468	87	1 473
Non-enrolment of employee	62	0	28	6	96
False statement	64	1	27	2	94
Failure to comply with court order	0	0	1	0	1
Total	1 044	1	524	95	1 664

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

4. NUMBER OF APPLICATIONS LODGED WITH SMALL CLAIMS TRIBUNAL, DISTRICT COURT, BAILIFF AND LIQUIDATORS

(1.4.2012–31.3.2013)

	Number of Cases	Related Number of Employees
Lodged with the Small Claims Tribunal	313	1 432
Lodged with the District Court	47	1 184
Lodged with Bailiff	139	988
Lodged with Liquidators	123	1 783

5. NUMBER OF GARNISHEE ORDERS APPLIED

(1.4.2012–31.3.2013):

88

6. FINANCIAL PENALTY NOTICES ISSUED TO EMPLOYERS

(1.4.2012–31.3.2013)

Breach	Number of Financial Penalty Notices Issued	Amount of Financial Penalty
Breach of section 7A(8) of the Mandatory Provident Fund Schemes Ordinance (Failure to pay MPF contributions in respect of an employee to the approved trustee within the prescribed period)	31	HK\$190,000

RELATING TO MPF INTERMEDIARIES

7. NUMBER OF CASES (INCLUDING COMPLAINT CASES AND DIRECT INVESTIGATION CASES) HANDLED BY MPFA

(1.11.2012–31.3.2013):

20

8. NUMBER OF CASES PASSED TO FRONTLINE REGULATORS

(1.11.2012–31.3.2013):

6

MEMBERSHIP LISTS OF BOARDS AND COMMITTEES

(as at 31 March 2013)

MANAGEMENT BOARD

Chairman

Hon Anna Wu Hung-yuk, GBS, JP

Deputy Chairman

Mrs Diana Chan Tong Chee-ching, JP

Members

Hon Andrew Leung Kwan-yuen, GBS, JP

Hon Wong Kwok-kin, BBS

Hon Ip Kwok-him, GBS, JP

Ms Paddy Lui Wai-yu, BBS, JP

Mr John Poon Cho-ming, JP

Mr Philip Tsai Wing-chung, JP

Ms Li Fung-ying, SBS, JP (until 16 Mar 2013)

Hon Poon Siu-ping, BBS, MH (from 17 Mar 2013)

Mr Rimsky Yuen Kwok-keung, SC, JP (until 30 Jun 2012)

Mr Horace Wong Yuk-lun, SC (from 1 Oct 2012)

Prof Hon K C Chan, GBS, JP

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

Hon Matthew Cheung Kin-chung, GBS, JP

Alternate: Permanent Secretary for Labour and Welfare

Ms Henden Yu, JP (until 2 Jul 2012)

Ms Alice Law Shing-mui (from 16 Jul 2012)

Mr Darren Mark McShane

Mr Thomas Yiu Kei-chung

Ms Cynthia Hui Wai-yee

MPF SCHEMES ADVISORY COMMITTEE

Chairman

Mr David Sun Tak-kei, BBS, JP (until 30 Jun 2012)

Hon Wong Ting-kwong, SBS, JP (from 1 Nov 2012)

Deputy Chairman

Mrs Diana Chan Tong Chee-ching, JP

Members

Ms Ng Wai-yee, MH

Mr William Chan Che-kwong

Mr Ip Wai-ming, MH

Mrs Agnes Koon Woo Kam-oi

Mr Larry Kwok Lam-kwong, BBS, JP

Mr Fred Li Wah-ming, SBS, JP

Mr Paul Pong Po-lam

Mrs Bethy Tam Ho Kum-man

Mr Stanley Lau Chin-ho, BBS, MH, JP (until 29 Mar 2013)

Dr Roy Chung Chi-ping, BBS, JP (from 30 Mar 2013)

MPF INDUSTRY SCHEMES COMMITTEE

Chairman

Hon Wong Ting-kwong, SBS, JP (until 24 Aug 2012)

Ms Li Fung-ying, SBS, JP (from 25 Aug 2012)

Members

Mr Ng Kwok-kwan

Mr Conrad Wong Tin-cheung, JP

Mr Chan Sam-choi

Mr Chan Wing-on

Mr Hiew Chin, BBS, MH (until 24 Aug 2012)

Mr Thomas Ho On-sing, JP (until 24 Aug 2012)

Mr Tsang Peng-sun (until 24 Aug 2012)

Mr Yuen Fuk-wo (until 24 Aug 2012)

Mr Koon Ting-shan (from 25 Aug 2012)

Mr Lawrence Ng San-wa (from 25 Aug 2012)

Mr Tang Ka-hin (from 25 Aug 2012)

Mr Simon Wong Kit-lung (from 25 Aug 2012)

Mr Adrian Li Man-kiu, JP

Mr Ivan Liu Sin-keung

Mr Thomas Yiu Kei-chung

SUPPORTING COMMITTEES OF THE MANAGEMENT BOARD

Administration Committee

The Committee advises the Management Board on the development of human resources policies and procedures as well as policies relating to general administration.

Chairman

Hon Ip Kwok-him, GBS, JP

Members

Hon Anna Wu Hung-yuk, GBS, JP

Ms Li Fung-ying, SBS, JP (until 16 Mar 2013)

Hon Poon Siu-ping, BBS, MH (from 22 Mar 2013)

Mrs Diana Chan Tong Chee-ching, JP

Mr Thomas Yiu Kei-chung

Finance Committee

The Committee advises the Management Board on the development of financial strategies and policies, examines and reviews the annual budget of MPFA, and oversees the financial position and investment of the funds of MPFA and the Compensation Fund.

Chairman

Mr Philip Tsai Wing-chung, JP

Members

Hon Anna Wu Hung-yuk, GBS, JP

Mr John Poon Cho-ming, JP

Mrs Diana Chan Tong Chee-ching, JP

Mr Thomas Yiu Kei-chung

Audit Committee

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

Chairman

Ms Paddy Lui Wai-yu, BBS, JP

Members

Hon Wong Kwok-kin, BBS

Hon Ip Kwok-him, GBS, JP

Mr Philip Tsai Wing-chung, JP

Tender Board

The Tender Board considers the assessment of tender submissions conducted by the assessment panels 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.

Chairman

Hon Andrew Leung Kwan-yuen, GBS, JP

Members

Mr John Poon Cho-ming, JP

Mr Thomas Yiu Kei-chung

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

Guidelines Committee

The Committee scrutinizes draft MPF Guidelines developed to give details on issues that are not spelt out in the MPF legislation for the guidance of MPF service providers, and reviews and updates existing guidelines.

Chairman

Mr Rimsky Yuen Kwok-keung, SC, JP (until 30 Jun 2012)

Hon Anna Wu Hung-yuk, GBS, JP (from 17 Jul 2012)

Members

Hon Anna Wu Hung-yuk, GBS, JP (until 16 Jul 2012)

Mr Horace Wong Yuk-lun, SC (from 23 Nov 2012)

Mr Darren Mark McShane

Mr Alex Chu Wing-yiu

Mr Lieven Debruyne

Ms Cynthia Chung Wing-suet

Mr Bonn Liu

Ms Lau Ka-shi

Mr David Adams

Working Group on Review of Withdrawal of MPF Benefits

The Working Group considers the modes of payment of MPF benefits on retirement and the grounds for early withdrawal of MPF benefits.

Chairman

Mr Rimsky Yuen Kwok-keung, SC, JP (until 30 Jun 2012)

Hon Anna Wu Hung-yuk, GBS, JP (from 17 Jul 2012)

Members

Hon Wong Ting-kwong, BBS, JP

Mr David Sun Tak-kei, BBS, JP (until 30 Jun 2012)

Hon Anna Wu Hung-yuk, GBS, JP (until 16 Jul 2012)

Ms Li Fung-ying, SBS, JP (until 16 Mar 2013)

Working Group on MPF Reform Issues

The Working Group considers MPF reform issues focusing on (a) evaluating and proposing measures to further reduce fees and charges of MPF schemes, and (b) studying measures to increase choices of MPF schemes for employees.

Chairman

Hon Anna Wu Hung-yuk, GBS, JP

Members

Hon Ip Kwok-him, GBS, JP

Mr John Poon Cho-ming, JP

Mr David Sun Tak-kei, BBS, JP (until 30 Jun 2012)

Mr Philip Tsai Wing-chung, JP (from 17 Jul 2012)

Project Steering Committee on Consultancy Study on MPF Trustees' Administration Costs

The Steering Committee steers the direction and monitors the progress of the consultancy study on MPF trustees' administration costs.

Chairman

Mr John Poon Cho-ming, JP

Members

Ms Paddy Lui Wai-yu, BBS, JP

Mr Philip Tsai Wing-chung, JP

Working Group on Review of Adjustment Mechanism for Minimum and Maximum Levels of Relevant Income

(formed on 18 Oct 2012)

The Working Group has been set up to develop a recommended adjustment mechanism for minimum and maximum levels of relevant income.

Chairman

Mr Philip Tsai Wing-chung, JP

Members

Hon Andrew Leung Kwan-yuen, GBS, JP

Hon Wong Ting-kwong, SBS, JP

Ms Li Fung-ying, SBS, JP

MEMBERSHIP LISTS OF BOARDS AND COMMITTEES (CONTINUED)

(as at 31 March 2013)

MPF SCHEMES APPEAL BOARD

Chairman

Mr Paul Tan Chuen-yan (*until 30 Oct 2012*)

Mr Michael Stuart-Moore, GBS (*from 1 Nov 2012*)

Deputy Chairman

Mr Paul Shieh Wing-tai, SC

Panel Members

Dr Stella Cho Lung Pui-lan

Ms Benita Yu Ka-po

Ms Giovanna Kwong Fung-ping

Mr Kenny Chan Ngai-sang

Ms Agnes Chan Sui-kuen

Mr Alex Chu Wing-yiu (*from 1 Nov 2012*)

Mr Ng Chau-pei (*from 1 Nov 2012*)

Ms Ng Wai-yee, MH (*from 1 Nov 2012*)

Mr Jeff Wong Kwan-kit (*from 1 Nov 2012*)

OCCUPATIONAL RETIREMENT SCHEMES APPEAL BOARD

Chairman

Mr Paul Tan Chuen-yan (*until 30 Sep 2012*)

Mr Paul Shieh Wing-tai, SC (*from 1 Oct 2012*)

Deputy Chairman

Mr Paul Shieh Wing-tai, SC (*until 30 Sep 2012*)

Ms Cynthia Chung Wing-suet (*from 1 Oct 2012*)

Panel Members

Dr Stella Cho Lung Pui-lan

Ms Cecilia Lee Sau-wai

Mr Adrian Wong Koon-man, MH, JP (*until 30 Sep 2012*)

Mr Philip Tsai Wing-chung, JP (*until 30 Sep 2012*)

Ms Cynthia Chung Wing-suet (*until 30 Sep 2012*)

Ms Ivy Cheung Wing-han (*from 1 Oct 2012*)

Ms Giovanna Kwong Fung-ping (*from 1 Oct 2012*)

Mr Raymond Wong Kwai-sang (*from 1 Oct 2012*)

LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND

(as at 31 March 2013)

Ageas Trustees (HK) Limited

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

American International Assurance Company (Trustee) Limited¹

American International Assurance Company (Trustee) Limited is a member of the AIA Group Limited (the "AIA Group"). The AIA Group has operations in 16 markets in Asia Pacific. The AIA Group meets the savings and protection needs of individuals by offering a range of products and services including retirement savings plans, life insurance and accident and health insurance. The Group also provides employee benefits, credit life and pension services to corporate clients.

AXA China Region Trustees Limited

AXA China Region Trustees Limited is a member of the global AXA Group. AXA has a history dating back to the early 19th century and commenced business in Hong Kong in 1986, offering a wide range of insurance, investment and retirement solutions.

AXA Financial Services Trustees Limited

AXA Financial Services Trustees Limited is a member of the global AXA Group.

Bank Consortium Trust Company Limited

Bank Consortium Trust Company Limited, a member of the BCT group of companies, is a trust company set up in 1999 by a consortium of local financial institutions. BCT provides services to retirement plans and investment funds as trustee, administrator and/or custodian and the pension products of which it is trustee include MPF master trust scheme, industry scheme and pooled ORSO plan sponsored by BCT Financial Limited (also a member of the BCT group of companies). The company also provides trustee, administration and/or custodian services for MPF/individual ORSO schemes and international pension plans as well as global investment funds sponsored by third parties.

Bank of Communications Trustee Limited

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

Bank of East Asia (Trustees) Limited

Bank of East Asia (Trustees) Limited is a wholly-owned subsidiary of The Bank of East Asia ("BEA"). BEA delivers comprehensive commercial and personal banking services, financial services, and insurance through its Corporate Banking, Personal Banking, Wealth Management, Insurance & Retirement Benefits, Treasury Markets, China, and International divisions. Products and services include syndication loans, trade finance, deposit-taking, foreign currency savings, remittances, mortgage loans, consumer loans, credit cards, Cyberbanking, retail investment and wealth management services, private banking, Renminbi services, foreign exchange margin trading, Mandatory Provident Fund services, and general and life insurance.

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.

¹ From 1 May 2013, American International Assurance Company (Trustee) Limited is renamed AIA Company (Trustee) Limited.

Appendix 2

LIST OF APPROVED MPF TRUSTEES AND THEIR BACKGROUND (CONTINUED)

(as at 31 March 2013)

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, transaction services and wealth management to consumers, corporations, governments and institutions.

HSBC Institutional Trust Services (Asia) Limited

HSBC Institutional Trust Services (Asia) Limited is a wholly owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited, which is one of the commercial banks in Hong Kong. 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 Pacific Century Group. Pacific Century Group was established in 1993 and has interests in financial services, telecom, media and information technology, property and real estate, and other investments in the Asia Pacific region. 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. Manulife Financial is a Canada-based financial services group with principal operations in Asia, Canada and the United States. Manulife Financial provides a diverse range of financial protection and wealth management products and services to individuals, families, businesses and groups.

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, asset 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 retirement scheme management, including corporate trustee, fund and scheme administration services. In addition, the Company is engaged in the provision of unit trust administration and registration services to unit trust investors.

RBC Investor Services Trust Hong Kong Limited

RBC Investor Services Trust Hong Kong Limited provides trustee, fund administration, pension administration, custody and transfer agency services. It is an indirect subsidiary of 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, investor services and wholesale banking 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 pension, wealth accumulation and protection products to individuals and corporate customers worldwide.

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS

(as at 31 March 2013)

Trustee	MPF Scheme	Underlying Constituent Funds	
Ageas Trustees (HK) Limited	Ageas Master Trust MPF Scheme	1	Ageas Global Balanced Fund
		2	Ageas Hong Kong Fund
		3	Ageas MPF Conservative Fund
American International Assurance Company (Trustee) Limited	AIA MPF — Basic Value Choice	1	American Fund
		2	Asian Bond Fund
		3	Asian Equity Fund
		4	Balanced Portfolio
		5	Capital Stable Portfolio
		6	Eurasia Fund
		7	European Equity Fund
		8	Fidelity Capital Stable Fund
		9	Fidelity Growth Fund
		10	Fidelity Stable Growth Fund
		11	Global Bond Fund
		12	Greater China Equity Fund
		13	Green Fund
		14	Growth Portfolio
		15	Guaranteed Portfolio
		16	Hong Kong and China Fund
		17	Hong Kong Equity Fund
		18	Japan Equity Fund
		19	Manager's Choice Fund
		20	MPF Conservative Fund
		21	North American Equity Fund
		22	RCM Capital Stable Fund
		23	RCM Growth Fund
		24	RCM Stable Growth Fund
		25	World Fund
American International Assurance Company (Trustee) Limited	AIA MPF — Prime Value Choice	1	American Fund
		2	Asian Bond Fund
		3	Asian Equity Fund
		4	Balanced Portfolio
		5	Capital Stable Portfolio
		6	Eurasia Fund
		7	European Equity Fund
		8	Fidelity Capital Stable Fund
		9	Fidelity Growth Fund
		10	Fidelity Stable Growth Fund
		11	Global Bond Fund
		12	Greater China Equity Fund
		13	Green Fund
		14	Growth Portfolio
		15	Guaranteed Portfolio
		16	Hong Kong and China Fund
		17	Hong Kong Equity Fund
		18	Japan Equity Fund
		19	Manager's Choice Fund
		20	MPF Conservative Fund
		21	North American Equity Fund
		22	RCM Capital Stable Fund
		23	RCM Growth Fund
		24	RCM Stable Growth Fund
		25	World Fund

Appendix 3

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (CONTINUED)

(as at 31 March 2013)

Trustee	MPF Scheme	Underlying Constituent Funds	
American International Assurance Company (Trustee) Limited	AIA MPF — Simple Value Choice	1	American Fund
		2	Asian Bond Fund
		3	Eurasia Fund
		4	Global Bond Fund
		5	Guaranteed Portfolio
		6	Hong Kong and China Fund
		7	MPF Conservative Fund
		8	World Fund
AXA China Region Trustees Limited	AXA MPF — Simple Plan	1	AXA — Fidelity Asia Pacific Equity Fund
		2	AXA — Fidelity Global Equity Fund
		3	AXA — RCM Hong Kong Fund
		4	AXA — Templeton Global Bond Fund
		5	AXA — Templeton Japan Equity Fund
		6	AXA Balanced Fund
		7	AXA Growth Fund
		8	AXA MPF Conservative Fund
		9	AXA Stable Fund
AXA China Region Trustees Limited	AXA MPF — Smart Plan	1	AXA — Fidelity Asia Pacific Equity Fund
		2	AXA — Fidelity Global Equity Fund
		3	AXA — JPMorgan Asian Bond Fund
		4	AXA — JPMorgan Greater China Equity Fund
		5	AXA — RCM Hong Kong Fund
		6	AXA — Templeton Global Bond Fund
		7	AXA — Templeton Japan Equity Fund
		8	AXA Balanced Fund
		9	AXA Cash Fund
		10	AXA Growth Fund
		11	AXA Guaranteed Fund
		12	AXA MPF Conservative Fund
		13	AXA Stable Fund
Bank Consortium Trust Company Limited	Allianz Global Investors MPF Plan	1	Allianz Absolute Return Fund
		2	Allianz Asian Fund
		3	Allianz Balanced Fund
		4	Allianz Capital Stable Fund
		5	Allianz Greater China Fund
		6	Allianz Growth Fund
		7	Allianz Hong Kong Fund
		8	Allianz MPF Conservative Fund
		9	Allianz Oriental Pacific Fund
		10	Allianz Stable Growth Fund
Bank Consortium Trust Company Limited	AMTD MPF Scheme	1	AMTD Invesco Asia Fund
		2	AMTD Invesco Europe Fund
		3	AMTD Invesco Global Bond Fund
		4	AMTD Invesco Hong Kong and China Fund
		5	AMTD Invesco MPF Conservative Fund
		6	AMTD Invesco Target 2018 Retirement Fund
		7	AMTD Invesco Target 2028 Retirement Fund
		8	AMTD Invesco Target 2038 Retirement Fund
		9	AMTD Invesco Target 2048 Retirement Fund
		10	AMTD RCM Balanced Fund
		11	AMTD RCM Capital Stable Fund
		12	AMTD RCM Dynamic Allocation Fund
		13	AMTD RCM Growth Fund
		14	AMTD RCM Stable Growth Fund

Trustee	MPF Scheme	Underlying Constituent Funds	
Bank Consortium Trust Company Limited	BCT (MPF) Industry Choice	1	BCT (Industry) Absolute Return Fund
		2	BCT (Industry) Asian Equity Fund
		3	BCT (Industry) E30 Mixed Asset Fund
		4	BCT (Industry) E50 Mixed Asset Fund
		5	BCT (Industry) E70 Mixed Asset Fund
		6	BCT (Industry) Global Bond Fund
		7	BCT (Industry) Global Equity Fund
		8	BCT (Industry) Hong Kong Equity Fund
		9	BCT (Industry) MPF Conservative Fund
		10	BCT (Industry) RMB Bond Fund
Bank Consortium Trust Company Limited	BCT (MPF) Pro Choice	1	BCT (Pro) Absolute Return Fund
		2	BCT (Pro) Asian Equity Fund
		3	BCT (Pro) China and Hong Kong Equity Fund
		4	BCT (Pro) E30 Mixed Asset Fund
		5	BCT (Pro) E50 Mixed Asset Fund
		6	BCT (Pro) E70 Mixed Asset Fund
		7	BCT (Pro) E90 Mixed Asset Fund
		8	BCT (Pro) European Equity Fund
		9	BCT (Pro) Global Bond Fund
		10	BCT (Pro) Global Equity Fund
		11	BCT (Pro) Greater China Equity Fund
		12	BCT (Pro) Hang Seng Index Tracking Fund
		13	BCT (Pro) Hong Kong Dollar Bond Fund
		14	BCT (Pro) Hong Kong Equity Fund
		15	BCT (Pro) International Equity Fund
		16	BCT (Pro) MPF Conservative Fund
		17	BCT (Pro) RMB Bond Fund
		18	BCT (Pro) SaveEasy 2020 Fund
		19	BCT (Pro) SaveEasy 2025 Fund
		20	BCT (Pro) SaveEasy 2030 Fund
		21	BCT (Pro) SaveEasy 2035 Fund
		22	BCT (Pro) SaveEasy 2040 Fund
		23	BCT (Pro) World Equity Fund
Bank Consortium Trust Company Limited	Invesco Strategic MPF Scheme	1	Asian Equity Fund
		2	Balanced Fund
		3	Capital Stable Fund
		4	Global Bond Fund
		5	Growth Fund
		6	Guaranteed Fund
		7	Hong Kong and China Equity Fund
		8	MPF Conservative Fund
		9	RMB Bond Fund
Bank of Communications Trustee Limited	BCOM Joyful Retirement MPF Scheme	1	BCOM Asian Dynamic Equity (CF) Fund
		2	BCOM Balanced (CF) Fund
		3	BCOM China Dynamic Equity (CF) Fund
		4	BCOM Dynamic Growth (CF) Fund
		5	BCOM Global Bond (CF) Fund
		6	BCOM Greater China Equity (CF) Fund
		7	BCOM Guaranteed (CF) Fund
		8	BCOM Hong Kong Dynamic Equity (CF) Fund
		9	BCOM HSI Tracking (CF) Fund
		10	BCOM MPF Conservative Fund
		11	BCOM Stable Growth (CF) Fund

Appendix 3

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (CONTINUED)

(as at 31 March 2013)

Trustee	MPF Scheme	Underlying Constituent Funds	
Bank of East Asia (Trustees) Limited	BEA (MPF) Industry Scheme	1	BEA (Industry Scheme) Asian Equity Fund
		2	BEA (Industry Scheme) Balanced Fund
		3	BEA (Industry Scheme) Greater China Equity Fund
		4	BEA (Industry Scheme) Growth Fund
		5	BEA (Industry Scheme) Hong Kong Equity Fund
		6	BEA (Industry Scheme) MPF Conservative Fund
		7	BEA (Industry Scheme) RMB & HKD Money Market Fund
		8	BEA (Industry Scheme) Stable Fund
		9	BEA China Tracker Fund
		10	BEA Hong Kong Tracker Fund
Bank of East Asia (Trustees) Limited	BEA (MPF) Master Trust Scheme	1	BEA (MPF) Asian Equity Fund
		2	BEA (MPF) Balanced Fund
		3	BEA (MPF) Conservative Fund
		4	BEA (MPF) European Equity Fund
		5	BEA (MPF) Global Bond Fund
		6	BEA (MPF) Global Equity Fund
		7	BEA (MPF) Greater China Equity Fund
		8	BEA (MPF) Growth Fund
		9	BEA (MPF) Hong Kong Equity Fund
		10	BEA (MPF) Japan Equity Fund
		11	BEA (MPF) Long Term Guaranteed Fund
		12	BEA (MPF) North American Equity Fund
		13	BEA (MPF) RMB & HKD Money Market Fund
		14	BEA (MPF) Stable Fund
		15	BEA China Tracker Fund
		16	BEA Hong Kong Tracker Fund
Bank of East Asia (Trustees) Limited	BEA (MPF) Value Scheme	1	BEA Asian Equity Fund
		2	BEA Balanced Fund
		3	BEA Global Bond Fund
		4	BEA Global Equity Fund
		5	BEA Greater China Equity Fund
		6	BEA Greater China Tracker Fund
		7	BEA Growth Fund
		8	BEA Hong Kong Tracker Fund
		9	BEA MPF Conservative Fund
		10	BEA Stable Fund
BOCI-Prudential Trustee Limited	BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme	1	BOC-Prudential Asia Equity Fund
		2	BOC-Prudential Balanced Fund
		3	BOC-Prudential Bond Fund
		4	BOC-Prudential China Equity Fund
		5	BOC-Prudential CSI HK 100 Tracker Fund
		6	BOC-Prudential European Index Tracking Fund
		7	BOC-Prudential Global Equity Fund
		8	BOC-Prudential Growth Fund
		9	BOC-Prudential Hong Kong Equity Fund
		10	BOC-Prudential Japan Equity Fund
		11	BOC-Prudential MPF Conservative Fund
		12	BOC-Prudential MPF RMB & HKD Money Market Fund
		13	BOC-Prudential North America Index Tracking Fund
		14	BOC-Prudential Stable Fund

Trustee	MPF Scheme	Underlying Constituent Funds
BOCI-Prudential Trustee Limited	My Choice Mandatory Provident Fund Scheme	1 My Choice Asia Equity Fund
		2 My Choice Balanced Fund
		3 My Choice China Equity Fund
		4 My Choice Global Bond Fund
		5 My Choice Global Equity Fund
		6 My Choice Growth Fund
		7 My Choice HKD Bond Fund
		8 My Choice Hong Kong Equity Fund
		9 My Choice Hong Kong Tracking Fund
		10 My Choice Japan Equity Fund
		11 My Choice MPF Conservative Fund
		12 My Choice Stable Fund
China Life Trustees Limited	China Life MPF Master Trust Scheme	1 China Life Balanced Fund
		2 China Life Growth Fund
		3 China Life Guaranteed Return Fund
		4 China Life Hong Kong Equity Fund
		5 China Life MPF Conservative Fund
		6 China Life Retire-Easy Balanced Fund
		7 China Life Retire-Easy Capital Stable Fund
		8 China Life Retire-Easy Global Equity Fund
		9 China Life Retire-Easy Guarantee Fund
HSBC Institutional Trust Services (Asia) Limited	Fidelity Retirement Master Trust	1 Asia Pacific Equity Fund
		2 Balanced Fund
		3 Capital Stable Fund
		4 Fidelity SaveEasy 2020 Fund
		5 Fidelity SaveEasy 2025 Fund
		6 Fidelity SaveEasy 2030 Fund
		7 Fidelity SaveEasy 2035 Fund
		8 Fidelity SaveEasy 2040 Fund
		9 Global Equity Fund
		10 Growth Fund
		11 Hong Kong Bond Fund
		12 Hong Kong Equity Fund
		13 MPF Conservative Fund
		14 Stable Growth Fund
		15 World Bond Fund
HSBC Institutional Trust Services (Asia) Limited	Haitong MPF Retirement Fund	1 Haitong Asia Pacific (excluding HK) Fund
		2 Haitong Global Diversification Fund
		3 Haitong Hong Kong SAR Fund
		4 Haitong Korea Fund
		5 Haitong MPF Conservative Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	Hang Seng Mandatory Provident Fund — SimpleChoice	1 Global Bond Fund
		2 Global Equity Fund
		3 MPF Conservative Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	Hang Seng Mandatory Provident Fund — SuperTrust	1 Balanced Fund
		2 Growth Fund
		3 Guaranteed Fund
		4 Hang Seng Index Tracking Fund
		5 MPF Conservative Fund

Appendix 3

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (CONTINUED)

(as at 31 March 2013)

Trustee	MPF Scheme	Underlying Constituent Funds	
HSBC Provident Fund Trustee (Hong Kong) Limited	Hang Seng Mandatory Provident Fund — SuperTrust Plus	1	Asia Pacific Equity Fund
		2	Balanced Fund
		3	Chinese Equity Fund
		4	European Equity Fund
		5	Flexi-Managed Fund
		6	Global Bond Fund
		7	Growth Fund
		8	Guaranteed Fund
		9	Hang Seng Index Tracking Fund
		10	Hong Kong and Chinese Equity Fund
		11	MPF Conservative Fund
		12	North American Equity Fund
		13	Stable Fund
		14	Stable Growth Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	Hang Seng Mandatory Provident Fund — ValueChoice	1	Global Bond Fund
		2	Hang Seng H-Share Index Tracking Fund
		3	Hang Seng Index Tracking Fund
		4	MPF Conservative Fund
		5	ValueChoice Asia Pacific Equity Fund
		6	ValueChoice Balanced Fund
		7	ValueChoice European Equity Fund
		8	ValueChoice Stable Growth Fund
		9	ValueChoice US Equity Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	HSBC Mandatory Provident Fund — SimpleChoice	1	Global Bond Fund
		2	Global Equity Fund
		3	MPF Conservative Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	HSBC Mandatory Provident Fund — SuperTrust	1	Balanced Fund
		2	Growth Fund
		3	Guaranteed Fund
		4	Hang Seng Index Tracking Fund
		5	MPF Conservative Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	HSBC Mandatory Provident Fund — SuperTrust Plus	1	Asia Pacific Equity Fund
		2	Balanced Fund
		3	Chinese Equity Fund
		4	European Equity Fund
		5	Flexi-Managed Fund
		6	Global Bond Fund
		7	Growth Fund
		8	Guaranteed Fund
		9	Hang Seng Index Tracking Fund
		10	Hong Kong and Chinese Equity Fund
		11	MPF Conservative Fund
		12	North American Equity Fund
		13	Stable Fund
		14	Stable Growth Fund

Trustee	MPF Scheme	Underlying Constituent Funds	
HSBC Provident Fund Trustee (Hong Kong) Limited	HSBC Mandatory Provident Fund — ValueChoice	1	Global Bond Fund
		2	Hang Seng H-Share Index Tracking Fund
		3	Hang Seng Index Tracking Fund
		4	MPF Conservative Fund
		5	ValueChoice Asia Pacific Equity Fund
		6	ValueChoice Balanced Fund
		7	ValueChoice European Equity Fund
		8	ValueChoice Stable Growth Fund
		9	ValueChoice US Equity Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	Schroder MPF Master Trust	1	Schroder MPF Asian Portfolio
		2	Schroder MPF Balanced Investment Portfolio
		3	Schroder MPF Capital Guaranteed Portfolio
		4	Schroder MPF Capital Stable Portfolio
		5	Schroder MPF Conservative Portfolio
		6	Schroder MPF Growth Portfolio
		7	Schroder MPF HK Dollar Fixed Income Portfolio
		8	Schroder MPF Hong Kong Portfolio
		9	Schroder MPF International Portfolio
		10	Schroder MPF Stable Growth Portfolio
ING Pension Trust Limited	ING MPF Master Trust Basic Scheme	1	ING MPF Basic Scheme Balanced Growth Portfolio
		2	ING MPF Basic Scheme Capital Guaranteed Portfolio
		3	ING MPF Basic Scheme Hong Kong Equity Portfolio
		4	ING MPF Basic Scheme International Equity Portfolio
		5	ING MPF Basic Scheme MPF Conservative Portfolio
		6	ING MPF Basic Scheme Stable Growth Portfolio
ING Pension Trust Limited	ING MPF Master Trust Comprehensive Scheme	1	ING MPF Comprehensive Scheme Asian Equity Portfolio
		2	ING MPF Comprehensive Scheme Balanced Growth Portfolio
		3	ING MPF Comprehensive Scheme Capital Guaranteed Portfolio
		4	ING MPF Comprehensive Scheme Growth Portfolio
		5	ING MPF Comprehensive Scheme Hong Kong Equity Portfolio
		6	ING MPF Comprehensive Scheme International Equity Portfolio
		7	ING MPF Comprehensive Scheme MPF Conservative Portfolio
		8	ING MPF Comprehensive Scheme Stable Growth Portfolio
		9	ING MPF Comprehensive Scheme Stable Portfolio

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LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (CONTINUED)

(as at 31 March 2013)

Trustee	MPF Scheme	Underlying Constituent Funds	
Manulife Provident Funds Trust Company Limited	Manulife Global Select (MPF) Scheme	1	Manulife MPF 2015 Retirement Fund
		2	Manulife MPF 2020 Retirement Fund
		3	Manulife MPF 2025 Retirement Fund
		4	Manulife MPF 2030 Retirement Fund
		5	Manulife MPF 2035 Retirement Fund
		6	Manulife MPF 2040 Retirement Fund
		7	Manulife MPF 2045 Retirement Fund
		8	Manulife MPF Aggressive Fund
		9	Manulife MPF China Value Fund
		10	Manulife MPF Conservative Fund
		11	Manulife MPF European Equity Fund
		12	Manulife MPF Fidelity Growth Fund
		13	Manulife MPF Fidelity Stable Growth Fund
		14	Manulife MPF Growth Fund
		15	Manulife MPF Hang Seng Index Tracking Fund
		16	Manulife MPF Healthcare Fund
		17	Manulife MPF Hong Kong Bond Fund
		18	Manulife MPF Hong Kong Equity Fund
		19	Manulife MPF Interest Fund
		20	Manulife MPF International Bond Fund
		21	Manulife MPF International Equity Fund
		22	Manulife MPF Japan Equity Fund
		23	Manulife MPF North American Equity Fund
		24	Manulife MPF Pacific Asia Bond Fund
		25	Manulife MPF Pacific Asia Equity Fund
		26	Manulife MPF Stable Fund
Manulife Provident Funds Trust Company Limited	Manu-Lifestyle (MPF) Scheme	1	Manulife MPF 2015 Retirement Fund
		2	Manulife MPF 2020 Retirement Fund
		3	Manulife MPF 2025 Retirement Fund
		4	Manulife MPF 2030 Retirement Fund
		5	Manulife MPF 2035 Retirement Fund
		6	Manulife MPF 2040 Retirement Fund
		7	Manulife MPF 2045 Retirement Fund
		8	Manulife MPF Aggressive Fund
		9	Manulife MPF Conservative Fund
		10	Manulife MPF Growth Fund
		11	Manulife MPF Interest Fund
		12	Manulife MPF Stable Fund
MassMutual Trustees Limited	MASS Mandatory Provident Fund Scheme	1	Asian Balanced Fund
		2	Asian Pacific Equity Fund
		3	European Equity Fund
		4	Global Bond Fund
		5	Global Equity Fund
		6	Global Growth Fund
		7	Global Stable Fund
		8	Greater China Equity Fund
		9	Guaranteed Fund
		10	Hong Kong Equities Fund
		11	Japan Equity Fund
		12	MPF Conservative Fund
		13	US Equity Fund

Trustee	MPF Scheme	Underlying Constituent Funds	
Principal Trust Company (Asia) Limited	Principal MPF Scheme Series 500	1	Aggressive Growth Fund
		2	Balanced Growth Fund
		3	Guaranteed Fund
		4	MPF Conservative Fund
		5	Stable Growth Fund
Principal Trust Company (Asia) Limited	Principal MPF Scheme Series 600	1	Principal Asian Bond Fund
		2	Principal Global Growth Fund
		3	Principal Hang Seng Index Tracking Fund
		4	Principal HK Dollar Savings Fund
		5	Principal Long Term Accumulation Fund
		6	Principal Long Term Guaranteed Fund
		7	Principal MPF Conservative Fund
Principal Trust Company (Asia) Limited	Principal MPF Scheme Series 800	1	Principal Asian Equity Fund
		2	Principal Capital Guaranteed Fund
		3	Principal China Equity Fund
		4	Principal Global Growth Fund
		5	Principal Hang Seng Index Tracking Fund
		6	Principal HK Dollar Savings Fund
		7	Principal Hong Kong Bond Fund
		8	Principal Hong Kong Equity Fund
		9	Principal International Bond Fund
		10	Principal International Equity Fund
		11	Principal Long Term Accumulation Fund
		12	Principal Long Term Guaranteed Fund
		13	Principal MPF Conservative Fund
		14	Principal Stable Yield Fund
		15	Principal US Equity Fund
RBC Investor Services Trust Hong Kong Limited	SHKP MPF Employer Sponsored Scheme	1	Fidelity Balanced Fund
		2	Fidelity Stable Growth Fund
		3	HSBC Capital Stable Fund
		4	RCM Balanced Fund
		5	RCM Stable Growth Fund
		6	SHKP MPF Fund
		7	Standard Chartered Career Average Guaranteed Fund — SHKP
		8	Standard Chartered MPF Conservative Fund — SHKP

Appendix 3

LIST OF REGISTERED MPF SCHEMES AND CONSTITUENT FUNDS (CONTINUED)

(as at 31 March 2013)

Trustee	MPF Scheme	Underlying Constituent Funds
RBC Investor Services Trust Hong Kong Limited	Standard Chartered MPF Plan — Advanced	1 Fidelity Global Investment Fund — Balanced Fund
		2 Fidelity Global Investment Fund — Capital Stable Fund
		3 Fidelity Global Investment Fund — Growth Fund
		4 HSBC MPF “A” — Balanced Fund
		5 HSBC MPF “A” — Hong Kong and Chinese Equity Fund
		6 HSBC MPF “A” — Stable Fund
		7 Invesco Global Balanced Fund
		8 Invesco Global Equities Fund
		9 Invesco MPF Bond Fund
		10 Legg Mason Balanced Fund
		11 Legg Mason Hong Kong Equities Fund
		12 Legg Mason Stable Growth Fund
		13 RCM Balanced Fund
		14 RCM Capital Stable Fund
		15 RCM Growth Fund
		16 Schroder MPF Asian Fund
		17 Schroder MPF Balanced Investment Fund
		18 Schroder MPF HK Dollar Fixed Income Fund
		19 Standard Chartered Balanced Fund — Advanced
		20 Standard Chartered Career Average Guaranteed Fund — Advanced
		21 Standard Chartered Growth Fund — Advanced
		22 Standard Chartered MPF Conservative Fund — Advanced
		23 Standard Chartered Stable Fund — Advanced
		24 Templeton MPF Asian Balanced Fund
		25 Templeton MPF Global Bond Fund
		26 Templeton MPF Global Equity Fund
RBC Investor Services Trust Hong Kong Limited	Standard Chartered MPF Plan — Basic	1 Standard Chartered Balanced Fund — Basic
		2 Standard Chartered Career Average Guaranteed Fund — Basic
		3 Standard Chartered Growth Fund — Basic
		4 Standard Chartered MPF Conservative Fund — Basic
		5 Standard Chartered Stable Fund — Basic
Sun Life Trustee Company Limited	Sun Life Rainbow MPF Scheme	1 Sun Life First State MPF Balanced Portfolio Fund
		2 Sun Life First State MPF Conservative Fund
		3 Sun Life First State MPF Fixed Income Fund
		4 Sun Life First State MPF Global Bond Fund
		5 Sun Life First State MPF Hong Kong Equity Fund
		6 Sun Life First State MPF Progressive Growth Fund
		7 Sun Life First State MPF Stable Income Fund
		8 Sun Life Invesco MPF Global Equities Fund
		9 Sun Life Invesco MPF Hong Kong and China Equity Fund
		10 Sun Life MPF RMB and HKD Fund
		11 Sun Life RCM MPF Asian Equity Fund
		12 Sun Life RCM MPF Balanced Fund
		13 Sun Life RCM MPF Capital Stable Fund
		14 Sun Life RCM MPF Stable Growth Fund

LIST OF CORPORATE ADMINISTRATORS WHO ADMINISTER POOLING AGREEMENTS FOR ORSO SCHEMES

(as at 31 March 2013)

AUTHORIZED INSURERS

American International Assurance Company (Bermuda) Limited¹
 American International Assurance Company, Limited²
 China Life Insurance (Overseas) Company Limited
 Hang Seng Insurance Company Limited
 HSBC Life (International) Limited
 ING Life Insurance Company (Bermuda) Limited
 Manufacturers Life Insurance Company — The
 Manulife (International) Limited
 Sun Life Hong Kong Limited

CORPORATE TRUST COMPANIES

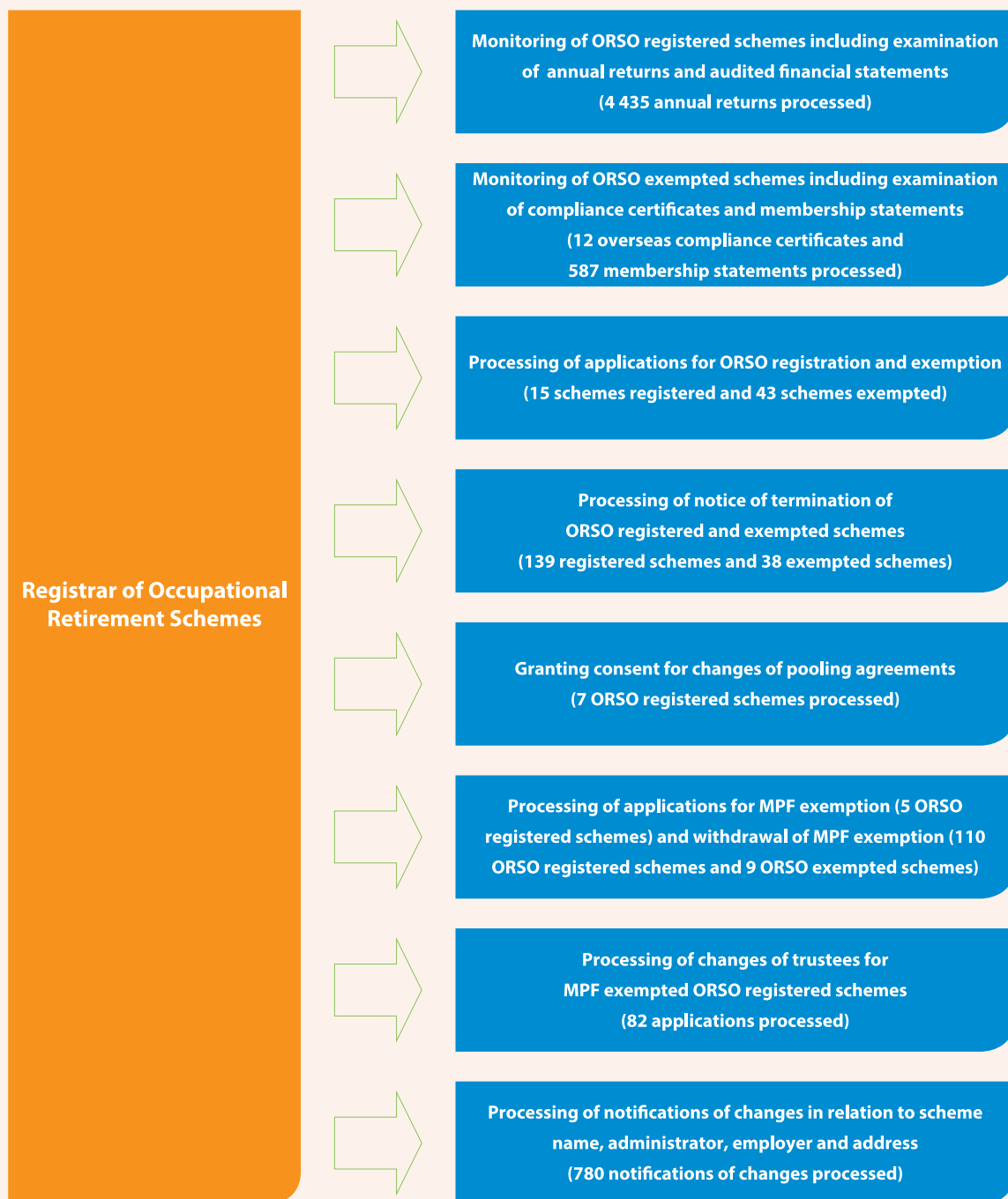
AIA Pension and Trustee Co. Ltd.
 American International Assurance Company (Trustee) Limited³
 AXA China Region (Bermuda) Limited
 AXA China Region Trustees Limited
 AzureTrustees Limited
 Bank Consortium Trust Company Limited
 Bank of Communications Trustee Limited
 BOC Group Trustee Company Limited
 China Life Trustees Limited
 HSBC Institutional Trust Services (Asia) Limited
 HSBC Trustee (Hong Kong) Limited
 ING Pension Trust Limited
 Manulife Provident Funds Trust Company Limited
 Principal Trust Company (Asia) Limited
 RBC Investor Services Trust Hong Kong Limited
 Shanghai Commercial Bank Trustee Limited
 Sun Life Trustee Company Limited

1 From 1 May 2013, American International Assurance Company (Bermuda) Limited is renamed AIA International Limited.

2 From 1 May 2013, American International Assurance Company, Limited is renamed AIA Company Limited.

3 From 1 May 2013, American International Assurance Company (Trustee) Limited is renamed AIA Company (Trustee) Limited.

WORK OF MPFA AS THE REGISTRAR OF OCCUPATIONAL RETIREMENT SCHEMES



Note: Figures denote workload for the year ended 31 March 2013

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 2012 – March 2013)

INVESTMENT EDUCATION PROGRAMMES — TO EDUCATE THE PUBLIC ON MPF INVESTMENT

Apr, Jul, Oct 2012 & Jan 2013	Quarterly publication <i>Summary of Fee Comparative Platform on MPF Funds</i> was issued
May – Jul 2012	A TV game show MPF Kaleidoscope on the MPF System and MPF investment was telecast, with print advertorials, online advertising and smartphone applications arranged to promote the show and recap the key messages
Jun 2012	Educational columns were run in newspapers to explain the major types of risk in MPF investment and remind scheme members of the issues to note
Jun & Dec 2012 – Jan 2013	Print advertisements on key features and relative risk levels of MPF funds, illustrated by the “JJ Five” Band, were published in newspapers, a magazine and on out-of-home platforms
Jul – Sep 2012	Publicity programmes on MPF funds operation and transaction were rolled out, including a new publication <i>Learn More about the Operation and Transaction of MPF Funds</i> , a radio drama series, and newspaper columns
Aug 2012, Jan & Mar 2013	MPF Fun Day and Roving exhibitions with exhibits, game booths and MPF consultation service counters were held in shopping malls. Online and print advertisements were arranged to promote the events
Aug 2012 – Mar 2013	A video series on the MPF investment decision-making process was telecast on television, smartphone applications, websites and out-of-home platforms
Sep – Dec 2012	Publicity programmes on the newly launched Trustee Service Comparative Platform were rolled out, including new publications <i>Trustee Service Comparative Platform</i> and <i>Summary of Trustee Service Comparative Platform</i> , radio programmes, advertisements on websites, an online quiz game and an educational column in newspapers
Sep 2012 – Feb 2013	Three series of comic strips featuring a popular comic character “Maggiology” with MPF investment education messages were run on various media platforms
Nov 2012 & Mar 2013	Public seminars were held to educate participants on MPF investment and the Employee Choice Arrangement (“ECA”)
Nov 2012 – Jan 2013	A radio segment MPF 60 Seconds and a drama cum quiz segment were broadcast
Dec 2012 – Feb 2013	A campaign was held to publicize the enhanced access to fund performance information on MPFA’s website and the availability of low-fee funds information on the Fee Comparative Platform. Programmes included a new publication <i>An Extract of the MPF Funds with Lower Fund Expense Ratio (excluding MPF Conservative Funds)</i> , radio programmes and advertisements on websites
Jan 2013	Concise and punchy messages on MPF disclosure tools were broadcast on radio
Mar – Apr 2013	Radio programmes were broadcast and advertorials placed in local newspapers and magazines to remind scheme members of proper attitude in managing MPF investment through the sharing of three celebrities

LIST OF MAJOR PUBLIC EDUCATION AND PUBLICITY ACTIVITIES (CONTINUED)

(April 2012 – March 2013)

YOUTH EDUCATION PROGRAMMES — TO EDUCATE THE YOUNGER GENERATION ON THE MERITS OF EARLY FINANCIAL PLANNING

Activities for Different Youth Groups

Apr 2012 – Mar 2013	38 MPF talks were given to students of tertiary institutions and youth centres
Sep 2012 – Feb 2013	<p>A parenting programme, with a storybook <i>MPF Cake</i>, an inter-school acting competition and training workshops, for kindergarten kids was held to spread money management concepts to the kids and MPF messages to their parents and teachers</p> <p>A recognition programme for primary school students was held to educate the students about proper attitudes and basic skills in money management, and to disseminate MPF messages to their parents and teachers</p>
Sep 2012 – Mar 2013	<p>74 skit performances were held for junior secondary school students in the academic year 2012–13</p> <p>Posters with money management and MPF messages were distributed to all local secondary schools for display as mini exhibitions</p> <p>Nine sessions of an abridged version and six sessions of the full version of Other Learning Experience programme for senior secondary school students were held in the academic year 2012–13</p>
Oct 2012 – Mar 2013	A series of school-based money management workshops for senior primary school students and seminars for parents were held to educate students and parents about basic skills in money management and MPF messages respectively
Oct 2012 – Apr 2013	Programmes for students of tertiary institutions (on-campus promotion counters, training workshops on multimedia and financial planning, Multimedia Competition on MPF) were held to provide them with MPF information, prepare them for joining the MPF System and educate them on the merits of early financial planning
Nov 2012	A seminar for parents of kindergarten kids was held
Jan – Apr 2013	A series of parenting workshops on money management for kindergarten kids and their parents were held

Facebook Fan Page and Other Online Social Media

Apr 2012 – Mar 2013	MPF messages were disseminated on the Facebook fan page Rolling My Money
Sep 2012	A youth-oriented smartphone application MVP (Most Valuable Player) @ Workplace was launched to promote MPF messages to young working adults
Oct – Nov 2012 & Jan 2013	QR code quiz games on Facebook fan page Rolling My Money were held to spread MPF messages to fans

Other Programmes

May – Jul, Sep – Nov 2012 & Jan 2013	MPFA participated in career and education fairs for youth to introduce the MPF System to them
Jan 2013	A youth booklet <i>My MPF Blog</i> was distributed to all local secondary school leavers
Feb 2013	A Financial Planning and Personal Development training workshop was organized for Liberal Studies teachers

OTHER EDUCATION AND PUBLICITY ACTIVITIES — TO DISSEMINATE MPF INFORMATION TO THE PUBLIC

Publicity on MPFA's Initiatives

Apr 2012 – Mar 2013	<p>A territory-wide publicity campaign on ECA and the new statutory regulatory regime for MPF intermediaries was rolled out. Programmes included the following:</p> <ul style="list-style-type: none"> — Briefings on ECA to District Councils (Apr – Dec 2012) — An educational video, publications and giveaway items (Aug 2012 – Mar 2013) — Advertisements and advertorials in various media channels (Aug 2012 – Mar 2013) — Letters enclosed with posters and leaflets to all employers in Hong Kong (Sep 2012) — A special issue of the <i>MPFA Newsletter</i> (Nov 2012) — 10-episode TV drama series on TVB (Nov 2012) — Thematic website and related online promotion (Nov 2012 – Mar 2013) — Outreaching events including information panel display at nine high-traffic MTR stations (Nov 2012 – early Feb 2013), ECA Promotion Truck touring 18 districts (Nov 2012 – Jan 2013), three rounds of ECA Fun Days (Jan – Mar 2013); and related publicity such as direct mailers to around 300 000 households, radio promotion and print advertisements — Comic strips series and related publicity in different media channels such as advertising on paper tablemat in local cafes, posters in public housing estates (Jan – Mar 2013) — Media publicity, including media briefings, contribution articles to local media and employer association publications — 134 talks at employers' premises attended by 8 694 employees
Apr 2012	<p>Letters were sent to all employers to remind them of their MPF obligations</p> <p>A new MPFA corporate video was launched</p>
Apr – Jul 2012	Massive publicity was given to the new maximum relevant income level for MPF contribution purposes
Jun 2012	<p>A TV series on MPFA's enforcement actions was broadcast in out-of-home media</p> <p>A new MPFA corporate brochure was released</p>
Jun – Oct 2012	A publicity campaign was organized to alert employers to the financial penalties for MPF non-compliance
Jun, Sep, Dec 2012 & Mar 2013	Four issues of the <i>MPFA Newsletter</i> , plus a special issue on ECA and the new statutory regulatory regime for MPF intermediaries, were published
Aug 2012	<p>Letters and leaflets on MPF rights and obligations were sent to self-employed persons who first joined MPF schemes</p> <p>The roles and functions of MPFA as well as the salient features of the MPF System were publicized through the radio</p>
Mar 2013	<p>A workshop on retirement planning was organized for "Friends of MPF"</p> <p>Education programmes targeting ethnic minorities including leaflets in ethnic minority languages and train-the-trainer seminars for staff of non-government organizations serving ethnic minorities were organized</p>

Other publicity programmes

Apr 2012 – Mar 2013	Over 350 articles and press releases were published on MPFA's enforcement actions and other MPF topics
Jan 2013	A Chinese New Year painting featuring "JJ Five" was distributed to publicize the MPF investment decision-making process
31 Jan – 3 Feb 2013	The MPFA staged a booth and delivered a talk at the Education and Careers Expo 2013 to educate visitors on the MPF System and MPF investment

DEFINITION OF TERMS

(A) OCCUPATIONAL RETIREMENT SCHEMES (“ORSO SCHEMES”)

Defined benefit scheme	Means an ORSO scheme which is not a defined contribution scheme.
Defined contribution scheme	Means an ORSO scheme which provides that the amount of a benefit under the scheme is to be an amount determined solely by reference to: <ul style="list-style-type: none"> (a) the contributions to the scheme’s funds by or in respect of the member concerned and any declared return in respect of such contributions (where such return may be subject to a minimum guaranteed rate but is otherwise unascertainable before it is declared); and (b) where appropriate, the qualifying service and age of the employee.
Member	Includes, in relation to an ORSO scheme, an individual who is entitled or prospectively entitled to benefits under the scheme by virtue of: <ul style="list-style-type: none"> (a) the individual’s employment by the relevant employer (whether past or present) of the scheme; or (b) an agreement made between the relevant employer of the first-mentioned scheme and the relevant employer of another ORSO scheme of which such individual was formerly a member, whether or not such individual is a party to the agreement, and where appropriate, “member” also includes the estate of a deceased member.
MPF exempted ORSO scheme	Means an ORSO scheme in respect of which an exemption has been granted under section 5 of the Mandatory Provident Fund Schemes Ordinance (“MPFSO”). Members, or a class of members, of such a scheme and their employer are exempted from the operation of all or any specified provisions of the MPFSO.
ORSO scheme	Means subject to section 2(6) of the Occupational Retirement Schemes Ordinance, any scheme not being a contract of insurance under which benefits are payable only upon the death or disability of the insured, which: <ul style="list-style-type: none"> (a) is comprised in one or more instruments or agreements; and (b) has or is capable of having effect in relation to one or more descriptions or categories of employment so as to provide benefits, in the form of pensions, allowances, gratuities or other payments, payable on termination of service, death or retirement, to or in respect of persons gainfully employed (whether in Hong Kong or elsewhere) under a contract of service in any employment, and includes, where the context admits, a proposed such scheme.
ORSO exempted scheme	Means: <ul style="list-style-type: none"> (a) an ORSO scheme in respect of which an exemption certificate has been issued under section 7 of the Occupational Retirement Schemes Ordinance and any withdrawal under section 12 of the Ordinance has not come into effect; or (b) an ORSO scheme within the meaning of the ORSO where the employer of the scheme is the government of a place outside Hong Kong or an agency or undertaking of or by such a government which is not operated for the purpose of gain.
ORSO registered scheme	Means an occupational retirement scheme registered under section 18 of the Occupational Retirement Schemes Ordinance.

ORSO scheme administrator	Means: <ul style="list-style-type: none"> (a) in the case of a scheme or pooling agreement governed by a trust, the trustee concerned; (b) in the case of a scheme or pooling agreement which is the subject of or regulated by an insurance arrangement, the insurer concerned; (c) in any other case, the person who is principally responsible for the management of the scheme and its assets otherwise than as a person who is solely concerned with the investment or custody of the assets.
Pooling agreement	Means an agreement or arrangement: <ul style="list-style-type: none"> (a) which is: <ul style="list-style-type: none"> (i) governed by a single trust; or (ii) the subject of or regulated by an insurance arrangement including a series of insurance arrangements which are of the same class or description; (b) which applies to two or more individual ORSO schemes each of which is: <ul style="list-style-type: none"> (i) governed by such trust; or (ii) (where appropriate) the subject of or regulated by such insurance arrangement, by virtue of such application; (c) under which, in the case of an agreement or arrangement governed by such trust, the assets of its participating schemes are vested with the administrator of the agreement or arrangement, as the case may be; (d) which is managed, in the case of an agreement or arrangement governed by such trust, by a registered trust company; (e) in relation to which, and its participating schemes, proper accounts and records are kept; and (f) under which the value of the assets attributable to, and the liabilities of, each of its participating schemes are readily determinable from such accounts and records.
Registrar of Occupational Retirement Schemes	Means the Mandatory Provident Fund Schemes Authority ("MPFA").
Relevant employer	Means, in relation to an ORSO 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 ORSO scheme which provides benefits supplementary to those provided under a Mandatory Provident Fund scheme.

DEFINITION OF TERMS (CONTINUED)

(B) MANDATORY PROVIDENT FUND SCHEMES (“MPF SCHEMES”)

Accrued benefits	Means the amount of each scheme member’s beneficial interest in an MPF scheme, including sums derived from the contributions made by or in respect of that scheme member, together with any related profits or losses arising from any investments of the contributions.
Approved pooled investment fund	Means a type of investment fund that a constituent fund invests into. Such fund can be in form of an insurance policy or a unit trust.
Approved trustee	Means a company or a natural person approved by MPFA as a trustee in accordance with section 20 of the MPFSO. The term is usually used interchangeably with MPF trustee.
Casual employee	Means an employee who is at least 18 but under 65 years of age, and is employed in the construction industry or the catering industry on a day-to-day basis or for a fixed period of less than 60 days.
Constituent fund	In relation to an MPF scheme, means the fund that constitutes an MPF scheme, or a fund that forms part of the scheme, and complies with the requirements set out in section 36 of the Mandatory Provident Fund Schemes (General) Regulation.
Employer sponsored scheme	Means a provident fund scheme registered under section 21 of the MPFSO as an employer sponsored scheme whose membership is limited to the employees of a single employer and its associated companies (if any).
Industry scheme	Means a provident fund scheme registered under section 21A of the MPFSO as an industry scheme. This type of scheme is specially designed for employees who are engaged in industries with high labour mobility. Currently there are two industry schemes, each of which is available to employees, employers and self-employed persons in the construction and catering industries.
Mandatory contribution	<p>Means in the case of an employee, an amount which is equal to 10% of the employee’s relevant income (5% payable by the employer out of its own funds, 5% payable by the employee to be deducted from his/her relevant income) except in the following cases:</p> <ul style="list-style-type: none"> (a) for employees whose relevant income exceeds the maximum relevant income level — each of employer’s mandatory contributions and employee’s mandatory contributions is capped at 5% of the maximum relevant income level; and (b) for employees whose relevant income is below the minimum relevant income level — employees are relieved of the obligation to make employee’s mandatory contributions, though their employers are still required to make employer’s mandatory contributions for them.
Master trust scheme	<p>Means a provident fund scheme registered under section 21 of the MPFSO as a master trust scheme whose membership is open to:</p> <ul style="list-style-type: none"> (a) the employees of more than one employer; (b) self-employed persons and former self-employed persons; and (c) persons who wish to have their benefits transferred to such a scheme from an ORSO exempted scheme or an ORSO registered scheme.
Provident fund scheme	<p>Means a scheme governed by a trust:</p> <ul style="list-style-type: none"> (a) the terms of which are set out in one or more documents; and (b) that: <ul style="list-style-type: none"> (i) provides for the payment of pecuniary benefits to the members of the scheme when they reach the retirement age, or any other prescribed event occurs in relation to them; or (ii) in the case of members who die before reaching that age or before the occurrence of such an event, provides for the payment of those benefits to the personal representatives or beneficiaries of the estates of those members, <p>and includes a proposed provident fund scheme.</p>

Registered scheme	<p>Means a provident fund scheme registered under the relevant provisions of the MPFSO as:</p> <ul style="list-style-type: none"> (a) an employer sponsored scheme; (b) a master trust scheme; or (c) an industry scheme. <p>The term is usually used interchangeably with MPF scheme.</p>
Relevant employee	Means an employee who is at least 18 but under 65 years of age.
Relevant income	<p>Means:</p> <ul style="list-style-type: none"> (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 the employee's employment under that contract, but does not include severance payments or long service payments under the Employment Ordinance; (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 made under section 46 of the MPFSO and in force prescribe an earlier age, that earlier age.
Scheme member	In relation to an MPF scheme, means a person who has a beneficial interest in the MPF scheme.
Self-employed person	Means a person whose relevant income is derived from the person's production of goods or services in Hong Kong, or 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 the amount of contributions paid by employers, employees or self-employed persons to an MPF scheme exceeding the amount of mandatory contributions required to be paid under the MPFSO .

DEFINITION OF TERMS (CONTINUED)

(C) ABBREVIATIONS

APIF	stands for	Approved Pooled Investment Fund
CPD	stands for	Continuing Professional Development
CPI	stands for	Consumer Price Index
CRE	stands for	Central Register of Establishments
Cost Study	stands for	Consultancy Study on MPF Trustees' Administration Cost
ECA	stands for	The Employee Choice Arrangement which allows employees to elect to transfer the accrued benefits derived from employee's mandatory contributions made during current employment to an MPF scheme of their own choice on a lump sum basis at least once per calendar year
ePASS	stands for	Electronic Portability Automation Services System
FER	stands for	Fund expense ratio
HKSAR	stands for	Hong Kong Special Administrative Region
IAQ	stands for	Indoor air quality
IOPS	stands for	International Organisation of Pension Supervisors
IRR	stands for	Internal rate of return
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	stands for	Mandatory Provident Fund Schemes Ordinance (Chapter 485, Laws of Hong Kong)
OECD	stands for	Organisation for Economic Co-operation and Development
ORSO scheme	stands for	Occupational retirement scheme
RI	stands for	Relevant income
SMW	stands for	Statutory Minimum Wage
SEP	stands for	Self-employed person
SFC	stands for	Securities and Futures Commission

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