Mandatory Provident Fund Schemes Authority

Annual Report 2014/15

The Mandatory Provident Fund Schemes Authority ("MPFA") is a statutory body established in September 1998 to regulate and supervise Mandatory Provident Fund ("MPF") schemes[1] and retirement schemes registered under the Occupational Retirement Schemes Ordinance ("ORSO")[2].

Mission

The mission of MPFA is

- to regulate and supervise privately managed provident fund schemes;
- to educate the working population about saving for retirement and the role of the MPF System as one of the pillars supporting retirement living; and
- to lead improvements to provident fund systems to make them more efficient and user-friendly, and better meet the needs of the working population.

Vision

Our vision is to build a retirement savings system that is valued by Hong Kong people.

Core values

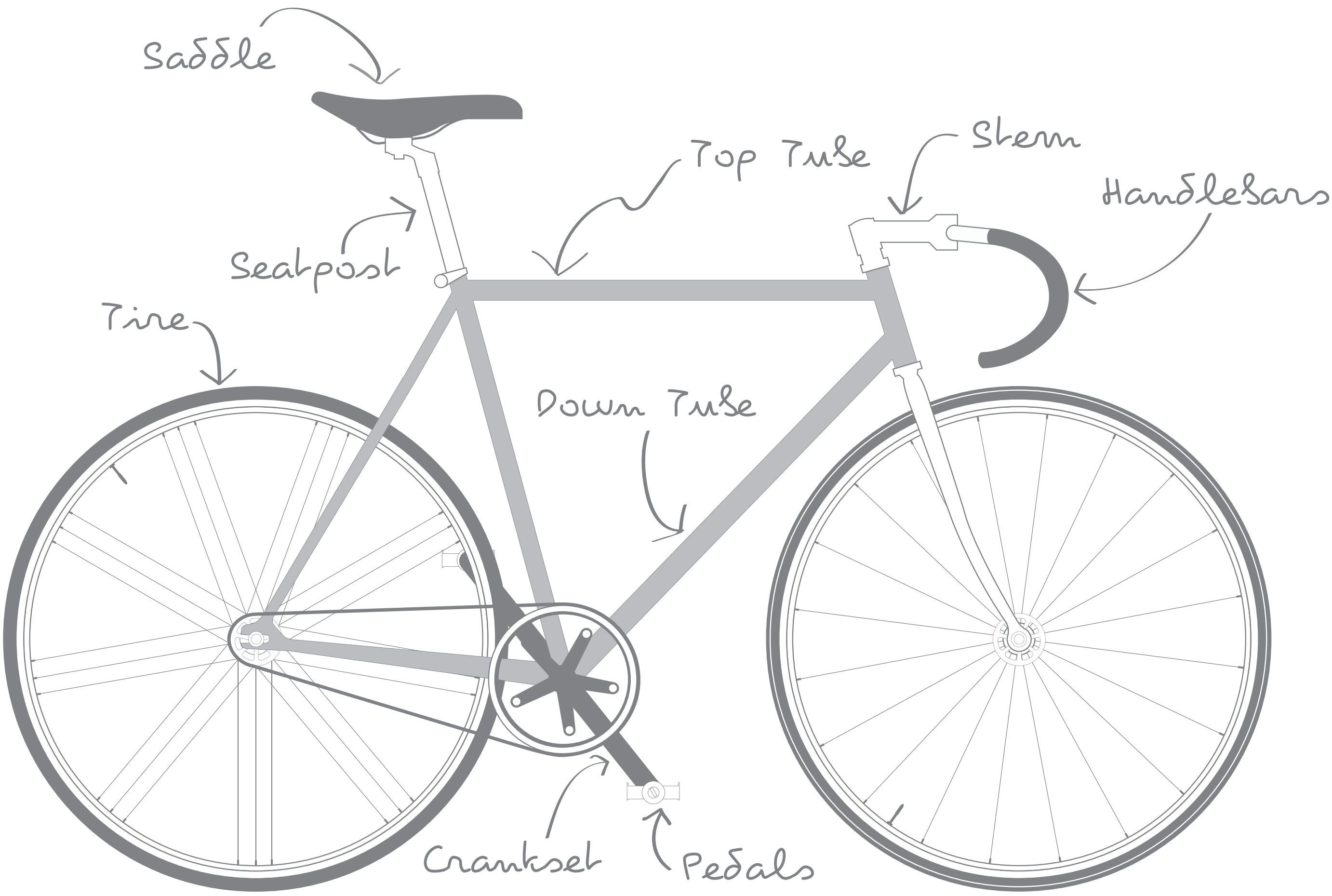
Commitment
Quality
Teamwork
Community Perspective

2014-15 Annual Report Design Theme:
Gearing up for a bright retirement

1 MPF schemes are mandatory and privately managed contribution schemes.

2 ORSO schemes are retirement schemes set up voluntarily by employers to provide retirement benefits for their employees. Before the launch of the MPF System in December 2000, employers operating ORSO schemes had the option to apply for exemption from MPF requirements.

Contents



Saddle
Top Tube
Stem
Handlebars
Seatpost
Tire
Down Tube
Crankset
Pedals

Chairman's Statement

Ms Anna Wu
Chairman (17 March 2009 to 16 March 2015)

Retirement protection is an important element of social stability. A well-designed retirement protection system inspires confidence and security in people, and contributes to the development of a sense of identity. As the population of Hong Kong is rapidly ageing, it is all the more important to invest in our future and consider how to better provide for our future retirement.

The MPF System is set up as the second pillar of old age protection in Hong Kong according to the World Bank's multi-pillar approach. It is complementary to other financial sources of retirement protection, such as government social security programmes and individual savings arrangements. These different pillars are intended to work together to provide more security in relation to retirement savings adequacy for the population.

Reforms in recent years

In order to strengthen the contribution of the MPF System to the pool of resources for old age protection, the operation of the System has been continually refined and reformed. Largely at the initiative of MPFA, the MPF legislation has been amended on 15 occasions since 2000 to improve the MPF System. During my six-year tenure as Chairman of MPFA, a number of reforms were pursued within the framework of this second-pillar system to further enhance its role. The objectives of the reforms are to: give employees greater autonomy in managing their MPF, simplify choice, reduce costs, aim for more consistent performance, reduce risk and simplify administration.

Greater autonomy for employees

The MPF System was designed as employer-based, giving employers the choice of trustees and schemes. This was the deliberate starting point in order to simplify scheme administration by having contributions made to trustees through employers rather than individual employees, and to reduce the need for massive upfront preparatory education of over three million employees. As employees are the ultimate beneficiaries, we are working towards making MPF more employee-based by giving employees more control over the investment of their MPF contributions. Under the steer of my predecessors, changes to the legislation were initiated to give employees greater autonomy in managing part of their MPF investments. The Employee Choice Arrangement was launched in 2012 together with a statutory regime for the regulation of MPF intermediaries, giving employees a right to transfer the accumulated MPF benefits attributed to their own mandatory contributions to a scheme of their own choice. As a result, the focus has gradually shifted to employees, where it should be. This helps enhance scheme members' engagement in their MPF investments.

Simplify choice, reduce risk

We found in our studies that a considerable number of scheme members are struggling with how to choose amongst the numerous fund options offered by individual schemes. A consequence is that many of them simply do not make any choice, and some might even have made choices that are not suited to their needs. The current default investment arrangements for members who do not make a choice are not standardized, and funds of different strategies are designated as default funds in different schemes. As the investment objectives, risk levels and fee levels of these default funds vary widely, the investment outcomes for members investing in these default funds in different schemes also differ significantly.

A retirement system should deliver more consistent performance and offer simple choices. To address the issue of fund choice, we put forward a proposal to enhance the regulation of default arrangements in MPF schemes by mandating a standardized default investment strategy ("DIS") across all MPF schemes. This will simplify what can be a difficult investment decision-making process for scheme members. The DIS will be designed to provide for automatic de-risking as a member approaches retirement age. This will contribute towards more stable performance and reduce risk, consistent with the objective of retirement savings.

Reduce costs, control fees

The MPF System has been criticized for its high fees. Over the years, measures have been taken to enhance competition and reduce the costs of operating the System to allow more room for fee reduction. These include enhancing fee disclosure, implementing the Employee Choice Arrangement to facilitate better working of market forces, streamlining and simplifying administrative processes, requesting trustees to offer low-fee funds, and working with trustees to merge less efficient schemes and funds. The average Fund Expense Ratio of MPF funds as at 31 March 2015 was 1.62%, representing a drop of about 23% from the ratio of 2.10% in 2007.

We are taking another important step in reducing fees. With support from the Government, legislation will be introduced to propose capping the management fees of DIS at 0.75% of assets under management per annum. Room for further reduction of this fee level will be kept in view after implementation, particularly when greater economies of scale are achieved over time.

Simplify administration

In the early years, legislative changes were introduced to refine the administrative and operational aspects of the MPF System. As the System matures, certain scheme administration processes may no longer be necessary, and further attempts have been made to simplify the processes so as to enhance efficiency and reduce costs. The Mandatory Provident Fund Schemes (Amendment) Ordinance 2015, enacted in early 2015, includes provisions to eliminate or streamline processes that have become superfluous after the System's initial launch. Additionally, simplification was achieved through automation, including an electronic system known as ePASS launched in 2012 to provide a secure platform for automatic transmission of data on transfer of MPF benefits between trustees, and an E-Payment for MPF Transfer system launched in mid-2014 to automate payments for the transfers, further shortening the time needed and enhancing the accuracy and efficiency of the transfer process.

This year, we have started to explore the feasibility of a single electronic platform to centralize some scheme administration functions. Our vision is to develop a platform which would require scheme members to register only once, and would allow scheme members access to lifelong electronic services to manage their MPF accounts without having to fill in various forms when changing employment or transferring between schemes. This would greatly improve user experience, simplify administration, and reduce administration costs. A feasibility study of the framework will start in the 2015-16 financial year, and I look forward to the ultimate realization of this vision.

Helping achieve retirement protection

In its fifteenth year of operation, the MPF System has now become an important component in the overall retirement protection system in Hong Kong, making significant contributions to workers' retirement reserves. While a portion of the population is protected by other retirement schemes, the MPF System now covers almost every employee that it was intended to cover. Before it was launched in December 2000, only around 30% of the working population had formal retirement protection. With the System in place, nearly 90% of employed persons have some form of retirement benefits, whether in the form of MPF schemes, occupational retirement schemes or other retirement protection schemes. This rate is excellent by international standards.

As at 31 March 2015, the total net asset value of all MPF schemes was $594.85 billion, including $444.08 billion of net contributions and $150.77 billion of investment returns. This would significantly alleviate the future collective burden of the community in providing financial support for retirees. The annualized rate of return since the System's inception, after fees and charges, was 4.3%, exceeding the average annual inflation rate of 1.8% and the average one-year Hong Kong Dollar deposit rate of 1.1% per year over the same period. These are indications that the MPF System is effectively fulfilling its role of assisting the working population in accumulating financial assets for their retirement protection.

Concluding remarks

My involvement with MPF started in 1995 when the legislation providing for the framework of the MPF System was first introduced into the Legislative Council, of which I was a Member. It is my honour and privilege to have continued to participate in the development of this major social programme, first as a founding non-executive director of MPFA from 1998 to 2005 and later as its Chairman from 2009 to 2015. It has been a great pleasure to witness the growth and development of the MPF System and the gradual accumulation of assets for the retirement protection of Hong Kong workers.

Throughout the years, I have been most fortunate to work with very capable and committed colleagues on the Management Board and its supporting committees and working groups. They have put in tremendous efforts in studying and drawing up reform proposals to improve the MPF System. My heartfelt thanks also go to members of the MPF Schemes Advisory Committee and the Industry Schemes Committee for their valuable advice and continued support.

I am profoundly grateful to MPFA's colleagues for their devotion and hard work. Under the capable leadership of Mrs Diana Chan, the Managing Director, they have executed new projects and seen to daily operations diligently and professionally. I am particularly impressed by the coverage and depth of the efforts made in stakeholder engagement, whether in partnering with the industry in taking forward reforms and refinements to the MPF System, in reaching out to various stakeholder groups to understand their views, or in educating members of the public about MPF and retirement protection.

The work of MPFA in these years has contributed to the infrastructure on which the MPF System will continue to grow and succeed. I am sure that under the leadership of Dr David Wong, the incoming Chairman, MPFA will rise to the many challenges ahead with confidence and professionalism.

Anna Wu Hung-yuk
Chairman
(17 March 2009 to 16 March 2015)

Managing Director's Report

Mrs Diana Chan
Managing Director

MPFA works with a new vision

"MPF – a way of life" has been our corporate vision for some years. The statement articulates our aspiration to the notion that MPF should become an integral and routine part of everyday life of the working population. Now that MPFA has come to a more advanced stage of development and the MPF System is becoming more mature, we consider it timely to adopt a new vision statement that reflects more appropriately the role that MPFA is taking on: "Our vision is to build a retirement savings system that is valued by Hong Kong people." We at MPFA see it as our mission to lead improvements to the MPF System to make it more efficient and user-friendly, and better meet the needs of the working population.

Major results of the year and the way forward

A new milestone in MPF reform

It has been our objective to ensure scheme members' interests are adequately protected during their lifelong MPF journey. At the same time, we see the need to allow greater flexibility in withdrawing MPF accrued benefits, one of the important sources of income to meet financial needs after retirement. At present, MPF accrued benefits can only be withdrawn in a lump sum when scheme members retire at 65 or satisfy the circumstances of early retirement. Our proposal to give scheme members an option to withdraw accrued benefits in phases received broad public support.

In the year, we assisted the Government in preparing and introducing legislative amendments into the Legislative Council to effect the proposed change.

In this legislative exercise, amendments in respect of some other areas were covered, including the addition of the grounds of terminal illness for early withdrawal of MPF benefits, and proposals to streamline MPF administration processes and facilitate the use of electronic means of communication for better efficiency. The legislative amendments were passed on 21 January 2015. We are preparing for the implementation of the new provisions.

Standardization, streamlining and automation of MPF scheme administration

Unlike a retail investment fund, MPF scheme administration involves many more processes including collection of contributions, follow-up on default contributions, provision of periodic reports, processing of transfer and fund switching requests, and payout of accrued benefits. As an advocate of the MPF System, we have been exploring ways to improve MPF scheme administration for greater cost-efficiency and effectiveness, thus creating room for reduction of MPF fees.

Apart from the short-term measures completed last year, as mentioned above, proposals to simplify certain administration procedures and facilitate the use of electronic means of communication were included in the legislative exercise concluded in the year. Furthermore, an E-Payment for MPF Transfer system was launched in June 2014. This system automates payment and settlement for the transfers of MPF accrued benefits between trustees, further shortening the time needed for the transfers, and enhancing the accuracy and efficiency of the transfer process.

We are now considering further fundamental measures to standardize and streamline the administration of MPF schemes and to make it paperless as far as possible, and have developed a preliminary conceptual model of the infrastructure and processes. We will commission a consultancy study on the feasibility and cost-benefit of the model. Going forward, with appropriate measures in place and general support of the industry, employers and scheme members, we hope that the improvement drives will make MPF operations more efficient at lower costs and let scheme members enjoy more flexibility and better quality services in the long run.

Towards easier and better investment choices

Another fundamental reform in the making is the launch of a default investment strategy ("DIS"). It is to ensure that all MPF schemes make available a well-designed low-fee fund that represents good value for scheme members. In mid-2014, the Government and MPFA launched a joint public consultation on DIS. Noting the general support for the broad proposals set out in the consultation paper, the MPFA Management Board endorsed the plan to take them forward as quickly as possible.

The agreed proposals represent a new policy direction for the MPF System. Mandating a standardized DIS across MPF schemes will simplify the investment decision process which can be difficult to many scheme members. The DIS will adopt an investment approach with investment risk reduced automatically as a scheme member approaches 65 to better meet long-term retirement savings objectives. It will also be subject to fee control to provide good value for money.

The Government and MPFA aim to launch DIS in 2016. We are working with the industry on the technical issues, and will support the Government in the legislative process.

Promoting good governance and risk culture in the MPF industry

MPF trustees have the duty to act in the best interests of scheme members. With a view to enhancing trustees' governance arrangements in relation to fulfilment of their duties, we are conducting a round of regulatory visits to, and intensive regulatory dialogues with, trustees' boards of directors. Based on the findings of the visits, to be completed in 2015-16, we will evaluate the areas in the Compliance Standards for

MPF Approved Trustees[1] that need to be enhanced. Meanwhile, we have started thematic on-site inspections to assess how trustees ensure proper record keeping of scheme members' account and unit balances, and are working through the operational issues with trustees to ensure smooth implementation of the legislative amendments passed in the year.

The statutory regulatory regime for MPF intermediaries came into force in late 2012 and the operation has been smooth. Under the regime, 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. By the end of a two-year transitional period in October 2014, we have renewed the registration of some 26 000 pre-existing MPF intermediaries who wish to continue to conduct regulated MPF sales and marketing activities under the new regime. MPF intermediaries are expected to meet certain standards of conduct, and any substantiated cases of non-compliance with the statutory conduct requirements will be subject to disciplinary sanctions imposed by MPFA.

MPF intermediaries play a crucial role in servicing scheme members. To safeguard scheme members' interests, it is important that MPF intermediaries are familiar with their duties and responsibilities and adhere to good governance principles and ethical standards, and that sufficient training is provided to them. In the coming year, we will further enhance the quality of continuing training for intermediaries.

Achieving better alignment of MPF contribution levels with the earnings distribution of the working population

The amount of MPF mandatory contributions is subject to a minimum and a maximum level of relevant income ("RI") which are adjustable over time to reflect changes in the earnings distribution of the working population. Following a review of the adjustment mechanism which we conducted at the Government's request, we developed a proposal on an automatic mechanism, under which the RI levels are to be determined and adjusted according to a few objective benchmarks. The proposal sought to keep contribution levels better aligned with the earnings distribution of the working population and provide more certainty and improve efficiency in the adjustment process. We conducted a public consultation in early 2015 to collect views on the proposal and are now reviewing the consultation responses and will propose the way forward for the Government's consideration.

Protecting scheme members' interests

MPFA's primary objective is to protect scheme members' rights and interests. We closely monitor various parties' compliance with the MPF and ORSO legislation, handle complaints, investigate suspected breaches or non-compliance and take necessary enforcement actions. In the year, we recovered over $130 million outstanding MPF contributions and about $896,000 outstanding ORSO contributions on behalf of employees.

Better supporting scheme members in looking after their MPF accounts

We have been encouraging scheme members to actively look after their MPF investment and educating them on how to make informed MPF decisions. Through a wide range of means and platforms, we reach different sectors of the working population and the younger generation to educate them on MPF as well as the importance of retirement planning and saving for the future, and to raise public awareness of new initiatives and developments of the MPF System. In the year, we launched an all-in-one thematic website on MPF investment education to provide comprehensive information on MPF investment under one roof, making it more convenient for members of the public to access information that would help them manage their MPF properly.

1 The "Compliance Standards for MPF Approved Trustees" were first developed in 2005 with the assistance of international consultants and issued by MPFA on 28 July 2005 to give trustees guidance in establishing a structured framework for monitoring their compliance with statutory duties and responsibilities.

Corporate social responsibility

We strive for a sustainable future through our commitment to the retirement protection of Hong Kong's workforce and, in the process, through making responsible and caring efforts towards our staff, the environment and the community. We aim to maintain a happy, healthy and engaged workforce, and implement environment friendly initiatives within MPFA to contribute to a green future. In extending our care for the community, our staff members and their families and friends gave more than 2 900 hours of volunteer service in the year. With recent efforts to enhance our corporate website with designs to promote barrier-free and convenient access for all including those with special needs, we have won a Silver Award in the Web Accessibility Recognition Scheme 2015 co-organized by the Office of the Government Chief Information Officer and the Equal Opportunities Commission. Furthermore, in recognition of our endeavours in corporate social responsibility, MPFA was awarded the 10 Years Plus Caring Organization logo and received numerous other awards in the year.

Vote of thanks

I must express my gratitude to the Chairman and other members of the Management Board, and the chairmen and members of its committees and working groups. We would not be able to accomplish so much in the year without their insightful guidance and unfailing support. My sincere appreciation also goes to the chairmen and members of the MPF Schemes Advisory Committee and Industry Schemes Committee, who have rendered MPFA valuable advice and support.

We are most reluctant to bid farewell to the outgoing MPFA Chairman, Hon Anna Wu. As a founding director of MPFA (1998-2005), she has been supporting and caring about the MPF System and MPFA right from the beginning and was heavily involved in establishing the organization and launching the MPF System. Taking up the chairmanship of MPFA since 2009, she has made significant and long-lasting contributions to reforming the MPF System and led MPFA to accomplish a number of milestone developments. I cannot thank her enough for her inspiring leadership and unwavering support over the years.

I am also grateful to Hon Andrew Leung and Hon Wong Kwok-kin, who retired from the Management Board in March 2015, and would like to extend a warm welcome to Dr David Wong as MPFA's new Chairman and other newcomers to the Management Board, MPF Schemes Advisory Committee and Industry Schemes Committee.

Taking this opportunity, I would like to thank the frontline regulators who helped make the transition from the old to the new regulatory regime for MPF intermediaries a successful one, and who worked closely with MPFA to foster strong supervision of MPF intermediaries' regulated activities relating to offering advice and marketing of MPF products. I also extend my gratitude to the industry for their cooperation and support to MPFA in implementing various initiatives to refine and reform the MPF System.

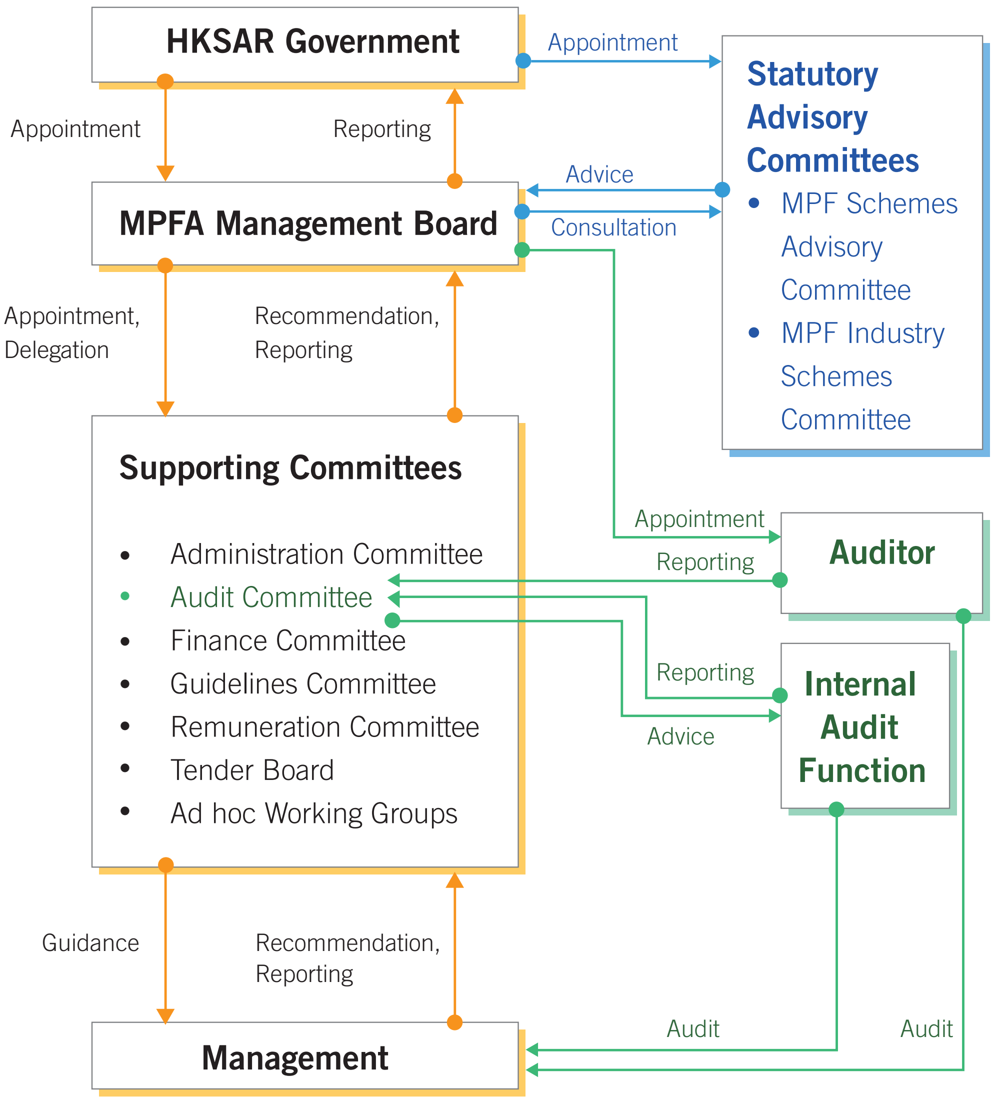
At MPFA, I am most fortunate to work with a professional, dedicated and enthusiastic team. My heartfelt thanks go to all my colleagues for their relentless efforts and strong commitment in pursuing corporate objectives, goals and initiatives in fulfilment of MPFA's mission and vision.

Diana Chan Tong Chee-ching
Managing Director

Corporate Governance

MPFA is committed to upholding fairness, accountability and transparency in fulfilling its regulatory role under the Mandatory Provident Fund Schemes Ordinance ("MPFSO") in the best interests of its stakeholders. We have put in place a corporate governance framework in line with the requirements of MPFSO and adopted the governance principles and best practices recommended for public bodies.

Governance structure



The Management Board

Role

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.

Composition

MPFSO requires that the MPFA Management Board consist of not fewer than 10 directors appointed by the Chief Executive of HKSAR.

As at 31 March 2015, there were 11 non-executive directors ("NEDs") and five executive directors ("EDs"). With diverse expertise, experience and background, they exercise a reasonable degree of care and diligence to oversee MPFA's performances. NEDs, making up the majority of the board, contribute to an independent and objective decision-making process.

Directors' biographies are set out on pages 21 to 26 of this report and any changes during the year were promptly published on MPFA's website.

Terms of appointment

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 EDs has been delegated to the Financial Secretary.

NEDs 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 97.

Chairman and Managing Director

The positions of Chairman and Managing Director are held by different persons and their roles are segregated. The Chairman is an NED providing the Management Board and MPFA with the necessary leadership and strategic direction, while the Managing Director is an ED and the administrative head responsible for administering the affairs of MPFA subject to the direction of the Management Board.

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 to the Board promptly of any changes in the meantime. 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.

Supply of information

Newly appointed directors are given briefings and information packages to familiarize them with the MPF System and the work of MPFA. Apart from monthly progress reports on various aspects of work of MPFA, directors are provided with information and briefings on specific issues when necessary to facilitate informed decisions.

Management Board business in 2014-15

The Management Board held seven meetings during the year with an average attendance rate of 80%. In addition, 22 and 16 papers were circulated to directors for decision and information respectively. The attendance rates of individual directors at meetings are provided on page 15.

Supporting committees

A number of standing committees and ad hoc working groups on specific projects, chaired by NEDs, have been set up to give advice and assistance to the Management Board. The terms of reference and membership lists of the supporting committees are set out in Appendix 1. The attendance rates of individual members are provided on page 15.

Standing committees

Committee	Composition (as at 31 March 2015)	Work done in 2014-15
Audit Committee	3 NEDs	• Held two meetings (average attendance rate: 63%); • further considered two papers and received two summary reports by circulation; • reviewed the financial statements of MPFA and the MPF Schemes Compensation Fund for the financial year 2013-14; • received the half-yearly financial reports for 2014-15; • considered internal audit reports on the controls and procedures relating to receipt process on periodic and related fees of schemes under Occupational Retirement Schemes Ordinance, general ledger and accounting controls, fixed asset recording and financial reporting; and • received summary reports on process control audits on reviewing portfolio holdings of MPF funds and the monitoring of implementation of records management policies and procedures (disposal practices).
Administration Committee	2 NEDs and 2 EDs	• Held one meeting (attendance rate: 100%); • further considered two papers by circulation; and • considered various human resources and general administration matters including the review of leave policy, the manpower plan for 2015-16, remuneration matters for non-directorate staff and office accommodation arrangements.
Finance Committee	2 NEDs and 2 EDs	• Held two meetings (attendance rate: 100%); • further considered three papers and received six papers for information by circulation; and • considered the results of review of investment guidelines and performance of the Capital Grant and the MPF Schemes Compensation Fund, the results of review of investment strategy for the Capital Grant, the audited financial statements for 2013-14, the half-yearly financial reports for 2014-15, the proposed budget for 2015-16 and other finance matters.

Committee	Composition (as at 31 March 2015)	Work done in 2014-15
Guidelines Committee	1 NED, 1 ED and 6 co-opted members	(No meeting was held during the year) • Scrutinized issued Guidelines with proposed revisions through circulation of seven papers; • 10 sets of revised Guidelines were issued, mainly to: – clarify the credit rating requirements for debt securities used for MPF investment purpose; – update the relevant lists of approved stock exchanges, overseas regulatory authorities recognized by MPFA, and authorized unit trusts and authorized mutual funds approved by MPFA; – amend relevant benefit claim forms and statutory declaration forms to remind claimants of the requirements on withdrawal of MPF benefits or minimum MPF benefits on grounds of permanent departure from Hong Kong, and the penalty for the offence of making a false statement; – improve clarity of and reflect updated information in the annual return forms to be delivered by MPF intermediaries; – simplify the Employee Choice Arrangement transfer election form and tighten the requirements on timeframes and procedural steps to be followed by approved trustees in processing transfer applications; and • 72 sets of Guidelines and two Codes were in force as at 31 March 2015 to provide guidance to relevant parties on the legislative requirements and operational arrangements of the MPF System.

Committee	Composition (as at 31 March 2015)	Work done in 2014-15
Remuneration Committee (established in 2014)	3 NEDs	• Held one meeting (average attendance rate: 75%); and • considered various remuneration matters for EDs.
Tender Board	1 NED and 1 ED	(No meeting was held during the year) • Considered one paper by circulation to assess submissions for the provision of group insurances for MPFA staff.

Ad hoc working groups

Working Group	Composition (as at 31 March 2015)	Work done in 2014-15
Working Group on MPF Reform Issues	3 NEDs	• Held four meetings (average attendance rate: 88%); and • considered the general direction and approach to key reforms such as the introduction of a standardized, low-fee default investment strategy for all schemes.
Working Group on Review of Adjustment Mechanism for Minimum and Maximum Levels of Relevant Income	1 NED and 3 co-opted members	(No meeting was held during the year) • Considered the draft Consultation Paper on Introducing an Automatic Mechanism for Adjustment of Minimum and Maximum Levels of Relevant Income.

Attendance of directors at meetings

The table below sets out the attendance of individual directors at Management Board, Committee and Working Group meetings in 2014-15.

	Management Board	Audit Committee	Administration Committee	Finance Committee	Remuneration Committee	Working Group on MPF Reform Issues
Number of meetings held during the year	7	2	1	2	1	4
Attendance of directors						
Hon Anna Wu Hung-yuk[1]	6/7		1/1	2/2	1/1	4/4
Hon Andrew Leung Kwan-yuen[1]	3/7					
Hon Wong Kwok-kin[1]	5/7	0/2				
Hon Ip Kwok-him	4/7	1/2	1/1		1/1	2/4
Ms Paddy Lui Wai-yu	7/7	2/2			0/1	
Dr John Poon Cho-ming	7/7			2/2		4/4
Mr Philip Tsai Wing-chung	6/7	2/2		2/2	1/1	4/4
Mr Horace Wong Yuk-lun	3/7					
Hon Poon Siu-ping	5/7		1/1			
Secretary for Financial Services and the Treasury[2]	6/7					
Secretary for Labour and Welfare[2]	4/7					
Mrs Diana Chan Tong Chee-ching	7/7		1/1	2/2		
Mr Cheng Yan-chee	7/7		1/1	2/2		
Ms Alice Law Shing-mui	7/7					
Mr Darren Mark McShane[3]	6/7					
Ms Cynthia Hui Wai-yee	7/7					

(The Guidelines Committee, Tender Board and Working Group on Review of Adjustment Mechanism for Minimum and Maximum Levels of Relevant Income did not hold any meeting in 2014-15)

Notes:

1 Retired from the Management Board with effect from 17 March 2015

2 Attended by alternate director

3 Absent from a meeting whilst representing MPFA at an overseas conference

Statutory advisory committees

MPF Schemes Advisory Committee

Role and composition

The MPF Schemes Advisory Committee ("MPFSAC") is established under MPFSO to advise MPFA on the operation of MPFSO and the effectiveness and efficiency of MPFA. MPFSAC comprises an ED designated by MPFA and at least nine (but no more than 11) other members appointed by the Chief Executive of HKSAR. A list of members of MPFSAC as at 31 March 2015 and their background are set out on pages 27 to 28.

Committee business in 2014-15

During the year, MPFSAC held two meetings (average attendance rate: 82%), at which members gave advice on the strategy of MPF public education programmes for 2014-15, the proposed adjustment mechanism for minimum and maximum levels of relevant income, and the proposal to enhance the regulation of default arrangements in MPF schemes. The Committee was also briefed on MPFA's proposed corporate plan 2015-16 and received reports on various aspects of MPFA's work.

MPF Industry Schemes Committee

Role and composition

The MPF Industry Schemes Committee ("ISC") is established under MPFSO to monitor the effectiveness of Industry Schemes[1] and advise on ways to improve their administration and operation. ISC comprises a chairman, representative(s) of the trustee of each Industry Scheme, and at least six other persons representing employees and employers respectively, all appointed by the Financial Secretary of HKSAR. An ED is designated by MPFA to sit on ISC. A list of members of ISC as at 31 March 2015 and their background are set out on pages 29 to 30.

Committee business in 2014-15

During the year, ISC held four meetings (average attendance rate: 98%), at which members advised on the operation of Industry Schemes. It also discussed the Mandatory Provident Fund Schemes (Amendment) Bill 2014, the proposal to enhance the regulation of default arrangements in MPF schemes, and the proposed adjustment mechanism for minimum and maximum levels of relevant income. ISC also received reports on enrolment, administration, enforcement, and public education and publicity matters.

Accountability and transparency

Corporate planning

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, specifying 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. The results of a full year review of the corporate plan are submitted to the Financial Secretary of HKSAR. 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 in 1998 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.

As at 31 March 2015, the balance of the Capital Grant was $4.46 billion. Please see the financial statements of MPFA on pages 77 to 102.

1 Industry Schemes are MPF schemes set up for employers and employees of the catering and construction industries, which are of high labour mobility.

Reporting

In accordance with MPFSO requirements, we deliver an annual report, together with audited financial statements and auditor's report, to the Financial Secretary of HKSAR each year. 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 of HKSAR.

For nine years in a row, our annual report has won awards under the Best Annual Reports Awards of the Hong Kong Management Association.

Performance pledges

A system is in place to monitor the achievement of our pledges to the public. The achievement of performance standards in the 2014-15 financial year is set out in the table below.

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) B. Reply hotline voice mail messages within the next working day	98.99% 100%
(2) Answering written enquiries	A. Acknowledge receipt within 3 working days B. Answer enquiry or provide an interim reply within 10 working days	100% 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 complaint	99.94%
(2) Responding to enquiries by complainant/complainee on investigation progress	Inform complainant/complainee of investigation progress within 3 working days	100%
(3) Informing complainants of enforcement actions on cases involving prosecution	A. Inform complainant of the plea date in writing within 7 working days upon receipt of Plea Date Notice B. Notify complainant of prosecution results within 7 working days from the date of receiving court's decision	100% 100%

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 staff. The Code sets out the expected standards of behaviour, reminds staff of their legal and contractual obligations to MPFA, and provides 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. Regular reviews are conducted on various aspects of the Code to ensure its currency and appropriateness, and procedures are also in place to facilitate the reporting and handling of suspected improprieties.

Access to information

During the year, MPFA received two requests under MPFA's Code on Access to Information and followed the required procedures set out in the Code in processing the requests.

Handling complaints

The roles and policies of MPFA on handling complaints against employers, MPF trustees, MPF intermediaries, ORSO employers or administrators, and MPFA or MPFA staff are publicized on the website of MPFA.

Communication

The news and development of the MPF System and MPFA are communicated to stakeholders and the public through MPFA's website and various channels including press releases, the quarterly Statistical Digest and MPFA Newsletter, pamphlets and other publications to facilitate understanding of the MPF System. In August 2014, a new section was launched on MPFA's website posting speeches delivered and articles published by the Chairman and senior executives since 2014 to help stakeholders and members of the public understand more about the MPF System and MPFA. The chapter on Engagement with Stakeholders on pages 53 to 64 sets out the details of communication with stakeholders and the public during the year.

Internal controls and risk management

Internal controls

We have put in place an internal control system 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. All divisions and departments are required to assess the internal controls of their key processes by reviewing their operational manuals annually. Independent verification is conducted by the Risk Management Unit from time to time to ensure the effectiveness and robustness of internal controls. A team of experienced staff in possession of accounting knowledge and relevant qualifications is responsible for the financial reporting and accounting functions of MPFA.

Internal audit and management review

The MPFA's internal audit function is performed by the Risk Management Unit which has unrestricted access to operational information for discharging its duties. 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. For finance-related audit exercises, the approach of the Committee of Sponsoring Organization of the Treadway Commission (COSO) is also adopted to assess the five major components of internal controls, namely, control environment, risk assessment, control activities, information and communication, and monitoring activities. Findings of internal audit exercises are reviewed by the management and reported to and considered by the Audit Committee, which reports to the Management Board to ensure objectivity and independence.

Internal audit exercises were conducted during the year according to a three-year internal audit programme endorsed in 2014. The reviews conducted and reported to the Audit Committee are set out on page 12. The results of these audits 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, and the departments audited have committed to the relevant improvement proposals. To ensure internal control problems are improved in a timely manner, a register is used by the Risk Management Unit to monitor the completion status semi-annually.

Risk management

We have 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. All divisions and departments are reminded of the risk management policy through the annual updating exercise. To facilitate more focused and effective monitoring of risk items, a revamp exercise on the risk assessment and management framework commenced in 2014-15. The risk levels of all identified risks were prioritized, and the responsibility of risk monitoring was assigned to different levels of management according to the levels of different risks. The new framework will be implemented from 2015-16 onwards.

We have also put in place a set of policies and procedures to maintain continuity of our critical business functions at times of contingency and disaster. A business continuity plan database has been set up for staff's efficient access to the Guidelines on Crisis Handling and Monitoring and departmental business continuity plans. In April 2014, a staff communication drill was conducted out of office hours to test the effectiveness of and to familiarize colleagues with the relevant communication channels and the communication flow in case of emergency or crisis. In July and September 2014, exercises were conducted to test the information flow within the organization, the accommodation of core staff and the equipment to be set up at alternate sites under crisis situations which would impact on the accessibility of our office premises as well as the operation of the financial market. During the "Occupy Movement" in September and October 2014, contingency measures were implemented as planned, with all MPF schemes operating as normal and MPFA's business continuity maintained. In February 2015, 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 systems in the event of a disaster.

Personal data privacy

MPFA collects, holds, processes and uses personal data in handling complaints, carrying out inspections and investigations, processing applications, and handling employment-related matters. We attach great importance to safeguarding personal data privacy and observing the requirements of the Personal Data (Privacy) Ordinance.

To enhance staff's knowledge and awareness of personal data privacy protection issues, we invited the Office of the Privacy Commissioner for Personal Data to brief our staff on the personal data privacy protection law in Hong Kong and its latest developments. In addition, arrangements were made for five staff members to attend five seminars and training courses organized by the Office of the Privacy Commissioner for Personal Data. We also drew up a set of internal guidelines on handling data access requests made under the Personal Data (Privacy) Ordinance for reference by staff.

Independent checks and balances

Reviews

The financial statements of MPFA are subject to audit by an external auditor. PricewaterhouseCoopers continued to be MPFA's external auditor in the financial year 2014-15.

Appeal boards

The MPF Schemes Appeal Board established pursuant to MPFSO hears appeals against any decision of MPFA specified in Schedule 6 of MPFSO. The Occupational Retirement Schemes Appeal Board established pursuant to the Occupational Retirement Schemes Ordinance hears appeals against the ORSO Registrar's decisions as specified in the Ordinance. No appeal was lodged with either appeal board in 2014-15.

Process Review Panel in relation to the regulation of MPF intermediaries

The Government has set up an independent, non-statutory Process Review Panel in relation to the Regulation of MPF Intermediaries ("PRP"). Specifically, the PRP will review the adequacy and consistency of MPFA's internal procedures and operational guidelines governing decisions taken in a number of areas including registration, disciplinary action and the handling of complaints. It will also review and advise MPFA on its co-ordination and follow-up with the frontline regulators in relation to inspection and investigation of registered MPF intermediaries. A meeting of the PRP was held during 2014-15.

The Management Board

Members

(as at 31 March 2015)

Chairman

Dr David Wong Yau-kar, BBS, JP

(Since 17 March 2015; current term will expire on 16 March 2017)

- Chairman, Land and Development Advisory Committee
- Chairman, Protection of Wages on Insolvency Fund Board
- Member, Exchange Fund Advisory Committee
- Member, Economic Development Commission
- Deputy, the National People's Congress
- Chairman, Business and Professionals Federation of Hong Kong
- Non-executive director of a number of listed and non-listed companies

Non-executive Directors

Hon Ip Kwok-him, GBS, JP

(Since 17 March 2011; current term will expire on 16 March 2017)

- Deputy, the National People's Congress
- Member, Legislative Council
- Member, Central and Western District Council (Kwun Lung)
- Chairman, Panel on Security, Legislative Council
- Chairman, Committee on Members' Interests, Legislative Council
- Member, Hong Kong Housing Authority

Ms Paddy Lui Wai-yu, BBS, JP

(Since 17 March 2011; current term will expire on 16 March 2017)

- Executive Director, K Wah International Holdings Limited
- Executive Director, Galaxy Entertainment Group Limited
- Member, Election Committee of the Hong Kong Special Administrative Region
- 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

Dr John Poon Cho-ming, JP

(Since 17 March 2011; current term will expire on 16 March 2017)

- 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 2017)

- Vice Chairman, Deloitte China
- Member, Exchange Fund Advisory Committee
- Director, West Kowloon Cultural District Authority
- Director, Urban Renewal Fund Limited
- Adviser, The Ombudsman
- Member, Registration Committee of the Chinese Gold and Silver Exchange Society
- Past President, Hong Kong Institute of Certified Public Accountants

Mr Horace Wong Yuk-lun, SC, JP

(Since 1 October 2012; current term will expire on 30 September 2016)

- Senior Counsel, Hong Kong
- Chairman, Administrative Appeals Board
- Member, Disciplinary Chair Committee, Securities and Futures Commission
- 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 2017)

- Member, Legislative Council
- Executive Committee Member, The Federation of Hong Kong and Kowloon Labour Unions
- Executive Committee Member, Hong Kong Storehouses, Transportation and Logistics Staff Association
- Member, Occupational Safety and Health Council
- Member, Protection of Wages on Insolvency Fund Board
- Member, Fight Crime Committee

Hon Abraham Shek Lai-him, GBS, JP
(Since 17 March 2015; current term will expire on 16 March 2017)
- Member, Legislative Council
- Member, Court of The Hong Kong University of Science and Technology
- Council and Court Member, The University of Hong Kong
- Director, The Hong Kong Mortgage Corporation Limited
- Independent non-executive director of a number of Hong Kong listed companies

Mr Kingsley Wong Kwok, JP
(Since 17 March 2015; current term will expire on 16 March 2017)
- General Secretary, The Hong Kong Federation of Trade Unions
- Non-official Member, Commission on Strategic Development
- Non-official Member, Minimum Wage Commission
- Member, Hainan Committee of the Chinese People's Political Consultative Conference
- Vice-Chairman, Service Industry General Unions

Secretary for Financial Services and the Treasury
Alternate: Permanent Secretary for Financial Services and the Treasury (Financial Services)
Prof Hon K C Chan, GBS, JP
(Since 1 July 2007; current term will expire on 16 March 2017)
- 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)
- Faculty Member, Ohio State University, United States (1984-93)

Secretary for Labour and Welfare
Alternate: Permanent Secretary for Labour and Welfare
Hon Matthew Cheung Kin-chung, GBS, JP
(Since 1 July 2007; current term will expire on 16 March 2017)
- Previously Permanent Secretary for Economic Development and Labour (Labour) and Commissioner for Labour

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)
- Hospital Chief Executive, Wong Chuk Hang Hospital (1995-2000)
- Deputy Director (Administration), Hospital Authority (1991-95)
- Administrative Officer to Principal Assistant Secretary in the Administrative Service, Hong Kong Government (1980-91)

Mr Cheng Yan-chee
Chief Corporate Affairs Officer and Executive Director
(Since 3 April 2013; current term will expire on 2 April 2016)

- Member, Executive Committee of Investor Education Centre
- Deputy Secretary for Home Affairs, Hong Kong Special Administrative Region Government ("HKSARG") (2011-12)
- Deputy Secretary for Financial Services and the Treasury, HKSARG (2007-11)
- Deputy Director-General of Trade and Industry, HKSARG (2006-07)
- Deputy Secretary for Education and Manpower, HKSARG (2001-06)
- Deputy Director of Information Technology Services, HKSARG (1999-2001)

Ms Alice Law Shing-mui
Chief Operating Officer and Executive Director
(Since 16 July 2012; current term will expire on 15 July 2015)

- Solicitor, Hong Kong
- Member, Global Agenda Council on the Future of Insurance & Asset Management of World Economic Forum
- Member, Advisory Committee on Bachelor of Business Administration Programme in Insurance, Financial and Actuarial Analysis, The Chinese University of Hong Kong
- Senior Director (Policy, China & Investment Products), Securities and Futures Commission ("SFC") (2008-12)
- Director (Intermediaries & Investment Products), SFC (2004-06, 2007-08)
- Director of Licensing, SFC (2006-07)
- Non-executive Director, Hong Kong Securities Institute (2004-08)
- Government appointed adjudicator of the Registration of Persons Tribunal (2007-11)
- 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
Chief Regulation & Policy Officer and Executive Director
(Since 25 March 2014; current term will expire on 24 March 2017)

- Barrister-at-law, Australia
- Chair, Technical Committee, International Organisation of Pension Supervisors
- Member, Products Advisory Committee, Securities and Futures Commission
- Member, Examination Board, Institute of Financial Planners of Hong Kong
- Executive Director (Regulation & Policy), MPFA (2002-14)
- Director, Financial Services Regulation, Australian Securities and Investments Commission (1998-2002)
- Enforcement & Policy Consultant, Investment Management Regulatory Organisation Limited, United Kingdom (1996-97)

Ms Cynthia Hui Wai-yee
Executive Director (Supervision)
(Since 1 February 2008; current term will expire on 31 January 2017)

- 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

Directors who retired from the Management Board as from 17 March 2015

(Biographical information as at 16 March 2015)

Chairman

Hon Anna Wu Hung-yuk, GBS, JP

(Since 17 March 2009; retired with effect from 17 March 2015)

- Solicitor, Hong Kong
- Non-official Member, Executive Council
- Chair, Competition Commission
- Member, International Advisory Board, Hong Kong International Arbitration Centre
- Chair, Academic Board for Postgraduate Certificate in Laws (PCLL) of The University of Hong Kong
- 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

Non-executive Directors

Hon Andrew Leung Kwan-yuen, GBS, JP

(Since 17 March 2009; retired with effect from 17 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 Limited

Hon Wong Kwok-kin, SBS

(Since 17 March 2009; retired with effect from 17 March 2015)

- Member, Legislative Council
- Vice President, The Hong Kong Federation of Trade Unions
- Member, Hong Kong Housing Authority
- Member, Subsidised Housing Committee, Hong Kong Housing Authority
- Member, Security and Guarding Services Industry Authority

MPF Schemes Advisory Committee

Members
(as at 31 March 2015)

Chairman

Hon Wong Ting-kwong, SBS, JP
(Since 1 November 2012; current term will expire on 31 October 2016)
Member, Legislative Council

Deputy Chairman

Mrs Diana Chan Tong Chee-ching, JP
(Since 1 July 2003; current term will expire on 29 March 2017)
Managing Director, MPFA

Other Members

Mr William Chan Che-kwong
(Since 30 March 2011; current term will expire on 29 March 2017)
Director, Broadway Photo Supply Limited

Mr Ip Wai-ming, MH
(Since 30 March 2011; current term will expire on 29 March 2017)
Member, Legislative Council (2008-12)

Mrs Agnes Koon Woo Kam-oi
(Since 30 March 2011; current term will expire on 29 March 2017)
Chief Executive, KSY Speciality Limited

Mr Larry Kwok Lam-kwong, BBS, JP
(Since 30 March 2011; current term will expire on 29 March 2017)
Partner, Kwok Yih & Chan

Mr Fred Li Wah-ming, SBS, JP
(Since 30 March 2011; current term will expire on 29 March 2017)
Member, Legislative Council (1998-2012)

Mr Paul Pong Po-lam
(Since 30 March 2011; current term will expire on 29 March 2017)
Managing Director, Pegasus Fund Managers Limited

Mrs Bethy Tam Ho Kum-man
(Since 30 March 2011; current term will expire on 29 March 2017)
Head of Governance & Strategic Initiatives, Hong Kong, Standard Chartered Bank (Hong Kong) Limited

Dr Roy Chung Chi-ping, BBS, JP
(Since 30 March 2013; current term will expire on 29 March 2017)
Co-founder and Non-executive Director, Techtronic Industries Company Limited

Mr Lam Chun-sing
(Since 30 March 2015; current term will expire on 29 March 2017)
Vice Chairman, The Federation of Hong Kong and Kowloon Labour Unions

Ms Ng Wai-yee retired from the Committee as from 30 March 2015.

MPF Industry Schemes Committee

Members

(as at 31 March 2015)

Chairman

Ms Li Fung-ying, SBS, JP
(Since 25 August 2012; current term will expire on 24 August 2016)
Member, Legislative Council (2000-12)

Other Members

Mr Chan Sam-choi
(Since 25 August 2010; current term will expire on 24 August 2016)
Executive, Construction Site Workers General Union

Mr Chan Wing-on
(Since 25 August 2010; current term will expire on 24 August 2016)
President, Hong Kong Federation of Restaurants and Related Trades

Mr Lawrence Ng San-wa
(Since 25 August 2012; current term will expire on 24 August 2016)
President, Hong Kong Construction Sub-Contractors Association

Mr Tang Ka-hin
(Since 25 August 2012; current term will expire on 24 August 2016)
Chairman, Chinese and Western Food Workers Union

Mr Simon Wong Kit-lung, JP
(Since 25 August 2012; current term will expire on 24 August 2016)
Chairman, Institution of Dining Art

Mr Cyras Chin Chi-keung
(Since 25 August 2014; current term will expire on 24 August 2016)
Director, Hong Kong Building Construction, Hsin Chong Construction Company Limited

Mr Kwok Wang-hing
(Since 25 August 2014; current term will expire on 24 August 2016)
Chairman, Eating Establishment Employees General Union

Mr Wong Ping
(Since 25 August 2014; current term will expire on 24 August 2016)
Vice Chairman, Hong Kong Construction Industry Employees General Union

Mr Adrian Li Man-kiu, JP
(Since 25 August 2006; current term will expire on 24 August 2016)
Director, Bank of East Asia (Trustees) Limited

Ms Monica Ng Chun-sing
(Since 23 February 2015; current term will expire on 22 February 2017)
Senior Vice President, Business Development, Bank Consortium Trust Financial Limited

Mr Cheng Yan-chee
(Since 3 April 2013; current term will expire on 24 August 2016)
Chief Corporate Affairs Officer and Executive Director, MPFA

Mr Koon Ting-shan, **Mr Ng Kwok-kwan** and **Mr Conrad Wong Tin-cheung** retired from ISC as from 25 August 2014. **Mr Ivan Liu Sin-keung** resigned from ISC as from 23 February 2015.

The Management Team

(as at 31 March 2015)

1 **Mrs Diana Chan**
Managing Director

2 **Mr Cheng Yan-chee**
Chief Corporate Affairs Officer and Executive Director

3 **Ms Alice Law**
Chief Operating Officer and Executive Director

4 **Mr Darren Mark McShane**
Chief Regulation & Policy Officer and Executive Director

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)

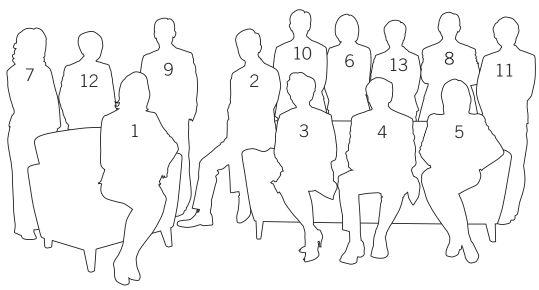
9 **Mr Ronnie Lai**
Head (Member Protection)

10 **Mr Joseph Lee**
Head (Trustees Supervision)

11 **Ms Gabriella Yee**
Head (Policy Development & Research)

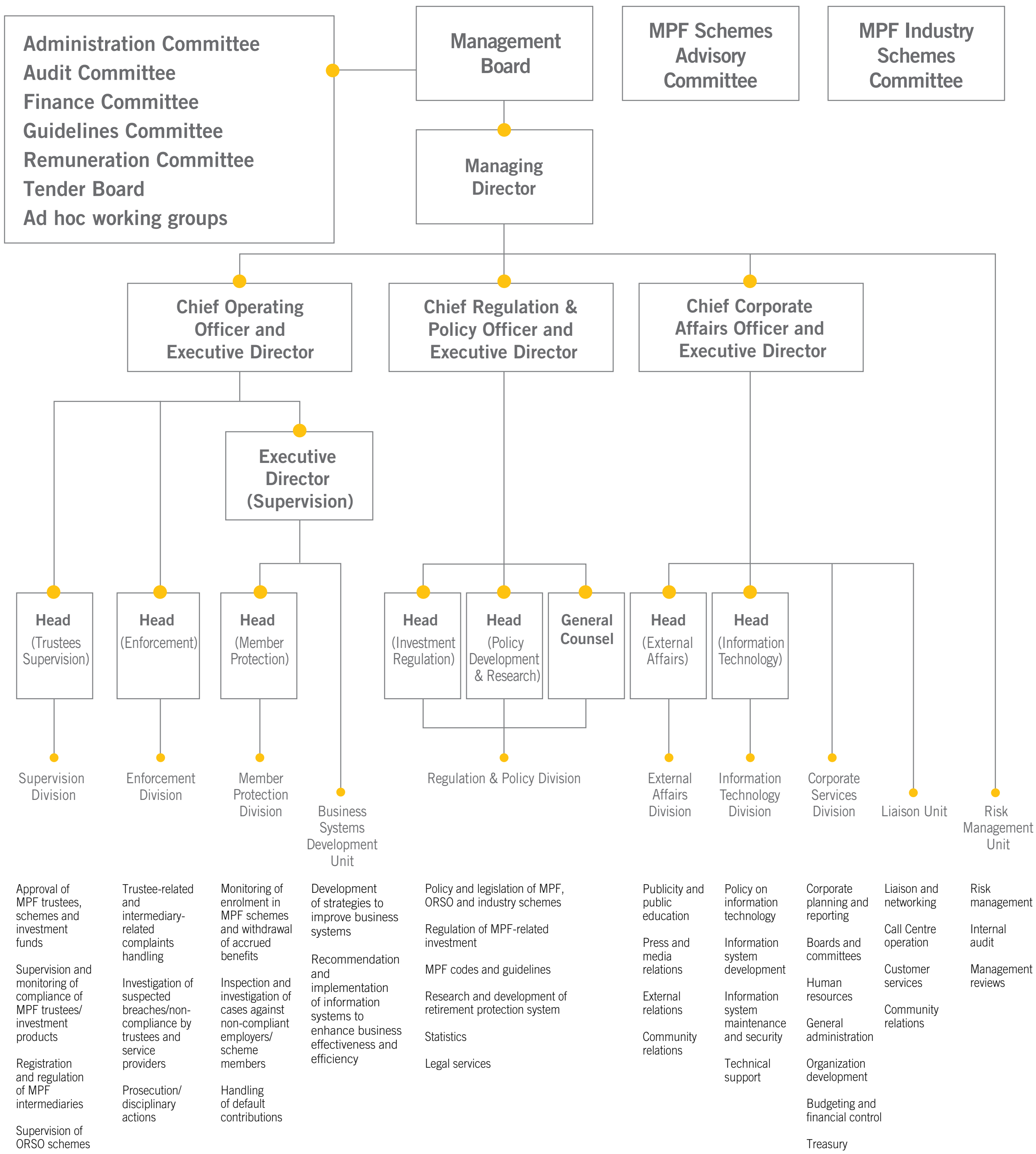
12 **Ms Stella Yiu**
Head (Investment Regulation)

13 **Ms Cynthia Li**
Head (Enforcement)



The Organization Structure

(as at 31 March 2015)



Well Equipped

Major Results and Future Initiatives

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
Refining the regulatory framework		
Provide better investment solutions for scheme members	Completed a public consultation on a default investment strategy ("DIS") and put forward concrete proposals to the Government *(more information on pages 42 and 43)*	• Support the Government in the legislative process • Make preparations for implementing the proposals
Improve MPF information presentation and disclosure	Developed proposals to simplify and standardize information presentation and risk disclosure in the offering documents for MPF schemes[1] *(more information on page 43)*	• Liaise with trustees on the implementation of the proposals
Improve flexibility, efficiency and effectiveness of the MPF System	Completed the legislative process to (i) increase the flexibility of withdrawal of MPF accrued benefits; and (ii) make other miscellaneous and technical amendments, including amendments to streamline MPF scheme administration processes and enable more effective enforcement action against trustees *(more information on pages 43 and 44)*	• Make preparations for implementing the new provisions
Improve efficiency of adjusting the minimum and maximum relevant income levels for MPF contribution purposes	Conducted a public consultation on a proposal for an automatic mechanism for adjusting the minimum and maximum relevant income ("RI") levels for MPF contribution purposes[2] *(more information on page 44)*	• Follow up the results of the public consultation

1 "Offering document" refers to a document that invites participation in an MPF scheme by prospective members. It should contain necessary information (including information about the scheme, operators, constituent funds, contributions and withdrawals, fees and charges, warnings and other important issues) for an individual to make informed decisions about the scheme.

2 Under the MPF System, the amount of mandatory contributions is subject to minimum and maximum relevant income ("RI") levels which are adjustable over time to reflect changes in the earnings distribution of the working population. The mechanism for reviewing and adjusting the RI levels is set out in the MPF legislation.

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
Supervising the industry		
Supervise trustees	Reviewed trustees' supervision of custodial arrangements of MPF assets and their contribution handling and transfer processing *(more information on page 45)*	• Continue to implement the supervisory strategies devised on the basis of the reviews
	Set up a specialized on-site inspection team and began thematic inspections on trustees' record keeping of scheme members' account and unit balances *(more information on page 45)*	• Complete the current round of thematic inspections
	Started regulatory visits to and intensive regulatory dialogues with trustees' boards of directors to enhance trustees' governance arrangements in relation to fulfilment of their fiduciary duties *(more information on page 45)*	• Complete the round of visits in 2015-16 • On the basis of the findings of the visits, evaluate the areas in the Compliance Standards for MPF Approved Trustees[3] that need to be enhanced
Supervise intermediaries	Completed the migration of intermediaries from the old regulatory regime and renewed their registration under the new statutory regulatory regime[4] *(more information on page 45)*	• Enhance the quality of training for intermediaries
Facilitate the market and reduce the costs of the MPF System	Facilitated standardization, streamlining and automation of MPF administration processes, including the launch of the E-Payment for MPF Transfer system to facilitate efficient processing of transfers of MPF accrued benefits, and completion of the legislative process to enable streamlining of some MPF scheme administration processes *(more information on page 46)*	• Make preparations for implementing the new provisions • Commission a consultancy study on a conceptual model of infrastructure and processes to standardize, streamline and automate MPF scheme administration

3 "Compliance Standards for MPF Approved Trustees" were first developed in 2005 with the assistance of international consultants and issued by MPFA on 28 July 2005 to give trustees guidance in establishing a structured framework for monitoring their compliance with statutory duties and responsibilities.

4 MPF intermediaries with valid registration with MPFA immediately before the commencement of the new statutory regime on 1 November 2012 were given two years to apply for registration under the new regime by 31 October 2014 if they wish to continue to conduct regulated MPF sales and marketing activities.

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
	Facilitated market forces, allowing room for fee reduction of MPF schemes. As at 31 March 2015, • the average Fund Expense Ratio[5] of MPF funds fell by 23% to 1.62% from 2.1% in 2007; and • some 40% of the MPF funds in the market were low-fee funds[6] *(more information on page 47)*	• Impose a fee cap on the DIS • Propose further reforms to simplify the MPF System for lowering its overall operating cost
	Supported the Government in entering into an intergovernmental agreement with the United States ("US") authorities in respect of the US Foreign Account Tax Compliance Act ("FATCA")[7]. Based on the framework of the agreement, MPF schemes are exempted and ORSO schemes are conditionally exempted under FATCA *(more information on page 47)*	• Communicate with MPF trustees and ORSO employers on any new developments and facilitate their compliance with statutory requirements
Enforcing the law		
Ensure compliance with the MPF and ORSO legislation	Handled complaints and investigated suspected breaches or non-compliance and took necessary enforcement actions *(more information and key statistics on pages 49 to 52)*	• Continue to deter non-compliance and take necessary enforcement actions
	Completed the legislative process to enable more effective enforcement action against trustees *(more information on pages 43 and 44)*	• Review the suitability and effectiveness of existing statutory enforcement powers and sanctions against non-compliant trustees

5 "Fund Expense Ratio" ("FER") refers to a ratio that measures the expenses of an MPF fund as a percentage of fund size based on data from the most recently ended financial period. The higher the FER, the higher the percentage of operating expenses to fund size.

6 "Low-fee funds" refer to MPF funds with fee of 1% or below or FER of 1.3% or below.

7 "FATCA" is a law of the US against tax evasion by US citizens, resident aliens and entities through the use of foreign financial institutions ("FFIs") and non-financial foreign entities ("NFFEs"). Under FATCA, all withholdable payments made to FFIs and NFFEs will be subject to a withholding tax unless the FFIs and NFFEs comply with certain reporting, disclosure and related requirements or are deemed to comply with those requirements.

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
Educating the public		
Educate the public on MPF investment	Launched campaigns with respective themes relating to the fundamentals of MPF investment, MPF account review, and MPF funds *(more information on pages 54 and 56)*	• Continue to strengthen MPF education to help different target groups better understand the MPF System and make informed decisions for their MPF investments
	Organized roving exhibitions focusing on how to make informed MPF decisions and encouraging consolidation of MPF accounts *(more information on page 55)*	
	Organized workshops on retirement planning and launched a new retirement planning calculator on MPFA's investment education thematic website *(more information on page 56)*	
	Organized seminars and workshops on retirement planning and MPF investment *(more information on page 57)*	
	Launched an all-in-one thematic website on MPF investment education to provide comprehensive information on MPF investment under one roof *(more information on page 57)*	
Educate the younger generation on early financial planning and on MPF	Organized programmes for various levels of students from pre-primary to tertiary *(more information on pages 57 to 60)*	• Organize programmes to educate young working adults and students on the merits of the MPF System and the importance of saving for the future and early planning for retirement
	Organized talks for students of tertiary institutions and members of youth centres and participated in various career and education fairs for fresh graduates and job-seekers *(more information on pages 57 and 60)*	
	Spread MPF messages via popular social media platforms *(more information on page 57)*	

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
Generate public awareness of MPFA's new initiatives and changes in the MPF System	Organized publicity campaigns on legislative amendments, the public consultation on DIS, employers' MPF obligations, Employee Choice Arrangement[8], and MPF account management respectively *(more information on pages 53, 61 and 62)*	• Organize communication, publicity and education programmes to enhance awareness and deepen understanding of the new developments of the MPF System among stakeholders and scheme members
	Contributed articles on the achievements of the MPF System and the work of MPFA to newspapers and online platforms *(more information on page 62)*	
Reach out to the community	Organized briefings for stakeholders during public consultations *(more information on page 53)*	• Further enhance networking and liaison with stakeholders and scheme members to gain a broad-based understanding and support from the public for MPF
	Organized talks, seminars and district programmes on MPF issues for various stakeholders *(more information on page 63)*	
	Organized outreach programmes and lunch talks for members of Industry Schemes[9] *(more information on page 64)*	
Building a strong team and effective systems		
Staff training and development	Provided adequate and appropriate training and development programmes for staff to enhance their competencies *(more information on page 73)*	• Review the training and development framework and organize training and development activities to gear up staff for their current and prospective roles
Risk management	Started a revamp exercise on the risk assessment and management framework to facilitate more focused and effective monitoring of risk items *(more information on page 19)*	• Complete the revamp exercise and implement measures under the new risk assessment and management framework

8 "Employee Choice Arrangement" refers to an arrangement that allows employees to elect to transfer the MPF accrued benefits derived from employees' mandatory contributions made during current employment and held in a contribution account under an MPF scheme to an MPF scheme of their own choice on a lump sum basis once every calendar year.

9 "Industry Schemes" refer to provident fund schemes registered under section 21A of Mandatory Provident Fund Schemes Ordinance for employers and employees of the catering and construction industries, which are of high intra-industry labour mobility.

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
Corporate social responsibility		
Extend care towards employees, the environment and the community	Pursued various initiatives to reduce paper and energy consumption, enhance operational efficiency, and encourage reuse and recycling of resources *(more information on pages 69 and 70)*	• Continue to implement green initiatives within MPFA to contribute to a green future
	Staff members and their families and friends clocked up more than 2 900 hours of volunteer service *(more information on pages 70 and 71)*	• Continue to extend MPFA's care towards employees and the community in fulfilment of its corporate social responsibility
	Enhanced the corporate website with designs to promote barrier-free and convenient access to the information and services for all including those with special needs *(more information on page 72)*	
	Pursued initiatives on staff development, staff recognition, and enhancement of staff's physical and mental well-being to maintain a happy, healthy and engaged workforce *(more information on page 73)*	

Statistical Highlights

	As at 31.3.2015	As at 31.3.2014
MPF Schemes		
Enrolment Rates (with number of participating members in brackets)*		
Employers	**100% (273 000)**	99% (266 300)
Employees	**100% (2 564 000)**	100% (2 493 900)
Self-employed Persons	**68% (207 000)**	61% (211 700)
Number of Approved Trustees	**19**	19
Number of Registered MPF Intermediaries	**32 753**	32 373
Principal Intermediaries[1]	**395**	381
Subsidiary Intermediaries[2]	**32 358**	31 992
Number of Registered Schemes	**38**	41
Number of Approved Constituent Funds	**458**	477
Number of Approved Pooled Investment Funds[3]	**304**	301
Number of Approved Index-tracking Collective Investment Schemes[4]	**124**	126
Annual Contribution Amount	**$61.98 billion**	$54.78 billion
Aggregate Net Asset Value of all Schemes	**$594.85 billion**	$516.19 billion
Annualized Rate of Return for the MPF System (net of fees and charges)		
In the period from 1.4.2014 to 31.3.2015	**6.4%**	4.2%
Since inception of the MPF System (from 1.12.2000 to 31.3.2015)	**4.3%**	4%
Total Value of the Compensation Fund[5]	**$1.85 billion**	$1.82 billion
Average Fund Expense Ratio[6] **of all Constituent Funds**	**1.62%**	1.69%

* Estimated figures.

1 "Principal intermediary" refers to a business entity registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes.
2 "Subsidiary intermediary" refers to a person registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes on behalf of the principal intermediary to which the person is attached.
3 "Approved pooled investment fund" refers to a type of investment fund that a constituent fund invests into. It can be in the form of an insurance policy or a unit trust.
4 "Index-tracking collective investment scheme" refers to a collective investment scheme which has the sole investment objective of tracking a particular market index.
5 The Compensation Fund is set up under section 17(1) of the Mandatory Provident Fund Schemes Ordinance to compensate MPF scheme members or other persons who have beneficial interests in MPF schemes for any loss in MPF accrued benefits that are attributable to misfeasance or illegal conduct committed by MPF trustees or any other persons concerned with the administration of those MPF schemes.
6 "Fund Expense Ratio" refers to a ratio that measures the expenses of an MPF fund as a percentage of fund size based on data from the most recently ended financial period. The higher the ratio, the higher the percentage of operating expenses to fund size.

	As at 31.3.2015	As at 31.3.2014
ORSO Schemes		
Total Number of ORSO Schemes	**4 843**	5 042
Number of ORSO Exempted Schemes[7]	**764**	845
Number of ORSO Registered Schemes[8]	**4 079**	4 197
Number of Employees Covered	**383 000**	395 000
Annual Contribution Amount	**$18.22 billion**	$18.6 billion
Aggregate Net Asset Value of all Schemes	**$293.66 billion**	$286.12 billion

Detailed statistics are included in the Statistics section.

7 "ORSO exempted scheme" refers to 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 that Ordinance has not come into effect; or an ORSO scheme within the meaning of that Ordinance 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.

8 "ORSO registered scheme" refers to an ORSO scheme registered under section 18 of the Occupational Retirement Schemes Ordinance.

As an advocate of the MPF System, MPFA is committed to building a retirement system valued by Hong Kong people. We at MPFA are tasked with regulating and supervising MPF schemes and ORSO schemes, ensuring compliance with the MPF and ORSO legislation, and considering and proposing reforms of the regulatory framework. This section summarizes major results of our efforts in these areas in 2014-15.

Refining the regulatory framework

Provide better investment solutions for scheme members

The MPF System is an important part of the total savings pool for retirement needs in Hong Kong. A well-designed MPF System, where informed investment decisions are made by, or on behalf of scheme members, is important in strengthening the System's contribution to overall retirement savings outcomes for individual workers. This will, in turn, enhance the financial sustainability of Hong Kong's broader retirement protection system.

After comprehensive studies and reviews, we have come to the view that an important next step in reforming the MPF System is to improve the investment choice framework by ensuring that all schemes make available a well-designed default investment strategy ("DIS") that represents good value for scheme members. In this connection, we are working on the introduction of a DIS with fee control as the standardized low-fee investment approach to address the concerns over high fee and difficulty in making fund choices.

A public consultation entitled "Providing Better Investment Solutions for MPF Members" on the DIS was conducted jointly with the Government from June to September 2014. Twelve questions were posed in the consultation paper, to which 266 formal responses were received. We also gathered views from a wide range of parties and key stakeholders through meetings and fora.

Having regard to the comments received, we put forward a number of proposals in the consultation conclusions which were issued on 12 March 2015. The specific directions are as follows:

(a) the DIS in each MPF scheme should be based on the same investment approach;
(b) the DIS will apply to contributions to or accrued benefits of an MPF scheme for which (i) a member does not, or has not, indicated a choice of MPF funds[1], or (ii) a member specifically chooses to invest according to the DIS;
(c) the DIS should be designed to reduce investment risks as a member approaches age 65;
(d) the DIS will likely reduce investment risks by adjusting a member's accrued benefits and contributions in two or more constituent funds in each scheme. The main constituent fund used for this purpose may be referred to as the "Core" constituent fund in the scheme and may invest into common underlying investment funds;
(e) management fees of the DIS should not exceed 0.75% of assets per annum. We will keep in view room for further reduction of this fee level upon the implementation of the fee control mechanism; and
(f) to encourage a standardized approach, trustee should report performance outcomes of constituent funds used in the DIS in each scheme against an agreed industry benchmark portfolio and facilities will be made available by MPFA for the public to compare investment performance across schemes and as against the benchmark on a regular basis.

1 Currently, a wide range of funds, with differing risk and return profiles, are being used as the default investment fund for investing MPF contributions for scheme members who do not make investment choices.

The proposals represent a new policy direction for the MPF System. Mandating a standardized DIS across MPF schemes will better support the investment decision-making processes of scheme members and provide them with a preferred investment approach having regard to long-term retirement savings objectives. At the same time, scheme members can be confident that they are getting good value through the fee control.

Subject to completing the necessary legislative process and preparation work, the DIS could be introduced by the end of 2016. With technical input from the industry, further developmental work is being carried out to take the proposals forward.

Improve presentation and disclosure of MPF information

Improving the presentation and disclosure of MPF information has been an important ongoing project of MPFA. We aim to ensure that scheme members are provided with useful information in an accessible way to facilitate decisions in retirement planning and in choosing suitable MPF schemes.

The focus of the project in the year is to simplify and standardize information presentation and risk disclosure in the offering documents for MPF schemes[2]. Proposals have been worked out to improve the readability and usefulness of the documents for scheme members or other users. We are liaising with trustees on the details and timing of implementation of the proposals.

Increase flexibility of withdrawing MPF accrued benefits

Scheme members can withdraw their MPF accrued benefits when they reach the retirement age of 65 or satisfy other circumstances specified in the MPF legislation[3]. For greater flexibility, legislative amendments were proposed under the Mandatory Provident Fund Schemes (Amendment) Bill 2014 to provide an option of withdrawal in phases and allow early withdrawal by scheme members suffering from terminal illness[4]. The corresponding Mandatory Provident Fund Schemes (Amendment) Ordinance 2015 ("Amendment Ordinance 2015") was enacted by the Legislative Council on 21 January 2015. We are preparing for the implementation of the relevant provisions on early withdrawal of benefits on grounds of terminal illness in about six months, and the provisions on withdrawal in phases in about 12 months, after enactment of the Amendment Ordinance 2015.

Improve efficiency and effectiveness of the MPF System

Amendments are included in the Amendment Ordinance 2015 to improve the efficiency and effectiveness of the MPF System by:

(a) providing an express legal basis for refusing to approve an MPF fund if MPFA is not satisfied that the addition of the fund is in scheme members' interests;
(b) facilitating the use of electronic means of communication;
(c) simplifying certain administrative procedures of MPF schemes;

2 "Offering document" refers to a document that invites participation in an MPF scheme by prospective members. It should contain necessary information (including information about the scheme, operators, constituent funds, contributions and withdrawals, fees and charges, warnings and other important issues) for an individual to make informed decisions about the scheme.

3 Accrued benefits derived from mandatory contributions of an MPF scheme member must be preserved until the scheme member reaches the retirement age of 65 or satisfies other circumstances specified in the MPF legislation, namely early retirement at the age of 60, permanent departure from Hong Kong, death, total incapacity and small balance account. For members of MPF-exempted ORSO schemes (see note 10) who joined the schemes after 1 December 2000, when they cease employment, their minimum MPF benefits must be transferred to MPF schemes for preservation until they reach the retirement age of 65 or satisfy the circumstance specified in the MPF legislation, namely early retirement at the age of 60, permanent departure from Hong Kong, death and total incapacity.

4 "Terminal illness" refers to an illness that is life endangering, such that the remaining life expectancy of an individual suffering from it is reduced to 12 months or less.

(d) amending the information disclosure restrictions to facilitate compliance with reporting requirements to enhance tax transparency and combat tax evasion; and
(e) extending the time limit to institute criminal proceedings under the Mandatory Provident Fund Schemes Ordinance ("MPFSO") to facilitate effective enforcement actions.

Some of the new provisions relating to (a), (d) and (e) above took effect on 30 January 2015. We are working with the industry to prepare for the implementation of the remaining provisions in about six months after enactment of the Amendment Ordinance 2015.

Improve efficiency of adjusting the minimum and maximum relevant income levels for MPF contribution purposes

Under the MPF System, the amount of mandatory contributions is subject to the minimum and maximum relevant income ("RI")[5] levels which are adjustable over time to reflect changes in the earnings distribution of the working population. The mechanism for reviewing and adjusting the RI levels is set out in the MPFSO.

Having gathered input from key stakeholders, we submitted to the Government a proposal on an automatic adjustment mechanism in 2014. The proposal sought to keep contribution levels better aligned with the earnings distribution of the working population and provide more certainty and improve efficiency in the adjustment process.

Having discussed with the Government, we conducted a public consultation on a refined proposal from 23 January to 5 March 2015. Labour unions, employer groups, industry bodies, and the Legislative Council Panel on Financial Affairs were also consulted. We received around 35 000 submissions at the close of the consultation. As at end of March 2015, we were reviewing and compiling the comments received.

Supervising the industry

MPF trustees

MPF trustees have a duty to act in the best interests of scheme members, and a statutory duty to assist employers and scheme members to participate effectively in the operation of MPF schemes. We adopt a proactive and risk-based supervisory approach in monitoring and supervising trustees to detect potential weaknesses in their compliance with the MPF legislation and applicable standards and requirements via off-site monitoring, on-site visits, and thematic reviews of specific areas of operation.

Surveillance and monitoring

We maintain regulatory dialogues with trustees to understand their business models, risks and control environments. Through the analysis of financial and non-financial intelligence, we ensure that trustees act in compliance with statutory requirements and in the best interests of scheme members.

During the year, we issued seven circulars to trustees on subjects related to compliance and administration of MPF schemes, as well as other MPF issues. Moreover, we continued to follow up complaints and self-reported breaches by trustees and their associated service providers. For non-compliance issues that would warrant supervisory actions, 89 supervisory actions relating to internal controls, data keeping and regulatory obligations of trustees were taken in 2014-15.

5 "Relevant income" ("RI") refers to wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance, expressed in monetary terms, paid or payable by an employer to an employee. It does not include severance payments or long service payments under the Employment Ordinance. An employee or a self-employed person whose RI is less than the minimum RI level is not required to make mandatory contributions. This does not affect the obligation of the employer to make mandatory contributions to the employee's MPF account. The maximum RI level is the level beyond which an employee or a self-employed person is not required to make mandatory contributions in respect of the excess amount of RI. The employer is likewise not required to make mandatory contributions for the employee in respect of such excess amount.

Separately, we completed reviews of trustees' supervision of custodial arrangements of MPF assets and their contribution handling and transfer processing. Appropriate supervisory strategies have been devised.

Supervisory inspections

We set up a specialized on-site inspection team in November 2014 for continuous monitoring of the administration and compliance standards of trustees. Through on-site inspections, we are able to gain an in-depth understanding of industry risks, controls and practices, and assess trustees' compliance with statutory requirements.

During the year, we began a round of thematic inspections on the record keeping of scheme members' accounts and unit balances. As at end of March 2015, we have completed inspection of four trustees.

Trustees' governance and risk culture

Robust governance and risk culture at senior management level of trustees are increasingly important as they are the starting point for setting expectations and are in the best position to oversee the situations and address any gaps identified. Weak governance and risk culture could lead to a higher chance of operational mistakes in scheme administration.

To strengthen trustees' governance and risk culture, we started in August 2014 a campaign on promoting good governance and risk culture amongst the trustee industry. We conducted visits to trustees' boards of directors and engaged in intensive regulatory dialogues with them on issues relating to governance and risk management. We also highlighted to trustees the importance of good governance on fund performance and regularly requested them to review the performance of MPF funds and best practices in scheme administration.

Regular liaison

We maintained a regular dialogue with trustees on MPF-related issues and worked closely with them to pursue initiatives to enhance the MPF System. 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, and developments in the MPF System. We also had regular meetings with individual trustees to discuss governance, compliance, operational and trustee-specific issues.

MPF intermediaries

Registration

The statutory regulatory regime for MPF intermediaries came into force in November 2012. Under the statutory regime, 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. Members of the public can check MPF intermediaries' registration through a public register on MPFA's website or by calling MPFA's hotline.

A two-year transitional period for about 32 300 MPF intermediaries to register under the statutory regime ended on 31 October 2014[6]. About 26 600 of them migrated from the old regime and renewed their registration with MPFA under the new regime. The remaining intermediaries who were no longer attached to any principal intermediaries or failed to apply for re-registration under the new regime during the transitional period had been de-registered, but they can submit new applications to MPFA for registration if they wish to conduct regulated MPF sales and marketing activities.

6 MPF intermediaries with valid registration with MPFA immediately before the commencement of the new statutory regime on 1 November 2012 were given two years to apply for registration under the new regime by 31 October 2014 if they wish to continue to conduct regulated MPF sales and marketing activities.

MPF intermediaries are required to submit annual returns to MPFA within one month after the end of a calendar year. We also maintain regular dialogues with them. During the year, we issued five circulars to them on administration issues, such as revised MPF guidelines and forms for MPF intermediaries.

Training

To maintain their professional competencies in MPF business, MPF subsidiary intermediaries must comply with the Continuing Professional Development ("CPD") requirement by undertaking a minimum of 10 hours of CPD activities each year. Non-compliance may result in suspension or revocation of registration.

As at 31 March 2015, there were 32 activities, in the form of courses, seminars, lectures or conferences, recognized as MPF core CPD activities. We carried out quality assurance checks on these activities, which included vetting the materials used, visiting classes and reviewing participants' evaluation. Moreover, we conducted three briefing sessions on quality assurance of CPD training activities and annual returns submission via the "eService"[7] in November 2014, for MPF principal intermediaries and CPD activity providers.

Regulatory collaboration

The statutory regime works on a multi-regulator model, under which MPF intermediaries are supervised by the regulator of their respective trades (i.e. Monetary Authority, Insurance Authority or Securities and Futures Commission) ("frontline regulators"). During the year, 16 on-site inspections were conducted by the frontline regulators. We also work closely with the frontline regulators on complaints or cases with potential disciplinary or criminal prosecution actions.

A Memorandum of Understanding concerning the Regulation of Regulated Persons with Respect to Registered Schemes under the Mandatory Provident Fund Schemes Ordinance ("MoU") lays down the broad framework of the interaction and cooperation among MPFA and the frontline regulators. Pursuant to the MoU, MPFA convened three meetings of the MPF Intermediaries Regulation Committee with the frontline regulators for the exchange of views on supervisory and enforcement issues relating to MPF intermediaries.

On operational issues, three liaison meetings were held during the year with a frontline regulator for mutual progress updates in relation to complaints handled by MPFA, cases referred by MPFA to it for investigation, and supervisory work conducted by it.

Facilitating the market and lowering costs

Standardize, streamline and automate MPF scheme administration

With a view to reducing the costs of the MPF System, thus facilitating fee reduction of MPF schemes, we have been pursuing ways to standardize, streamline and automate scheme administration. As part of the project, an E-Payment for MPF Transfer system was launched in June 2014 to carry out electronic payment and settlement for the transfer of MPF accrued benefits between trustees. With the help of the system, the accuracy and efficiency of the transfer process have been enhanced and the time needed for transfers between schemes has been shortened by about one week.

The Amendment Ordinance 2015 also includes a number of amendments to facilitate electronic communication and simplify certain administrative procedures of MPF schemes. We have started to work with the industry on implementation details of these provisions.

7 "e-Service" refers to a platform on MPFA's website for electronic submission of annual returns by MPF intermediaries.

Bring down fees and charges of MPF funds

Facilitating fee reduction of MPF schemes has always been MPFA's objective. Various short-term and long-term measures we pursued are expected to further facilitate market forces, allowing room for fee reduction over time. We are pleased to note that, over the years, there has been a steady reduction in the average Fund Expense Ratio ("FER")[8] of MPF funds. The average FER of funds as at 31 March 2015 was 1.62%, representing a drop of 23% from the ratio of 2.1% in 2007. As at 31 March 2015, some 40% or 176 of the MPF funds in the market were low-fee funds (funds with fee of 1% or below or FER of 1.3% or below) of different types with 128 of them investing in equities and/or bonds.

As mentioned above, the management fees of the default investment strategy will be capped at 0.75% of assets per annum. The introduction of the fee control may have a further impact on market forces placing further downward pressure of fees of other funds over time.

Facilitate compliance with the United States Foreign Account Tax Compliance Act

We supported the Government in negotiation with the United States ("US") authorities in concluding an intergovernmental agreement ("IGA") designed to facilitate compliance with the US Foreign Account Tax Compliance Act ("FATCA")[9] by financial institutions in Hong Kong. The Government signed the IGA with the US authorities on 13 November 2014. According to the IGA, retirement funds that qualify as exempt beneficial owners are exempt from the requirements of FATCA, as they present a low risk of being used by US persons to evade US tax. As such, MPF schemes are exempted and ORSO schemes are conditionally exempted under FATCA.

Through circular letters, we kept MPF trustees and ORSO employers informed of the developments, and reminded ORSO employers to make all necessary arrangements to ensure that the schemes are in compliance with the relevant FATCA requirements and/or consider whether exemptions may apply under the IGA.

Regulating ORSO schemes

MPFA is the Registrar of Occupational Retirement Schemes. Our major work includes processing of notifications of changes and various applications in relation to ORSO schemes, and monitoring of compliance with ongoing requirements by ORSO schemes.

Information on the operations of MPFA as the Registrar is in Appendix 5 and detailed statistics on ORSO schemes are in Part D of the Statistics section.

Funding status 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 relevant reports received up to 31 March 2015,

- nine out of 231 defined-benefit ORSO schemes were under-funded, covering around 600 scheme members;
- the total asset size of these schemes was $750 million; and

8 "Fund Expense Ratio" ("FER") refers to a ratio that measures the expenses of an MPF fund as a percentage of fund size based on data from the most recently ended financial period. The higher the FER, the higher the percentage of operating expenses to fund size. The types and names of fees and expenses vary from scheme to scheme, but general examples include (a) fees of trustees, custodian, administrator, investment manager and sponsor; (b) guarantee charge (for guaranteed funds); (c) compensation fund levy (currently not levied); (d) audit fees and legal costs; and (e) miscellaneous items, such as establishment costs, indemnity insurance, and other out-of-pocket disbursements like postage.

9 "FATCA" is a law of the US against tax evasion by US citizens, resident aliens and entities through the use of foreign financial institutions ("FFIs") and non-financial foreign entities ("NFFEs"). Under FATCA, all withholdable payments made to FFIs and NFFEs will be subject to a withholding tax unless the FFIs and NFFEs comply with certain reporting, disclosure and related requirements or are deemed to comply with those requirements.

- the shortfall was $44 million, representing about 5.9% of the total assets of these under-funded schemes.

Such shortfalls were caused by investment loss and/or salary increase higher than the assumption used by actuaries. The relevant employers were required to make up the shortfall in funding by making a lump sum contribution or regular monthly contributions within three years and to submit actuarial certificates annually until the schemes were fully funded.

Relinquishing of MPF exemption status of ORSO schemes

Before the launch of the MPF System on 1 December 2000, employers operating ORSO schemes had an option to apply for exemption from MPF requirements. During the year, 125 MPF-exempted ORSO schemes[10] (covering about 900 scheme members) relinquished their exemption status. The employers concerned subsequently submitted notices of termination of these schemes and had to enrol the employees concerned in MPF schemes[11].

Enforcing the law

MPFA is a law enforcement agency, closely monitoring various parties' compliance with the MPF and ORSO legislation, including MPF and ORSO trustees, MPF intermediaries, employers and scheme members. We handle complaints and investigate suspected breaches or non-compliance and take enforcement actions as necessary. For cases in relation to MPF intermediaries, we coordinate investigations among frontline regulators and impose disciplinary sanctions where appropriate.

To enhance the efficiency of MPFA's enforcement efforts, we maintain close communication and exchange intelligence with stakeholders. In respect of the compliance of employers, we maintain close contact with labour unions to monitor and keep abreast of the situations of specific industries, especially those which tend to have more non-compliant cases, including the catering, retail, cleaning, security and construction industries. Meanwhile, we have enhanced our communication and collaboration with the Commercial Crime Bureau of the Hong Kong Police Force for stepping up enforcement actions against illegal activities, such as impersonation of MPFA's staff in soliciting MPF-related business.

A summary of the enforcement actions taken in 2014-15 is set out in the following pages.

10 "MPF-exempted ORSO scheme" refers to an ORSO scheme in respect of which an exemption has been granted under section 5 of the MPFSO. Members, or a class of members, of such a scheme and their employer are exempt from the operation of all or any specified provisions of the MPFSO.

11 For ORSO schemes which no longer have MPF exemption status, the employers concerned may choose to freeze or terminate the schemes, or to retain them as top-up schemes to provide benefits supplementary to those provided under an MPF scheme. If they terminate the schemes, they have to enrol their employees in MPF schemes or other MPF-exempted ORSO schemes unless they cease business operation.

Enforcement actions against MPF trustees
(1.4.2014 – 31.3.2015)

Number of complaints against trustees received by MPFA: **323** (mainly concerning the processing of contributions and unsatisfactory customer services)

Number of cases investigated

Suspected non-compliance	Number
Scheme administration non-compliance	124
Investment non-compliance	2
Total	**126**

Number of financial penalty notices issued to trustees: **6** (in relation to instances of scheme administration non-compliance and fined a total of $140,000)

Enforcement actions against MPF intermediaries
(1.4.2014 – 31.3.2015)

Number of cases (including complaint and referral cases) received: **23** (mainly concerning failure to comply with the conduct requirements under the MPFSO)

Number of cases resulting in criminal conviction: **1** (one MPF intermediary and another person were convicted for making false or misleading statements and fined a total of $27,200)

Enforcement actions against employers
(1.4.2014 – 31.3.2015)

Number of employment establishments visited under proactive inspection to check compliance with MPF requirements: **1 905** (major targets included catering establishments, retail outlets and construction sites)

Number of cases investigated

Alleged offences	Number
Default contribution	44 676
Non-enrolment	1 445
Forced change to self-employed person	33
Others[12]	705
Total[13]	**45 083**

12 Others include failure to notify trustees of termination of employment, failure to issue monthly pay record, etc.
13 As one case may be related to several types of alleged offences, figures may not sum up to the total.

Number of payment notices issued to employers in respect of default contribution

In respect of non-compliance under	Number
MPF schemes[14]	299 800
MPF-exempted ORSO registered schemes[15]	200

Financial penalty notices issued to repeat defaulters

Breach	Number of financial penalty notices issued	Number of employers involved	Amount of financial penalty
Breach of section 7A(8) of the MPFSO[16]	46	44	$270,591

Number of summons applications referred to the Police for prosecution

	Prosecution status as at 31.3.2015				Number of summonses applied
Nature of offences	Guilty	Acquitted	Not yet available	Withdrawn[17]	
Contributions in arrears	290*	31	128	26	475
Non-enrolment of employee	55*	2	16	2	75
False statement	2*	0	0	0	2
Failure to comply with court order	14^	0	7	2	23
Total	**361**	**33**	**151**	**30**	**575**

* *Involving 66 employers (total amount of fines was $1,080,500) and 3 directors/managers of limited companies (fined between $8,000 and $14,000 each).*

^ *Involving 11 employers and 2 directors of a limited company (fined between $3,000 and $12,000 each).*

Number of court orders applied to compel convicted employers to rectify their non-compliance with contribution requirements: **7**

14 A surcharge calculated at 5% of the amount of MPF contributions in arrears is imposed on employers who failed to make MPF contributions for their employees within the prescribed period. The surcharges received are credited into the MPF accounts of the employees concerned.

15 A surcharge calculated at 15% or 20% of the amount of ORSO contributions in arrears is imposed on employers who failed to make ORSO contributions for their employees. No surcharge will be imposed in the first payment notice in respect of ORSO contributions.

16 Failure to pay MPF contributions in respect of an employee to the approved trustee within the prescribed period.

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

Number of cases submitted to Small Claims Tribunal, District Court, Bailiff and Liquidators

In respect of substantiated non-compliance under MPF schemes

Number of cases submitted to		Number of employees involved
Small Claims Tribunal	350	1 646
District Court	53	976
Bailiff	73	318
Liquidators	149	1 506

In respect of substantiated non-compliance under MPF-exempted ORSO registered schemes

Number of cases submitted to		Number of employees involved
Small Claims Tribunal	1	2
District Court	1	8

Number of Garnishee Orders applied

In respect of non-compliance under	Number
MPF schemes	77
MPF-exempted ORSO registered schemes	1

Outstanding MPF and ORSO contributions recovered

On behalf of employees, we recovered outstanding MPF and ORSO contributions through the courts, by persuasion and counselling of the employers concerned.

Outstanding contributions in	Amount recovered
MPF schemes	$130.5 million
MPF-exempted ORSO registered schemes	$896,000

Non-compliant employer and officer records

To increase the transparency of MPFA's enforcement actions against non-compliant employers under the MPF System for greater deterrent effect, we maintain a Non-Compliant Employer and Officer Records section on MPFA's website. 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 of judgments.

As at 31 March 2015, the database contained 2 813 non-compliance records (comprising 747 criminal conviction records and 2 066 civil awards or judgments).

Enforcement actions against members of MPF or ORSO schemes

(1.4.2014 – 31.3.2015)

Number of summonses/charges referred to the Police for prosecution

	Prosecution status as at 31.3.2015				
Nature of offences	**Guilty**	**Acquitted**	**Not yet available**	**Withdrawn[18]**	**Number of summonses/ offences laid**
False statement under the MPFSO[19]	79[#]	0	41	4	**124**

[#] *Involving 69 MPF scheme members (average fine imposed: about $4,500).*

Prosecution result of cases referred to the Police for investigation

	Number of cases		
Nature of offences	**Guilty**	**Acquitted**	**Total**
False statement under the Crimes Ordinance[20]	2[¤]	0	**2**

[¤] *Involving 2 ORSO scheme members (sentenced to community service and given a suspended jail sentence respectively).*

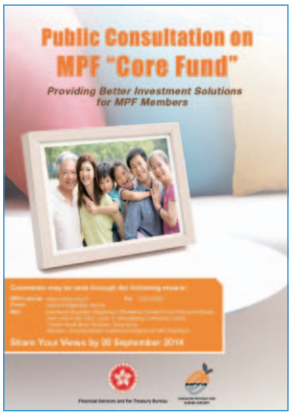
18 Summonses could not be effectively served by the Police or Bailiff, as the defendants had moved away, become untraceable, or become bankrupt.
19 MPF scheme members made a false statement in order to withdraw MPF accrued benefits on grounds of permanent departure from Hong Kong.
20 ORSO scheme members made a false statement in order to withdraw their minimum MPF benefits on grounds of permanent departure from Hong Kong.

Engagement with Stakeholders

Stakeholders' support is essential to the sustainable development of the MPF System. We maintain regular dialogues with the industry and other regulators on MPF-related issues and work closely with them to refine the MPF System (please see the chapter on Business Operations on pages 42 to 52). In pursuing proposed changes to the MPF System, we involve members of the public widely through various channels to help them understand the proposals and gather their views. For scheme members and potential scheme members, who form the largest group of stakeholders, we organize a variety of education and publicity programmes to enhance their understanding of the MPF System and solicit their support.

Introduction of policy proposals

When pursuing key policy proposals, we widely engage our stakeholders to generate awareness, enhance their understanding of the proposals and encourage submission of views so that we can better align the proposals with public needs.



For example, when developing a default investment strategy ("DIS") for MPF funds, there was a long engagement process spanning over years, during which we discussed the proposal with the industry, other regulators, and advisory bodies comprising employer and employee representatives, and shared with them the outcomes of an international study. After a proposal had been formulated, we issued a public consultation paper on "Providing Better Investment Solutions for MPF Members" in June 2014. During the three-month public consultation, publicity and communication continued through press conference, print advertisements, briefings to various stakeholders (including labour unions, employer associations, district councils, policy researchers, industry and professional bodies, etc), media interviews, leaflet with key information about the consultation, and articles on the DIS for various publications. Consultation conclusions were released afterwards on 12 March 2015 to apprise stakeholders of the outcomes of the consultation.

MPFA gave a briefing to policy researchers

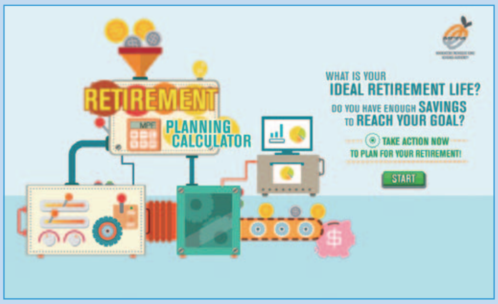
Education programmes and outreach activities

Employers, employees and self-employed persons who have joined MPF schemes, as well as potential participants in the MPF System, are our key stakeholders. Various activities are organized to help them understand the MPF System as well as their rights and obligations, equip them with the skills to manage their MPF accounts, and keep them abreast of the developments in the MPF System.

Investment education programmes – to educate the public on MPF investment

Period	Programmes	Purpose
May – Jun, Nov – Dec 2014 & Feb – Mar 2015	Thematic campaign on the fundamentals of MPF investment – Nine videos presented in the form of different television programmes, hosted by two well-known artists, disseminating MPF messages in an entertaining manner – Videos launched on an internet television channel, "MPFA TV", and shown on a television station, out-of-home platforms, websites and mobile phone applications; print advertisements run in magazines 	To educate scheme members on the fundamentals of MPF investment and retirement investment
Jun – Jul & Nov – Dec 2014	Campaign on MPF account review – A series of articles in magazines in the format of case studies of various scenarios encountered by scheme members in different age brackets and at different life stages, with analyses by a Certified Financial Planner 	To encourage scheme members to regularly review their MPF investment and actively manage their MPF accounts

Period	Programmes	Purpose
Jul, Nov 2014 & Jan 2015	Three roving exhibitions in shopping malls with high patronage – Also featuring personal account checking service and MPF consultation service  	To continuously educate scheme members on how to make informed decisions for their lifelong MPF investment and to encourage them to consolidate their MPF personal accounts, through direct interaction with them in the community
Sep – Nov 2014	MPF investment education comic strips featuring popular local comic character "Maggiology" – Run in bus shelters, magazines and a tabloid, and in an advertisement on a Facebook game	To remind scheme members in a lighthearted manner of the need to manage their MPF investment proactively 

Period	Programmes	Purpose
Nov 2014	Retirement planning workshops and the launch of a new retirement planning calculator on our investment education thematic website – Four workshops were organized to introduce the calculator along with other online tools 	To reach out to scheme members in the workplace to encourage them to actively manage their MPF and develop a plan for retirement 
Jan – Feb 2015	Thematic campaign on MPF funds – A Facebook game – Newspaper advertisements featuring the JJ Five Band 	To educate scheme members on the basic concepts of retirement investment, as well as the features and risk levels of the five major types of MPF investment funds, in an interactive and entertaining manner

Period	Programmes	Purpose
Mar 2015	Public seminar on MPF investment co-organized with a local university 	To enhance scheme members' understanding of MPF investment
Mar 2015	Retirement planning workshop for members of the "Friends of MPF" programme	To equip them with proper knowledge of how to make an early start in retirement planning
Mar 2015	Launch of an all-in-one MPF investment education website, integrating two previous thematic websites	To provide a one-stop portal for information about MPF investment and retirement planning

Youth education programmes – to educate the younger generation on the merits of having an early start in financial planning

Period	Programmes	Purpose
Apr 2014 – Mar 2015	MPF talks – 26 talks for students of tertiary institutions and members of youth centres	To equip potential scheme members with the key concepts of the MPF System and MPF investment
Apr 2014 – Mar 2015	Online social media promotion – Spreading MPF messages through a series of games and thematic campaigns on the MPFA Facebook fanpage "Rolling My Money" and the smartphone application "MVP(Most Valuable Player)@Workplace"	To spread MPF messages to young people in an interesting manner via frequently used social media platforms 

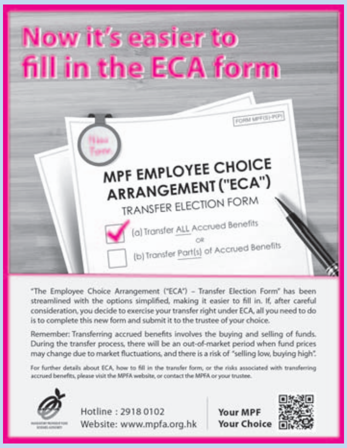
Period	Programmes	Purpose
Oct 2014 – Mar 2015	Programme for tertiary students – 14 on-campus promotion counters at tertiary institutions – A social media marketing competition which required the participating students to promote messages related to financial planning, the MPF System and MPF investment to their peers	To equip tertiary students with knowledge of the MPF System and investment and encourage them to spread MPF messages on popular social media platforms
Oct 2014 – Mar 2015	Life-planning programme for senior secondary school students – An interactive online learning platform, which ties in with the "Other Learning Experiences" (OLE) component, Liberal Studies, and Business, Accounting and Financial Studies in the Senior Secondary Curriculum, and requires the students to complete a number of life-planning tasks related to MPF and wealth management – 20 life-planning workshop sessions simulating different life stage experiences related to financial needs, and MPF enrolment and investment – An MPF booklet distributed to all secondary school graduates	To educate senior secondary school students on financial planning and MPF investment, and raise their awareness of the importance of having an early start in retirement planning

Period	Programmes	Purpose
Nov 2014 – Mar 2015	Programme for junior secondary school students – 30 sessions of a money management drama-cum-workshop, comprising a drama performance, an interactive session and a debriefing session led by experienced social workers – Posters with proper money management skills and MPF messages distributed to all local secondary schools for display	To equip junior secondary school students with knowledge of wealth management and raise their awareness of the importance of early planning for retirement
Oct 2014 – Mar 2015	Programme for primary school students – A student recognition scheme on money management, including production of task books for 72 000 junior and senior primary school students – 43 money-management workshop sessions with activities involving various simulated cases for senior primary school students – 13 seminars for parents of the students – Posters on proper money management concepts distributed to all local primary schools for display	To educate primary school students on proper attitudes towards money management and to disseminate MPF messages to their parents and teachers

Period	Programmes	Purpose
Oct 2014 – Mar 2015	Programme for kindergarten children – A student recognition scheme on money management, including production of a story book and a workbook for 120 000 kindergarten children – 24 parenting workshop sessions for kindergarten children and their parents on money management and the MPF System 	To educate kindergarten children on proper money management and to disseminate MPF messages to their parents and teachers 
Apr, Sep, Oct 2014 & Mar 2015	Participation in various career and education fairs to introduce the MPF System to fresh graduates and job-seekers 	To familiarize young people with the MPF System and investment for retirement

Publicity and communication programmes – to generate public awareness of the changes to the MPF System, MPFA's new initiatives, the roles and functions of the MPF System and MPFA

Period	Programmes	Purpose
Apr 2014	Media briefing on the MPF Schemes (Amendment) Bill 2014	To publicize the proposed changes to the legislation via the media
Apr – Jul 2014	Publicity campaign on the amendment of the maximum relevant income level for MPF contributions – Advertisements in mass media, including TV, radio, newspapers, websites and smartphone applications; direct mailings to employers; and a new leaflet distributed to the general public through various channels	To generate public awareness of the amendment and its impact on employers, employees and self-employed persons 
Jun 2014	Publicity on the E-Payment for MPF Transfer system – Ceremony and exhibition jointly organized with the Hong Kong Monetary Authority; publicity in print media including a newspaper supplement	To publicize the E-Payment system, which helps shorten the time it takes trustees to transfer benefits, and to encourage scheme members to use trustees' electronic services
Jun 2014 – Mar 2015	Publicity campaign on employers' MPF obligations – Print advertisements; a new flyer for employers; and an "MPF Contribution Days" calendar on the MPFA website	To enhance employers' understanding of their MPF obligations and remind them of the consequences of non-compliance 

Period	Programmes	Purpose
Jul – Oct 2014	Publicity campaign on the Employee Choice Arrangement – Advertisements in print media, and on a popular website and a smartphone application; and a guide on how to fill in the new, simplified transfer election form	To generate public awareness of the new simplified form for the Employee Choice Arrangement 
Oct 2014 – Mar 2015	Publicity campaign on MPF account management – New publications for distribution to scheme members through various channels	To encourage scheme members to proactively manage their MPF accounts and hold only one personal account for easy management 
Jan – Mar 2015	Image building campaign – A series of articles written and contributed by the Managing Director to local newspapers and online platforms	To enhance public understanding of the merits and achievements of the MPF System and the work of MPFA
July, Sep, Dec 2014	MPFA Newsletter – Three issues published for distribution	To enhance public understanding of the latest development of the MPF System and the work of MPFA

Outreach activities

Period	Programmes	Purpose
Apr 2014 – Mar 2015	73 talks were organized for different stakeholders such as labour unions, non-governmental organizations and scheme members	To educate scheme members on how to manage their MPF accounts and investment as well as key features and updates of the MPF System
Sep 2014 – Mar 2015	22 district programmes were held jointly with political parties	

Exhibitions and contests were organized jointly with political parties to promote the MPF System

Enquiry counters were set up in various districts to provide on-site personal account checking service for members of the public

Period	Programmes	Purpose
May, Aug, Oct 2014 & Jan 2015	Four seminars targeting new employers were conducted	To educate employers on their obligations under the MPF System and offer tips and reminders on handling MPF administration
Jun 2014 – Mar 2015	Six talks and 18 enquiry counters were co-organized with District Council members	To educate scheme members on how to manage their MPF accounts and MPF investment as well as to provide one-on-one enquiry services
Dec 2014 – Mar 2015	Six Industry Schemes outreach programmes and lunch talks were conducted at construction sites	To promote Industry Scheme to employees of the construction industry

Outreach events were organized to promote Industry Schemes to workers in the construction and catering industries

International Exchanges

MPFA is a member of the International Organisation of Pension Supervisors ("IOPS")[1] and our Chief Regulation & Policy Officer ("CRO"), Mr Darren Mark McShane, is the Chairman of its Technical Committee. In 2014-15, he attended three meetings of the Technical Committee in France, Namibia and Costa Rica. In addition to exchanging regulatory, supervisory and enforcement experience with other IOPS members at these meetings, MPFA contributed to the development of global thinking on private pensions and the drafting of a number of working papers relating to pension regulation and supervision for IOPS.

During the year, MPFA representatives participated in and spoke at various international conferences and meetings, including:

2014	
2-4 April	6th Global Pension & Savings Conference and Seminar on Regulation, Supervision and Strategy organized by the World Bank in Washington, DC, USA
14 April	Joint Conference on Islamic Finance organized by Hong Kong Monetary Authority and Bank Negara Malaysia in Hong Kong
21-22 May	9th Annual Asian Investment Summit organized by AsianInvestor in Hong Kong
2-4 June	Working Party on Private Pensions and IOPS Technical Committee Meeting in Paris, France
17-18 June	2014 Global Retirement Savings Conference hosted by Investment Company Institute Global in Geneva, Switzerland; CRO sat on a panel on "Building Retirement Resources: How Do Governments and Regulators View Their Role and What Should Their Role Be?"
3-4 July	EDHEC-Risk Days Asia 2014 organized by EDHEC-Risk Institute in Singapore; CRO gave a presentation on "The Future of Retirement Provision in Asia-Australian Lessons on Pension System Design"
1-3 October	IOPS Technical Committee Meeting, IOPS Annual General Meeting and The Organisation for Economic Co-operation and Development/IOPS Global Forum on Private Pensions in Swakopmund, Namibia
23-24 October	6th Cross-straits Pension System Forum organized by the Hong Kong Retirement Schemes Association in Hong Kong; CRO chaired a panel session on "Exploring Choices and Designs of Default Fund for Member Choice Schemes and the Importance of Investment Education"
9-11 November	World Economic Forum's Annual Summit in Dubai
12-14 November	ASFA 2014 National Conference organized by Association of Superannuation Funds of Australia ("ASFA") in Melbourne, Australia; CRO gave a presentation on "Global Pension Trends"
12 December	Asian Central Banks Watchers Group 4th Annual Meeting organized by Hong Kong Institute for Monetary Research and Official Monetary and Financial Institutions Forum in Hong Kong

1 IOPS is an independent international body set up in July 2004 representing those involved in the supervision of private pension funds.

2015	
19-20 January	Asian Financial Forum "Asia: Sustainable Development in a World of Change" organized by The Hong Kong Trade Development Council in Hong Kong
23-25 February	IOPS Technical Committee Meeting and IOPS/International Association of the Latin American Pension Fund Supervisors International Seminar on Pension Systems in San José, Costa Rica

We received visitors from overseas and the Mainland and briefed them on the key features and latest developments of the MPF System as well as the roles and functions of MPFA. We also exchanged views and shared regulatory experience with them, thereby promoting the understanding and image of the MPF System and MPFA internationally.

The visitors included:

2014	
16 April	Mr Robert Palacios of World Bank
2 May	Mr Gautam Bhardwaj, Co-founder and Managing Director, and Mr Nitin Chaudhary, Executive Director, Micro Pension Lab of Invest India Micro Pension Services
20 May	A delegation from various ministries of the Singapore Government
26 May	A delegation from Financial Office of Qinghai Province, led by its Director of Enterprise, Mr Qu Ping
28 May	Ms Catherine Lezon, Deputy Secretary General, International Association of Insurance Supervisors, Switzerland


20 May 2014

28 May 2014

15 August 2014

17 September 2014

19 September 2014

22 October 2014

6 November 2014

2014	
17 July	A delegation from Official Monetary and Financial Institutions Forum, led by its Managing Director, Mr David Marsh
15 August	A delegation from Ministry of Economy and Finance of Cambodia, led by Secretary of State, H.E. Nguon Sokha
17 September	A delegation from Ministry of Finance, Vietnam, led by Director General of Banking and Financial Institutions Department, Mr Ngo Van Tuan
19 September	A delegation from China Insurance Regulatory Commission, led by Deputy Director of Shanxi Bureau, Mr Jing Jin Sheng
23 September	A delegation from Human Resources and Social Security Administration of Shenzhen Municipality, led by Deputy Director of Division of Wage, Ms Liu Jingshu
22 October	A delegation from participants of 6th Annual Cross Straits Pension System Forum
6 November	A delegation from the People's Bank of China, led by its Deputy Governor, Mr Li Dongrong
25 November	A delegation from Social Welfare Bureau of Macau SAR Government and Young Men's Christian Association of Macau, led by Head of Department of Prevention and Treatment for Drug Dependence under Social Welfare Bureau of Macau, Mr Hon Wai
2015	
7 January	Mr Heribert Karch, Chairman of German Association of Occupational Pensions

Geared Up

Corporate Social Responsibility

MPFA's corporate social responsibility ("CSR") statement is:

"We strive for a sustainable future through our commitment to the retirement protection of Hong Kong's workforce, and in the process through making responsible and caring efforts towards our staff, the environment and the community."

With "Community Perspective" as one of its core values, MPFA is committed to integrating CSR principles into its daily operations and contributing to the sustainable development of the community. We persist in our efforts to foster sustainable development of the MPF System in the interest of the population in Hong Kong, having due regard for economic, environmental and social developments.

CSR governance

The CSR Committee, chaired by Chief Corporate Affairs Officer and comprising representatives of different divisions and departments, steers the direction of MPFA's CSR developments and considers ways to facilitate staff participation in CSR-related activities. The Committee formulates annual plans of CSR initiatives and regularly evaluates their effectiveness.

Continuous efforts have been made to explore new opportunities to enhance our CSR practices in our daily operations.

Environmental protection

Reduce paper consumption

To reduce paper consumption and enhance operational efficiency, we promote the use of information technology systems to automate operations, both within the organization and throughout the industry. Systems launched during the year include:

- E-Payment for MPF Transfer system (launched in June 2014 in collaboration with the Hong Kong Monetary Authority and the Hong Kong Interbank Clearing Limited) – automates payments for the transfer of MPF accrued benefits between trustees, saving paper cheques for over 500 000 transfers a year and shortening the transfer processing time from 3 – 4 weeks to 2 – 3 weeks on average;

- Electronic means to make payment and send reports to trustees for allocating contributions recovered from defaulting employers to scheme members' accounts (launched in March 2015) – apart from saving paper, the average processing time from the receipt of cheque payment from defaulting employers to the clearance of the payment from MPFA by trustees is estimated to be shortened from 19 to 11 working days; and

- Employee Self Service system (launched in March 2015) – allows individual employees of MPFA to access their personal information, training records, pay advice and annual tax return electronically.

These are in addition to other automated processes already in place, and our continuous efforts to promote paperless practices in the workplace.

Launch of the E-Payment for MPF Transfer system

Reduce energy consumption

In respect of energy conservation, the frequency of Green Days, on which lighting for the general office areas is switched off during lunch time, has been increased from two times a week to three since September 2014. In addition, the automatic switch-off time of office lighting after office hours has been advanced by an hour.

Reuse and recycle

As regards the use of environmentally friendly products, we extended the use of recycled paper to two more printed stationery items this year, making a total of eight items printed on recycled paper to minimize the use of natural resources. The sticky note pads we order are made of paper with certification by the Forest Stewardship Council, and the plastic bags we use in filing are also degradable.

In addition to our head office, the office at Kwai Fong joined the food waste recycling scheme organized by the building management office to collect recyclable food wastes for decomposition and transformation into fertilizer.

MPFA was awarded in 2014-15 the Class of Excellence Wastewi$e Label under the Hong Kong Awards for Environmental Excellence for the fifth consecutive year in recognition of its continuous efforts in promoting environmental protection and waste reduction. While we maintain our various environment-friendly measures established throughout the years, we are specifically recognized this year for attaining a higher goal in donation of used computer equipment to charities for recycling.

Caring for the community

Community service and charitable activities

With persistent support from the CSR Committee and the Volunteer Team, staff members and their families and friends clocked up more than 2 900 hours of volunteer service during the year. These include a variety of charitable activities and community services to the elderly and to young students. Some of them are set out below:

2014	
May 2014 – Mar 2015	Regular visits and phone calls to elderly residents in the Wong Tai Sin district organized by a local social service group
24 May	Support to the hotlines of “Community for the Chest” fund-raising television show organized by The Community Chest of Hong Kong and a local television broadcasting company
10 & 31 May	Rice-dumpling wrapping competition and rice-dumpling distribution, organized by a local social service group – visiting and distributing rice-dumplings, gift packs and greeting cards to the elderly living alone in the Wong Tai Sin district
Jun – Jul, Sep	Acting as tutors for an English Interview Workshop Project, organized by a group of external volunteers, to improve the English standard and job interview skills of about 50 Form Five and Six students; providing venue and volunteer interviewers to support the “downtown” interviews of 16 students
6 Jul	Gathering with 80 elderlies at Shatin Multi-Service Centre for the Elderly of the Evangelical Lutheran Church of Hong Kong
19 Jul	Speaking with Confidence Programme 2014 for 18 students studying in local secondary schools to give them the opportunity to converse and present in English with confidence
6 Sep	Visiting the elderly in Chuk Yuen Estate before the Mid-Autumn Festival, organized by a local social service group
2 Nov	Sowers Action Challenging 12 Hours Charity Marathon, organized by the Sowers Action – participating in the event and providing support at the finishing point

2015	
11 Jan	Hong Kong and Kowloon Walk for Millions, organized by The Community Chest of Hong Kong
8 Feb	Volunteers for Seniors Day, organized by HOPE Worldwide – visiting and bringing “Lucky Bags” to the elderly living alone in public housing estates

We support and care about the elderly and young students

In support of students with special needs, summer internship placements were offered to three students of the Hong Kong Red Cross Princess Alexandra School in 2014.

Outside Hong Kong, MPFA staff participated in a programme organized by the China Care Fund and provided financial support to three high school students in Qinghai and Gansu Provinces in support of their high school studies. Individual staff members also joined the programme to contribute personally to funding the education of high school students in Guangdong, Guangxi, Qinghai and Gansu Provinces. During the year, two staff members visited the students in Qinghai sponsored by colleagues.

A visit to students under sponsorship in Qinhai Province

In 2014-15, MPFA staff raised over $80,000 in charitable donations for the benefit of The Community Chest of Hong Kong, the Senior Citizen Home Safety Association, and students in remote poor areas on the Mainland.

Staff members joined The Community Chest Walk for Millions

Web accessibility

To facilitate barrier-free and convenient access to the information and services on MPFA's website for members of the public, including those with special needs, we have enhanced the website with web accessibility designs. For this, our website was granted a Silver Award in the Web Accessibility Recognition Scheme 2015 co-organized by the Office of the Government Chief Information Officer and the Equal Opportunities Commission, a recognition of our efforts in making our website accessible to all.

MPFA won a Silver Award in the Web Accessibility Recognition Scheme 2015

Workplace quality

Valuing our staff

We place great value on our staff. Remuneration packages of our staff are reviewed regularly to ensure that they stay competitive. In view of the importance of staff development, we offer adequate and appropriate training and development programmes to staff at all levels to enhance their competencies for their roles. There are also team building events to enhance bonding of team members, and secondment opportunities to fellow regulators to enrich staff's experience. To recognize performance and enable staff to realize their potentials, we offer career development opportunities for our staff through promotion and lateral transfer. During the year, our efforts in staff training and development were recognized by the renewal of the Manpower Developer Award granted by the Employees Retraining Board. Here are some key figures relating to our staff:

Team spirit at work among executives at the corporate planning workshop

Total approved headcount as of 31 March 2015	661
Staff costs over total expenditure in 2014-15	66.72%
Turnover rate in 2014-15	11.52%
Number of promotions / lateral transfers during 2014-15	37
Instances of training and development activities in 2014-15 (including new staff orientation, training programmes on business and professional knowledge and soft skills, etc)	2 494

With an aim to recognize contributions from our staff and foster a stronger recognition culture, we presented 240 awards under our Employee Recognition Framework to recognize our staff's commitment to the core values of MPFA, namely, Commitment, Quality, Teamwork and Community Perspective, and for their exemplary contributions.

Externally, two staff members won The Ombudsman's Awards for Officers of Public Organizations. This is the twelfth consecutive year that our staff members have won the award in recognition of their service excellence to the public.

The Ombudsman presented The Ombudsman's Award to our staff

Understanding that two-way communication between management and staff is vital to an engaged workforce, we continue to reinforce communication through various channels, enabling staff to understand the latest developments of the organization and providing them with opportunities to share their views and concerns. These channels include communication sessions with the Managing Director, corporate bulletin and staff newsletters, topical sharing sessions by relevant executives, a number of different inter-departmental fora, etc.

Workplace safety

In 2014-15, a total of 221 assessments were conducted in compliance with the occupational safety and health legislation to assess and re-assess the risks of workstations to the safety and health of staff members. Suitable accessories such as keyboard drawers, document holders, footrests etc were provided to them accordingly.

For the fourth consecutive year, MPFA was awarded "Excellent Class" certificates under the Indoor Air Quality ("IAQ") Certification Scheme by the Government's IAQ Information Centre in recognition of the good IAQ management of our offices. A Premises and Facilities Management Committee has been set up since 2012 to serve as a communication channel for staff to raise comments, suggestions and concerns regarding the overall working environment with the objectives of maintaining a congenial working environment and seeking further improvement.

Workplace wellness

Maintaining a happy, healthy and engaged workforce is our priority. To this end, we strive to provide a caring workplace for our staff, placing importance on their physical and mental well-being as well as their engagement with the organization. The measures we took during the year include:

- extending since January 2015 the service of our Employee Assistance Programme, which makes available counselling services to staff in need, to family members of our staff;
- offering different events to promote the well-being of staff: lunch-time seminars on health issues, on-site health screening, free flu vaccination for some staff members, and discounted health checks;
- organizing activities through our Staff Welfare Committee outside office hours to promote work-life balance, including interest classes, day tours to the countryside for staff and their family members, annual dinner, money management workshop for staff and their kids, sports activities among staff or competitions with other regulators or organizations; and
- enhancing our commitment as an equal opportunity employer by employing persons with disabilities, becoming an Employer Organization in the Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme, advocated by the Labour and Welfare Bureau of the Hong Kong Special Administrative Region Government.

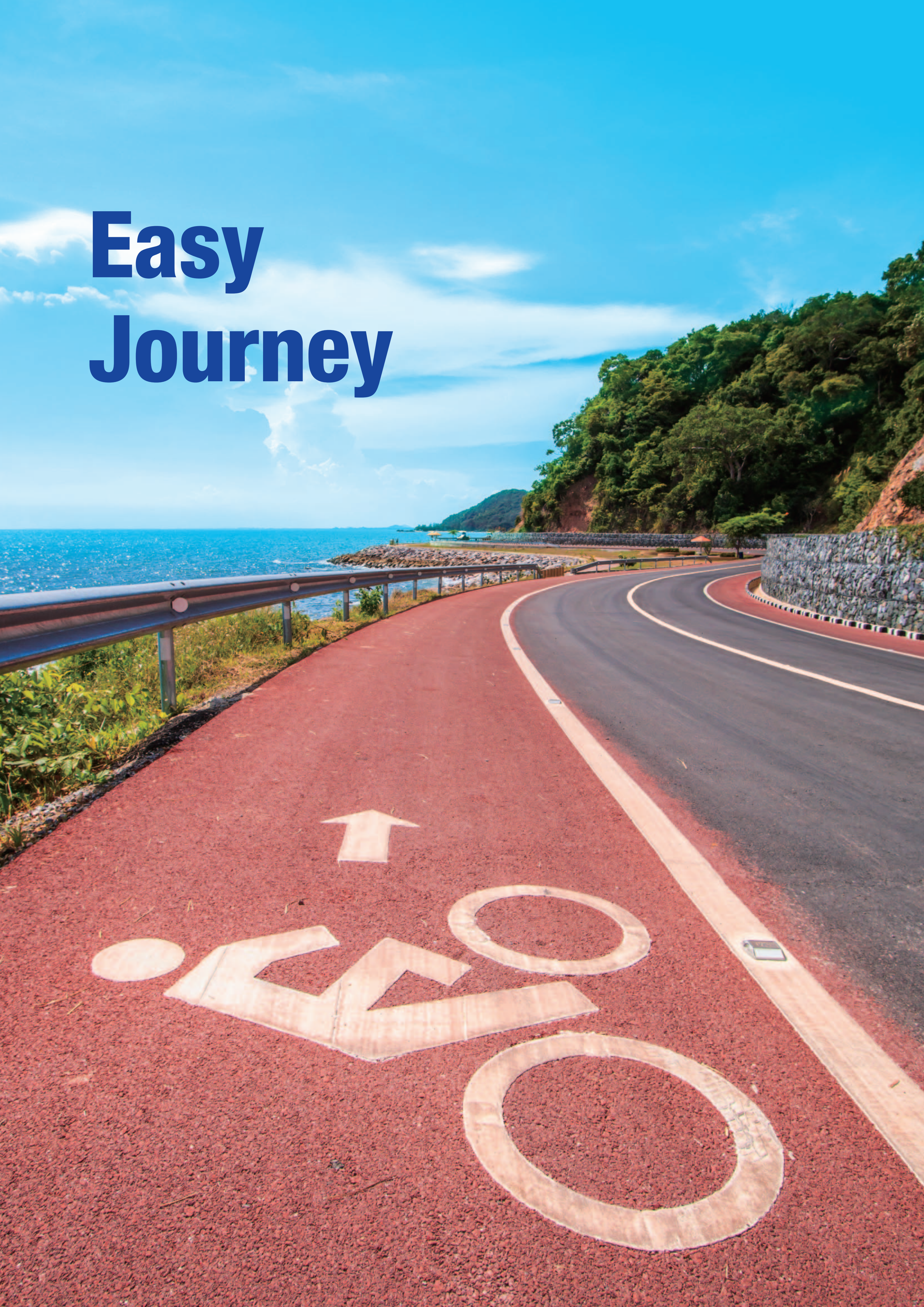
Caring Organization

MPFA has been awarded the 10 Years Plus Caring Organization logo by the Hong Kong Council of Social Service in recognition of our ongoing commitment to caring for our staff, the environment and the community. Three MPFA Volunteer Team members were selected as MPFA's Caring Ambassadors under the Caring Company Scheme to recognize their strong support for our community programmes.

MPFA's Caring Ambassadors

Staff actively participated in various activities including Annual Dinner, interest classes, outings and sports competitions

Easy Journey



Independent Auditor's Report

TO THE MANDATORY PROVIDENT FUND SCHEMES AUTHORITY (THE "MPFA")
(Established in Hong Kong under the Mandatory Provident Fund Schemes Ordinance)

We have audited the financial statements of the MPFA set out on pages 78 to 102, which comprise the statement of financial position as at 31 March 2015, 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 MPFA's Responsibility for the Financial Statements

The MPFA 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 MPFA 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 MPFA, 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 2015, 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, 17 June 2015

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

Income and Expenditure Account

(for the year ended 31 March 2015)

	notes	2015 HK$	2014 HK$
INCOME			
Fee income		**6,515,091**	8,863,172
Interest income on bank deposits		**3,418,382**	3,432,049
Net investment income	7	**313,218,127**	114,390,332
		323,151,600	126,685,553
Other income		**3,585**	15,070
		323,155,185	126,700,623
EXPENDITURE			
Staff costs	9	**325,176,415**	315,075,752
Depreciation and amortisation	12, 13	**13,229,663**	12,304,878
Premises expenses		**86,995,014**	78,861,213
Public education and publicity expenses		**24,241,977**	32,804,284
Investment expenses		**12,930,563**	13,428,573
Other operating expenses		**24,805,178**	30,434,886
		487,378,810	482,909,586
DEFICIT FOR THE YEAR		**(164,223,625)**	(356,208,963)

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

Statement of Comprehensive Income

(for the year ended 31 March 2015)

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.

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

Statement of Financial Position

(at 31 March 2015)

	notes	2015 HK$	2014 HK$
NON-CURRENT ASSETS			
Property and equipment	12	**10,410,167**	12,969,259
Intangible assets	13	**15,249,871**	16,440,787
Projects in progress	14	**4,147,866**	4,418,874
Other non-current deposits		**17,151,419**	20,850,805
		46,959,323	54,679,725
CURRENT ASSETS			
Investments designated at fair value	15	**4,023,639,142**	4,055,557,959
Interest receivable on investments designated at fair value		**17,607,035**	20,070,166
Derivative financial instruments	16	**8,355,833**	2,645,620
Unsettled investments receivable		**14,942,011**	61,763,914
Debtors, deposits and prepayments		**15,559,433**	7,930,980
Bank deposits		**203,523,137**	208,269,035
Cash and cash equivalents		**483,203,957**	605,067,863
		4,766,830,548	4,961,305,537
CURRENT LIABILITIES			
Derivative financial instruments	16	**350,031**	2,077,205
Unsettled investments payable		**331,883,738**	360,265,935
Creditors and accrued charges		**20,382,129**	28,167,024
Fees received in advance		**3,748,400**	3,825,900
		356,364,298	394,336,064
NET ASSETS		**4,457,425,573**	4,621,649,198
CAPITAL AND RESERVE			
Capital grant	17	**5,000,000,000**	5,000,000,000
Income and expenditure account		**(542,574,427)**	(378,350,802)
		4,457,425,573	4,621,649,198

The financial statements on pages 78 to 102 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 17 June 2015 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 2015)

	Capital Grant HK$	Income and Expenditure Account HK$	Total HK$
At 1 April 2013	5,000,000,000	(22,141,839)	4,977,858,161
Deficit for the year	–	(356,208,963)	(356,208,963)
At 31 March 2014	5,000,000,000	(378,350,802)	4,621,649,198
Deficit for the year	–	(164,223,625)	(164,223,625)
At 31 March 2015	**5,000,000,000**	**(542,574,427)**	**4,457,425,573**

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

Statement of Cash Flows

(for the year ended 31 March 2015)

	2015 HK$	2014 HK$
OPERATING ACTIVITIES		
Deficit for the year	(164,223,625)	(356,208,963)
Adjustments for:		
Depreciation and amortisation	13,229,663	12,304,878
Gains on disposals of property and equipment and intangible assets	(6,550)	(5,520)
Interest income on bank deposits	(3,418,382)	(3,432,049)
Interest income on investments designated at fair value	(62,838,425)	(64,091,544)
Dividends from investments designated at fair value	(28,412,417)	(26,132,227)
Net gains on investments designated at fair value	(178,432,578)	(28,844,899)
Net (gains)/losses on derivative financial instruments	(43,761,442)	5,333,108
Operating cash flows before movements in working capital	(467,863,756)	(461,077,216)
Increase in other non-current deposits	(8,283)	(7,917,971)
(Increase)/decrease in debtors, deposits and prepayments	(4,011,960)	5,042,145
Decrease in creditors and accrued charges	(8,481,137)	(5,824,360)
(Decrease)/increase in fees received in advance	(77,500)	46,750
NET CASH USED IN OPERATING ACTIVITIES	(480,442,636)	(469,730,652)
INVESTING ACTIVITIES		
Dividends received from investments designated at fair value	28,626,082	26,471,340
Interest received on bank deposits	3,509,557	3,516,316
Interest received from investments designated at fair value	65,301,556	67,018,501
Proceeds on disposals of property and equipment and intangible assets	6,550	5,550
Proceeds on disposals of investments designated at fair value	6,827,473,552	12,148,612,783
Purchase of property and equipment, intangible assets and projects in progress	(8,512,405)	(17,692,464)
Purchase of investments designated at fair value	(6,598,896,116)	(12,055,511,893)
Net settlement of derivative financial instruments	36,324,056	(750,427)
Decrease in bank deposits	4,745,898	3,814,210
NET CASH FROM INVESTING ACTIVITIES	358,578,730	175,483,916
NET DECREASE IN CASH AND CASH EQUIVALENTS	(121,863,906)	(294,246,736)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	605,067,863	899,314,599
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	483,203,957	605,067,863
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances held for investment purposes	108,592,324	213,623,786
Short term debt securities	368,335,608	384,764,667
Other bank balances and cash	6,276,025	6,679,410
	483,203,957	605,067,863

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

Notes to the Financial Statements

(for the year ended 31 March 2015)

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 in 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, which is the same as the functional currency of the MPFA.

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

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities, clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the financial statements of the MPFA.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2014 that would be expected to have a material impact on the MPFA.

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. 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 Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the 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.

3.2 Financial instruments

Financial assets and financial liabilities are recognised in 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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Financial assets (cont'd)

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 mainly consist of debtors, deposits, unsettled investments receivable (including dividends receivable and amounts due from brokers), 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;

(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 occurred 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

3.6 Derivative financial instruments

Derivative financial instruments (primarily foreign exchange contracts) are used in hedging currency exposure in the investments designated at fair value. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

For derivative financial instruments that do not qualify for hedge accounting, they are deemed 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.

3.7 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.

3.8 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Property and equipment (cont'd)

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.

3.9 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) the 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.

3.10 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 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 previous years. A reversal of an impairment loss is recognised as income immediately.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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 2015, 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 2015. 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 contribution claims receivable and payable

As at the reporting date, the default contribution claims receivable amounting to HK$845,126 (2014: HK$2,911,270), 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 amounting to HK$845,126 (2014: HK$2,911,270), 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 previous 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

	2015 HK$	2014 HK$
Financial assets		
At fair value	**4,031,994,975**	4,058,203,579
Loans and receivables (including bank deposits, cash and cash equivalents and receivables)	**747,526,389**	917,825,594
Financial liabilities		
At fair value	**350,031**	2,077,205
Other financial liabilities	**350,077,447**	383,107,413

6.2 Financial risk management objectives and policies

The MPFA's major financial instruments include bank deposits, cash and cash equivalents, unsettled investments receivable and payable, interest receivable on investments designated at fair value, 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. The 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, the management and the Finance Committee are kept abreast of the investment portfolios' status as well as the general financial market conditions.

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.

6. FINANCIAL INSTRUMENTS (cont'd)

6.3 Credit risk (cont'd)

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

Credit rating	2015 HK$	% of net assets	2014 HK$	% of net assets
AAA [1]	**130,263,839**	**3**	133,463,163	3
AA [2]	**1,883,535,768**	**42**	2,094,929,773	45
A [3]	**962,232,853**	**22**	774,557,453	17
	2,976,032,460	**67**	3,002,950,389	65

1 *AAA means AAA by S&P and Aaa by Moody's*
2 *AA means between AA- and AA+ by S&P and Aa3 and Aa1 by Moody's*
3 *A means between A- and A+ by S&P and A3 and A1 by Moody's*

Note: *A debt security investment with market value HK$4,733,599 at the reporting date was excluded from the above profile. The debt security was downgraded by S&P and Moody's to BBB+ and Baa1 respectively. The impact of this downgrade was minimal to the total portfolio.*

The weighted average credit rating of the total debt securities portfolio is AA-/Aa3 (2014: 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 to 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 2015 and 2014, 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 (2014: 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 (2014: 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$0.7 million (2014: HK$0.8 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 holding 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.

6. FINANCIAL INSTRUMENTS (cont'd)

6.4 Interest rate risk (cont'd)

As at the reporting date, the average debt securities portfolio duration versus that of the benchmark is set out below:

	2015 Years	2014 Years
Benchmark duration	**5.09**	5.22
Portfolio duration	**4.83**	4.97

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

The MPFA adopts a sensitivity test of 10 basis points (2014: 10 basis points) movements. As at the reporting date, if interest rate had fluctuated by 10 basis points (2014: 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	
	2015 HK$	2014 HK$
If interest rate were 10 basis points lower	**14,386,017**	14,920,304
If interest rate were 10 basis points higher	**(14,386,017)**	(14,920,304)

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 control price risk. The investment performance is reported to the Finance Committee and the Management Board on a regular basis.

As at 31 March 2015, if the Equity Market[Note] had increased or decreased by 10% (2014: 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 increased or decreased by HK$121.7 million (2014: HK$127.8 million).

Note: Equity Market consists of markets in which the MPFA is authorised 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.

The 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 management and the Finance Committee on a regular basis.

6. FINANCIAL INSTRUMENTS (cont'd)

6.6 Currency risk (cont'd)

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 not significant and sensitivity analysis is hence not provided.

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

	2015						
	HK dollar HK$ equivalent	%	US dollar HK$ equivalent	%	Others HK$ equivalent	%	Total HK$ equivalent
Financial assets							
Investments designated at fair value	1,155,249,113	29%	2,559,853,856	64%	308,536,173	7%	4,023,639,142
Derivative financial instruments	–	0%	274,954,294	95%	14,482,199	5%	289,436,493
Interest receivable on investments designated at fair value	6,480,019	37%	11,127,016	63%	–	0%	17,607,035
Unsettled investments receivable	843,258	6%	10,661,685	71%	3,437,068	23%	14,942,011
Debtors and deposits	28,216,526	100%	–	0%	33,723	0%	28,250,249
Bank deposits	192,700,000	95%	–	0%	10,823,137	5%	203,523,137
Cash and cash equivalents	24,108,204	5%	453,349,077	94%	5,746,676	1%	483,203,957
	1,407,597,120	28%	3,309,945,928	65%	343,058,976	7%	5,060,602,024
Financial liabilities							
Derivative financial instruments	–	0%	14,597,453	5%	266,833,238	95%	281,430,691
Unsettled investments payable	–	0%	329,345,562	99%	2,538,176	1%	331,883,738
Creditors and accrued charges	18,019,569	99%	64,721	0%	109,419	1%	18,193,709
	18,019,569	3%	344,007,736	54%	269,480,833	43%	631,508,138
	1,389,577,551	31%	2,965,938,192	67%	73,578,143	2%	4,429,093,886

	2014						
	HK dollar HK$ equivalent	%	US dollar HK$ equivalent	%	Others HK$ equivalent	%	Total HK$ equivalent
Financial assets							
Investments designated at fair value	1,166,210,719	29%	2,539,231,766	63%	350,115,474	8%	4,055,557,959
Derivative financial instruments	26,614,561	8%	273,227,723	87%	14,674,125	5%	314,516,409
Interest receivable on investments designated at fair value	6,816,788	34%	13,253,378	66%	–	0%	20,070,166
Unsettled investments receivable	21,961,532	36%	38,537,190	62%	1,265,192	2%	61,763,914
Debtors and deposits	22,637,339	100%	–	0%	17,278	0%	22,654,617
Bank deposits	197,746,745	95%	–	0%	10,522,290	5%	208,269,035
Cash and cash equivalents	101,737,875	17%	501,714,754	83%	1,615,234	0%	605,067,863
	1,543,725,559	29%	3,365,964,811	64%	378,209,593	7%	5,287,899,963
Financial liabilities							
Derivative financial instruments	–	0%	41,130,647	13%	272,817,347	87%	313,947,994
Unsettled investments payable	577,256	0%	355,936,805	99%	3,751,874	1%	360,265,935
Creditors and accrued charges	21,393,451	94%	28,704	0%	1,419,323	6%	22,841,478
	21,970,707	3%	397,096,156	57%	277,988,544	40%	697,055,407
	1,521,754,852	33%	2,968,868,655	65%	100,221,049	2%	4,590,844,556

6. FINANCIAL INSTRUMENTS (cont'd)

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 forecast is performed to estimate the cash required for operations, including payment for goods/services, office accommodation expenses and payroll.

As at the reporting date, the MPFA held cash and cash equivalents and deposits including interest receivable of HK$686,727,094 (2014: HK$813,336,898) 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 gross settlement, the figures represent undiscounted gross inflows or outflows on these derivatives.

	2015			2014		
	≤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]	**331,883,738**	**–**	**–**	360,265,935	–	–
Creditors and accrued charges	**9,849,822**	**5,978,666**	**2,365,221**	14,198,296	6,407,452	2,235,730
Total	**341,733,560**	**5,978,666**	**2,365,221**	374,464,231	6,407,452	2,235,730
Derivative financial liabilities						
Foreign currency forward contracts						
– Inflows	**228,206,585**	**61,229,908**	**–**	152,978,628	161,537,781	–
– Outflows	**(222,351,835)**	**(59,078,856)**	**–**	(153,028,612)	(160,919,382)	–
Total	**5,854,750**	**2,151,052**	**–**	(49,984)	618,399	–

[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. FINANCIAL INSTRUMENTS (cont'd)

6.9 Fair value measurements recognised in the statement of financial position

The fair value measurements of financial assets and liabilities are categorised 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).

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

	2015			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Equity securities	**1,060,480,118**	**–**	**–**	**1,060,480,118**
Debt securities	**2,380,058,833**	**583,100,191**	**–**	**2,963,159,024**
Derivative financial instruments	**8,355,833**	**–**	**–**	**8,355,833**
	3,448,894,784	**583,100,191**	**–**	**4,031,994,975**
Financial liabilities				
Derivative financial instruments	**350,031**	**–**	**–**	**350,031**

	2014			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Equity securities	1,072,677,736	–	–	1,072,677,736
Debt securities	2,403,092,414	579,787,809	–	2,982,880,223
Derivative financial instruments	2,645,620	–	–	2,645,620
	3,478,415,770	579,787,809	–	4,058,203,579
Financial liabilities				
Derivative financial instruments	2,077,205	–	–	2,077,205

"Loans and receivables" and "Other financial liabilities" as disclosed in Note 6.1 are carried at amortised cost, their carrying values are a reasonable approximation of fair value.

During the years ended 31 March 2015 and 2014, no financial assets or financial liabilities were classified under Level 3 and there was no transfer among levels.

7. NET INVESTMENT INCOME

	2015 HK$	2014 HK$
Interest income on investments designated at fair value	**62,838,425**	64,091,544
Dividends from investments designated at fair value	**28,412,417**	26,132,227
Net realised gain on investments designated at fair value[1]	**143,824,068**	105,533,161
Net change in unrealised gain/(loss) on investments designated at fair value[2]	**34,381,775**	(76,033,492)
Net realised gain/(loss) on derivative financial instruments	**36,324,056**	(750,427)
Net change in unrealised gain/(loss) on derivative financial instruments	**7,437,386**	(4,582,681)
	313,218,127	114,390,332

1 *The amount included net realised foreign exchange loss of HK$13,950,799 (2014: HK$5,434,480) from foreign currency securities.*

2 *The amount included net change in unrealised foreign exchange loss of HK$35,405,497 (2014: net change in unrealised foreign exchange gain of HK$8,227,922) 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

	2015 HK$	2014 HK$
Salary and performance related remuneration	**295,224,185**	287,181,020
Contributions to MPF Schemes	**22,828,547**	21,331,653
Staff benefits	**7,123,683**	6,563,079
	325,176,415	315,075,752

The MPFA operates three Mandatory Provident Fund Schemes ("the Schemes") for all qualified 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 2015, contributions of HK$327,703 were due but not yet paid over to the Schemes (2014: HK$377,816).

10. DIRECTORS' EMOLUMENTS

The emoluments of all directors for the years ended 31 March 2015 and 2014 are set out below:

	2015				
	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	–	4,350,415	507,744	761,515	5,619,674
Cheng Yan-chee	–	3,392,289	392,355	554,850	4,339,494
Alice Law Shing-mui	–	3,471,622	400,986	567,059	4,439,667
Darren Mark McShane	–	4,110,739	478,116	717,120	5,305,975
Cynthia Hui Wai-yee	–	2,694,911	307,699	408,187	3,410,797
Non-Executive Directors					
Anna Wu Hung-yuk[1]	–	–	–	–	–
David Wong Yau-kar[2]	–	–	–	–	–
Au King-chi[3]	–	–	–	–	–
K C Chan	–	–	–	–	–
Matthew Cheung Kin-chung	–	–	–	–	–
Ip Kwok-him	–	–	–	–	–
Andrew Leung Kwan-yuen[1]	–	–	–	–	–
Paddy Lui Wai-yu	–	–	–	–	–
John Poon Cho-ming	–	–	–	–	–
Poon Siu-ping	–	–	–	–	–
Abraham Shek Lai-him[2]	–	–	–	–	–
Annie Tam Kam-lan[4]	–	–	–	–	–
Philip Tsai Wing-chung	–	–	–	–	–
Andrew Wong Ho-yuen[5]	–	–	–	–	–
Kingsley Wong Kwok[2]	–	–	–	–	–
Wong Kwok-kin[1]	–	–	–	–	–
Horace Wong Yuk-lun	–	–	–	–	–
	–	18,019,976	2,086,900	3,008,731	23,115,607

1 *Retired as from 17 March 2015.*
2 *Appointment effective from 17 March 2015.*
3 *Alternate to K C Chan; retired as from 30 December 2014.*
4 *Alternate to Matthew Cheung Kin-chung.*
5 *Alternate to K C Chan; appointment effective from 30 December 2014.*

10. DIRECTORS' EMOLUMENTS (cont'd)

	2014				
	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	–	4,295,085	501,475	752,110	5,548,670
Cheng Yan-chee[1]	–	3,301,598	355,290	520,354	4,177,242
Alice Law Shing-mui	–	3,345,170	384,649	527,185	4,257,004
Darren Mark McShane	–	3,936,531	457,915	686,773	5,081,219
Cynthia Hui Wai-yee	–	2,597,652	296,674	393,539	3,287,865
Non-Executive Directors					
Anna Wu Hung-yuk	–	–	–	–	–
Au King-chi[2]	–	–	–	–	–
K C Chan	–	–	–	–	–
Matthew Cheung Kin-chung	–	–	–	–	–
Ip Kwok-him	–	–	–	–	–
Andrew Leung Kwan-yuen	–	–	–	–	–
Paddy Lui Wai-yu	–	–	–	–	–
John Poon Cho-ming	–	–	–	–	–
Poon Siu-ping	–	–	–	–	–
Annie Tam Kam-lan[3]	–	–	–	–	–
Philip Tsai Wing-chung	–	–	–	–	–
Wong Kwok-kin	–	–	–	–	–
Horace Wong Yuk-lun	–	–	–	–	–
	–	17,476,036	1,996,003	2,879,961	22,352,000

1 *Appointment effective from 3 April 2013.*
2 *Alternate to K C Chan.*
3 *Alternate to Matthew Cheung Kin-chung.*

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments at 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:

	2015 No. of employees	2014 No. of employees
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**2**	2
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**1**	1
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 2013	30,623,474	31,262,327	21,423,537	529,900	83,839,238
Additions	4,101,676	2,920,810	1,986,384	–	9,008,870
Disposals	(781,108)	(1,716,920)	(284,150)	–	(2,782,178)
At 31 March 2014	33,944,042	32,466,217	23,125,771	529,900	90,065,930
Additions	–	3,632,137	110,882	–	3,743,019
Disposals	(21,050)	(1,499,180)	(335,854)	–	(1,856,084)
At 31 March 2015	33,922,992	34,599,174	22,900,799	529,900	91,952,865
DEPRECIATION					
At 1 April 2013	29,227,560	25,022,281	18,744,320	99,356	73,093,517
Charge for the year	1,897,649	3,032,413	1,722,764	132,475	6,785,301
Eliminated on disposals	(781,108)	(1,716,889)	(284,150)	–	(2,782,147)
At 31 March 2014	30,344,101	26,337,805	20,182,934	231,831	77,096,671
Charge for the year	1,664,224	3,080,056	1,425,356	132,475	6,302,111
Eliminated on disposals	(21,050)	(1,499,180)	(335,854)	–	(1,856,084)
At 31 March 2015	31,987,275	27,918,681	21,272,436	364,306	81,542,698
CARRYING AMOUNT					
At 31 March 2015	**1,935,717**	**6,680,493**	**1,628,363**	**165,594**	**10,410,167**
At 31 March 2014	3,599,941	6,128,412	2,942,837	298,069	12,969,259

13. INTANGIBLE ASSETS

	Computer software licenses HK$	Software development costs HK$	Total HK$
COST			
At 1 April 2013	19,169,362	50,474,473	69,643,835
Additions	981,214	12,999,418	13,980,632
Disposals	–	–	–
At 31 March 2014	20,150,576	63,473,891	83,624,467
Additions	606,786	5,129,850	5,736,636
Disposals	–	–	–
At 31 March 2015	20,757,362	68,603,741	89,361,103
AMORTISATION			
At 1 April 2013	15,054,863	46,609,240	61,664,103
Charge for the year	1,782,398	3,737,179	5,519,577
Eliminated on disposals	–	–	–
At 31 March 2014	16,837,261	50,346,419	67,183,680
Charge for the year	1,597,293	5,330,259	6,927,552
Eliminated on disposals	–	–	–
At 31 March 2015	18,434,554	55,676,678	74,111,232
CARRYING AMOUNT			
At 31 March 2015	**2,322,808**	**12,927,063**	**15,249,871**
At 31 March 2014	3,313,315	13,127,472	16,440,787

14. PROJECTS IN PROGRESS

Projects in progress consisted of expenditure of capital projects not yet completed at 31 March 2015 amounting to HK$4,147,866 (2014: HK$4,418,874).

15. INVESTMENTS DESIGNATED AT FAIR VALUE

	2015 HK$	2014 HK$
Equity securities		
Listed	**1,060,480,118**	1,072,677,736
Debt securities		
Listed	**1,897,446,527**	1,769,316,984
Unlisted	**1,065,712,497**	1,213,563,239
	2,963,159,024	2,982,880,223
Total		
Listed	**2,957,926,645**	2,841,994,720
Unlisted	**1,065,712,497**	1,213,563,239
	4,023,639,142	4,055,557,959

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets HK$	Liabilities HK$	Assets HK$	Liabilities HK$
Foreign currency forward contracts	**8,355,833**	**350,031**	2,645,620	2,077,205

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 2015 was HK$281,430,691 (2014: HK$313,947,994). The contractual maturity of these foreign exchange forward contracts was 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 2015 and 2014 and no loans were outstanding at 31 March 2015 and 2014.

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:

	2015 HK$	2014 HK$
Contracted but not provided for	**1,228,941**	5,162,351
Authorised but not contracted for	**209,180**	317,253
	1,438,121	5,479,604

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:

	2015 HK$	2014 HK$
Within one year	**66,852,313**	72,431,612
In the second to fifth year inclusive	**16,579,555**	83,143,868
	83,431,868	155,575,480

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 ended 31 March 2015 and 2014.

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 104 to 117, which comprise the statement of financial position as at 31 March 2015, 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 2015, 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, 17 June 2015

Income and Expenditure Account

(for the year ended 31 March 2015)

	notes	2015 HK$	2014 HK$
INCOME			
Levy fee	9	–	10,920,603
Interest income on bank deposits		**18,607,555**	15,689,704
Net investment income	6	**10,662,912**	1,927,832
		29,270,467	28,538,139
EXPENDITURE			
Auditor's remuneration		**88,000**	82,000
Investment expenses		**78,476**	75,925
Other operating expenses		**652**	1,727
		167,128	159,652
SURPLUS FOR THE YEAR		**29,103,339**	28,378,487

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

Statement of Comprehensive Income

(for the year ended 31 March 2015)

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 2015)

	notes	2015 HK$	2014 HK$
CURRENT ASSETS			
Investments designated at fair value	8	**439,324,553**	425,259,339
Interest receivable on bank deposits		**3,997,847**	5,049,968
Bank deposits		**1,404,196,997**	1,388,108,568
Cash and cash equivalents		**101,309**	100,656
		1,847,620,706	1,818,518,531
CURRENT LIABILITIES			
Creditors and accrued charges		**102,671**	103,835
NET ASSETS		**1,847,518,035**	1,818,414,696
CAPITAL AND RESERVE			
Seed money	10	**600,000,000**	600,000,000
Income and expenditure account		**1,247,518,035**	1,218,414,696
		1,847,518,035	1,818,414,696

The financial statements on pages 104 to 117 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 17 June 2015 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 2015)

	Seed Money HK$	Income and Expenditure Account HK$	Total HK$
At 1 April 2013	600,000,000	1,190,036,209	1,790,036,209
Surplus for the year	–	28,378,487	28,378,487
At 31 March 2014	600,000,000	1,218,414,696	1,818,414,696
Surplus for the year	–	29,103,339	29,103,339
At 31 March 2015	**600,000,000**	**1,247,518,035**	**1,847,518,035**

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

Statement of Cash Flows

(for the year ended 31 March 2015)

	2015 HK$	2014 HK$
OPERATING ACTIVITIES		
Surplus for the year	**29,103,339**	28,378,487
Adjustments for:		
Interest income on bank deposits	**(18,607,555)**	(15,689,704)
Dividends from investments designated at fair value	**(2,304,960)**	(2,003,120)
Net (gain)/loss on investments designated at fair value	**(8,357,952)**	75,288
Operating cash flows before movements in working capital	**(167,128)**	10,760,951
Decrease in levy fee receivable	**–**	122,958,562
(Decrease)/increase in creditors and accrued charges	**(1,164)**	10,652
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(168,292)**	133,730,165
INVESTING ACTIVITIES		
Dividends received from investments designated at fair value	**2,304,960**	2,003,120
Interest received on bank deposits	**19,659,676**	17,520,100
Proceeds on disposals of investments designated at fair value	**625,000,000**	587,000,000
Purchase of investments designated at fair value	**(630,707,262)**	(616,430,381)
Increase in bank deposits	**(16,088,429)**	(124,133,074)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**168,945**	(134,040,235)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**653**	(310,070)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**100,656**	410,726
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**101,309**	100,656
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances	**51,309**	50,656
Bank balances held for investment purposes	**50,000**	50,000
	101,309	100,656

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

Notes to the Financial Statements

(for the year ended 31 March 2015)

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 years 2014 and 2015. 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, which is the same as the functional currency of the Fund.

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

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities, clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Fund's financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2014 that would be expected to have a material impact on the Fund.

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The new standard is not expected to have a significant impact on the financial statements of the Fund.

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 Fund.

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 Hong Kong Institute of Certified Public Accountants ("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 in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Financial assets (cont'd)

Financial assets at fair value through profit or loss

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

A financial asset other than a financial asset held for trading may be designated 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 fee receivable, interest receivable on bank deposits, 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;

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Impairment of financial assets (cont'd)

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 occurred 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, and 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 previous 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

	2015 HK$	2014 HK$
Financial assets		
At fair value	**439,324,553**	425,259,339
Loans and receivables (including bank deposits, cash and cash equivalents and receivables)	**1,408,296,153**	1,393,259,192
Financial liabilities		
Other financial liabilities	**102,671**	103,835

5.2 Financial risk management objectives and policies

The Fund's major financial instruments include bank deposits, cash and cash equivalents, 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 4% (2014: less than 4%) 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.

5. FINANCIAL INSTRUMENTS (cont'd)

5.3 Credit risk (cont'd)

The portfolio must invest only in 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	2015 HK$	% of net assets	2014 HK$	% of net assets
AA Note	**369,901,353**	**20**	363,793,739	20

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 to 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 2015 and 2014, none of the assets is impaired nor past due but not impaired.

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 (2014: 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 (2014: 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$1.4 million (2014: HK$1.4 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:

	2015 Years	2014 Years
Portfolio duration	**0.29**	0.29

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.

5. FINANCIAL INSTRUMENTS (cont'd)

5.4 Interest rate risk (cont'd)

The Fund adopts a sensitivity test of 10 basis points (2014: 10 basis points) movements. As at the reporting date, if interest rate had fluctuated by 10 basis points (2014: 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	
	2015 HK$	2014 HK$
If interest rate were 10 basis points lower	**106,303**	106,395
If interest rate were 10 basis points higher	**(106,303)**	(106,395)

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 return risk, and non-systematic risk, which can be largely eliminated by diversification in accordance with the Investment Guidelines.

As at 31 March 2015, if the Hong Kong stock market had increased or decreased by 10% with all other variables held constant and all the equity instruments moved according to the historical relationship with the Hong Kong stock market, income for the year would have increased or decreased by HK$6.5 million (2014: HK$5.8 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 2015, the Fund held cash and deposits including interest receivable of HK$1,408,296,153 (2014: HK$1,393,259,192) that were expected to orderly mature. In addition, the Fund held marketable securities of HK$439,324,553 (2014: HK$425,259,339), which could be readily realised to provide a further source of cash if the need arose. Therefore, liquidity risk is considered to be minimal.

As at 31 March 2015, the creditors and accrued charges of the Fund amounted to HK$102,671 (2014: HK$103,835) with the maturity of less than 3 months.

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. FINANCIAL INSTRUMENTS (cont'd)

5.9 Fair value measurements recognised in the statement of financial position

The fair value measurements of financial assets and liabilities are categorised 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 including accrued interest 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).

Level 1	2015 HK$	2014 HK$
Financial assets measured at fair value:		
– Equity securities	**69,423,200**	61,465,600
– Debt securities	**369,901,353**	363,793,739
	439,324,553	425,259,339

"Loans and receivables" and "Other financial liabilities" as disclosed in Note 5.1 are carried at amortised cost, their carrying values are a reasonable approximation of fair value.

During the years ended 31 March 2015 and 2014, no financial assets were classified under Levels 2 and 3 and there was no transfer among levels.

6. NET INVESTMENT INCOME

	2015 HK$	2014 HK$
Dividends from investments designated at fair value	**2,304,960**	2,003,120
Net realised gain on investments designated at fair value	**527,893**	458,208
Net change in unrealised gain/(loss) on investments designated at fair value	**7,830,059**	(533,496)
	10,662,912	1,927,832

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Fund is exempt from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance.

8. INVESTMENTS DESIGNATED AT FAIR VALUE

	2015 HK$	2014 HK$
Equity securities		
Listed	**69,423,200**	61,465,600
Debt securities		
Unlisted	**369,901,353**	363,793,739
Total		
Listed	**69,423,200**	61,465,600
Unlisted	**369,901,353**	363,793,739
	439,324,553	425,259,339

9. LEVY SUSPENSION

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

(a) The levy of 0.03% of the net asset value ("NAV") of Mandatory Provident Fund 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.

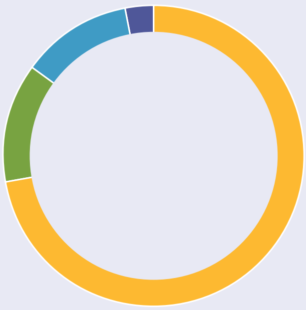
Given that the audited NAV of the Fund as at 31 March 2012 was HK$1.64 billion, an exemption notice was gazetted on 27 July 2012 allowing the MPFA to suspend the levy in relation to the financial periods of Mandatory Provident Fund schemes commencing on or after 1 September 2012.

10. SEED MONEY

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

Part A – MPF Scheme Members

1. Employed Population by Type of Retirement Schemes
(as at 31.3.2015)



		Number of Persons ('000)
73%	Joined MPF schemes	2 771
13%	Joined other retirement schemes	478
12%	Not required to join any local retirement schemes	448
3%	Should join but have not yet joined any MPF schemes	99

* Percentages may not sum up to 100% due to rounding.

2. The MPF Universe
(as at 31.3.2015)

Employers under the MPF System

	('000)
Number of main businesses[1]	359
Add	
– Number of owners' corporations with employee(s) that are not covered in the Central Register of Establishments ("CRE")[2]	5
– Number of employers engaged in other industries that are not covered in the CRE	7
Less	
– Number of businesses with no employees[3]	97
Number of Employers under the MPF System	**274**

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

The figures were estimated on the basis of:
1 Statistics obtained from the CRE 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 aged 18 to 64 are required to join an MPF scheme, with the exception of certain exempt persons. The table below shows the process of estimating 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]	3 404
Less	
– Number of civil servants who are covered by the Civil Service Pension Schemes[2]	108
– 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]	333
– Number of domestic employees[1]	313
– 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]	31
– 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	**2 564**

* 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.

Self-employed Persons ("SEPs") under the MPF System

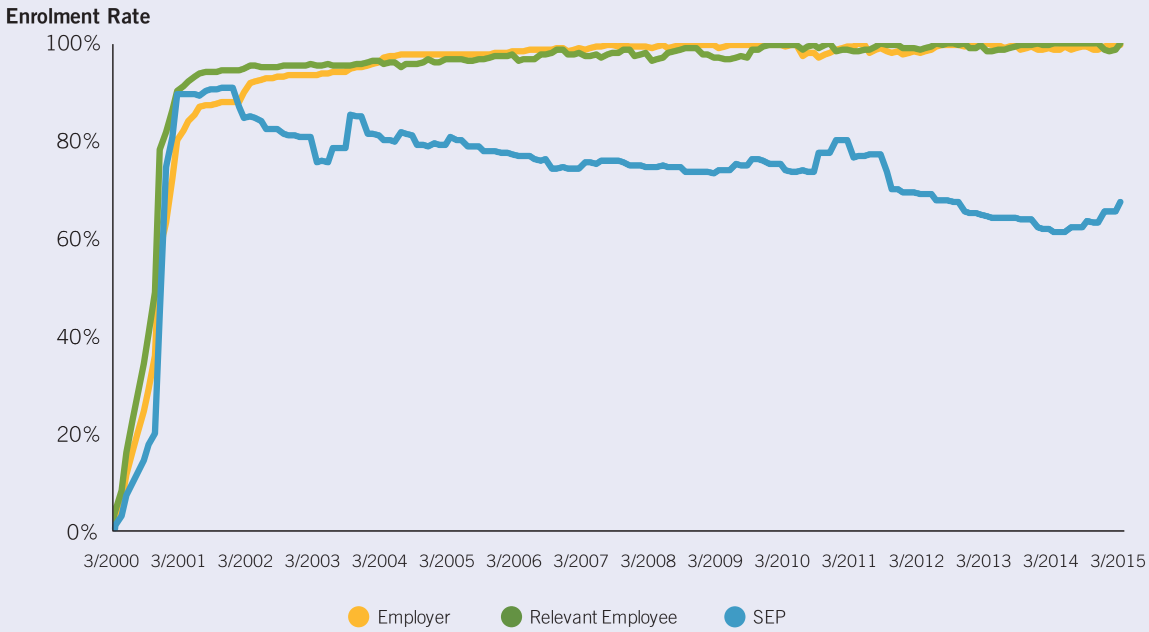
SEPs aged 18 to 64 are required to join an MPF scheme, with the exception of certain exempt persons. The table below shows the process of estimating the number of SEPs under the MPF System:

	('000)
Total number of SEPs in Hong Kong (excluding those aged below 18 or above 65)[1]	309
Less	
– Number of SEPs who are licensed hawkers (excluding licensed hawkers aged below 18 or above 65)[2]	2
Number of SEPs under the MPF System	**307**

* 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*



* Estimated figures.

4. Number of Participating Members, Enrolment Rates and Number of Accounts*

	Employer		Relevant Employee		SEP		Number of Contribution Accounts[2] ('000)	Number of Personal Accounts[3] ('000)
As at	Participating Employers[1] ('000)	Enrolment Rate (%)	Participating Members[1] ('000)	Enrolment Rate (%)	Participating Members[1] ('000)	Enrolment Rate (%)		
31.03.2014	266	99	2 494	100	212	61	3 601	4 700
30.06.2014	269	99	2 493	100	211	63	3 646	4 756
30.09.2014	272	100	2 501	100	210	64	3 675	4 774
31.12.2014	271	99	2 507	99	208	66	3 693	4 862
31.03.2015	273	100	2 564	100	207	68	3 699	4 935

* 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 A Contribution Account is primarily used to receive and hold mandatory contributions and voluntary contributions (if any) paid in respect of a scheme member's current employment or current self-employment for investment. The accumulated contributions together with the investment returns are called accrued benefits.

3 A Personal Account is primarily used to receive and hold accrued benefits in respect of a scheme member's former employment or former self-employment which are transferred from a Contribution Account, and also the part of accrued benefits derived from employee mandatory contributions during current employment which are transferred from a Contribution Account by an employee scheme member.

5. Contributions Received and Benefits Paid – MPF Schemes

(1.4.2014 – 31.3.2015)

(HK$ million)

	Contributions Received				Benefits Paid			
Quarter	Mandatory	Voluntary	Special Voluntary[1]	Total	Mandatory	Voluntary	Special Voluntary[1]	Total
Q2 2014	11,143	1,972	1,148	**14,264**	2,515	961	1,081	**4,558**
Q3 2014	11,964	1,864	1,322	**15,150**	2,759	1,041	1,248	**5,048**
Q4 2014	12,215	1,918	1,547	**15,679**	2,507	875	1,346	**4,728**
Q1 2015	13,177	2,190	1,516	**16,883**	2,685	1,074	1,491	**5,250**
Total	**48,500**	**7,944**	**5,533**	**61,977**	**10,466**	**3,952**	**5,165**	**19,583**

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

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 the employer, and withdrawal of accrued benefits is neither tied to employment nor subject to preservation requirements.

6. Amount of Benefits Paid by Grounds of Withdrawal

(1.4.2014 – 31.3.2015)

(HK$ million)

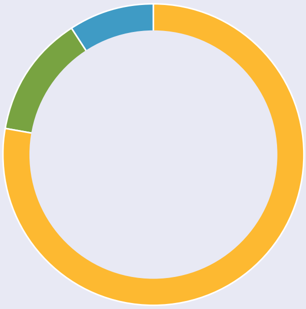
Quarter	Retirement/ Early Retirement	Permanent Departure from Hong Kong	Total Incapacity	Small Balance Account	Death	Offsetting Severance Payment	Offsetting Long Service Payment
Q2 2014	1,150	784	45	#	99	437	348
Q3 2014	1,314	883	54	#	112	431	328
Q4 2014	1,221	753	56	#	108	369	329
Q1 2015	1,367	768	45	#	116	417	343
Total	**5,053**	**3,188**	**200**	**1**	**435**	**1,654**	**1,348**

\# Less than $0.5 million.
* Figures may not sum up to the total due to rounding.

7. Percentage Share of Contributions Received and Benefits Paid by Contribution Type

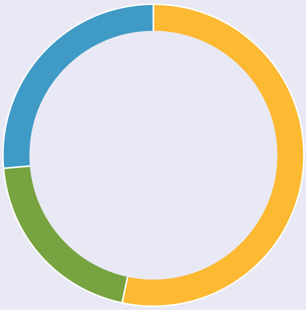
(1.4.2014 – 31.3.2015)

Contributions Received



78% Mandatory Contribution
13% Voluntary Contribution
9% Special Voluntary Contribution[1]

Benefits Paid



53% Mandatory Contribution
20% Voluntary Contribution
26% Special Voluntary Contribution[1]

* Percentages may not sum up to 100% due to rounding.

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 the employer, and withdrawal of accrued benefits is neither tied to employment nor subject to preservation requirements.

STATISTICS

Part B – MPF Intermediaries

1. Number of Registered MPF Intermediaries

(as at 31.3.2015)

	Principal Intermediary[1]	Subsidiary Intermediary[2]	Total
Registered MPF Intermediaries	395	32 358	**32 753**
By Frontline Regulator[3]	395	30 825	**31 220**
Insurance Authority	343	25 062	25 405
Monetary Authority	18	5 348	5 366
Securities and Futures Commission	34	415	449

1 A principal intermediary is a business entity registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes.

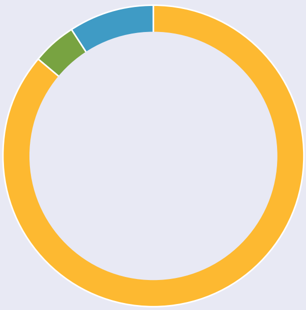
2 A subsidiary intermediary is a person registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes on behalf of the principal intermediary to which the person is attached.

3 A subsidiary intermediary 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.

2. Percentage Share of Principal Intermediary and Subsidiary Intermediary by Frontline Regulator

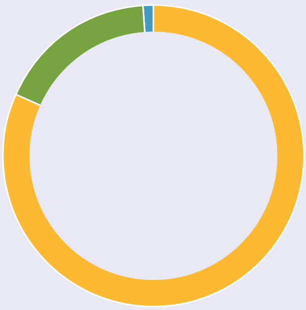
(as at 31.3.2015)

Principal Intermediary



87% Insurance Authority
5% Monetary Authority
9% Securities and Futures Commission

Subsidiary Intermediary



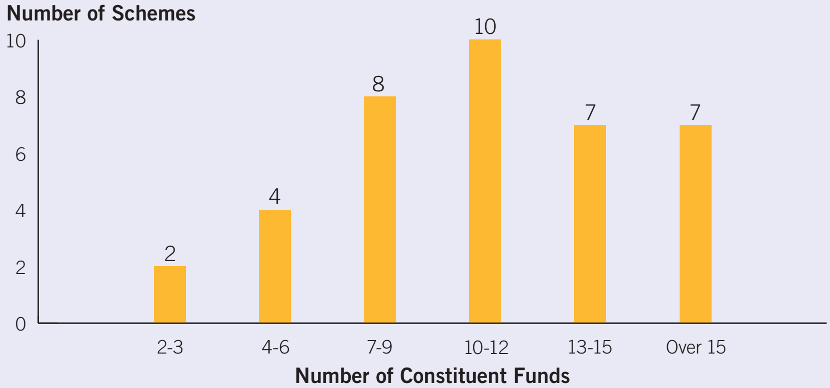
81% Insurance Authority
17% Monetary Authority
1% Securities and Futures Commission

* Percentages may not sum up to 100% due to rounding.

Part C – MPF Products

1. Number of Approved Constituent Funds per MPF Scheme

(as at 31.3.2015)



2. Registration and Approval of MPF Schemes and Constituent Funds

	Number of MPF Schemes and Funds			
	As at 31.3.2014	Terminated/ Withdrawn during 2014-15	Registered/ Approved during 2014-15	As at 31.3.2015
Registered Schemes	41	3	0	**38**
Master Trust Schemes	38	3	0	35
Industry Schemes	2	0	0	2
Employer Sponsored Scheme	1	0	0	1
Approved Constituent Funds	477	22	3	**458**
Approved Pooled Investment Funds	301	1	4	**304**
Approved Index-Tracking Collective Investment Schemes[1]	126	5	3	**124**

1 An index-tracking collective investment scheme is a collective investment scheme which has the sole investment objective of tracking a particular market index.

3. Number of Approved Pooled Investment Funds ("APIFs") by Fund Structure

	Unit Trust		Insurance Policy*		Total	
	As at 31.3.2014	As at 31.3.2015	As at 31.3.2014	As at 31.3.2015	As at 31.3.2014	As at 31.3.2015
Umbrella Funds[1]	26	**26**	1	**1**	27	**27**
Internal Portfolios[2]	180	**180**	1	**1**	181	**181**
Feeder Funds[3]	22	**23**	8	**8**	30	**31**
Portfolio Management Funds[4]	60	**62**	3	**3**	63	**65**
Total	288	**291**	13	**13**	301	**304**

* These refer to Class G insurance policy APIFs[5].

1 An umbrella fund is a collective investment scheme or mutual fund which primarily invests in other funds.
2 A fund maintains an internal portfolio by investing in permissible investments in accordance with sections 2 to 5 and 7 to 16 of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation.
3 A feeder fund is a fund which invests its assets in a single APIF.
4 A portfolio management fund is a fund which invests its assets in more than one APIF.
5 A class G insurance policy APIF is an APIF in a form of an insurance policy with capital or return guarantees.

4. Net Asset Values of Approved Constituent Funds by Scheme Type

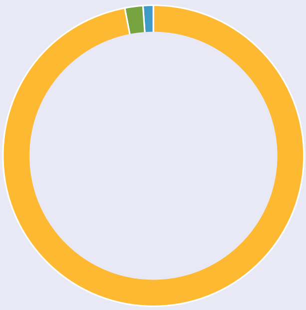
(HK$ million)

As at	Scheme Type: Master Trust Scheme	Industry Scheme	Employer Sponsored Scheme	Total
31.03.2014	502,523	9,952	3,717	**516,192**
30.06.2014	528,484	10,391	3,866	**542,741**
30.09.2014	532,213	10,539	3,849	**546,600**
31.12.2014	550,292	10,862	3,929	**565,083**
31.03.2015	579,445	11,309	4,093	**594,847**

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

5. Percentage Share of Aggregate Net Asset Values and Number of Schemes by Scheme Type

(as at 31.3.2015)



		Number of Schemes
97%	Master Trust Scheme	35
2%	Industry Scheme	2
1%	Employer Sponsored Scheme	1

* Percentages may not sum up to 100% due to rounding.

6. Net Asset Values[1] of Approved Constituent Funds by Fund Type

(HK$ million)

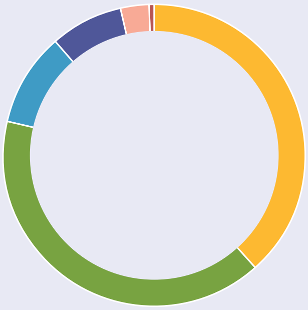
As at	Fund Type: Mixed Assets Fund	Equity Fund	MPF Conservative Fund	Guaranteed Fund	Bond Fund	Money Market Fund and Others[2]	Total
31.03.2014	209,034	195,053	53,477	43,658	12,868	2,102	**516,192**
30.06.2014	218,571	207,522	55,631	45,059	13,727	2,231	**542,741**
30.09.2014	216,783	211,644	56,167	45,526	14,117	2,364	**546,600**
31.12.2014	220,425	225,387	56,275	46,111	14,481	2,404	**565,083**
31.03.2015	229,357	242,632	58,114	47,372	14,898	2,474	**594,847**

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

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.*

7. Percentage Share of Aggregate Net Asset Values and Number of Approved Constituent Funds by Fund Type

(as at 31.3.2015)



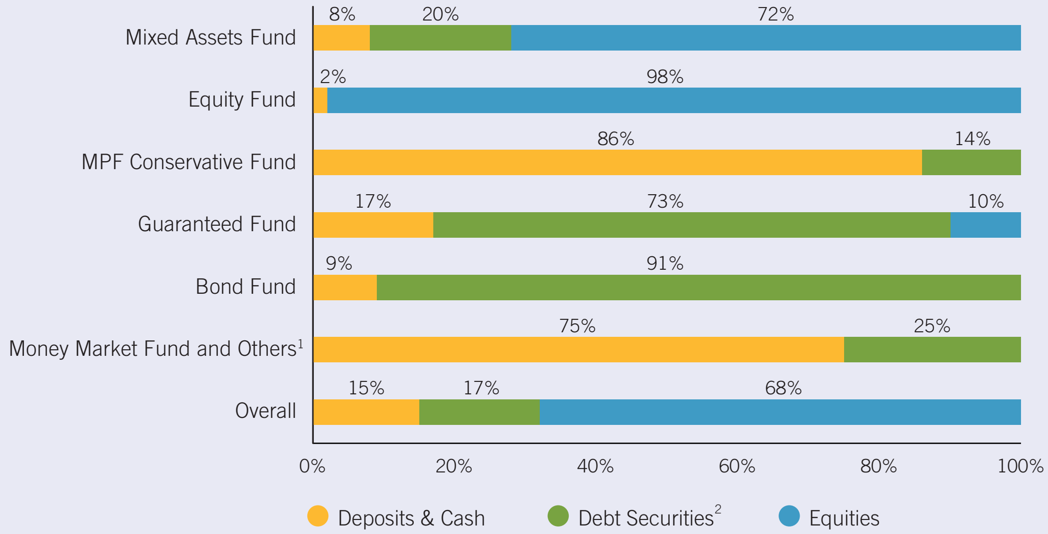
		Number of Funds
41%	Equity Fund	171
39%	Mixed Assets Fund	167
10%	MPF Conservative Fund	38
8%	Guaranteed Fund	25
3%	Bond Fund	48
<0.5%	Money Market Fund and Others[1]	9

* Percentages may not sum up to 100% due to rounding.

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

8. Asset Allocation of Approved Constituent Funds by Fund Type and Asset Class

(as at 31.3.2015)



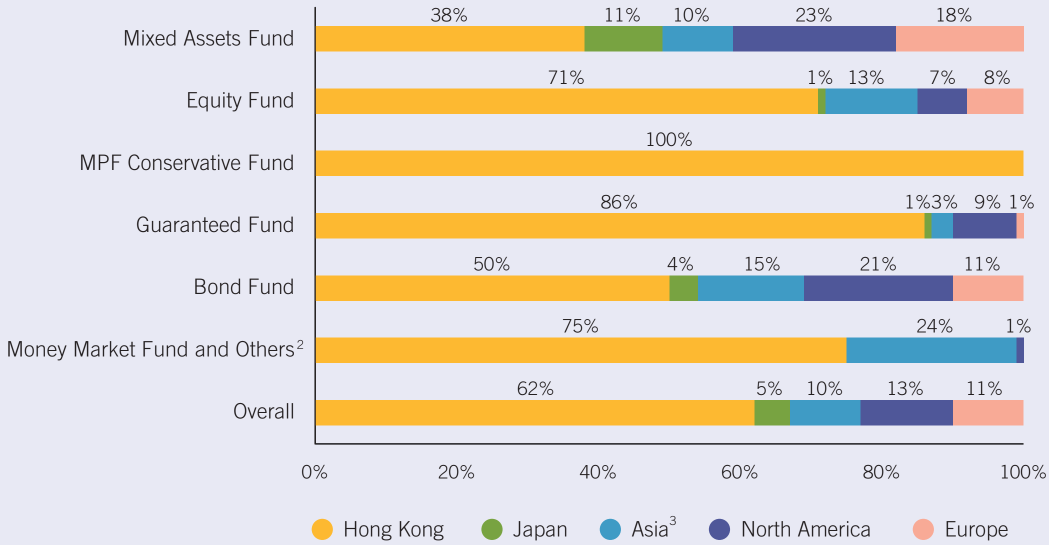
* Percentages of each fund type and overall figures may not sum up to 100% due to rounding.

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.

9. Asset Allocation of Approved Constituent Funds by Fund Type and Geographical Region[1]

(as at 31.3.2015)



* Percentages of each fund type and overall figures may not sum up to 100% due to rounding.

1 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 place of primary listing of the equities.
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 Excludes Japan and Hong Kong but includes Australia, New Zealand and India.

10. Asset Allocation of Approved Constituent Funds by Geographical Region[1] and Asset Class

(as at 31.3.2015)

	Deposits & Cash	Debt Securities[2]	Equities	Overall
Hong Kong	14%	8%	39%	**62%**
Japan	§	1%	4%	**5%**
Asia[3]	§	1%	8%	**10%**
North America	1%	4%	8%	**13%**
Europe	§	2%	8%	**11%**
Overall	**15%**	**17%**	**68%**	**100%**

* Percentages may not sum up to the overall percentage due to rounding.
§ Less than 0.5%.

1 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 place of primary listing of the equities.
2 Includes convertible debt securities.
3 Excludes Japan and Hong Kong but includes Australia, New Zealand and India.

11. Annualized Internal Rate of Return[1] of the MPF System by Period

(HK$ million, unless otherwise specified)

Period	Net Asset Values: Period – Beginning (a)	Net Asset Values: Period – End (b)	Total Net Contributions during the Period[2] (c)	Net Investment Return[3] during the Period (b)–(a)–(c)	Annualized Internal Rate of Return[3]
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%
1.4.2013 – 31.3.2014	455,331	516,192	40,898	19,963	4.2%
1.4.2014 – 31.3.2015	516,192	594,847	44,126	34,529	6.4%
Since inception of the MPF System 1.12.2000 – 31.3.2015	**–**	**594,847**	**444,078[4]**	**150,769**	**4.3%**

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" refer 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.

12. Annualized Return[1] of Approved Constituent Funds by Fund Type and Period

(as at 31.3.2015)

Fund Type	Past 1 year	Past 3 years	Past 5 years	Since 1.12.2000
Mixed Assets Fund	4.2%	6.0%	4.5%	4.4%
Equity Fund	12.0%	8.5%	5.1%	5.0%
MPF Conservative Fund	0.2%	0.1%	0.1%	0.8%
Guaranteed Fund	1.7%	1.0%	1.1%	1.4%
Bond Fund	0.2%	0.3%	1.7%	3.1%
Money Market Fund and Others[2]	0.7%	0.3%	0.1%	0.6%
Change of the Consumer Price Index ("CPI") for the Same Periods				
Annualized Composite CPI % Change[3]	4.6%	4.0%	4.3%	1.8%

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.

13. Average, Highest and Lowest Fund Expense Ratios ("FER") of All Constituent Funds[1]

(as at 31.3.2015)

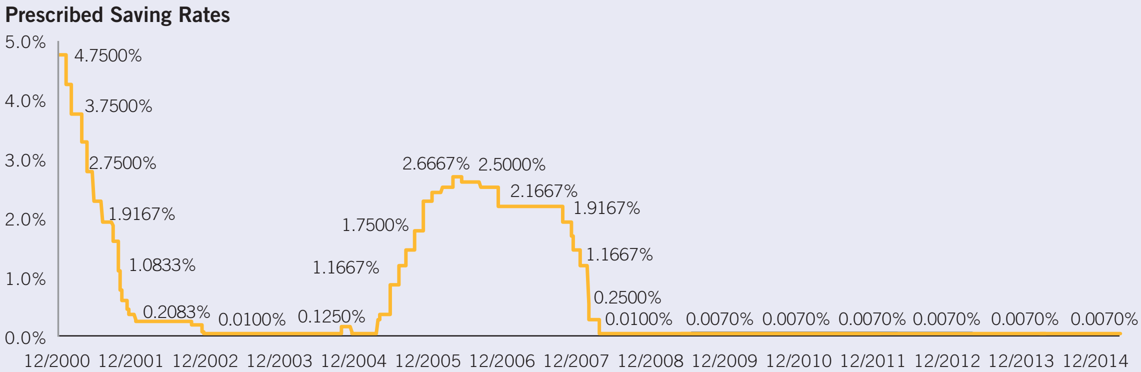
Fund Type	Number of Funds	Average FER	Highest FER	Lowest FER
Equity Fund	198	1.64%	2.67%	0.58%
Mixed Assets Fund	198	1.77%	2.46%	0.97%
Bond Fund	55	1.43%	1.95%	0.76%
Guaranteed Fund	29	2.11%	3.92%	1.30%
Money Market Fund – MPF Conservative Fund	44	0.59%	1.23%	0.13%
Money Market Fund – non-MPF Conservative Fund	10	1.09%	1.33%	0.64%
Others	4	1.30%	1.39%	1.08%
Overall	**538**[2]	**1.62%**	**3.92%**	**0.13%**

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 2013 to 30 June 2014.

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.

14. Published Prescribed Savings Rates[1]

(1.12.2000 – 31.3.2015)



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.

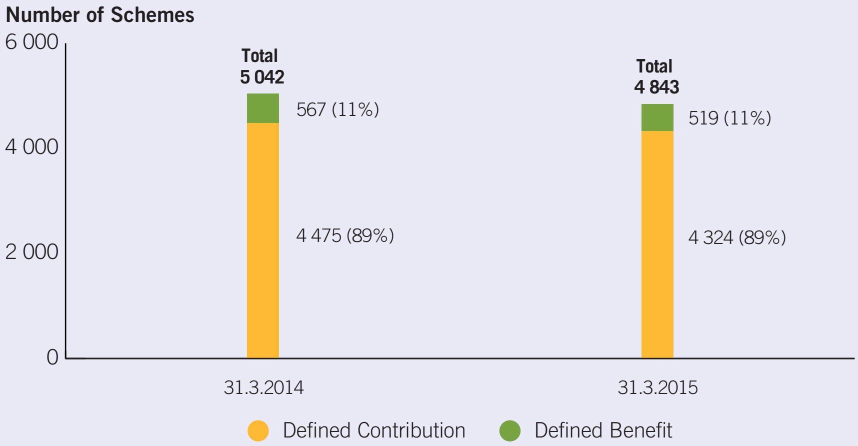
Part D – ORSO Schemes

1. Number of ORSO Schemes by Benefit Type

(as at 31.3.2015)

Scheme Type	Benefit Type: Defined Contribution – Number of Schemes	%	Defined Benefit – Number of Schemes	%	Total – Number of Schemes	%
Registered Scheme						
MPF exempted	3 269	76	209	40	3 478	72
Non-MPF exempted	579	13	22	4	601	12
	3 848	89	231	44	4 079	84
Exempted Scheme						
MPF exempted	144	3	111	22	255	5
Non-MPF exempted	332	8	177	34	509	11
	476	11	288	56	764	16
Total	**4 324**	**100**	**519**	**100**	**4 843**	**100**

(two-year comparison)



2. Number of MPF Exempted ORSO Schemes

(as at 31.3.2015)

	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(a) Number of MPF Exempted ORSO Schemes approved (as at 31.3.2014)	3 572	264	3 836
(b) Number of new applications approved[1] (1.4.2014 – 31.3.2015)	22	0	22
(c) Number of withdrawals of MPF Exemption Certificates (1.4.2014 – 31.3.2015)	116	9	125
(d) Number of MPF Exempted ORSO Schemes (as at 31.3.2015) [i.e. (d) = (a) + (b) – (c)]	**3 478**	**255**	**3 733**

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.

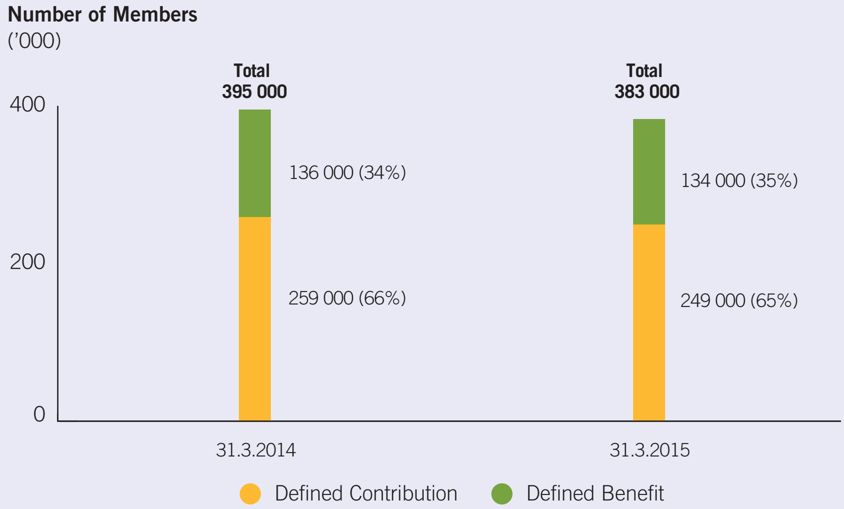
3. Number of Members Covered by ORSO Registered Schemes by Benefit Type

(as at 31.3.2015)

	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
Scheme Type	**Number of Members ('000)**	**%**	**Number of Members ('000)**	**%**	**Number of Members ('000)**	**%**
MPF exempted	212	62	129	38	340	100
Non-MPF exempted	37	88	6	14	42	100
Total	**249**	**65**	**134**	**35**	**383**	**100**

* Figures may not sum up to the total and percentages may not sum up to 100% due to rounding.

(two-year comparison)



4. Annual Contribution Amount to ORSO Registered Schemes by Employers and Employees

(as at 31.3.2015)

(HK$ million, unless otherwise specified)

	MPF Exempted		Non-MPF Exempted		Total	
Employer's Contributions						
Ordinary	13,518	77%	500	74%	14,022	77%
Initial/Special	285	2%	14	2%	294	2%
	13,803	79%	514	76%	14,316	79%
Employee's Contributions	3,734	21%	164	24%	3,898	21%
Total	**17,537**	**100%**	**678**	**100%**	**18,215**	**100%**

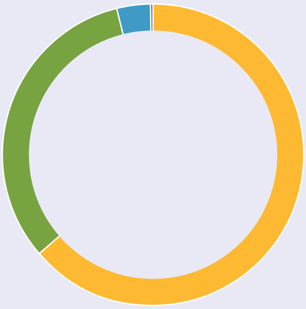
* Figures may not sum up to the total due to rounding.

Source: The latest annual returns in respect of 4 025 ORSO registered schemes.

5. Annual Contribution Amount to ORSO Registered Schemes by Benefit Type

(as at 31.3.2015)

Contribution Amount: HK$18,215 million



		(HK$ million)
MPF Exempted		**17,537**
63.8%	Defined Contribution	11,627
32.4%	Defined Benefit	5,910
Non-MPF Exempted		**678**
3.5%	Defined Contribution	645
0.2%	Defined Benefit	33

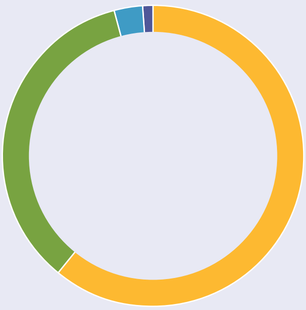
* Percentages may not sum up to 100% due to rounding.

Source: The latest annual returns in respect of 4 025 ORSO registered schemes.

6. Asset Size of ORSO Registered Schemes by Benefit Type

(as at 31.3.2015)

Asset Size: HK$293,659 million



		(HK$ million)
MPF Exempted		**282,002**
61%	Defined Contribution	179,236
35%	Defined Benefit	102,766
Non-MPF Exempted		**11,657**
3%	Defined Contribution	8,718
1%	Defined Benefit	2,939

Source: The latest annual returns in respect of 4 025 ORSO registered schemes.

7. Asset Arrangements on Termination of the ORSO Registered Schemes

(1.4.2014 - 31.3.2015)

ORSO Asset Arrangements	Number of Schemes[1]	%	Asset Size (HK$ million)	%
Transferred to MPF scheme	44	28	524	46
Transferred to another ORSO scheme	8	5	392	34
Paid out to scheme members	108	68	226	20
Total	**160**	**100**	**1,142**	**100**

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

1 There are 6 terminated schemes with more than one asset arrangement and 2 terminated schemes have no asset on termination.

Part E – Enquiries and Complaints

1. Enquiries Received[1] by Enquirer Type

(1.4.2014 – 31.3.2015)

Enquirer Type	Number of Enquiries	%
Employee	43 326	41
Employer	38 700	37
SEP	1 170	1
Service Provider	4 676	4
Others/Unknown	16 769	16
Total	**104 641**	**100**

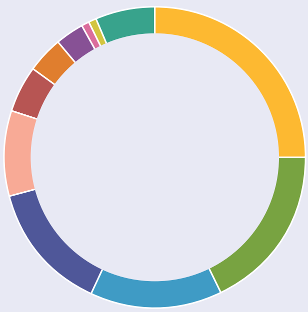
* Percentages may not sum up to 100% due to rounding.

1 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]

(1.4.2014 – 31.3.2015)

Total Number of Enquiry Nature: 122 650 [2]



25% Transfer/Withdrawal of Benefits
18% Contribution Arrangement
14% Enrolment Arrangement
14% Services Provided by MPFA
9% Surcharge Notices
5% Trustee and Investment
4% Default Contributions
3% ORSO
1% SEP: Enrolment and Contributions
1% Enforcement
6% Others

* Percentages may not sum up to 100% due to rounding.

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

3. Personal Account Enquiries Received by Enquirer Type

(1.4.2014 – 31.3.2015)

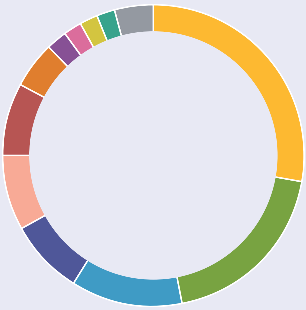
Enquirer Type	Number of Enquiries	%
Authorized Person of a Scheme Member	107 292	79
Scheme Member	28 150	21
Personal Representative or Persons Entitled to the Administration of the Estate of a Deceased Scheme Member	578	§
Total	**136 020**	**100**

* Percentages may not sum up to 100% due to rounding.
§ Less than 0.5%.

4. Complaints Received by Industry of Complainee

(1.4.2014– 31.3.2015)

Total Number of Complaints Received: 4 091



%	Industry	Number of Complaints
28%	Construction	1 142
19%	Catering	769
12%	Wholesale/Retail/Import & Export Trades	479
8%	MPF Trustees, Service Providers & Intermediaries/ ORSO Administrators	347
8%	Community/Social/Personal Services	334
8%	Financing/Insurance/Real Estate/Business Services	321
5%	Transport	188
2%	Security Guard	100
2%	Manufacturing	99
2%	Hairdressing and Beauty	85
2%	Cleaning	68
4%	Others	159

* Percentages may not sum up to 100% due to rounding.

5. Complaints Received by Complainee Type

(1.4.2014 – 31.3.2015)

Complainee	Number of Complaints
Employers (MPF and ORSO)	3 695
MPF Trustees and Service Providers	323
MPF Intermediaries	7
ORSO Administrators	17
Others	49
Total Number of Complaints Received	**4 091**

6. Nature of Complaints

(1.4.2014 – 31.3.2015)

Type of Allegations		Number of Allegations
Employers (MPF and ORSO)		5 559
Default Contribution	3 302	
Non-enrolment	1 445	
Others	812	
MPF Trustees & Service Providers		403
Scheme Administration	385	
Others	18	
MPF Intermediaries		10
Conduct Issues	8	
Unregistered Activities	2	
ORSO Administrators		26
Scheme Administration	25	
Others	1	
Others		50
Total Number of Allegations		**6 048**[1]

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

Appendix 1

Membership Lists of Committees and Appeal Boards

(as at 31.3.2015)

Administration 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 *(until 16 Mar 2015)*
Hon Poon Siu-ping, BBS, MH
Mrs Diana Chan Tong Chee-ching, JP
Mr Cheng Yan-chee

Finance 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 *(until 16 Mar 2015)*
Dr John Poon Cho-ming, JP
Mrs Diana Chan Tong Chee-ching, JP
Mr Cheng Yan-chee

Audit 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;
- 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, SBS *(until 16 Mar 2015)*
Hon Ip Kwok-him, GBS, JP
Mr Philip Tsai Wing-chung, JP

Remuneration Committee

- Considers all remuneration matters in respect of Managing Director and other Executive Directors of MPFA or any other matters related to them referred to it by the Management Board, and reviews the structure and level of remuneration for directorate staff and make recommendations to the Chief Executive of HKSAR or a delegatee of the Chief Executive of HKSAR.

Chairman

Hon Anna Wu Hung-yuk, GBS, JP *(until 16 Mar 2015)*

Members

Hon Ip Kwok-him, GBS, JP
Ms Paddy Lui Wai-yu, BBS, JP
Mr Philip Tsai Wing-chung, JP

Tender Board

- Considers the assessment of tender submissions conducted by 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 or the Management Board on matters regarding tender submissions.

Chairman

Hon Andrew Leung Kwan-yuen, GBS, JP *(until 16 Mar 2015)*

Members

Dr John Poon Cho-ming, JP
Mr Cheng Yan-chee
One other executive director or divisional head of MPFA responsible for the subject under consideration

Guidelines 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 Horace Wong Yuk-lun, SC, JP

Members

Hon Anna Wu Hung-yuk, GBS, JP *(until 16 Mar 2015)*
Mr Darren Mark McShane
Mr Michael Huddart *(until 9 Oct 2014)*
Ms Candy Yuen Shui-fan *(from 10 Oct 2014)*
Mrs Sally Wong Chi-ming
Ms Cynthia Chung Wing-suet
Mr Bonn Liu Yun-bonn
Ms Lau Ka-shi, BBS
Mr David Adams

Working Group on Review of Withdrawal of MPF Benefits

- Considers the modes of payment of MPF benefits on retirement and the grounds for early withdrawal of MPF benefits.

Chairman
Hon Anna Wu Hung-yuk, GBS, JP *(until 16 Mar 2015)*

Member
Hon Wong Ting-kwong, SBS, JP

Working Group on MPF Reform Issues

- Considers MPF reform issues focusing on
  - evaluating and proposing measures to further reduce fees and charges of MPF schemes; and
  - studying measures to increase choices of MPF schemes for employees.

Chairman
Hon Anna Wu Hung-yuk, GBS, JP *(until 16 Mar 2015)*

Members
Hon Ip Kwok-him, GBS, JP
Dr John Poon Cho-ming, JP
Mr Philip Tsai Wing-chung, JP

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

- Develops 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

MPF Schemes Appeal Board

Chairman
Mr Michael Stuart-Moore, GBS *(until 31 Oct 2014)*
Mr William Duncan Stone, SBS *(from 1 Nov 2014)*

Deputy Chairman
Mr Paul Shieh Wing-tai, SC

Panel Members
Dr Stella Cho Lung Pui-lan
Ms Giovanna Kwong Fung-ping
Mr Kenny Chan Ngai-sang
Ms Agnes Chan Sui-kuen
Mr Ng Chau-pei
Ms Ng Wai-yee, MH
Mr Jeff Wong Kwan-kit
Ms Lau Yuk-kuen
Mr Gerry Ng Joo-yeow
Mr Terry Pan San-kong
Mr Alex Chu Wing-yiu *(until 31 Oct 2014)*
Ms Belinda Luk Kwai-sim *(from 1 Nov 2014)*

Occupational Retirement Schemes Appeal Board

Chairman
Mr Paul Shieh Wing-tai, SC *(until 30 Sep 2014)*
Ms Cynthia Chung Wing-suet *(from 1 Oct 2014)*

Deputy Chairman
Ms Cynthia Chung Wing-suet *(until 30 Sep 2014)*
Ms Giovanna Kwong Fung-ping *(from 1 Oct 2014)*

Panel Members
Dr Stella Cho Lung Pui-lan
Ms Cecilia Lee Sau-wai
Ms Ivy Cheung Wing-han
Ms Giovanna Kwong Fung-ping *(until 30 Sep 2014)*
Ms Wendy Ng Wan-yee *(until 30 Sep 2014)*
Ms Miranda So Man-wah *(from 1 Oct 2014)*

Appendix 2

List of 19 MPF Trustees and their Background

(as at 31.3.2015)

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

AIA Company (Trustee) Limited is a member of AIA Group Limited (the "AIA Group") which offers a range of products and services including life insurance, accident and health insurance and savings plans and also provides employee benefits, credit life and pension services to corporate clients.

AXA China Region Trustees Limited is a member of the AXA Group which commenced business in Hong Kong in 1986, offering a wide range of insurance, investment and retirement solutions.

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

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

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 to meet the financial and retirement needs of its clients.

Bank of East Asia (Trustees) Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited, has over 30 years of experience in providing trustee services and retirement fund and provident fund management services.

BOCI-Prudential Trustee Limited is a joint-venture company founded between the subsidiaries of Bank of China Limited and Prudential plc. The business activities of Bank of China Limited are principally corporate, retail and investment banking, insurance and other financial services. Prudential plc provides a broad range of financial and insurance services as well as engages in fund management business.

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 cover three main categories, including life insurance, investment as well as provident fund service.

Cititrust Limited is a member of Citigroup Inc ("Citi"). Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management.

FWD Pension Trust Limited is the pension trust operation unit of FWD Hong Kong, providing pension services (MPF and ORSO Schemes) to corporate and individual customers. FWD is the insurance business arm of the private investment group, Pacific Century Group. In Hong Kong, FWD offers life insurance services, as well as general insurance, employee benefits and financial planning services.

HSBC Institutional Trust Services (Asia) Limited is a wholly owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited. It is a trustee or an administrator of ORSO schemes.

HSBC Provident Fund Trustee (Hong Kong) Limited is a wholly owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited. It is a trustee or an administrator of ORSO schemes.

Manulife Provident Funds Trust Company Limited is a member of the Manulife group of companies, a Canada-based financial services group. Manulife offers a diverse range of financial protection and wealth management products and services to customers.

MassMutual Trustees Limited is a member of the MassMutual Financial Group which covers a broad-based portfolio of financial products and services, including insurance, annuities, mutual funds, retirement planning products, asset management, trust services and other financial products and services.

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.

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 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 capital markets products and services.

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.

Appendix 3

List of 38 MPF Schemes and 458 Constituent Funds

(as at 31.3.2015)

Trustees	MPF Schemes	Constituent Funds
AIA 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
AIA 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

Trustees	MPF Schemes	Constituent Funds
AIA 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 Balanced Fund 6 AXA Growth Fund 7 AXA MPF Conservative Fund 8 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 – Hang Seng Index Tracking Fund 4 AXA – JPMorgan Asian Bond Fund 5 AXA – JPMorgan Greater China Equity Fund 6 AXA – RCM Hong Kong Fund 7 AXA – Templeton Global Bond 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 RMB Money Market Fund 11 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

Appendix 3

List of 38 MPF Schemes and 458 Constituent Funds (continued)

(as at 31.3.2015)

Trustees	MPF Schemes	Constituent Funds
		11 AMTD RCM Capital Stable Fund 12 AMTD RCM Dynamic Allocation Fund 13 AMTD RCM Growth Fund 14 AMTD RCM Stable Growth Fund
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 Invesco Hang Seng Index Tracking Fund 9 MPF Conservative Fund 10 RMB Bond Fund

Trustees	MPF Schemes	Constituent Funds
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
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

List of 38 MPF Schemes and 458 Constituent Funds (continued)

(as at 31.3.2015)

Trustees	MPF Schemes	Constituent Funds
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
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 MPF Conservative Fund 11 My Choice RMB & HKD Money Market 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
FWD Pension Trust Limited	FWD MPF Master Trust Basic Scheme	1 FWD MPF Basic Scheme Balanced Growth Portfolio 2 FWD MPF Basic Scheme Capital Guaranteed Portfolio 3 FWD MPF Basic Scheme Hong Kong Equity Portfolio 4 FWD MPF Basic Scheme International Equity Portfolio 5 FWD MPF Basic Scheme MPF Conservative Portfolio 6 FWD MPF Basic Scheme Stable Growth Portfolio 7 FWD MPF Basic Scheme US & Hong Kong Equity Portfolio

Trustees	MPF Schemes	Constituent Funds
FWD Pension Trust Limited	FWD MPF Master Trust Comprehensive Scheme	1 FWD MPF Comprehensive Scheme Asian Equity Portfolio 2 FWD MPF Comprehensive Scheme Balanced Growth Portfolio 3 FWD MPF Comprehensive Scheme Capital Guaranteed Portfolio 4 FWD MPF Comprehensive Scheme Growth Portfolio 5 FWD MPF Comprehensive Scheme Hong Kong Equity Portfolio 6 FWD MPF Comprehensive Scheme International Equity Portfolio 7 FWD MPF Comprehensive Scheme MPF Conservative Portfolio 8 FWD MPF Comprehensive Scheme Stable Growth Portfolio 9 FWD MPF Comprehensive Scheme Stable Portfolio 10 FWD MPF Comprehensive Scheme US & Hong Kong Equity Portfolio
HSBC Institutional Trust Services (Asia) Limited	Fidelity Retirement Master Trust	1 Asia Pacific Equity Fund 2 Balanced Fund 3 Capital Stable Fund 4 Fidelity Hong Kong Tracker Fund 5 Fidelity SaveEasy 2020 Fund 6 Fidelity SaveEasy 2025 Fund 7 Fidelity SaveEasy 2030 Fund 8 Fidelity SaveEasy 2035 Fund 9 Fidelity SaveEasy 2040 Fund 10 Global Equity Fund 11 Growth Fund 12 Hong Kong Bond Fund 13 Hong Kong Equity Fund 14 MPF Conservative Fund 15 Stable Growth Fund 16 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 38 MPF Schemes and 458 Constituent Funds (continued)

(as at 31.3.2015)

Trustees	MPF Schemes	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

Trustees	MPF Schemes	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 Global Fixed Income Portfolio 7 Schroder MPF Growth Portfolio 8 Schroder MPF HK Dollar Fixed Income Portfolio 9 Schroder MPF Hong Kong Portfolio 10 Schroder MPF International Portfolio 11 Schroder MPF Stable Growth Portfolio
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 RMB Bond Fund 27 Manulife MPF Stable Fund

Appendix 3

List of 38 MPF Schemes and 458 Constituent Funds (continued)

(as at 31.3.2015)

Trustees	MPF Schemes	Constituent Funds
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 MPF Conservative Fund 12 US Equity Fund
Principal Trust Company (Asia) Limited	Principal MPF Scheme Series 600	1 Principal Aggressive Strategy Fund 2 Principal Asian Bond Fund 3 Principal Global Growth Fund 4 Principal Hang Seng Index Tracking Fund 5 Principal HK Dollar Savings Fund 6 Principal Long Term Accumulation Fund 7 Principal Long Term Guaranteed Fund 8 Principal MPF Conservative Fund 9 Principal Stable Yield 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 Invesco Global Stable Fund 5 RCM Balanced Fund 6 RCM Stable Growth Fund 7 SHKP MPF Fund 8 Standard Chartered Career Average Guaranteed Fund – SHKP 9 Standard Chartered MPF Conservative Fund – SHKP

Trustees	MPF Schemes	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 Principal Hong Kong Equity Fund 11 RCM Balanced Fund 12 RCM Capital Stable Fund 13 RCM Growth Fund 14 Schroder MPF Asian Fund 15 Schroder MPF Balanced Investment Fund 16 Schroder MPF HK Dollar Fixed Income Fund 17 Standard Chartered Balanced Fund – Advanced 18 Standard Chartered Bond Fund – Advanced 19 Standard Chartered Career Average Guaranteed Fund – Advanced 20 Standard Chartered Growth Fund – Advanced 21 Standard Chartered MPF Conservative Fund – Advanced 22 Standard Chartered Stable Fund – Advanced 23 Templeton MPF Asian Balanced Fund 24 Templeton MPF Global Bond Fund 25 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 Bond Fund – Basic 3 Standard Chartered Career Average Guaranteed Fund – Basic 4 Standard Chartered Growth Fund – Basic 5 Standard Chartered MPF Conservative Fund – Basic 6 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 FTSE MPF Hong Kong Index Fund 9 Sun Life Invesco MPF Global Equities Fund 10 Sun Life Invesco MPF Hong Kong and China Equity Fund 11 Sun Life MPF RMB and HKD Fund 12 Sun Life RCM MPF Asian Equity Fund 13 Sun Life RCM MPF Balanced Fund 14 Sun Life RCM MPF Capital Stable Fund 15 Sun Life RCM MPF Stable Growth Fund

Appendix 4

List of Corporate Administrators who Administer Pooling Agreements for ORSO Schemes

(as at 31.3.2015)

Authorized Insurers

AIA Company Limited

AIA International Limited

China Life Insurance (Overseas) Company Limited

FWD Life Insurance Company (Bermuda) Limited

Hang Seng Insurance Company Limited

HSBC Life (International) Limited

Manufacturers Life Insurance Company – The

Manulife (International) Limited

Sun Life Hong Kong Limited

Corporate Trust Companies

AIA Company (Trustee) Limited

AIA Pension and Trustee Co. Ltd.

AXA China Region (Bermuda) Limited

AXA China Region Trustees Limited

Bank Consortium Trust Company Limited

Bank of Communications Trustee Limited

BOC Group Trustee Company Limited

China Life Trustees Limited

FWD Pension Trust Limited

HSBC Institutional Trust Services (Asia) 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

Zetland Trust Limited

Appendix 5

Work of MPFA as the Registrar of Occupational Retirement Schemes

(1.4.2014 – 31.3.2015)

As the Registrar of Occupational Retirement Schemes, we	In 2014-15, we
Monitor ORSO registered schemes	Processed 4 420 annual returns and financial statements
Monitor ORSO exempted schemes	Processed 19 overseas compliance certificates and 621 membership statements
Process applications for ORSO registration	Approved the registration of 46 schemes
Process applications for ORSO exemption	Approved exemption in respect of 20 schemes
Process applications for MPF exemption	Approved MPF exemption in respect of 22 ORSO registered schemes
Process applications for withdrawal of MPF exemption	Approved withdrawal of MPF exemption in respect of 116 ORSO registered schemes and 9 ORSO exempted schemes
Process applications for change of trustees for MPF exempted ORSO registered schemes	Approved 80 applications
Process notice of termination of ORSO registered and exempted schemes	Processed notices given by 156 registered schemes and 101 exempted schemes
Process notifications of changes in relation to scheme name, administrator, employer and address	Processed 946 notifications
Process applications for cessation of application of pooling agreements to ORSO registered schemes	Granted consent to 8 ORSO registered schemes

We also recover default contributions, collect periodic fees, handle complaints and enquiries, and maintain a public register of ORSO schemes.

Appendix 6

Abbreviations

Abbreviations	stand for
Amendment Ordinance 2015	Mandatory Provident Fund Schemes (Amendment) Ordinance 2015
APIF	approved pooled investment fund
ASFA	Association of Superannuation Funds of Australia
CPD	Continuing Professional Development
CPI	Consumer Price Index
CRE	Central Register of Establishments
CSR	corporate social responsibility
DIS	default investment strategy
ED	executive director
FATCA	Foreign Account Tax Compliance Act
FER	Fund Expense Ratio
FFI	foreign financial institutions
HKSAR	Hong Kong Special Administrative Region
IAQ	indoor air quality
IGA	intergovermental agreement
IOPS	International Organisation of Pension Supervisors
IRR	internal rate of return
ISC	MPF Industry Schemes Committee
MPF	mandatory provident fund
MPFA	Mandatory Provident Fund Schemes Authority
MPFSAC	Mandatory Provident Fund Schemes Advisory Committee
MPFSO	Mandatory Provident Fund Schemes Ordinance
NED	non-executive director
NFFE	non-financial foreign entities
ORSO	Occupational Retirement Schemes Ordinance
PRP	Process Review Panel in relation to the Regulation of MPF Intermediaries
RI	relevant income
SEP	self-employed person
SFC	Securities and Futures Commission
US	United States

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