



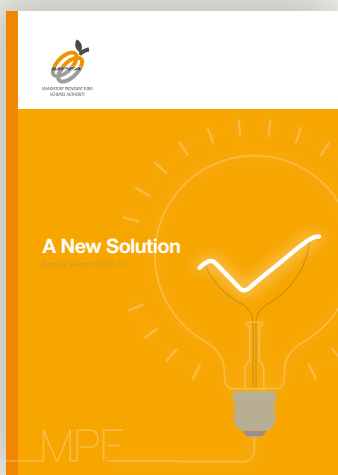
MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

A New Solution

Annual Report 2016-17

MPE

The Mandatory Provident Fund Schemes Authority (“MPFA”) is a statutory body established in September 1998 under the Mandatory Provident Fund Schemes Ordinance (“MPFSO”) to regulate and supervise Mandatory Provident Fund (“MPF”) schemes¹. It also assumes the role of the Registrar of Occupational Retirement Schemes, schemes that are governed by the Occupational Retirement Schemes Ordinance (“ORSO”)².



A New Solution - The Default Investment Strategy (“DIS”), launched on 1 April 2017, standardizes the default arrangements of MPF schemes for scheme members who do not make or find it difficult to make a choice on MPF funds, and addresses concerns about the high fee levels of MPF funds.

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.



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Chairman's Statement



David Wong
Chairman

During the public consultation on retirement protection by the Commission on Poverty in the first half of 2016, there was much discussion and debate over retirement protection in Hong Kong.

At the Organisation for Economic Cooperation and Development ("OECD")/International Organisation of Pension Supervisors ("IOPS") Global Forum on Private Pensions held for the first time in Hong Kong in November 2016, overseas experts further highlighted that given population ageing, low economic growth and a low-interest-rate environment, how to provide adequate pensions is a challenge common to all countries.

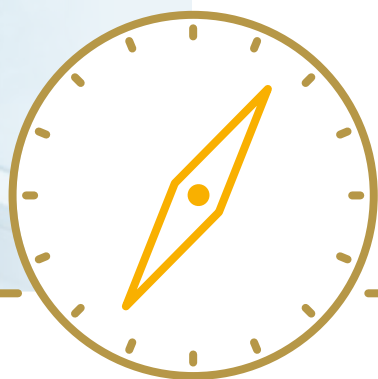
The increasing burden of providing for the aged is best addressed by a system of shared responsibility, including a private contributory pension system, government support, community and social support, and other private savings. This concept of diversified resources, inherent in the World Bank's multi-pillar model, assures the sustainability of a retirement protection system.

Being a privately managed mandatory contributory system, the MPF System has a critically important role to play as part of the broader framework of retirement protection in Hong Kong.

HOW WE FARE

The MPF System has been performing its functions in helping the working population prepare for their retirement and accumulate retirement wealth. From its inception to March 2017, the MPF System achieved an annualized return of 3.5% (net of fees and charges), exceeding the corresponding inflation rate of 1.8% over the same period.

In dollar terms, as at the end of March 2017, the System accumulated \$701.17 billion in total assets, including \$541.27 billion in contributions (net of amounts withdrawn) and \$159.9 billion in investment returns (net of fees and charges). There is no doubt that the System has added value to scheme members' retirement savings.



Chairman's Statement

STRENGTHENING MPF

As pointed out by international experts during the Global Forum, Hong Kong has a more developed mandatory, privately managed contribution system for retirement protection than many other countries in Asia, and what we have to do is to fine tune it. This is indeed what MPFA has been doing to the MPF System all along.

Just to name the most recent initiatives, the Default Investment Strategy ("DIS") is launched to address the issues of high fees and difficulty of making fund choices. Another one is the study of a preliminary conceptual model for the eMPF as part of our long-term goal to standardize, streamline and automate the administration of MPF schemes.

All these help strengthen MPF as an important pillar in the overall retirement protection framework.

BENEFITTING SCHEME MEMBERS

A predominant theme of these developments, and of many initiatives pursued over the years, is to bring better benefits to scheme members.

MPF is mandatory in nature and basically covers all employees and self-employed persons in Hong Kong. The MPFA as the regulator, as well as those who operate MPF schemes, has the social responsibility to help scheme members attain better retirement protection. We are always mindful of this when mapping out reform initiatives.

Lower fees

For the first time, a cap is imposed on the fees of MPF funds. The cap for DIS funds makes available low-fee options to scheme members. It will also have a benchmarking effect, enhancing competition among MPF funds and bringing about further fee reductions.

With scheme administration standardized, simplified and automated and operating costs reduced after the ultimate launch of eMPF, there will be greater room for fee reduction and consequentially better returns for scheme members.

Convenient management

The DIS, a simple, fee-controlled investment strategy, removes much of the hassles of choosing and managing MPF investments. We believe the automatic, age-dependent de-risking approach of the DIS will benefit scheme members, especially those who find it difficult to make investment choices, by offering an MPF portfolio with a balanced risk-return profile throughout members' working life. Designed to be consistent with the objective of building up long-term retirement savings, the DIS is also a low-cost option for those who actively choose how to invest their MPF in mixed assets strategy.

The concept of eMPF involves a centralized electronic platform for all MPF-related transactions. While we are aware that moving to eMPF will take some time, our ultimate aim is to allow employers and scheme members to deal with MPF matters more conveniently and efficiently, and provide members with more flexibility and better quality services.

Greater transparency

Transparency serves to enhance competition, raise awareness and facilitate informed decisions. The Fee Comparative Platform and Trustee Service Comparative Platform introduced a few years ago have been providing information to help scheme members in their decision-making process.

This approach of openness and transparency underlies the launch of the DIS. A DIS fund list setting out all information about the DIS offered under different MPF schemes is made available to facilitate making choices and comparison. DIS-related documents, including amended offering documents and relevant notices to scheme members, are available on trustees' dedicated webpages.

Chairman's Statement

We also publish the results of our studies and research to enhance transparency and for education purposes. As part of our investment education programme, an analysis of the correlation between fees and performance as well as other parameters of MPF funds was shared at a press conference in November 2016 to highlight the factors to be considered in making MPF decisions.

Through these efforts, it is believed that scheme members would better understand the MPF System and MPF investment, and be encouraged to better manage their accounts.

In a wider context, the sharing of findings of MPFA's research and statistical analysis, such as the analysis of MPF benefits held by scheme members and the statistics on claims for offsetting severance payments and long service payments against MPF, raises the public's awareness of the issues and encourages informed discussions among stakeholders. Such data can assist policymakers in their planning and decision making, contributing to better retirement protection for our working population.

CLOSING

The DIS is the brainchild of my fellow Management Board members. Also, the initiation of the eMPF concept and the development of the preliminary conceptual model for the eMPF infrastructure owe much to their great insight and wise guidance. I must thank them for the relentless efforts they have made over the years to make possible the smooth development of these important initiatives.

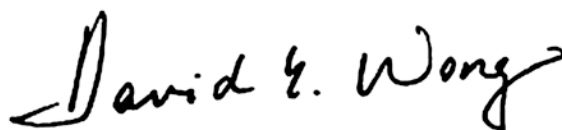
I am most reluctant to bid farewell to non-executive directors Hon Ip Kwok-him, Ms Paddy Lui, Dr John Poon and Mr Philip Tsai, whose term expired in March 2017. They have contributed significantly to the formulation of MPFA's strategies and the development of its key initiatives. The Board has benefitted greatly from their sharp acumen and sound judgment.

In taking forward many important projects, we are fortunate to have the advice of the MPF Schemes Advisory Committee and the MPF Industry Schemes Committee. They give invaluable comments and draw the Board's attention to relevant issues of concern.

I would like to thank, in particular, the retiring members of the two committees, and welcome the newcomers who joined us during 2016-17.

Over the last few years, the industry has worked with MPFA in developing and designing the DIS. This is a complex and technical task. Careful planning and concerted efforts were made to launch the DIS as soon as possible after the completion of the legislative process. In this respect, I wish to express my appreciation of the professional efforts and contributions of the trustees and the investment management industry.

Finally, my sincere appreciation goes to the entire staff of MPFA who, under the capable leadership of Managing Director Mrs Diana Chan, put in tremendous efforts in pursuing many significant initiatives with enthusiasm and professionalism. I am especially grateful to Mr Darren McShane, Chief Regulation & Policy Officer, who has retired from the Board, for his 15 years of dedicated service and his valuable contributions to the development of the MPF System in Hong Kong.



David Wong Yau-kar
Chairman

Managing Director's Review and Outlook

The MPF System, Pillar 2 of the multi-pillar retirement protection system¹ adopted in Hong Kong, is well-regarded internationally. As a regulator tasked with supervising the MPF System, we understand that the System needs ongoing refinement.

When announcing its plans in early 2017, the Government asserted that the multi-pillar retirement protection system should continue, and that the MPF pillar will be enhanced through various measures.

The Government's vision is to have an MPF System that is valued and trusted by Hong Kong people with the ultimate aim of achieving "one member, one account" for effective management of retirement savings.

We are very much encouraged by these plans, as they affirm our efforts in the past and set a clear direction, which aligns with our current tasks, for us to strive for a better MPF System in the coming years.

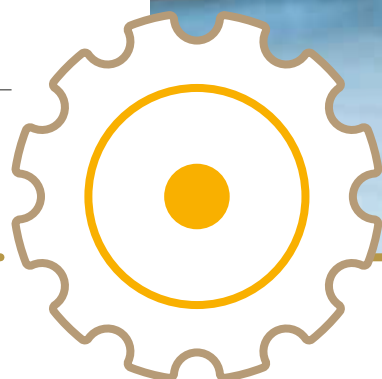
MAKING MPF BETTER

We made a submission to the Commission on Poverty in 2016 on its public consultation on retirement protection, responding to MPF issues and emphasizing the role of MPF. As pointed out in the consultation document and underlined in our submission, the stronger the MPF System becomes, the less reliant the working population will be on a publicly-funded retirement protection pillar.

Since its inception in 2000, the MPF System has been refined and reformed constantly. Twenty legislative exercises were concluded between 2001 and 2016 and could be categorized into four broad themes: enhancing and protecting scheme members' interests; reducing the costs of the System; addressing concerns over the adequacy of MPF; and improving MPF investment rules.

We will persist in our efforts to foster sustainable development of the MPF System in the interest of the working population. Our major initiatives in hand are in line with some of the measures mentioned by the Government, and we will give full support to other related measures on the Government's blueprint.

¹ Adopting the World Bank's multi-pillar approach, Hong Kong's retirement protection system has four pillars comprising a social security system (Pillar 0), the MPF and other occupation-based retirement savings schemes (Pillar 2), voluntary savings (Pillar 3), as well as public services, family support and personal assets (Pillar 4).





Diana Chan
Managing Director

Managing Director's Review and Outlook

The DIS

With overwhelming support at the Legislative Council, the new legislation providing for the introduction of a DIS was passed smoothly on 26 May 2016.

We launched the DIS on 1 April 2017. Its launch helps standardize the default investment arrangements among MPF schemes and address concerns of high fees of and difficulty in making choices among MPF funds.

Having completed the preparatory work with the industry, we set out codes and guidelines and oversaw the implementation of the DIS. We will continue to monitor trustees' service and compliance standards, and educate the public on the DIS.

eMPF

According to a study in 2012, there are over 30 million administration transactions processed in the MPF context each year. Small employers and self-employed individuals represent over 90% of the total employer population in the MPF System, posing challenges to the industry's ability to move away from manual and paper-based processing.

We have been constantly making efforts to increase the reliability, accuracy and operational efficiency of the MPF System. We rolled out measures to standardize, streamline and automate MPF scheme administration, and mapped out long-term reform initiatives to simplify and centralize scheme administration processes.

A significant initiative in the pipeline is the development of infrastructure and processes to centralize MPF scheme administration functions as well as to standardize, streamline and automate processes.

We have developed a preliminary conceptual model of the infrastructure and processes, and completed a feasibility study on an "Administration Master" model that would best exemplify the conceptual model.

The Government is forming a working group jointly with MPFA, which will involve the industry, to steer and monitor the development and implementation of the "Administration Master", and to identify and monitor execution of measures to promote digital take-up by users. The MPFA will work closely with the Government in this respect.

Offsetting arrangement

The Employment Ordinance allows employers to use contributions made for employees under retirement schemes to offset severance payment and long service payment payable ("offsetting arrangement"). With MPF in place, MPF contributions made by employers have also been used for this purpose. The resultant leakage from the MPF System has become a contentious issue.

The Government now intends to progressively abolish the offsetting arrangement. We welcome the Government's initiative and will actively cooperate in executing the new policies on this front.

Adequacy issue

The adequacy of retirement income hinges on the amount we set aside for saving.

Mandatory MPF contributions are limited by the minimum and maximum relevant income levels. There is a mechanism for us to review these levels regularly. A new round of review is in progress. Subject to a number of factors and legislative process, the levels may be adjusted to better reflect changes in the earnings distribution of the working population and to ensure a reasonable amount of contributions for retirement-saving purposes.

Managing Director's Review and Outlook

A relatively low rate of MPF contribution is another issue. We consider that there is room for increasing MPF contributions and welcome the Government's proposal to increase the total contribution rate gradually to a target of at least 15% in the long run to better meet the individuals' retirement needs.

Post-MPF

The Government mentioned its plan to study the feasibility of a public annuity scheme to help the elderly manage longevity risk. The Hong Kong Mortgage Corporation Limited subsequently announced its proposal to offer a life annuity scheme from 2018. We welcome such new financial tool, which allows MPF scheme members to convert their MPF assets upon retirement into a steady stream of retirement income.

In connection with this development, we will study how the withdrawal arrangements of the MPF System could better tie in with annuity schemes.

CHALLENGES AHEAD

How to provide income security for the elderly in an ageing world is a common challenge in many jurisdictions.

We are well aware of the key issues confronting the MPF System, such as how to maximize its functions, how to provide MPF products at a reasonable price, how to improve MPF funds' performance and how to structure the payout phase in a way that best meets the objectives of a retirement savings system.

The enhancements of the MPF System over the years aim to address these issues. Statistics show that MPF does add value to scheme members' retirement savings and meets the World Bank's parameters for helping address old age poverty locally.

Trustees' governance

MPF is a mandatory system to help the working population save for retirement. Also, it is a privately managed system and therefore, good governance arrangements of MPF trustees are crucial to safeguarding the interests of scheme members.

In this regard, we are making efforts to enhance trustees' governance standards and compliance culture. We aim to heighten the accountability of trustees' governing boards and promote awareness of their obligations, so as to drive better culture and conduct within the institutions to better serve the needs of scheme members.

Fees and returns

Fund performance is affected by the cycles of the financial markets which can be very volatile at times. The year of 2017 will be another challenging year for the financial markets.

Lower fees can have a significant favourable impact on long-term investment outcome. Fees of MPF funds are getting lower gradually. The fee control under the DIS is the first time that statutory fee caps are imposed on MPF funds. Within three years after the launch of the DIS, we will, together with the Government, review the fee cap levels with an aim of lowering them further.

Managing Director's Review and Outlook

Public sentiments

The MPF System, as a social programme, requires community support for its sustainable development. Clearly, we face challenges in gaining the public's buy-in to MPF.

There is a general impression among the public that MPF investment returns to date are not as expected and fees of MPF funds are high. In fact, the investment performance of the MPF System as a whole relates closely to scheme members' fund choices. To achieve good retirement saving outcomes, scheme members should also play their part to understand how to make informed MPF decisions and actively manage their MPF accounts.

Public education and enhanced disclosure of MPF information are our key tools to help scheme members manage their MPF investments effectively. We will continue to enhance and deepen the public's understanding and acceptance of the MPF System, and remain attentive to scheme members' needs and views in improving the System.

Financial sustainability of the organization

Given the indispensable role of the MPF System in retirement protection, MPFA's financial health is important for sustaining its efforts in achieving its mission. In the absence of a stable source of income, we are now relying on primarily investment incomes from a one-off Capital Grant to meet our expenditure requirements. Investment incomes are, however, subject to market fluctuations and are not reliable as an income source.

In 2016, we consolidated our offices and moved out from a prime commercial district to Kwai Chung to reduce premises expenses. Without compromising our public services, we will continue to pursue measures to reduce cost as far as possible.

On top of our efforts in exercising stringent fiscal discipline, we are pursuing proposals to increase income, including invocation of the statutory annual registration fee, to achieve financial sustainability.

VOTE OF THANKS

I would like to express my gratitude to the Chairman, members of the Management Board, the chairmen and members of the related committees and working groups, as well as the MPF Schemes Advisory Committee and the Industry Schemes Committee. They all rendered us valuable support and insightful guidance in achieving an important milestone, the DIS, during the year.

A number of members retired in the year. I would like to express my deep appreciation for their enormous contributions, wise counsel and staunch support over the years. I also wish to extend a warm welcome to all the newcomers to the Management Board and the two advisory committees.

My heartfelt thanks go to my colleagues at MPFA for their dedicated service and relentless efforts in pursuing corporate objectives and goals.

Managing Director's Review and Outlook

Our Chief Regulation & Policy Officer, Mr Darren McShane, left us this year to return to his home country in Australia after 15 years of exemplary service. He has made invaluable contributions to the development of the MPF System and the organization as a whole. I would like to record my sincere thanks to him for his dedicated service.

I must also thank the other financial regulators who worked closely with us in supervising the MPF industry. Last but not least, I appreciate the industry's cooperation and support in implementing the various initiatives to make MPF better for the working population in Hong Kong.



Diana Chan Tong Chee-ching
Managing Director



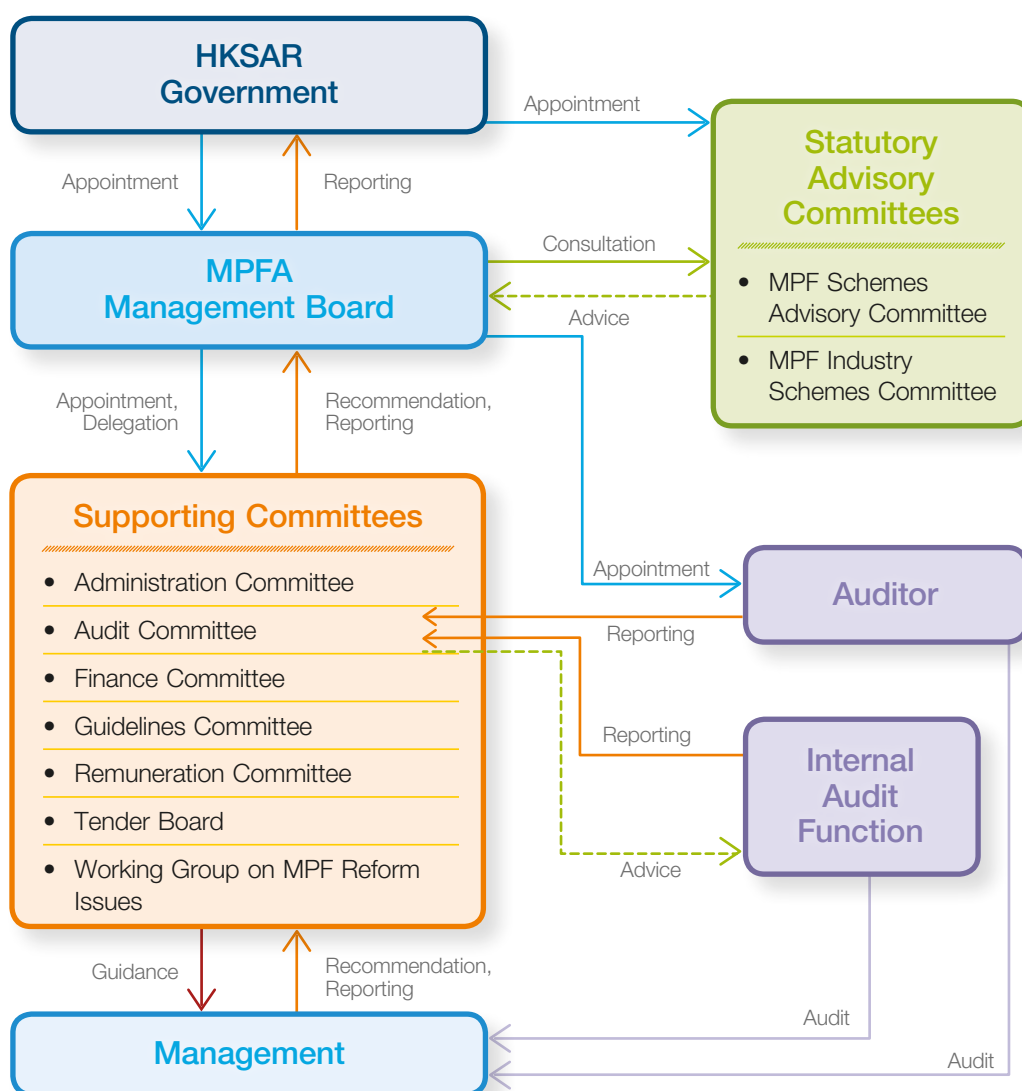
Ready-made Solution

The DIS invests MPF benefits in different asset classes according to a pre-set proportion automatically so that scheme members do not need to worry about adjusting their MPF investment portfolios over time.

Corporate Governance

The MPFA contributes to the sustainable development of the second pillar of the retirement protection system in Hong Kong through regulating, supervising and improving the MPF System. In fulfilling this role in the best interests of scheme members, we are committed to high standards of corporate governance to promote fairness, ethical conduct, accountability and transparency. Our corporate governance framework and practices are in line with the requirements of the MPFSO and the governance principles and best practices recommended for public bodies.

Governance Structure



THE MANAGEMENT BOARD

Role and responsibilities

The Management Board is responsible for determining key corporate strategies and policies, overseeing the delivery of planned programmes, 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.

Corporate Governance

Membership (as at 31 March 2017)



Dr David Wong
Yau-kar, BBS, JP



Mr Horace Wong
Yuk-lun, SC, JP



Hon Poon Siu-ping,
BBS, MH



Hon Abraham Shek
Lai-him, GBS, JP



Mr Kingsley Wong
Kwok, JP



Mr Chan Kam-lam,
GBS, JP



Mr Bankee Kwan
Pak-hoo, JP



Mrs Ayesha
Macpherson Lau, JP

Chairman

Dr David Wong Yau-kar, BBS, JP

(from 17 Mar 2015; current term expires on 16 Mar 2019)

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

Non-executive Directors

Mr Horace Wong Yuk-lun, SC, JP

(from 1 Oct 2012; current term expires on 30 Sep 2018)

- Senior Counsel, Hong Kong
- Member, Disciplinary Chair Committee, Securities and Futures Commission
- Member, Appeal Board Panel (Human Organ Transplant Ordinance)
- Chairman, Appeal Tribunal Panel (Buildings)
- Deputy Chairman, Unsolicited Electronic Messages (Enforcement Notices) Appeal Board

Hon Poon Siu-ping, BBS, MH

(from 17 Mar 2013; current term expires on 16 Mar 2019)

- 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

(from 17 Mar 2015; current term expires on 16 Mar 2019)

- Member, Legislative Council
- Member, Court of The Hong Kong University of Science and Technology
- Council and Court Member, The University of Hong Kong
- Member, Advisory Committee on Corruption of Independent Commission Against Corruption
- Independent non-executive director of a number of Hong Kong listed companies

Mr Kingsley Wong Kwok, JP

(from 17 Mar 2015; current term expires on 16 Mar 2019)

- Vice President and 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

Mr Chan Kam-lam, GBS, JP

(from 17 Mar 2017; current term expires on 16 Mar 2019)

- Member, National Committee of the Chinese People's Political Consultative Conference
- Member, Legislative Council (1995-2016)
- Council Member, The Hong Kong Polytechnic University
- President, Kingrich Asia Holdings Limited
- President, Kingrich Trading Limited
- Director, Shenyang Wuai World Enterprise Company Limited

Corporate Governance



Mr Simon Wong
Kit-lung, JP



Prof K C Chan,
GBS, JP



Mr Stephen Sui
Wai-keung, JP



Mrs Diana Chan Tong
Chee-ching, JP



Mr Cheng Yan-chee



Ms Alice Law Shing-mui



Ms Cynthia Hui Wai-yee



Ms Gabriella Yee Gar-bo

Mr Bankee Kwan Pak-hoo, JP

(from 17 Mar 2017; current term expires on 16 Mar 2019)

- Chairman & CEO, Celestial Asia Securities Holdings Limited (CASH Group)
- Director, Hong Kong Retail Management Association
- Member, Minimum Wage Commission
- Member, Business Facilitation Advisory Committee ("BFAC"); Convenor, Wholesale and Retail Task Force of BFAC
- Member, Election Committee for the Fourth and Fifth Term of the Chief Executive Election of Hong Kong Special Administrative Region
- Member, Standing Committee of the Chinese People's Political Consultative Conference, Shanghai Committee
- Vice President and Chief Executive, Hong Kong-Shanghai Economic Development Association

- Member, Public Service Commission
- Member, Council of the University of Hong Kong
- Member, Joint Committee on Student Finance
- Member, Legal Aid Services Council
- Accounting Advisor, Ministry of Finance, the People's Republic of China

Mr Simon Wong Kit-lung, JP

(from 17 Mar 2017; current term expires on 16 Mar 2019)

- Executive Director, LHGroup
- President, Institution of Dining Art
- Chairman, Catering Industry Training Advisory Committee
- Convenor, Business Facilitation Advisory Committee – Food Business and Related Services Task Force
- Member, Competition Commission

Mrs Ayesha Macpherson Lau, JP

(from 17 Mar 2017; current term expires on 16 Mar 2019)

- Partner, KPMG China; Head of Local Market/ Head of Tax, Hong Kong, KPMG
- Chairman, International Fiscal Association Hong Kong Branch
- Member, Joint Liaison Committee on Taxation
- Member, Financial Infrastructure Sub-Committee, Exchange Fund Advisory Committee
- Member, Policy Research Committee, Financial Services Development Council

Secretary for Financial Services and the Treasury

(from 1 Jul 2007; current term expires on 16 Mar 2019)

Professor K C Chan, GBS, JP

- 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)

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

Corporate Governance



Hon Ip Kwok-him,
GBS, JP

(Retired as from 17 Mar 2017)



Ms Paddy Lui Wai-yu,
BBS, JP

(Retired as from 17 Mar 2017)



Dr John Poon
Cho-ming, BBS, JP

(Retired as from 17 Mar 2017)



Mr Philip Tsai
Wing-chung, JP

(Retired as from 17 Mar 2017)



Mr Darren Mark
McShane

(Retired as from 25 Mar 2017)

Secretary for Labour and Welfare

(from 1 Jul 2007; current term expires on 16 Mar 2019)

Mr Stephen Sui Wai-keung, JP

- Under Secretary for Labour and Welfare (2014-17)
- Commissioner for Rehabilitation (2008-14)
- Served in various bureaux and departments of the Hong Kong Government since 1978

Alternate: Permanent Secretary for Labour and Welfare

Executive Directors

Mrs Diana Chan Tong Chee-ching, JP

Deputy Chairman and Managing Director

(from 1 Jul 2004; current term expires on 30 Jun 2018)

- 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

(from 3 Apr 2013; current term expires on 2 Apr 2019)

- Member, Executive Committee of Investor Education Centre (since 2013)
- 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

(from 16 Jul 2012; current term expires on 15 Jul 2018)

- Solicitor, Hong Kong (a partner specializing in corporate and commercial practice in a Hong Kong law firm before joining the public sector in 1998)
- Member, Global Future Councils on the Future of Financial & Monetary Systems of World Economic Forum
- Member, Products Advisory Committee, Securities and Futures Commission
- Member, Advisory Committee on Bachelor of Business Administration Programme in Insurance, Financial and Actuarial Analysis, The Chinese University of Hong Kong
- Senior Fellow, Hong Kong Securities and Investment Institute
- Director to Senior Director positions at Securities and Futures Commission with her last position as Senior Director (Policy, China & Investment Products) (2004-12)
- Non-executive Director, Hong Kong Securities Institute (2004-08)

Ms Cynthia Hui Wai-yee

Executive Director (Supervision)

(from 1 Feb 2008; current term expires on 31 Jan 2020)

- Qualified actuary
- Fellow, 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

Ms Gabriella Yee Gar-bo

Executive Director (Regulation & Policy)

(from 25 Mar 2017; current term expires on 24 Mar 2020)

- Head (Policy Development and Research), MPFA (2011-17)
- Chief Manager (Policy Development and Research), MPFA (2008-11)
- Senior Manager, MPFA (1999-2008)
- Insurance Officer, Office of the Commissioner of Insurance (1996-99)

Corporate Governance

Composition

The structure of the Management Board is governed by the MPFSO under which directors on the Board are appointed by the Chief Executive of HKSAR. Except for the Chairman and Managing Director, the appointment of directors is delegated to the Financial Secretary of HKSAR.

With diverse expertise, experience and background, the directors exercise due care and diligence to oversee MPFA's performance. Non-executive directors ("NEDs"), making up the majority of the Management Board,

contribute to an independent and objective decision-making process.

The terms and conditions of office of MPFA's directors are determined by the Chief Executive of HKSAR. In respect of executive directors ("EDs"), except for the Managing Director, the authority to determine their terms and conditions of office is delegated to the Financial Secretary of HKSAR.

The remunerations of individual EDs of MPFA are disclosed in the notes to the Financial Statements on pages 102 to 103. NEDs are not remunerated.

Directors' Profile



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 leadership and strategic direction, while the Managing Director is an ED and the administrative head responsible for executing the direction of the Management Board and administering the affairs of MPFA.

Induction

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.

Corporate Governance

Board processes

Board processes adopted and documented in MPFA's Standing Orders facilitate directors' effective participation in Board business. Key elements include:



Meetings are held as often as necessary, usually six to eight meetings a year;



Telephone conferencing is arranged for directors who cannot attend meetings physically;



Any director may propose a matter for discussion at Board meetings;



Where a matter is presented for consideration by circulation of paper, directors may request a meeting to be convened to consider the matter at a meeting;



Agendas and papers are issued to directors at least four clear days in advance of a meeting (normally six clear days);



The Secretary to the Management Board keeps minutes of meetings, recording the directors attending, the quorum, matters discussed and decisions made;



Draft minutes are sent to all directors for comments within a reasonable time; and



Directors are required to observe procedures for declaration of interests.

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 Management Board promptly of any changes.

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.

Management Board business in the year

The Management Board held six meetings in 2016-17 with an average attendance rate of 84%. In addition, 13 and 25 papers were circulated to directors for decision and information respectively.

Key matters considered include:



Governance

- Directors' Code of Conduct
- Appointment of external auditor



Planning and performance monitoring

- Annual corporate plan and budget
- Half-yearly and annual reviews of corporate plan
- Annual financial statements
- Investment performance and investment strategy review



Strategies and operations

- Supervision strategies
- External communication strategies and programmes
- Progress of projects, including DIS and eMPF
- Industry guidelines
- Measures to maintain long-term financial sustainability



Human resources

- Annual salary review
- Pay philosophy review

The attendance rates of individual directors at meetings are provided on page 26.

Corporate Governance

STATUTORY ADVISORY COMMITTEES

MPF Schemes Advisory Committee (as at 31 March 2017)



Hon Wong
Ting-kwong, SBS, JP



Mrs Diana Chan Tong
Chee-ching, JP



Dr Roy Chung
Chi-ping, BBS, JP



Mr Lam Chun-sing



Mr Karson Choi
Ka-tsan



Ms Chow Yuen-yee



Hon Kenneth Leung
Kai-cheong



Dr Pan Pey-chyou, BBS



Mr Philip Tsai
Wing-chung, JP



Ms Winnie Wong
Chi-shun

Chairman

Hon Wong Ting-kwong, SBS, JP

(from 1 Nov 2012; current term expires on 31 Oct 2018)

- Member, Legislative Council

Deputy Chairman

Mrs Diana Chan Tong Chee-ching, JP

(from 1 Jul 2003; current term expires on 30 Jun 2018)

- Managing Director, MPFA

Members

Dr Roy Chung Chi-ping, BBS, JP

(from 30 Mar 2013; current term expires on 29 Mar 2019)

- Co-founder and Non-executive Director, Techtronic Industries Company Limited

Mr Lam Chun-sing

(from 30 Mar 2015; current term expires on 29 Mar 2019)

- President, The Federation of Hong Kong and Kowloon Labour Unions

Mr Karson Choi Ka-tsan

(from 30 Mar 2017; current term expires on 29 Mar 2019)

- Vice Chairman, Early Light International (Holdings) Limited

Ms Chow Yuen-yee

(from 30 Mar 2017; current term expires on 29 Mar 2019)

- Managing Director and Head of Compliance, China International Capital Corporation (Hong Kong) Limited

Hon Kenneth Leung Kai-cheong

(from 30 Mar 2017; current term expires on 29 Mar 2019)

- Member, Legislative Council

Dr Pan Pey-chyou, BBS

(from 30 Mar 2017; current term expires on 29 Mar 2019)

- Vice President, The Hong Kong Federation of Trade Unions

Mr Philip Tsai Wing-chung, JP

(from 30 Mar 2017; current term expires on 29 Mar 2019)

- Chairman, Deloitte China

Ms Winnie Wong Chi-shun

(from 30 Mar 2017; current term expires on 29 Mar 2019)

- Chief Executive Officer, Asia Insurance Company Limited

Corporate Governance

Members who retired as from 30 March 2017:



Mr William Chan
Che-kwong



Mr Ip Wai-ming, MH



Mrs Agnes Koon Woo
Kam-oi



Mr Larry Kwok
Lam-kwong, BBS, JP



Mr Fred Li Wah-ming,
SBS, JP



Mr Paul Pong Po-lam



Mrs Bethy Tam Ho
Kum-man, MH

Role and composition

The MPF Schemes Advisory Committee is established under the MPFSO. It advises MPFA on the operation of the MPFSO and the effectiveness and efficiency of MPFA. It comprises an Executive Director designated by MPFA and at least nine (but no more than 11) other members appointed by the Chief Executive of HKSAR.

Committee business in 2016-17

During the year, the Committee held one meeting (attendance rate: 82%), at which members gave advice on the long-term initiative to standardize, streamline and automate MPF scheme administration and the preparatory work for the implementation of the DIS. The Committee also received progress reports on various aspects of MPFA's work.

Corporate Governance

MPF Industry Schemes Committee (as at 31 March 2017)



Dr Roy Chung
Chi-ping, BBS, JP



Mr Lawrence Ng
San-wa, MH



Mr Tang Ka-hin



Mr Simon Wong
Kit-lung, JP



Mr Cyrus Chin
Chi-keung



Mr Kwok Wang-hing



Mr Wong Ping



Mr Chan Pak-kan



Mr Lee Yuen-hong



Mr Adrian Li Man-kiu,
JP

Chairman

Dr Roy Chung Chi-ping, BBS, JP

(from 25 Aug 2016; current term expires on 24 Aug 2018)

- Co-founder and Non-executive Director, Techtronic Industries Company Limited

Members

Mr Lawrence Ng San-wa, MH

(from 25 Aug 2012; current term expires on 24 Aug 2018)

- President, Hong Kong Construction Sub-Contractors Association

Mr Tang Ka-hin

(from 25 Aug 2012; current term expires on 24 Aug 2018)

- Chairman, Chinese and Western Food Workers Union

Mr Simon Wong Kit-lung, JP

(from 25 Aug 2012; current term expires on 24 Aug 2018)

- President, Institution of Dining Art

Mr Cyrus Chin Chi-keung

(from 25 Aug 2014; current term expires on 24 Aug 2018)

- Director, Hsin Chong Construction Company Limited

Mr Kwok Wang-hing

(from 25 Aug 2014; current term expires on 24 Aug 2018)

- Chairman, Eating Establishment Employees General Union

Mr Wong Ping

(from 25 Aug 2014; current term expires on 24 Aug 2018)

- Vice Chairman, Hong Kong Construction Industry Employees General Union

Mr Chan Pak-kan

(from 25 Aug 2016; current term expires on 24 Aug 2018)

- Chairman, Construction Site Workers General Union

Mr Lee Yuen-hong

(from 25 Aug 2016; current term expires on 24 Aug 2018)

- Chairman, Hong Kong Federation of Restaurants and Related Trades Limited

Mr Adrian Li Man-kiu, JP

(from 25 Aug 2006; current term expires on 24 Aug 2018)

- Director, Bank of East Asia (Trustees) Limited

Corporate Governance



Mr Johnson Wong
Ho-shun



Mr Cheng Yan-chee

Mr Johnson Wong Ho-shun

(from 25 Aug 2016; current term expires on 24 Aug 2018)

- Business Development Director, BCT Financial Limited

Mr Cheng Yan-chee

(from 3 Apr 2013; current term expires on 24 Aug 2018)

- Chief Corporate Affairs Officer and Executive Director, MPFA

Members who retired in 2016-17:



Ms Monica Ng
Chun-sing

(Retired as from 6 May 2016)



Ms Li Fung-ying,
SBS, JP

(Retired as from 25 Aug 2016)



Mr Chan Sam-choi

(Retired as from 25 Aug 2016)



Mr Chan Wing-on

(Retired as from 25 Aug 2016)

Role and composition

The MPF Industry Schemes Committee is established under the MPFSO to monitor the effectiveness of Industry Schemes and advise on ways to improve their administration and operation. It comprises a chairman, representative(s) of the trustee of each Industry Scheme, and at least six other persons, including persons representing employees and employers, all appointed by the Financial Secretary of HKSAR. An Executive Director is designated by MPFA to sit on the Committee.

Committee business in 2016-17

During the year, the Committee held two meetings (average attendance rate: 79%), at which members advised on the operation of Industry Schemes. It also discussed the latest development of DIS, measures to handle MPF accounts with incomplete enrolment information under Industry Schemes, and long-term reform measures to standardize, streamline and automate MPF scheme administration. The Committee also received reports on enrolment, administration, enforcement, and public education and publicity matters.

Corporate Governance

DELEGATION OF FUNCTIONS BY THE BOARD

The MPFSO provides that MPFA may delegate its functions to a committee it establishes or to a director or employee of MPFA.

Supporting committees

A number of committees/working groups, chaired by Non-executive Directors, are set up to give advice and assistance to the Management Board. Their terms of reference and membership lists are set out in Appendix 1 on pages 143 to 144.

Committee/ Working group	Composition	Summary of work in 2016-17
Audit Committee	4 NEDs	<ul style="list-style-type: none">● Held two meetings (average attendance rate: 75%)● Considered two papers by circulation● Matters considered include:<ul style="list-style-type: none">– financial statements of MPFA and the MPF Schemes Compensation Fund for the financial year 2015-16– half-yearly financial reports for 2016-17– appointment of external auditor for 2016-17 to 2018-19– internal audit programme for 2017-18 to 2019-20– internal audit reports on finance-related subjects:<ul style="list-style-type: none">– receipt process on default contribution– compliance checking on investments through external fund managers and investment recording and reporting– procurement activities handled by major purchasing divisions/departments
Administration Committee	3 NEDs and 2 EDs	<ul style="list-style-type: none">● Held two meetings (attendance rate: 100%)● Considered three papers by circulation● Considered various human resources matters including:<ul style="list-style-type: none">– manpower plan for 2017-18– pay-related matters for non-directorate staff– staff group life and staff group medical and dental insurance schemes
Finance Committee	3 NEDs and 2 EDs	<ul style="list-style-type: none">● Held four meetings (attendance rate: 100%)● Considered 3 papers and received 6 papers for information by circulation● Matters considered include:<ul style="list-style-type: none">– imposition of MPF intermediaries fees and revision of ORSO fees– long-term financial sustainability of MPFA– review of investment guidelines and performance of the Capital Grant and the MPF Schemes Compensation Fund– review of investment strategy for the Capital Grant– review of investment strategy for the MPF Schemes Compensation Fund– audited financial statements for 2015-16– half-yearly financial reports for 2016-17– proposed budget for 2017-18

Corporate Governance

Committee/ Working group	Composition	Summary of work in 2016-17
Guidelines Committee	1 NED, 1 ED and 6 co-opted members	<ul style="list-style-type: none"> No meeting was held during the year Scrutinized new Guidelines and proposed revisions to Guidelines through circulation of three papers Two sets of new Guidelines, 14 sets of revised Guidelines and one set of revised Code were issued, mainly to: <ul style="list-style-type: none"> support the implementation of the DIS update the list of approved trustees and MPF schemes for scheme members to elect for the purposes of MPF accounts consolidation update the list of MPF schemes in the annual return form for use by MPF intermediaries update the list of approved central securities depositories 76 sets of Guidelines and two Codes were in force as at 31 March 2017 to provide guidance on the legislative requirements and operational arrangements of the MPF System
Remuneration Committee	4 NEDs	<ul style="list-style-type: none"> Held two meetings (attendance rate: 100%) Assessed the performance of EDs, made recommendations on their appointment and re-appointment, and considered various remuneration and personnel matters for EDs
Tender Board	2 NEDs and 1 ED	<ul style="list-style-type: none"> Held one meeting (attendance rate: 100%) Considered 4 papers and received 1 paper for information by circulation Considered tender submissions for the provision of group insurances for MPFA staff and for the provision of services in placing advertisements for the second stage publicity on the DIS
Working Group on MPF Reform Issues	4 NEDs	<ul style="list-style-type: none"> Held two meetings (average attendance rate: 75%) Considered MPFA's draft submission to the public consultation of the Commission on Poverty on retirement protection, and deliberated on the long-term initiative to standardize, streamline and automate MPF scheme administration

Corporate Governance

The table below sets out the attendance of individual directors at Management Board, Committee and Working Group meetings in 2016-17.

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

(The Guidelines Committee did not hold any meeting in 2016-17)

Notes:

- 1 Retired with effect from 17 March 2017
- 2 Six meetings attended by alternate director
- 3 Retired with effect from 25 March 2017

Corporate Governance

The executive team

The Management Board delegates the management of day-to-day operations to the executives. Its decisions are carried out by MPFA staff under the guidance of the management team.

Members of the management team as at 31 March 2017:



1 Mrs Diana Chan

*Managing Director (from 2004)
Formerly Chief Operating Officer (Corporate Affairs)
(from 2001)
Formerly Executive Director (Corporate Services)
(from 2000)*

2 Mr Cheng Yan-chee

*Chief Corporate Affairs Officer and Executive Director
(from 2013)*

3 Ms Alice Law

*Chief Operating Officer and Executive Director
(from 2012)*

4 Ms Cynthia Hui

*Executive Director (Supervision) (from 2008)
Joined in 2005*

5 Ms Gabriella Yee

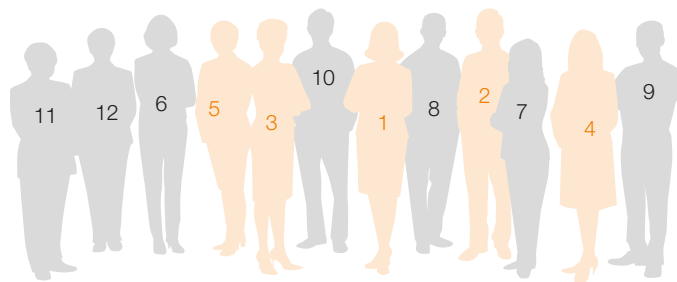
*Executive Director (Regulation & Policy) (from 2017)
Formerly Head (Policy Development & Research)
(from 2011)
Joined in 1999*

6 Ms Ingrid Lai

General Counsel (from 2002)

7 Mrs Betty Chan

Head (External Affairs) (from 2006)



8 Mr Andy Tong

Head (Information Technology) (from 2009)

9 Mr Ronnie Lai

*Head (Customer Services) (from 2016)
Formerly Head (Member Protection) (from 2011)
Joined in 1999*

10 Mr Joseph Lee

*Head (Trustees Supervision) (from 2011)
Joined in 1999*

11 Ms Stella Yiu

*Head (Investment Regulation) (from 2011)
Joined in 2003*

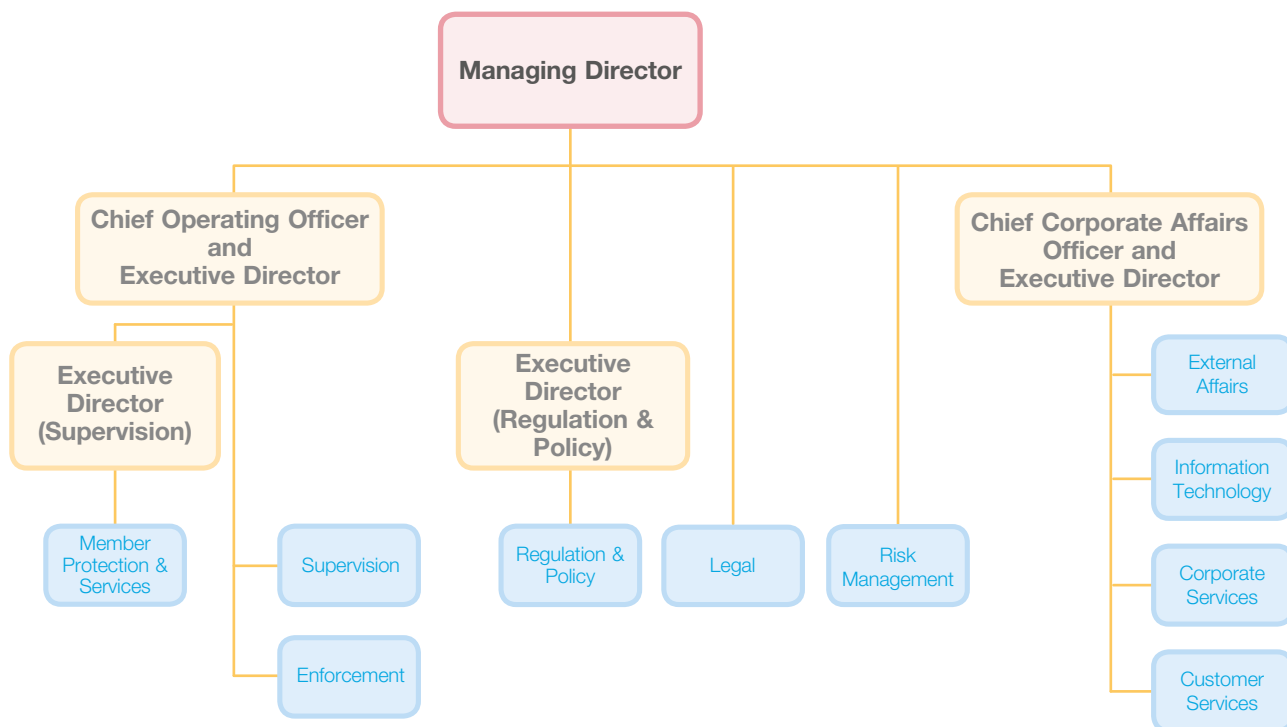
12 Ms Cynthia Li

*Head (Enforcement) (from 2014)
Joined in 2003*

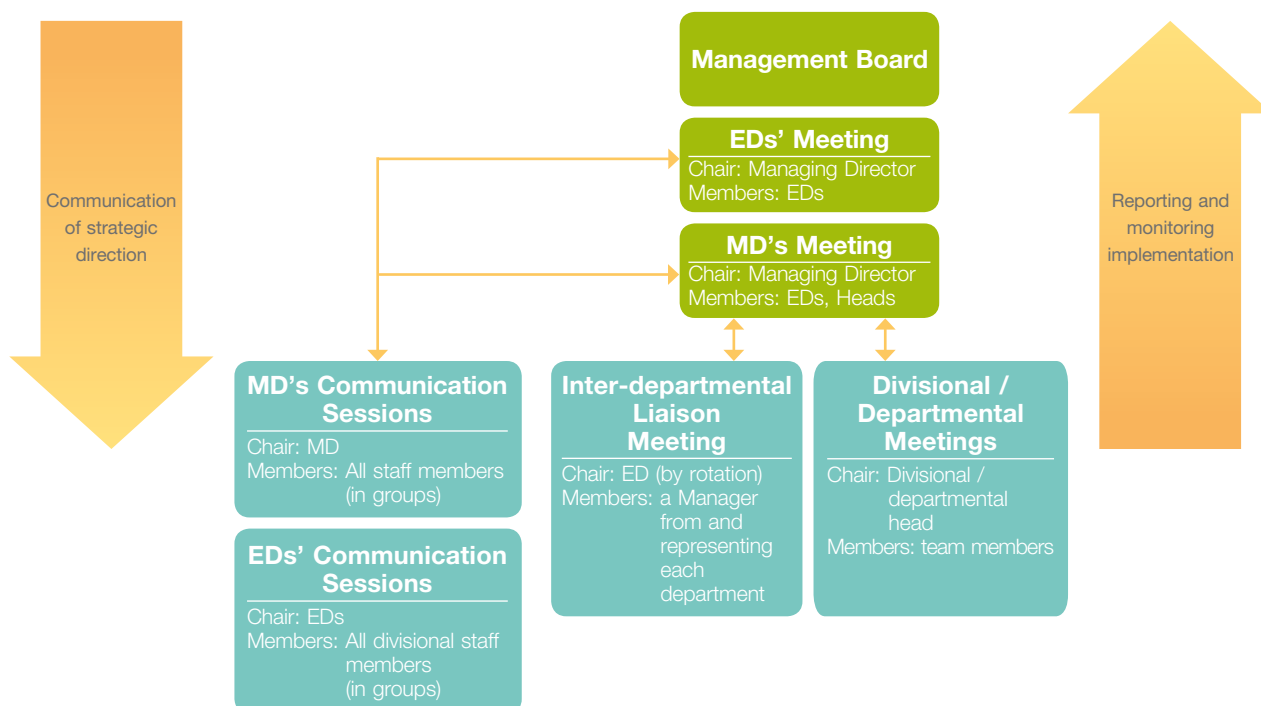
Corporate Governance

The work of MPFA is performed by functional units overseen by the management team. In 2016, the external affairs and liaison functions were integrated, whereas services to the public at enquiry counters and through the hotline are grouped under a Customer Services Department to further strengthen customer services.

Organization structure as at 31 March 2017:



A structured internal communication process is in place to facilitate communication of strategic directions throughout the organization and monitoring of implementation:



Corporate Governance

ACCOUNTABILITY AND TRANSPARENCY

Corporate planning

The MPFSO requires that before the end of each financial year, MPFA should submit a corporate plan and budget for the following 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.

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.

Our annual report for 2015-16 won a Bronze Award under the Non-profit Making and Charitable Organizations category at the Best Annual Reports Awards of the Hong Kong Management Association.

Financial reporting

Directors are responsible for the preparation of the financial statements that give a true and fair view of MPFA's affairs. The financial statements comply with the accounting standards, reporting standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements are audited by an external auditor. The appointment of MPFA's external auditor is subject to the approval of the Financial Secretary of HKSAR, on the recommendation of the Management Board. PricewaterhouseCoopers continues to be MPFA's external auditor for the financial year 2016-17.

During the financial year, the auditor's remuneration for audit services provided to MPFA and the MPF Schemes Compensation Fund amounted to HK\$0.24 million and HK\$0.10 million respectively.

Code of conduct for directors

In 2016, the Management Board adopted a code of conduct for directors to give clear guidelines on conduct issues and help directors avoid breaching the law, with reference to a sample code issued by the Hong Kong Independent Commission Against Corruption ("ICAC"). The Code incorporated the key conduct rules already specified in the Prevention of Bribery Ordinance, MPFSO, and MPFA's Standing Orders. The adoption of the Code shows the commitment of the Management Board to good corporate governance.

Code of conduct for staff

MPFA staff must observe a code of conduct such that they behave in a way consistent with the expectations for public officers. Regular reviews are conducted on various aspects of the Code to ensure its currency and appropriateness, and procedures are in place to facilitate the reporting and handling of suspected improper practices.

In 2016, the Code was reviewed and refined, with reference to a sample code issued by the ICAC, focusing on prevention of bribery and corruption-prone areas. The revised Code has been implemented since early 2017.

To tie in with the release of the revised Code, a set of Frequently Asked Questions ("FAQs") was prepared to provide further guidance to staff, and briefing sessions jointly by ICAC and the Human Resources Department were arranged for all staff. In the process of the updating exercise, representatives of all divisions and departments were invited to share their views on the draft Code to ensure the relevance of the FAQs and briefings.

Communication with the public

We take care to communicate news about MPF and latest development of the MPF System and MPFA to stakeholders and the public through MPFA's website, media events, press releases, publicity and public education activities, and various publications such as the quarterly Statistical Digest and MPFA Newsletter, to facilitate understanding of the MPF System.

Corporate Governance

Speeches delivered by the Chairman and directors are posted on MPFA's website to help stakeholders and members of the public understand more about the MPF System and the progress of the work of MPFA. We collect feedback from stakeholders for refinement of the MPF System through meetings, seminars, talks and networking activities.

During the year, MPFA received and processed four requests made under its Code on Access to Information.

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 made available on the website of MPFA.

The number of complaints received in the year and the nature of these complaints are set out in the Statistics on page 142.

Performance pledges

We endeavour to deliver expeditious and client-oriented services in handling public enquiries and complaints. The achievement of performance standards in the 2016-17 financial year is set out in the table below.

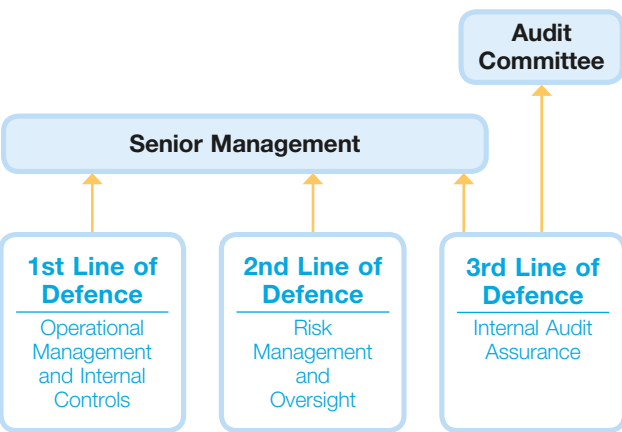
Service	Service standard	Performance achieved
Call centre service (Hotline 2918 0102)		
Answering hotline enquiries and messages	● Answer hotline enquiries within 3 minutes under normal circumstances (i.e. not more than 600 incoming calls a day)	98.88%
	● Reply hotline voice mail messages within the next working day	100%
Answering written enquiries	● Acknowledge receipt within 3 working days	100%
	● Answer enquiry or provide an interim reply within 10 working days	100%
Complaint acknowledgement	● Acknowledge receipt within 3 working days	100%
Complaints investigation (complaints relating to employers' non-compliance)		
Initial contact with complainant for investigation by Case Officer	● Contact complainant for investigation within 7 working days from the date of receiving a complaint	99.87%
Responding to enquiries by complainant/complaine on investigation progress	● Inform complainant/complaine of investigation progress within 3 working days	99.48%
Informing complainants of enforcement actions on cases involving prosecution	● Inform complainant of the plea date in writing within 7 working days upon receipt of Plea Date Notice	100%
	● Notify complainant of prosecution results within 7 working days from the date of receiving court's decision	100%

Corporate Governance

INTERNAL CONTROLS AND RISK MANAGEMENT

Three lines of defence

The MPFA's internal control and risk management structure is designed to manage and mitigate operational risks. The structure meets with a best practice model known as the "Three Lines of Defence Model". Our three lines of defence are summarized as follows:



First line of defence: operational management and internal controls

Operational management serves as the first line of defence with internal controls built into systems and processes for guidance/management of day-to-day operations.

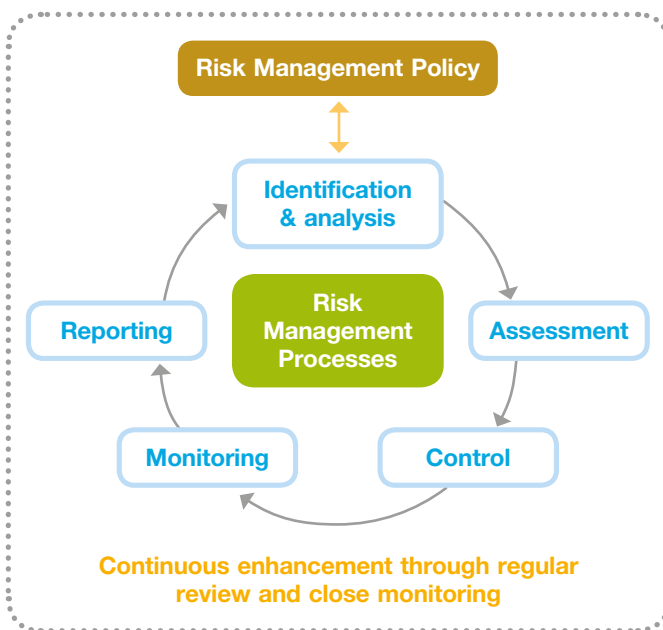
All divisions and departments are responsible for maintaining effective internal controls through regular review of operational manuals and ensuring that adequate supervisory controls are in place to safeguard compliance with internal operational policies and procedures by their employees. A team of experienced staff, which includes qualified accountants, is responsible for the financial reporting and accounting functions.

Second line of defence: risk management and oversight

The second line of defence consists of our risk management practices and oversight by appropriate levels of management according to the levels of different risks.

A well-structured risk management framework is in place to assist divisions/departments to manage risks in a systematic manner. To ensure the risk items of the organization are monitored effectively, all identified risks are prioritized by their risk levels and monitoring responsibilities are assigned to different levels of management according to the risk levels of the identified risks.

A corporate level risk register and a divisional/ departmental level risk register for each division/ 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.



Corporate Governance

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 facilitates staff's efficient access to the Guidelines on Crisis Handling and Monitoring and departmental business continuity plans.

Third line of defence: internal audit assurance

The MPFA's internal audit function is performed by the Risk Management Unit. The Unit is adequately and competently staffed, and has unrestricted access to operational information for discharging its duties. Through a risk-based internal audit approach, the Unit provides assurance of the effectiveness of governance, internal controls, and risk management, including the manner in which the first and second lines of defence achieve the internal control and risk management objectives.

Reporting directly 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 HKICPA. For finance-related audit exercises, the approach of the Committee of Sponsoring Organization of the Treadway Commission (COSO) 2013 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 senior management and reported to and considered by the Audit Committee, which reports to the Management Board to ensure the highest level of independence and objectivity.

Internal audit exercises were conducted according to a three-year internal audit programme. This year, the audits covered several important finance-related processes including receipt process of default contribution, compliance checking process on investments through external fund managers, investment recording and reporting process, and procurement process.

The results of these audits showed that control systems in respect of the areas studied were generally adequate and effective, and relevant procedures were complied with. Further enhancement opportunities were identified during the exercises, and the departments audited have committed to the relevant improvement proposals.

INDEPENDENT CHECKS AND BALANCES

Appeal boards

The MPF Schemes Appeal Board established pursuant to the MPFSO hears appeals against any decision of MPFA specified in Schedule 6 of the 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.

One appeal was lodged with the MPF Schemes Appeal Board in 2016-17 by an MPF intermediary in relation to a disciplinary order suspending the registration of the intermediary for two months. The MPF Schemes Appeal Board upheld MPFA's decision.

Corporate Governance

Process Review Panel

The Process Review Panel in relation to the Regulation of Mandatory Provident Fund Intermediaries (“PRP”) is an independent, non-statutory body set up by the Government. It reviews the adequacy and consistency of MPFA’s internal procedures and operational guidelines governing decisions taken in areas including registration, disciplinary action and the handling of complaints. It also reviews and advises MPFA on its co-ordination and follow-up with the frontline regulators in relation to inspection and investigation of registered MPF intermediaries.

The PRP’s first annual report was published in July 2016. Having studied PRP’s findings, we have developed measures to streamline internal processes for enforcement of the regulation on MPF intermediaries as well as to enhance liaison with the frontline regulators in their investigations.

In 2016-17, the PRP reviewed 17 completed cases in relation to MPF intermediaries. Six of these cases were selected for detailed review. As at the end of the financial year, the PRP was preparing its 2017 annual report.

Our Organization

MISSION

As a financial regulator in Hong Kong, MPFA has the mission to regulate and supervise privately managed provident fund schemes; educate the working population about saving for retirement and the role of the MPF System; and lead improvements to provident fund schemes to make them more efficient and user-friendly and better meet the needs of the working population.

VISION

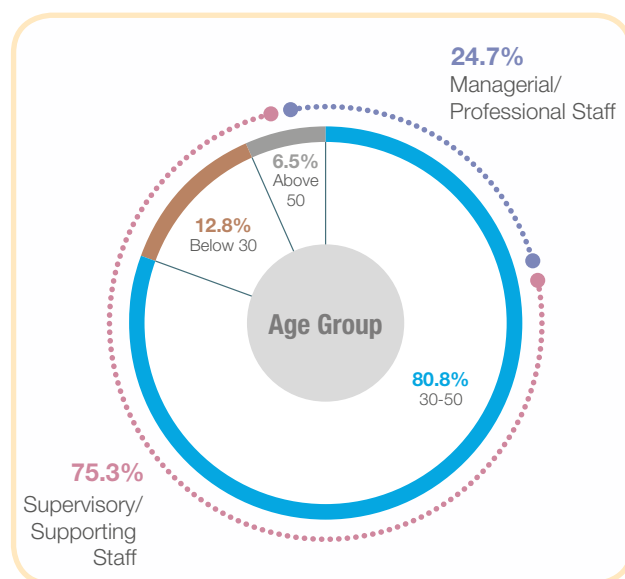
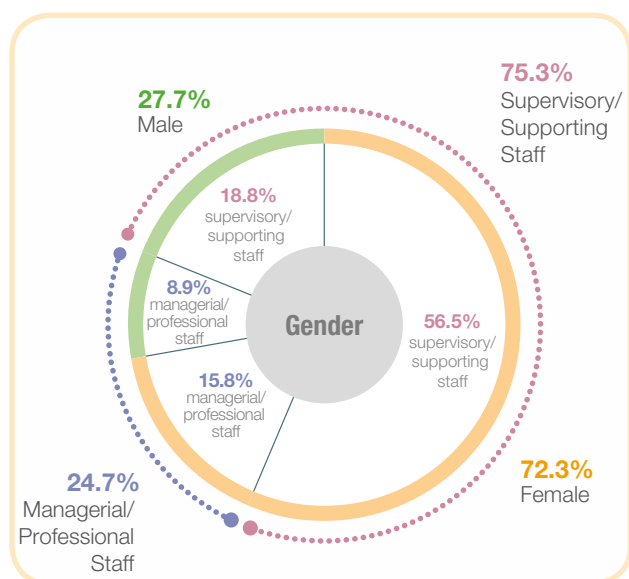
Our vision is to build a retirement savings system that is valued by Hong Kong people.

CORE VALUES

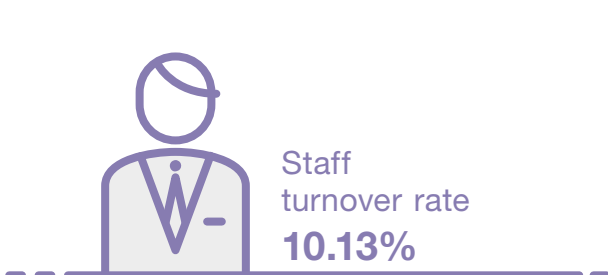
“Commitment”, “Quality”, “Teamwork” and “Community Perspective” are our core values. Together they represent the attributes we seek in our staff.

OUR PEOPLE

The success of our organization depends on our staff. As at 31 March 2017, we had a headcount of 629 as approved by the Management Board, and a strength of 588 employees. On average, they are in service for 8.3 years.



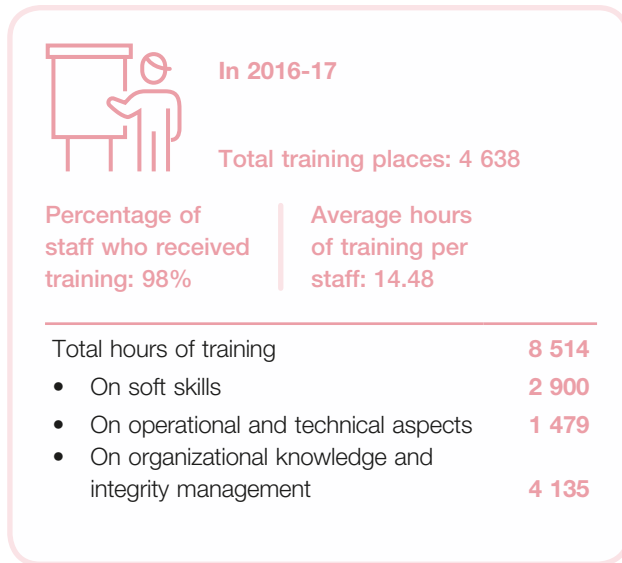
In 2016-17



Our Organization

Training and development

To build staff's capabilities, we arranged over 8 000 hours of training this year on topics covering leadership, communication, stress management and various technical aspects.



We introduced a new programme on change management to increase our managers' people management ability in the midst of changes. Senior staff, having attended external training programmes, shared their insights into how to address risks and lead in difficult and unusual situations.

Besides, a number of briefing sessions conducted by our staff on different job-related topics or the latest developments in various areas of operations were arranged for all staff throughout the year.

Individual staff members were sponsored to attend or speak at conferences and seminars, local or overseas, to meet the specific needs of their roles, strengthen international exchange and widen their exposure.

Career development opportunities in terms of advancements, lateral transfers and short-term secondment are offered to staff to stretch their capabilities.



Our efforts in staff training and development have earned us a two-year renewal of the "Manpower Developer" status from the Employees Retraining Board's Manpower Developer Award Scheme.

Appreciating staff

Our remuneration package comprises a fixed salary and a discretionary variable pay subject to individual performance. Fringe benefits include annual leave, medical and dental benefits, insurance coverage and MPF. The package is reviewed annually, taking into account factors including market pay trend and inflation.

In the year, we reviewed our pay philosophy and strategy to ensure our pay practices are comparable with the market in attracting and retaining talents.

We presented various awards under an Employee Recognition Framework to eligible staff members and teams to recognize their relentless efforts and contributions.

Our Organization

Communicating with staff

Connecting people within the organization is high on our priority list. Communication sessions are organized for the Managing Director and other Executive Directors to exchange views and suggestions with staff members on work issues. To keep staff informed of the tasks ahead and future directions, the Managing Director hosts a briefing session every year to cascade MPFA's corporate plan to all staff.

Inter-departmental liaison meetings are held regularly for all work units to update each other on the projects in progress and share views on work issues.

Different work units are accommodated in our office premises in three locations. For efficiency and to save travelling time, video conferencing facility is available to connect our offices for meetings and briefings.

In addition, corporate developments and happenings around the workplace are shared through corporate bulletins and staff newsletters.

BUSINESS EFFICIENCY

We strive to streamline our business operations and increase business efficiency and effectiveness with the help of technology.

eService Blueprint

Under our eService Blueprint project, we replaced an old platform with a new one for more efficient submission of data by trustees to MPFA, and adopted electronic means to send payment advice and receipts to ORSO employers. An "eService" platform is provided to MPF intermediaries for submitting returns to MPFA. We are exploring options to expand its functions.

For business partners and the wider public, we introduced an electronic portal for making payments to MPFA, making the process faster, easier, secure and eco-friendly. An electronic platform was introduced for scheme members to check their own personal account information online. We have also upgraded our mobile phone application by adding new functions for more convenient access to information.

Internally, we streamlined several systems to form an all-in-one web-based complaints and enquiries handling system. Meanwhile, we are replacing the old electronic filing system with a new document management system as a centralized repository of all official records to streamline the documents management process. Going forward, we will promote wider use of digital filing for more efficient management of records.

Cybersecurity

With the increasing automation of business operations, we attach great importance to information technology security and are aware of the importance of effective management of cybersecurity risks.

To protect our systems against cybersecurity threats, we have various protective measures and controls in place, install intrusion prevention and detection systems, and perform regular security assessments.


To ensure business continuity, a disaster recovery drill was performed for ePASS systems together with the trustees, the Hong Kong Monetary Authority and the Hong Kong Interbank Clearing Limited in 2016. A separate disaster recovery drill was conducted in 2017 on our internal critical systems.

Our Organization

FINANCIAL RESOURCES

We operate on a self-financing basis with operations funded by statutory fees and investment income generated from a one-off Capital Grant of \$5 billion from the Government in 1998.

Income



		2016-17	2015-16
	%	\$ million	\$ million
Net investment income	93.4	160.1	-25.5
Fees and charges	4.6	7.9	34.7
Interest income	1.3	2.3	1.8
Recoveries from MPF Schemes Compensation Fund	0.7	1.1	–
Total	100	171.4	11.0

In 2016-17, we posted an investment gain of \$160 million. Being the administrator of the MPF Schemes Compensation Fund¹, we started to recoup the expenses incurred in administering the Fund on a cost recovery basis as a new income.

Annual registration fee on MPF schemes, provided under the MPF legislation, is intended to be a major source of recurrent income for MPFA, but its collection has been held in abeyance since 2000.


Other fee income remained subdued. The levels of most of the fees levied on ORSO schemes have not been adjusted since the 1990s. The fee levels can no longer reflect the costs of our work as the Registrar of Occupational Retirement Schemes. We have also temporarily waived the application and annual registration fees payable by MPF intermediaries since the statutory regulatory regime commenced four years ago.

Having consulted the stakeholders concerned, we sought to adjust the fees on ORSO schemes and start collecting fees from MPF intermediaries based on the cost-recovery principle.

Legislative proposals were introduced into the Legislative Council in March 2017², and the new fees will be implemented on 1 January 2018.

Expenditure

We exercise stringent fiscal discipline and make efforts in controlling our expenditure.



		2016-17	2015-16
	%	\$ million	\$ million
Staff cost	68.8	341.9	326.8
Premises expenses	12.2	60.7	107.2
Other expenses	19.0	94.1	91.1
Total	100	496.7	525.1

In early 2016, we consolidated three of our offices to maximize the efficient use of office space, and moved out from a prime commercial district to premises in Kwai Chung at a lower rent. This led to significant reduction in expenditure in 2016-17 and will bring in savings in premises expenses in the coming years.

Financial position

As at 31 March 2017, the capital and reserve of MPFA was \$3.62 billion. Details are set out in the audited financial statements of MPFA on pages 76 to 107.

Going forward, we will continue to explore steady income sources or other funding options so as to achieve a balanced budget in the long run.

¹ The MPF Schemes Compensation Fund is set up under the MPF legislation to compensate MPF scheme members or other persons who have beneficial interests in MPF schemes for any loss in MPF benefits attributable to misfeasance or illegal conduct committed by MPF trustees or any other persons concerned with the administration of those MPF schemes. Currently MPFA administers the MPF Schemes Compensation Fund.

² The proposals were subsequently passed by the Legislative Council.

Percentage in
High Risk Assets (%)

60

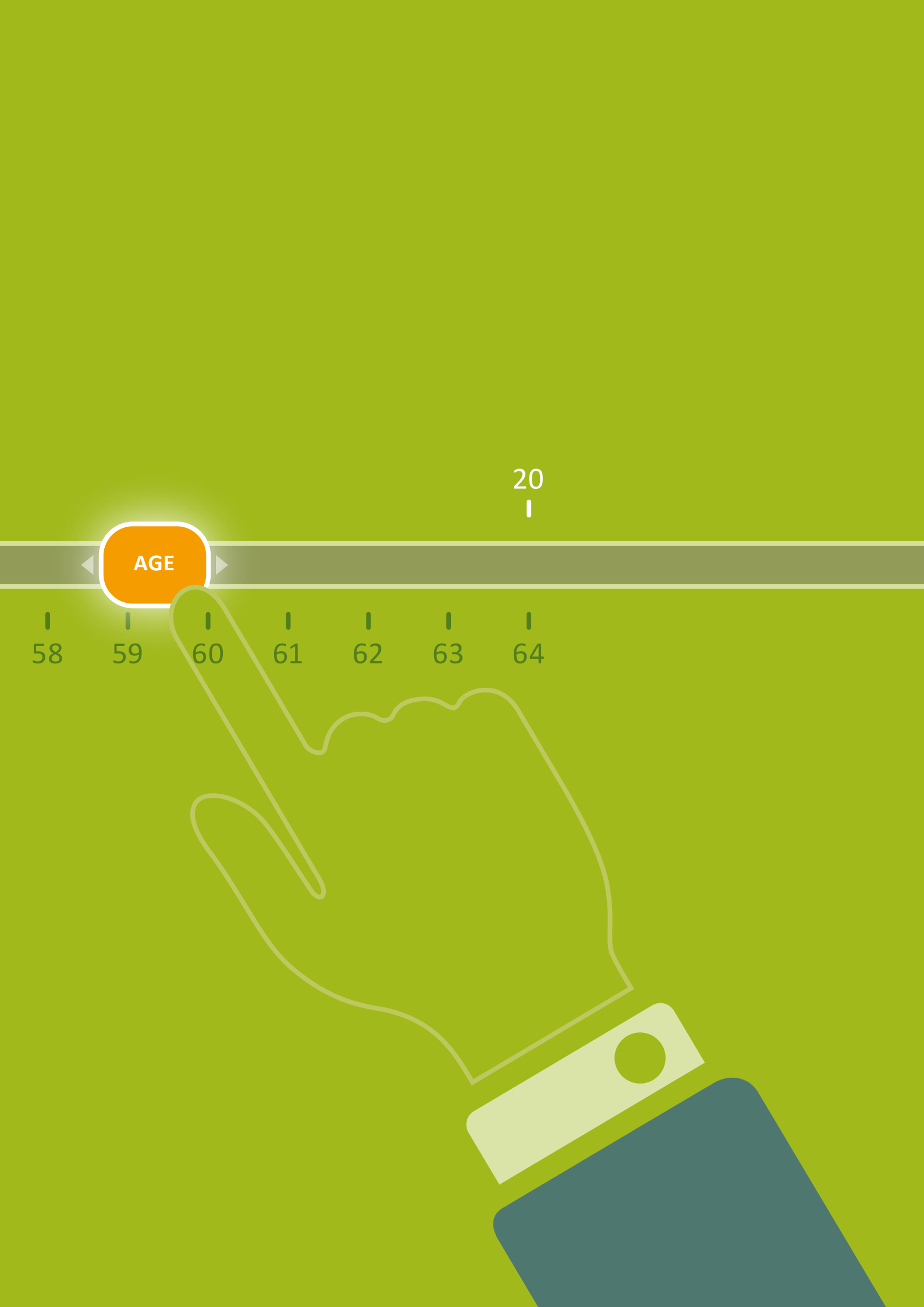


Age	50	51	52	53	54	55	56	57



Automatic De-risking

A scheme member's investments in the DIS in higher risk assets are reduced gradually and automatically as the scheme member increases in age from 50 to 64.



20
|

AGE

58 59 60 61 62 63 64

Statistical Highlights



KEY FIGURES ABOUT MPF

(as at 31.3.2017)

Trustees ¹

18



Intermediaries (total)

32 279

Principal intermediaries ²

408

Subsidiary intermediaries ³

31 871



Schemes ¹

36



Constituent funds

485



Approved pooled investment funds ("APIF") ⁴

307



Approved index-tracking collective investment schemes ("ITCIS") ⁵

137



¹ These refer to the number of approved MPF trustees and MPF schemes. Currently, there are 32 MPF schemes provided by 14 MPF trustees available in the MPF market.

² Principal intermediary refers to a business entity registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes.

³ 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.

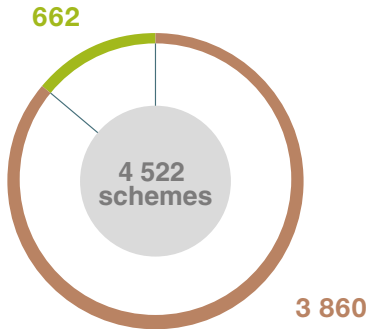
⁴ Approved pooled investment fund ("APIF") refers to a type of investment fund that a constituent fund invests into. It can be in the form of an insurance policy or a unit trust.

⁵ Index-tracking collective investment scheme ("ITCIS") refers to a collective investment scheme which has the sole investment objective of tracking a particular market index.

Statistical Highlights

KEY FIGURES ABOUT ORSO

(as at 31.3.2017)



- Registered schemes⁶
- Exempted schemes⁷



Registered schemes:

Employees covered

374 000

Annual contributions

HK\$27.63 billion

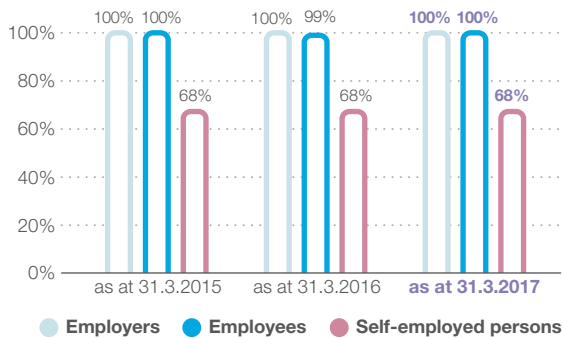
Net asset value

HK\$305.84 billion

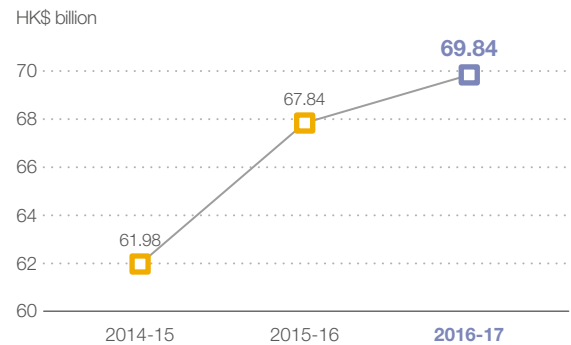


STATISTICAL HIGHLIGHTS OF THE MPF SYSTEM

Enrolment rates (estimated figures)



Annual contribution amounts

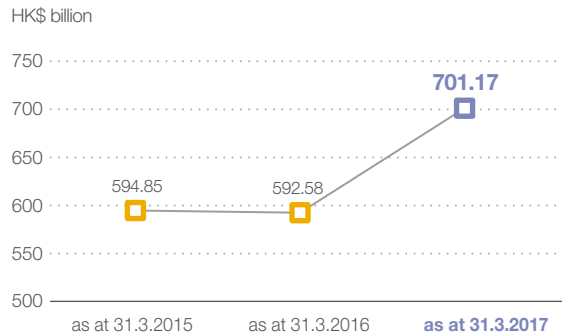


⁶ ORSO registered scheme refers to an ORSO scheme registered under section 18 of the Occupational Retirement Schemes Ordinance.

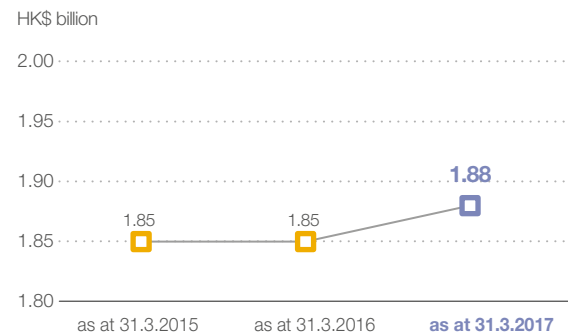
⁷ ORSO exempted scheme refers to an ORSO scheme in respect of which an exemption certificate has been issued under section 7 of the Occupational Retirement Schemes Ordinance and any withdrawal under section 12 of that Ordinance has not come into effect; or an ORSO scheme within the meaning of that Ordinance 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.

Statistical Highlights

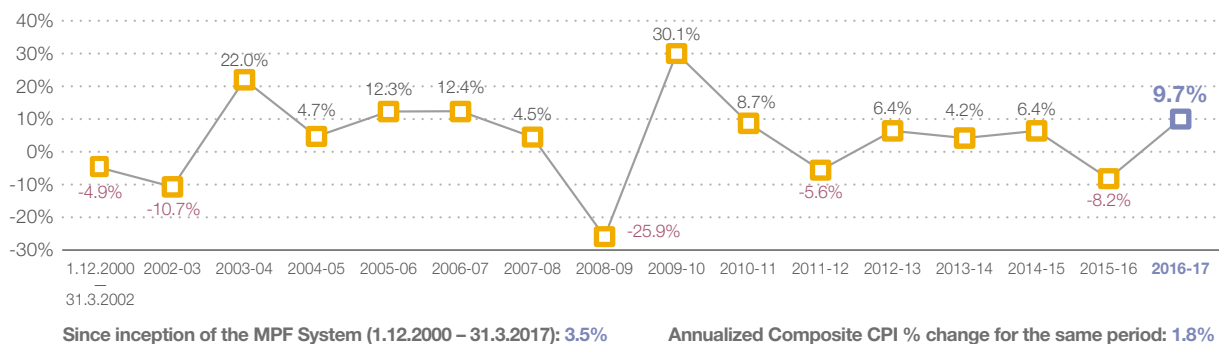
Net asset value of schemes



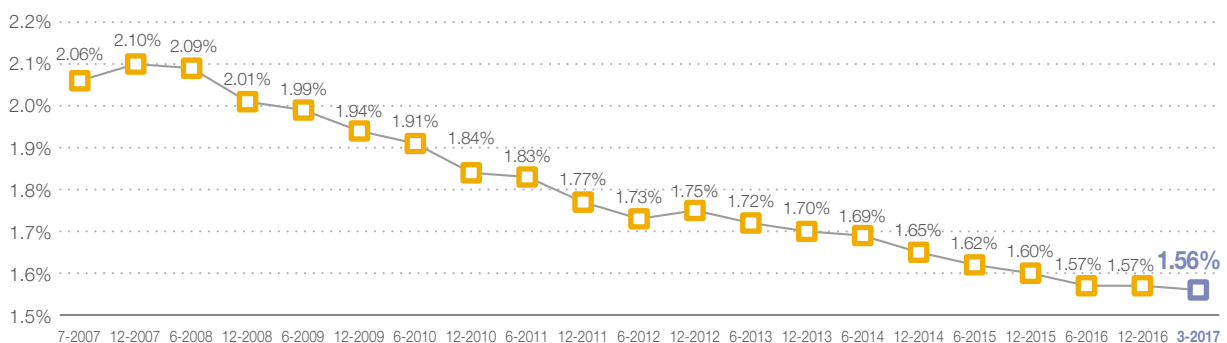
Value of MPF Schemes Compensation Fund⁸



Annualized rate of return (net of fees and charges)



Trend of average fund expense ratio⁹ of constituent fund



⁸ The MPF Schemes Compensation Fund is set up under the MPF legislation to compensate MPF scheme members or other persons who have beneficial interests in MPF schemes for any loss in MPF benefits attributable to misfeasance or illegal conduct committed by MPF trustees or any other persons concerned with the administration of those MPF schemes.

⁹ Fund expense ratio ("FER") is 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 expenses to fund size.

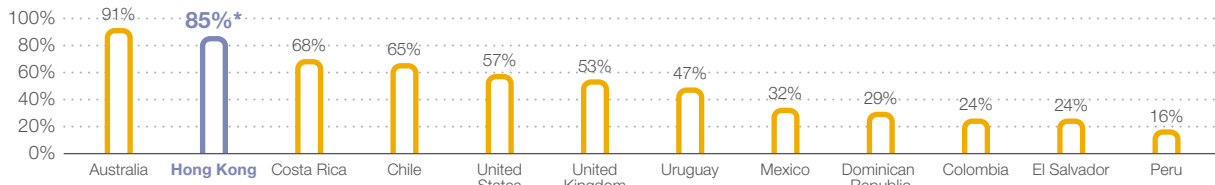
Statistical Highlights

A SNAPSHOT OF HOW MPF IS DOING

Coverage of private pension schemes

*Hong Kong – very high by international standards

Coverage (as a % of employed population)



Source for Australia, United Kingdom and United States: Antolin, P., Payet, S., & Yermo, J. (2012). *Coverage of Private Pension Systems: Evidence and Policy Options* (OECD Working Papers on Finance, Insurance and Private Pensions, No. 20).

Source for other jurisdictions: Asociación Internacional de Organismos de Supervisión de Fondos de Pensiones (AIOS) (2016). *Boletín Estadístico Junio 2016*.

Source for Hong Kong: MPFA

*85% of the total employed population is covered under MPF schemes, ORSO schemes, or statutory pension or provident fund schemes.

Mandatory contribution rates

*Hong Kong – comparable to other mandatory systems

% of wages / earnings

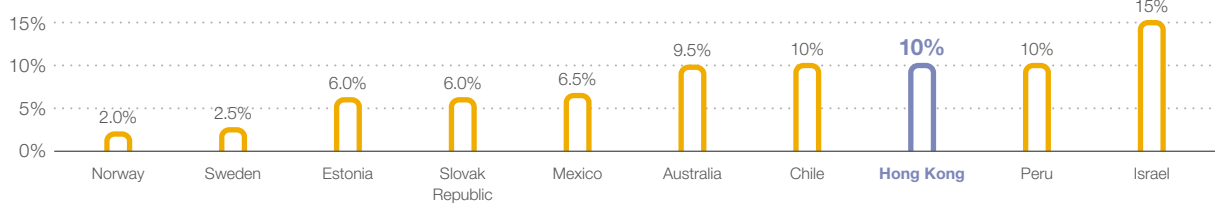


Figure for Sweden refers to Premium Pension System only.

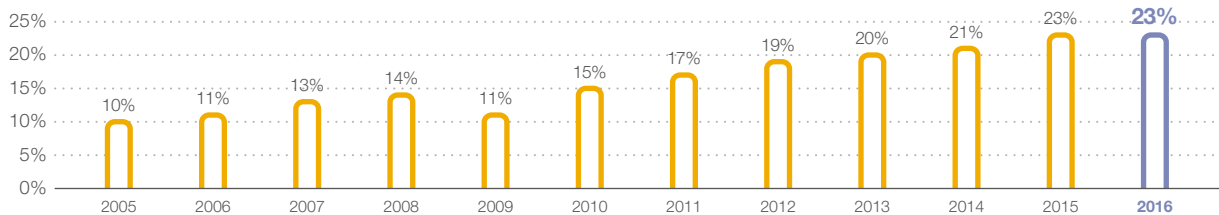
Source for Peru: International Federation of Pension Fund Administrators (2016). *Historical Statistics - Contribution rate*.

Source for other jurisdictions: OECD (2015). *Pensions at a Glance 2015: OECD and G20 indicators*.

Voluntary contributions in MPF System

*Members and employers make use of voluntary contributions to further build up retirement savings

Voluntary contributions (as a % of total contributions)

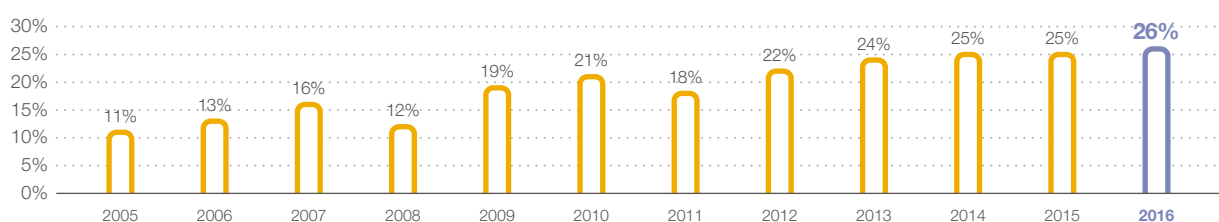


Figures include both voluntary contributions and special voluntary contributions.

MPF assets as compared with Gross Domestic Product

*MPF is gaining increasing importance in the economy

MPF assets (as a % of GDP)



Source: MPFA and Census and Statistics Department.

Business Operations

We are an advocate of the MPF System, striving to refine it and maximize its value for scheme members.

This section summarizes major results of our efforts in the year in improving MPF products, ensuring the smooth operation of the MPF market, supervising the MPF industry, promoting the efficiency of market operations, and protecting the MPF benefits of scheme members.

This section also covers our work as the Registrar of Occupational Retirement Schemes in the year.

MPF PRODUCTS

The DIS

New legislation was enacted on 26 May 2016 to require that MPF trustees provide in each MPF scheme a DIS. The DIS represents a major reform of the MPF System, aiming to address scheme members' concerns about the difficulty of making investment decisions and high fees of MPF. It was launched on 1 April 2017.

Design and development

We designed and developed the DIS with reference to international experience and the advice of OECD experts and Hong Kong industry experts on a strategy suitable for long-term retirement investment. Comments from the previous public consultation entitled "Providing Better Investment Solutions for MPF Members" and input of the industry also formed the basis for the design.

The DIS is a ready-made investment solution, designed mainly for scheme members who do not know how to choose or are not interested in managing their MPF. It uses two mixed assets funds investing in a globally diversified manner with the management fees and recurrent out-of-pocket expenses capped by law. Investment risks are automatically reduced as a scheme member approaches retirement age. The fee cap requirement for DIS is the first of its kind in the MPF System.

In collaboration with the Securities and Futures Commission ("SFC"), we approved 58 constituent funds, 26 APIFs and 9 ITCISs as building blocks of the DIS.

Preparation and implementation

Resources are dedicated to guiding and communicating with trustees in preparation for the launch of the DIS.

We visited trustees on-site to assess their progress of preparation and review their governance, risk management, compliance framework and operational readiness of scheme administration systems. In addition, independent assessments on trustees' readiness were completed before launching the DIS.

After the launch of the DIS, we started a supervisory programme to oversee trustees' implementation of the DIS, and supervised them in carrying out transitional arrangements. On the enforcement side, we refined our strategies to support the implementation of the DIS.

For MPF intermediaries, we developed a new continuing professional development ("CPD") training activity on the DIS. Train-the-trainer sessions and briefing sessions for responsible officers were organized. We also directly delivered messages on the DIS to subsidiary intermediaries via town-hall briefings of industry associations. Moreover, we updated the study notes for the examination of intermediaries to incorporate information on the DIS.

Communication, publicity and education

We carry out territory-wide communication, publicity and education programmes in three phases to get the messages across and raise the public's awareness, particularly of the impact of the statutory requirements on the treatment of MPF benefits.

Following the passage of the new legislation in May 2016, efforts were made to generate public awareness of the DIS and the related legislative changes. Mass media publicity was launched to get scheme members geared up for receiving DIS information from trustees.

Business Operations

In the second phase which started in December 2016, we stepped up publicity to help scheme members and employers understand the DIS. Advertisements were placed in various media channels to raise awareness of the DIS and draw attention to its possible impact on scheme members. We also mobilized all MPF trustees to conduct awareness campaigns to all nine million account holders.

The third phase of publicity started in April 2017, focusing on the transitional arrangements for the existing default investment account holders and the DIS notices issued to the affected scheme members.

Fees and charges

Lower fees can have a significant contribution to long-term investment return. The cap on the management fees of the DIS at 0.75% and the recurrent out-of-pocket expenses at 0.2%, working through market forces, is likely to place further downward pressure on fees of MPF funds, and reduce the FER of MPF funds, which was 1.56% as at 31 March 2017, over time.

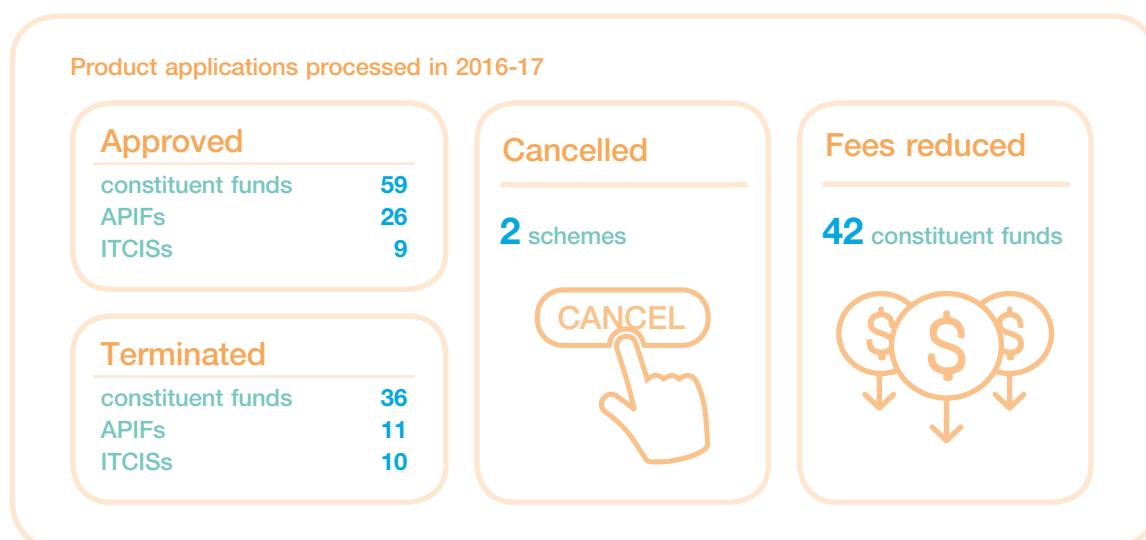
In fact, there has been a steady reduction in the average FER of MPF funds over the years. It dropped significantly by 24% from 2.06% in July 2007 (when the FER was first introduced) to a record low of 1.56% in September 2016 and stayed at this lower level as at 31 March 2017.

During the year, as the preparation of the DIS gathered momentum, 42 pre-existing MPF funds reduced their fees. As at 31 March 2017, there were 170 (41%) low-fee MPF funds (with management fee of 1% or below or FER of 1.3% or below) of different types (128 of them investing in equities and/or bonds)¹.

Product approval

We agreed with SFC on arrangements to make the approval process for new MPF funds more streamlined, efficient and focused on key risks.

For MPF product applications, we provided trustees with a reference checklist to facilitate the preparation of documentation and information.



¹ The number of low-fee funds includes only the constituent funds available for selection in the MPF market. The denominator for calculating the percentage of low-fee funds has been adjusted accordingly.

Business Operations

Disclosure of MPF information

We make ongoing efforts to drive improvements to the materials for disclosing MPF information to scheme members, facilitating retirement planning and decision-making on MPF schemes and funds.

Starting with DIS, we have simplified and standardized presentation in the offering documents for MPF schemes², making them more user-friendly and easier to read. The effort will continue in the coming years.

MPF MARKET

MPF trustees make continuous efforts to enhance the cost-effectiveness of their MPF funds. Since 2003, applications have been received for 36 schemes to be consolidated into 14 schemes.

MPF INDUSTRY SUPERVISION

Trustees

Surveillance, monitoring and enforcement

We adopt a proactive and risk-based approach in monitoring and supervising trustees.

We assess and oversee trustees' compliance and detect potential weaknesses. In respect of areas of concern, we issue circulars to provide guidance and take supervisory or enforcement actions as appropriate. We investigate suspected non-compliance cases and make regulatory responses having regard to factors including the nature and scope of the cases.

Market activities in 2016-17



8 MPF schemes under the trusteeship of the HSBC Provident Fund Trustee (Hong Kong) Limited comprising total assets under management of \$176.4 billion were merged into 4.

Other business activities involving the change of sponsorship for a number of MPF schemes took place:

-  Manulife (International) Limited acquired the sponsorship of MPF and ORSO schemes from the Standard Chartered Bank (Hong Kong) Limited from 1 November 2016.
-  The sponsorship of the Schroder MPF Master Trust (currently known as SunLife MPF Master Trust) was transferred to Sun Life Hong Kong Limited from 1 December 2016.
-  The Hongkong and Shanghai Banking Corporation Limited replaced HSBC Life (International) Limited to act as the Sponsor of HSBC Mandatory Provident Fund – SuperTrust Plus and HSBC Mandatory Provident Fund – ValueChoice from 22 November 2016.

Supervision and enforcement actions in 2016-17



3 circulars were issued to trustees on compliance, scheme administration, and other MPF issues.

184 enquiries were conducted into issues related to scheme administration, arising from inspection, monitoring, enquiries, complaints and trustees' self-reporting.

² Offering document refers to a document that invites participation in an MPF scheme.

Business Operations

Thematic programme

We pursued a focused supervisory programme to address operational risks and governance issues of trustees with key compliance issues.



We closely monitored a trustee's transformation programme to overhaul its governance, risk management, administration infrastructure and processes, through regular meetings with the trustee and with the assistance of an appointed independent consultant.

Intermediaries

Registration

We process applications for registration as MPF intermediaries to engage in MPF sales and marketing activities. New applicants or applicants who have left the industry for three years or more are required to take an examination.

295 complaint cases against trustees were received:

-  235 cases relating to service quality were referred to the trustees concerned to address the issues³; and
-  60 other cases were enquired into with the trustees concerned.

25 cases of suspected non-compliance were investigated.

Supervisory compliance letters were issued to trustees in 93 closed cases in relation to internal controls, regulatory obligations, record keeping, investment compliance, and scheme administration. 6 independent reviews were subsequently engaged by trustees to undertake improvement measures.

23 financial penalty notices were issued to trustees⁴ (fined \$695,000 in total) for non-compliance.

Members of the public can check MPF intermediaries' registration through MPFA's website or hotline.

Training

To maintain professional competencies in MPF business, subsidiary intermediaries must undertake a minimum of 10 hours of CPD activities on MPF each year.

Non-compliance may result in suspension or revocation of registration.

As at 31 March 2017, 38 activities in the form of courses, seminars, lectures or conferences were recognized as core CPD activities for MPF intermediaries. We carry out quality assurance checks on these activities, which include vetting the materials used, visiting classes and reviewing participants' evaluation.

Supervision

MPF intermediaries are required to submit annual returns to MPFA within one month after the end of a calendar year. An "eService" platform is provided on MPFA's website for electronic filing of these returns. 73% of principal intermediaries and 60% of subsidiary intermediaries have made use of the platform to submit their returns for 2016. We will continue to promote wider use of this electronic platform.

We communicate regularly with intermediaries on regulatory requirements and legislative changes that impact on them. This year, two circulars were issued to them on regulatory issues, covering matters relating to personal account enquiries by intermediaries on behalf of scheme members. Five circulars were issued on administration issues, such as information about the DIS.

³ 4 out of 235 cases were related to the DIS concerning trustees' handling of DIS enquiries.

⁴ The non-compliance was in relation to scheme administration, including late reporting of default contributions to MPFA, late processing of transfer or payment of MPF benefits and failure to submit various returns or reports to MPFA, etc.

Business Operations

Enforcement

We regulate MPF intermediaries in conjunction with the frontline regulators (i.e. the Insurance Authority ("IA"), Monetary Authority and SFC) under a multi-regulator model. During the year, 10 on-site inspections were conducted by the frontline regulators.

Where intermediaries or unlicensed persons are suspected to have conducted regulated activities in contravention of the law, we will refer the cases to the relevant frontline regulator(s) for investigation, and impose disciplinary sanctions or take other enforcement actions where appropriate.

In 2016-17,



28 complaints and referral cases against MPF intermediaries were received, mainly concerning failure to comply with the statutory conduct requirements.

8 cases concerning MPF intermediaries were referred to frontline regulators for investigation.

36 compliance advice or reminder letters were issued to principal or subsidiary intermediaries in 23 cases.

A disciplinary order of two-month suspension was made against an MPF intermediary, after the MPF Schemes Appeal Board upheld MPFA's decision.

MARKET EFFICIENCY

Standardization, streamlining and automation of scheme administration

Administrative complexity is one of the challenges to maintaining cost-efficiency and effectiveness of the MPF System. A high percentage of scheme administration matters are still paper-based and processed manually by trustees, each with its own procedures and systems. Such phenomenon has added extra complexity and costs to the System.

Simplified and automated administration would enhance user experience by bringing more flexibility and higher quality services to employers and scheme members. High on MPFA's work agenda is to explore fundamental measures to standardize, streamline and automate MPF scheme administration in the long run with the help of technology.

To this end, we completed consultancy studies on the feasibility, cost-benefit and operational considerations of a preliminary conceptual model of infrastructure and processes for MPF scheme administration.

Along the same vision, the Chief Executive announced in the 2017 Policy Address that the next work target of MPFA is to put in place eMPF, a centralized electronic platform, to facilitate the standardization, streamlining and automation of MPF scheme administration. In this regard, we will work closely with the Government in pursuing the initiative.

Financial Technology ("Fintech")

Fintech is driving innovation and is now commonly considered to cover areas such as payments, big data analytics, applications, etc. Fintech will change the nature of commerce and end-user expectations for financial services.

We are in close liaison with the stakeholders concerned and keeping in view the development of Fintech to understand the benefits and risks that it will bring about, as well as its possible application to enhance the MPF system.

Business Operations

Cybersecurity

With growing concern over cybersecurity issues, we shared views with Hong Kong Monetary Authority (“HKMA”) and briefed trustees on the importance of cybersecurity risk management.

We discussed with trustees international principles and guidelines on cybersecurity and the steps they should take to protect their technological assets and customer information against cybersecurity threats.

We also reminded trustees to set cybersecurity strategies and urged them to conduct regular self-assessment and testing on cyber-resilience for withstanding and recovering from disruption caused by cyber attacks.

PROTECTING MPF BENEFITS

Non-compliant employers

One of MPFA’s primary missions is to protect the rights and interests of MPF scheme members. We take enforcement actions against non-complying employers, including filing civil claims to recover default contributions on behalf of affected employees and initiating criminal prosecutions to instil deterrent effect. In the year, we reviewed our strategies and measures of working with trustees to enhance efficiency of operation in tackling default contributions.

In 2016-17,



2 067 employment establishments were visited under proactive inspection (major targets included catering establishments, retail outlets and construction sites).

278 900 payment notices were issued in respect of default contribution under MPF schemes⁵.

60 049 cases were investigated^Δ

breakdown of alleged offences

Default contribution	59 666 cases
Non-enrolment	1 339 cases
Forced change to self-employed person	20 cases
Others ⁶	559 cases

^Δ as one case may be related to several types of alleged offences, the total number of alleged offences may exceed the total number of complaints

In respect of substantiated non-compliance, civil claims were filed with:

Small Claims Tribunal	538 cases
District Court	61 cases
High Court	1 cases
Bailiff	26 cases
Liquidators	143 cases

36 Garnishee Orders were granted by court to freeze employers’ bank accounts.

9 court orders were granted by court to compel convicted employers to rectify non-compliance with contribution requirements.

\$136.9 million outstanding contributions in MPF schemes were recovered on behalf of employees.



5 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.

6 Others include failure to notify trustees of termination of employment, failure to issue monthly pay record, etc.

Business Operations

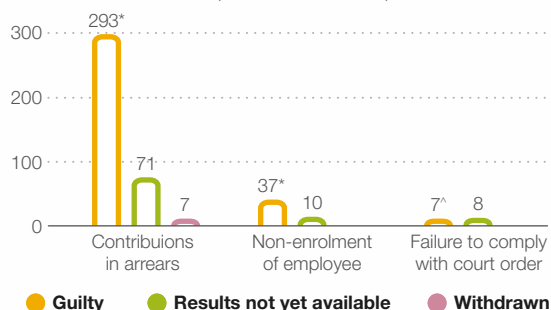
Prosecution actions taken in 2016-17



433 summonses were issued to employers and directors/managers of limited companies for prosecution in respect of their suspected non-compliance.

In a landmark case, the Department of Justice applied to the High Court for leave to commence criminal proceedings against an employer for failing to arrange MPF enrolment and make contributions for its employees, notwithstanding that the company was in the process of winding-up and a provisional liquidator had been appointed. The employer was later convicted and fined \$147,500 by the court.

Prosecution Status (as at 31.3.2017)



* involving 53 employers (total fine: \$1,110,700)

^ involving 5 employers and 2 directors of limited companies (fined between \$6,000 and \$30,000 each). One of the directors was also sentenced to 4 months' imprisonment suspended for 2 years in addition to the court fine imposed.



71 financial penalty notices were issued to repeat defaulters for breach of section 7A(8) of the MPFSO⁷ (involving 69 employers and a total penalty of \$790,108).

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.

As at 31.3.2017



2 546 non-compliance records were kept in the database, including:

- 1 907 civil awards or judgments
- 639 criminal conviction records

Non-compliant members of MPF schemes

Permanent departure from Hong Kong is one of the grounds on which scheme members may withdraw their MPF benefits before attaining retirement age. Some scheme members abuse the arrangement and make false claims to withdraw their MPF benefits on this ground. This affects the amount of savings available to them for retirement. We take prosecution actions in respect of substantiated cases.

Moreover, to tackle syndicate crime in arranging scheme members to make false claims in MPF withdrawal, MPFA refers cases to the Police for investigation from time to time. Four scheme members were charged in 2016-17 and sentenced to 81 to 160 hours of community service.

In 2016-17

78 summonses were issued to scheme members.

Prosecution status (as at 31.3.2017)



[#] involving 42 MPF scheme members (average fine imposed: about \$6,100)

⁷ Failure to pay MPF contributions in respect of an employee to the approved trustee within the prescribed period.

⁸ MPF scheme members made a false statement in order to withdraw their MPF benefits on the ground of permanent departure from Hong Kong.


ORSO SCHEMES

Work of the Registrar of Occupational Retirement Schemes

The MPFA is the Registrar of Occupational Retirement Schemes. We process applications and notifications of changes, monitor compliance, recover default contributions, collect periodic fees, handle enquiries and complaints, and maintain a public register of ORSO schemes.

In 2016-17,

Approved the registration of 39 ORSO schemes.	Approved ORSO exemption in respect of 9 schemes.	Approved MPF exemption in respect of 5 registered schemes ⁹ .
Processed 4 250 annual returns and financial statements of ORSO registered schemes.	Granted consent to 9 ORSO registered schemes for cessation of application of pooling agreements to the schemes.	
Processed 21 overseas compliance certificates and 556 membership statements of ORSO exempted schemes.	Approved 106 applications for change of trustees for MPF exempted ORSO registered schemes.	
Processed 991 notifications of changes in relation to scheme name, administrator, employer and address.	Approved withdrawal of MPF exemption in respect of 112 ORSO registered schemes and 27 ORSO exempted schemes.	
Granted consent to 78 applications for consent for disclosure of information in compliance with the US Foreign Account Tax Compliance Act.	Processed notices of termination given by 139 ORSO registered schemes and 87 ORSO exempted schemes.	



9 MPF exemption refers to an exemption under section 5 of the MPFSO. Members, or a class of members, of an MPF exempted ORSO scheme and their employer are exempt from the operation of all or any specified provisions of the MPFSO. This is an interface arrangement with the MPF System when the System was launched in 2000.

Business Operations

Funding status of ORSO registered schemes

We monitor the funding status of ORSO registered schemes by examining annual returns and audited financial statements. For defined benefit schemes, actuarial certificates must be supplied by designated persons at least once every three years.

According to the relevant reports received up to 31 March 2017,



17 out of 211 defined-benefit ORSO schemes were under-funded, covering around 7 800 scheme members.

Total asset size of these under-funded schemes amounted to \$11,542 million.

Total shortfall of these under-funded schemes was \$662 million (about 5.7% of their total assets). The shortfall was caused by investment loss and/or salary increase higher than the assumption used by actuaries.

The relevant employers have to make up the shortfall in funding by a lump sum contribution or monthly contributions within three years and to submit actuarial certificates annually until the schemes were fully funded. We closely monitor the situation, and the process of making up the shortfall by the relevant employers is smooth.

Relinquishing of MPF exemption status of ORSO schemes

During the year, 139 MPF exempted ORSO schemes, covering about 500 scheme members, relinquished their exemption status. The employers subsequently terminated these schemes and had to enrol the employees in MPF schemes.

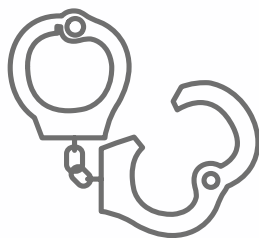
Non-compliance under ORSO

In 2016-17, the following actions were taken to recover default contributions on behalf of affected employees:

233 payment notices were issued in respect of default contribution under MPF exempted ORSO registered schemes¹⁰.

1 civil claim was filed with Small Claims Tribunal.

\$2.2 million outstanding contributions in MPF exempted ORSO registered schemes were recovered on behalf of employees.



We took the following actions in 2016-17 to deal with members of MPF exempted ORSO schemes who made false statements in order to withdraw their minimum MPF benefits on the ground of permanent departure from Hong Kong before attaining retirement age:

2 cases were referred to the Police for investigation.

The prosecution results of 3 cases¹¹ were reported from the Police.

Prosecution Status (as at 31.3.2017)



● Guilty ● Acquitted ● Results not yet available

1 case was referred to the Police before 2016-17, and 1 case was referred to the Police in 2016-17. The cases involved 2 ORSO scheme members (sentenced to 80 hours of community service and three weeks' imprisonment respectively).

10 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.

11 Including 2 cases referred to the Police before 2016-17.

Networking and Engagement

The support from our stakeholders is essential to the sustainable development of the MPF System. We collaborate with various parties to supervise the operation of MPF schemes, promote public understanding of the MPF System as well as the rights and obligations of employers and scheme members, gather views from a broad spectrum of society, gauge the needs of scheme members, and work with all parties (in particular MPF trustees) to enhance the MPF System. Our common goal is to make the MPF System work better as an important pillar in Hong Kong's retirement protection framework.

MPFA's Network Context



MPF TRUSTEES



We maintain a regular dialogue with MPF trustees on MPF-related issues and work closely with them to pursue initiatives to enhance the MPF System.

The Trustees Operations Liaison Group ("TOLG"), comprising representatives from trustees and MPFA, met two times during the year to discuss developments of the MPF System, MPF scheme operation, compliance issues and the development of information systems. Focused discussions on cybersecurity were also held.

The Information Technology Projects Advisory Committee under TOLG met two times during the year to discuss system project plans, application system interfaces, technical infrastructure and ePASS disaster recovery testing arrangement.

A working group was formed with trustees and met five times during the year to discuss and resolve the operational issues relating to the implementation of the DIS.

Networking and Engagement

The Managing Director of MPFA meets regularly with the chief executive officers (“CEO”) of MPF trustees to share updates on the development of the MPF System, brief them on the focus of MPFA’s work, and exchange views with them on MPF-related issues. We started CEO roundtables during the year to exchange views on matters relating to governance and risk management.

The supervision team also holds meetings with the senior management of trustees regularly. The meetings allow MPFA to assess how the trustee controls its operations and views its business prospects, and to discuss supervisory concerns arising from off-site review, on-site inspection and other sources. During the year, we held 14 regular prudential meetings with individual trustees.

Through the Education Liaison Group, trustees join hands with MPFA on initiatives to promote the MPF System and provide MPF investment education to scheme members.

OTHER REGULATORS



We maintain a close dialogue with HKMA and SFC in respect of their supervision of MPF custodians and MPF investment managers and exchange views with them on regulation of MPF products, fund operation issues and the conduct of MPF investment managers from time to time.

Apart from half-yearly meetings, we maintain a close dialogue with the IA in regulating financial groups with both MPF scheme operators and insurance entities, and on matters related to MPF investment funds in form of insurance policies providing retirement-related benefits (i.e. insurance policy APIFs).

In respect of regulation of MPF intermediaries, we convened three meetings of the MPF Intermediaries Regulation Committee in 2016-17 with the frontline regulators (i.e. Monetary Authority, SFC and IA) to exchange views on supervisory and enforcement issues. Three meetings were held during the year with the IA 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.

THE HKSAR GOVERNMENT

GovHK

The MPFA communicates regularly with relevant Government bureaux and departments and collaborates with them in overseeing compliance with the legislation and seeking improvements to the MPF System. These include regular liaison with the Financial Services and the Treasury Bureau, cooperation with the Department of Justice on preparation of legislative proposals and prosecution cases, liaison with the Hong Kong Police on enforcement issues, and joint inspection exercises and coordination of complaint cases with the Labour Department.

LEGISLATIVE COUNCIL AND DISTRICT COUNCILS



Representatives of MPFA participate in meetings of relevant panels/committees of the Legislative Council and District Councils to explain legislative proposals or developments of the MPF System. Monthly reports on the operation of the MPF System are submitted to the Legislative Council Panel on Manpower.

Apart from regular liaison with the offices of Legislative Councillors, a round of meetings was held in December 2016 and January 2017 for MPFA’s senior management to update new and re-elected legislators on the latest developments of the MPF System. A briefing session was also conducted for their assistants and researchers.

Briefings were held for all 18 District Councils from October 2016 to March 2017 on the implementation details of the DIS and its impact on scheme members. District Councillors were also invited to join hands with MPFA to disseminate DIS messages by holding DIS talks in collaboration with MPFA at the district level.

LABOUR UNIONS AND EMPLOYER ASSOCIATIONS



The MPFA closely engages different labour unions and employer associations on various MPF issues. In the year, we sponsored over a dozen activities organized by labour unions at which MPF-related messages were disseminated to some 4 000 union members.

Networking and Engagement

We collaborated with labour unions and employer associations of the construction and catering industries, organized and participated in about 30 outreach activities with a view to promoting the MPF System and the Industry Schemes.

We also consulted major business and employer bodies on relevant legislative amendments that might have an impact on employers.

As a whole, a total of about 150 briefings and talks were delivered to different stakeholders over the year, attracting a total audience of 5 000. While various MPF topics were included in the talks, the DIS was invariably among the main ones.



▲ Reaching out to construction employees



▲ Members of professional bodies provide free one-on-one consultation service to MPF scheme members

PROFESSIONAL BODIES

A number of professional bodies, including those of the legal and accounting professions, are represented on MPFA's Guidelines Committee to advise on the preparation of guidelines relating to the operation of the MPF System. Members of the Institute of Financial Planners of Hong Kong participate in our education programmes from time to time to offer free and independent advice to participants.

In 2016-17, we for the first time engaged the Hong Kong Society of Financial Analysts ("HK SFA") in a seminar jointly organized by MPFA and a local university. Apart from having a representative speaking at the seminar, the HK SFA also engaged volunteers to provide free one-on-one consultation service to Friends of MPF¹ on management of their MPF accounts and investment.

¹ "Friends of MPF" is a programme under which communication with stakeholders and their understanding of MPF are enhanced through the quarterly publication "MPFA Newsletter" and activities arranged for members of the programme.

Networking and Engagement

THE MEDIA



The MPFA works closely with the media to disseminate MPF messages to the general public. During the year, press conferences and briefings were held, including sessions on the preparation for and implementation details of the DIS. Workshops on specific topics were organized for frontline reporters while interviews with MPFA Chairman and directors were arranged.



▲ Press briefing on MPFA's submission to the Commission on Poverty on its public consultation on retirement protection

Notably, MPFA held a press conference on its submission to the Commission on Poverty on the public consultation on retirement protection and another on the release of the research report *Fees and Expenses of MPF Funds: An Overview of the Fund Expense Ratio and Its Trends*. Both events attracted extensive media coverage and helped the public gain a better understanding of the MPF System.

The MPFA also contributed articles to an array of publications on various MPF topics.



▲ Press conference on MPFA's report of Fees and Expenses of MPF Funds: An Overview of the Fund Expense Ratio and Its Trends

GENERAL PUBLIC



Members of the public are provided with information about MPF through various channels, including the media, MPFA's website and mobile applications, online social media platforms, seminars and talks, roving exhibitions, education programmes and publicity campaigns.

Services to the public are provided via a hotline, enquiry counters in MPFA's offices and MPFA's website. Through these channels, we listen to the views of the general public, answer enquiries and handle complaints. Statistics on the enquiries and complaints handled in 2016-17 are on pages 141 to 142.



▲ Infographic videos developed and released on various online social media platforms

Networking and Engagement

SCHEME MEMBERS



We pursue programmes to maintain communication with MPF scheme members, help them understand their rights and obligations under the MPF System, get to know their retirement needs, and learn how to manage their retirement and MPF investment.

In 2016-17, various public education programmes on retirement investment and retirement planning were rolled out to complement the launch of the DIS, including videos, advertisements, advertorials presented in the form of case study analyses by a Certified Financial Planner (“CFP”), publication, comic strips featuring popular local illustrators and public seminar. These reinforce scheme members’ understanding of the principles of

MPF investment and retirement planning, educate them on the importance of early planning for retirement, and draw their attention to the fact that retirement investment should de-risk with age.

Meanwhile, 15 sessions of a retirement planning workshop were organized at the workplaces of individual companies to directly engage “keen-to-know” scheme members, providing them with practical tips on retirement planning and MPF investment. In the workshop, a CFP explained to participants the factors to consider when doing retirement planning, and introduced the MPFA retirement planning mobile application “樂享退休GPS” as well as some useful tools available on MPFA’s website.



▲ Advertorials in the form of case study analyses by a Certified Financial Planner



▲ Investment education video “MPFA TV”



▲ Five Keys to Retirement Investment booklet helps scheme members develop good retirement saving plans

Networking and Engagement

PROSPECTIVE SCHEME MEMBERS



To enhance prospective scheme members' understanding of the MPF System and MPF investment as well as the concept of retirement investment, educational activities and school-based programmes are organized for students of different ages and parents of younger students. Online social media platforms, very popular among many young people, are widely used.

New initiatives in 2016-17 include:



Financial planning-cum-MPF workshops for tertiary students hosted by an expert in financial education;



A series of short videos, interactive games and crossover programmes featuring popular illustrators/ key opinion leaders launched on the Facebook fan page "Rolling My Money" to motivate young people to get to know the importance of financial management, and learn more about the MPF System and MPF investment. The programmes adopt a lively approach in line with the young generation's lifestyle and interests; and



A series of on-campus activities at local tertiary institutions to disseminate messages about the MPF System and MPF investment to tertiary students who would shortly enter the workforce or who currently had part-time jobs. The activities included interactive virtual reality and interactive games.



▲ Financial planning-cum-MPF workshop for tertiary students



◆ On-campus activities at local tertiary institutions



Networking and Engagement

EMPLOYERS



In addition to passing MPF information to employers through employer associations, we organize seminars for new employers, advising them on their MPF obligations as employers and offering tips on the handling of MPF administration work.

The annual Good MPF Employer Award gives recognition to employers who are compliant with the MPF legislation and provide additional retirement benefits to their employees beyond the statutory requirements. A total of 849 employers received the 2015-16 Award, representing an increase of nearly 30% compared to the year before when the Award was first organized. Among them, 543 employers received the Award for two years in a row.



▲ The Good MPF Employer Award presentation ceremony

OVERSEAS AUTHORITIES/ ORGANIZATIONS



International Organisation of Pension Supervisors ("IOPS")

The MPFA is a member of the IOPS, an international standard-setting body for pension supervisory issues with an aim to improve the supervision of private pensions systems around the world. Our Chief Regulation & Policy Officer, Mr Darren McShane, chaired its Technical Committee from June 2014 to March 2017.

We take part in the development of global thinking on private pensions through exchange of experience with IOPS members from over 70 countries and territories and engaging in the drafting of working papers relating to pension regulation and supervision for IOPS. The insights gained further assist us in ongoing reforms of the MPF System.

The IOPS Technical Committee held three meetings in 2016-17, one of which was held in Hong Kong together with the IOPS Annual General Meeting and back-to-back with the OECD/IOPS Global Forum on Private Pensions.

Networking and Engagement

OECD/IOPS Global Forum on Private Pensions

On 9-10 November 2016, MPFA co-hosted with the OECD and IOPS the OECD/IOPS Global Forum on Private Pensions, a major annual event of IOPS, in Hong Kong for the first time, in commemoration of the 15th anniversary of the MPF System.

Over 200 representatives from pension supervisors of 44 jurisdictions and the local MPF and pension fund industries attended the event. The participants discussed cutting-edge issues facing private pensions systems around the world and exchanged views on how to address them and how to manage and react to the evolution of these systems.

The forum covered major developments in Hong Kong's retirement savings systems, current trends in other Asian and global pension systems, the challenges of rationalizing the costs of private pension arrangements, and the interaction between private and public pensions in some countries.



“Our multi-pillar retirement protection system is built upon the key principle that caring for the elderly is a responsibility to be shared by individuals, families and the community. For our system to be sustainable in the long run, it should continue to encourage private savings among those able and willing to work so that public resources can be targeted to those in need. The Government should play a crucial role in making each of the pillars, namely the social security pillar, the in-kind support pillar, the voluntary savings pillar and the MPF pillar, work better.”

– Mrs Carrie Lam, then Chief Secretary for Administration, HKSAR Government

“The issue of pensions and retirement savings is a crucially important one all around the world. The Forum confronts many aspects of a broad challenge that all jurisdictions represented here have to grapple with – how to provide income security for the elderly in an increasingly ageing world.”

– Dr David Wong, Chairman, MPFA



Networking and Engagement

Participating in international conferences and meetings

Our executives take opportunities to participate in international conferences and meetings to establish a close rapport and exchange information with local and global professionals.

April 2016

Asia Pacific Pension Forum

(by Association of Superannuation Funds of Australia and Hong Kong Retirement Schemes Association)
(in Hong Kong)

- Chairman spoke on “MPF is an Integral Part of Hong Kong’s Retirement Protection”
- Chief Regulation & Policy Officer was the panellist at a discussion session on MPF

June 2016

Roundtable on Insurance and Retirement Saving

(by OECD, Asian Development Bank Institute)
(in Tokyo, Japan)

- Chief Regulation & Policy Officer spoke on “Different approaches to design a balanced public and private retirement provision”

July 2016

MPF Forum: Marching Ahead for Default Investment Strategy

(by Gain Miles)
(in Hong Kong)

- Chief Corporate Affairs Officer spoke on “New milestone in the MPF System – DIS”

Seminar on the MPF System

(by Fundo de Segurança Social of Macao SAR Government)
(in Macao)

- Our representative talked about the developments and challenges of the MPF System, and its role in the retirement protection system in Hong Kong

September 2016

Hong Kong Pension Actuary Symposium

(by Actuarial Society of Hong Kong)
(in Hong Kong)

- Chief Regulation & Policy Officer spoke on “How the new DIS will change the retirement savings landscape”

Global Pension and Savings Conference

(by World Bank)
(in Washington, DC, USA)

- Chief Corporate Affairs Officer and Head (Enforcement) attended

November 2016

HR Conference

(by Classified Post)
(in Hong Kong)

- Chief Corporate Affairs Officer spoke on “Evolution of the MPF System – DIS”

Annual Meeting of the Global Future Councils

(by World Economic Forum)
(in Dubai, United Arab Emirates)

- Chief Operating Officer attended

Seminar on Investment Funds

(by Hong Kong Institute of Certified Public Accountants)
(in Hong Kong)

- Head (Trustees Supervision) spoke on “The implementation of DIS and the role of the auditing profession”

Networking and Engagement

Receiving visitors

We receive visitors from overseas and the Mainland, briefing them on the key features and latest developments of the MPF System as well as the roles of MPFA. We also exchange views and share regulatory experience with them, thereby promoting understanding of the MPF System and enhancing the image of the System and MPFA internationally.

Visitors in 2016-17 include:

11 April 2016	Mr Ruslan Yerdenayev of Unified Accumulative Pension Fund, The Republic of Kazakhstan	
27 June 2016	A delegation from Association of Provident Funds, Thailand	
27 June 2016	A delegation from International Centre of Social Security Studies at Chinese Academy of Social Sciences	
28 June 2016	A delegation from Institute for Social Security Research, Ministry of Human Resources and Social Security, the Mainland	
7 July 2016	A delegation from the State Administration of Foreign Experts Affairs of Qinghai Province, the Mainland	
7 November 2016	A delegation from Retirement Protection Section, Shenzhen Social Insurance Fund Office, the Mainland	
11 November 2016	IOPS members	
22 November 2016	Mr Thierry de Longuemar and Mr Edward Cheng of Asian Infrastructure Investment Bank	
30 November 2016	A delegation from China Insurance Regulatory Commission	
20 January 2017	A delegation from China Securities Regulatory Commission	

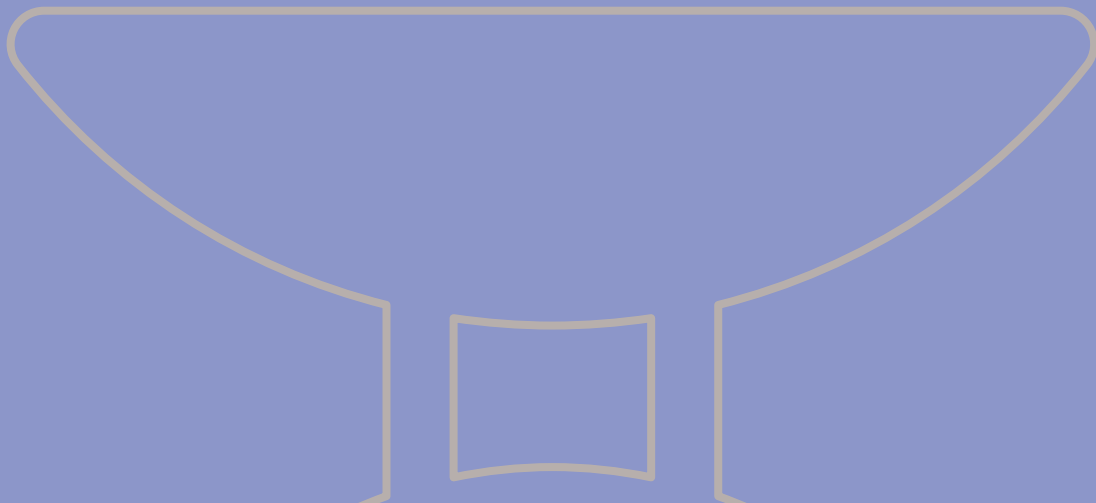
Fee Caps

Management fees of the DIS fund are not more than 0.75% per annum of the net asset value of the fund (calculated on a daily basis). Recurrent out-of-pocket expenses of the DIS fund are not more than 0.2% per annum of the net asset value of the fund.



**MPF
Fee**

**MPF
Fee**



MAX



Corporate Social Responsibility

MPFA strives for a sustainable future for the working population in Hong Kong through building a retirement savings system that is valued by Hong Kong people, and in the process makes responsible and caring efforts towards our staff, the environment and the community, particularly the elderly.

— Corporate social responsibility policy statement, MPFA

MPFA's Core Values

With Commitment, Quality, Teamwork and Community Perspective as its core values, MPFA is committed to integrating corporate social responsibility ("CSR") principles into its daily operations. We persist in our efforts to foster sustainable development of the MPF System in the interest of the working population in Hong Kong, and pursue initiatives to protect the environment, extend our care to the community and enhance the well-being of our employees.



Corporate Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE








CSR development in MPFA is overseen by the CSR Committee, chaired by Chief Corporate Affairs Officer and comprising representatives of the Staff Welfare Committee, the Volunteer Team and different divisions and departments. It steers the direction of our CSR strategic developments, promotes and enhances awareness of CSR within the organization, coordinates corporate wide CSR-related programmes, formulates annual plans of CSR initiatives and regularly evaluates their effectiveness.

To keep abreast with the latest practice and development in CSR and to understand how CSR initiatives might be integrated into our operations, the CSR Committee invited the Hong Kong Quality Assurance Agency during the year to brief us on the international standards on social responsibility.

The MPFA's CSR initiatives, covering the aspects of environment, community and employees, are communicated regularly to staff to encourage their support and participation.

employers led to a saving of about 60 000 pieces of papers in 2016-17.

In MPFA's office, various measures are adopted to save energy and paper:

-  switching off lighting for the general office areas during lunch time;
-  installation of timers to turn off office lighting and equipment automatically at the preset time after office hours;
-  use of energy-efficient computer equipment;
-  use of LED spotlights in reception areas and conference rooms;
-  automation of internal administrative procedures, including leave application, reimbursement of travelling expenses, ordering of stationery items and reservation of meeting rooms;
-  promoting electronic filing to streamline the document management process and reduce the need for paper printing; and
-  sending corporate e-greeting cards at Christmas and Chinese New Year.

ENVIRONMENTAL PROTECTION



The MPFA has established an Environmental Protection Charter. It strives consciously to integrate all reasonable and practical environment protection measures into its work plans to ensure its operations and activities are conducted in a responsible manner conducive to a green environment.

Reduce energy and paper consumption

Initiatives to streamline and automate MPF scheme administration in recent years have not only enhanced operational efficiency but also reduced the use of paper. The "eService" provided to MPF intermediaries for filing of annual return and the cancellation of issuance of paper-based Participation Certificates to

Use of resources

Electricity

2016-17

Total consumption	1 397 245 kWh
Consumption per unit office area	123 kWh/m ²

2015-16

Total consumption	1 611 711 kWh
Consumption per unit office area	128 kWh/m ²



Office paper

2016-17

Total consumption	23 308 kg
Consumption per employee	40 kg

2015-16

Total consumption	25 766 kg
Consumption per employee	45 kg



Corporate Social Responsibility

Reuse, recycle and upcycle

To minimize construction waste and reduce consumption of materials during office relocation, most of the existing office furniture items (e.g. filing cabinets, desks, meeting tables, pedestals and chairs) are reused in the new office.

Recycle bins are placed in our offices to collect waste paper, plastics, aluminium cans and glass bottles for recycling. A total of 22 460 kg of waste paper was collected for recycling in 2016-17. Recycled paper and paper produced from environmentally friendly sources are procured for use in the office. We also donate old computer equipment to a charitable organization.

To further reduce waste, some old or broken furniture that would otherwise be disposed of as waste was upcycled and transformed into useful parts or items for use in the office.

The MPFA was awarded in 2016-17 the Excellence Level of Wastewi\$e Certificate in the Hong Kong Green Organisation Certification led by the Environmental Campaign Committee under the Environment Bureau

for the seventh consecutive year. This is a recognition of MPFA's continuous efforts in promoting environmental protection and waste reduction. MPFA so far has attained a total of 21 Wastewi\$e goals, which are related to paper saving, materials recycling and green procurement.

CARING FOR THE COMMUNITY



Volunteer service and charity events

With persistent support from the CSR Committee and the Volunteer Team, staff members and their families and friends clocked up more than 1 500 hours of volunteer service during the year. These include charitable activities and community services to the elderly and to young students.

Our Volunteer Team members participated in activities organized by local social service organizations and visited the elderly living in public housing estates to bring them traditional food and “lucky bags” with warm greetings at festive times.



▲ Volunteer Team members and their families paid visits to the elderly at festive times

Corporate Social Responsibility

Regarding the young generation, MPFA offered summer internship placements for 18 students including students with special needs. Our volunteers also participated in an English Interview Workshop Programme to help senior secondary school students to improve their English standard and job interview skills.

We supported a number of fund-raising events including flag selling days, The Community Chest's Dress Casual Day and Walk for Millions. Colleagues teamed up to participate in the Sowers Action Challenging 12 Hours charity marathon in support of education for students in remote regions on the Mainland, and got a silver award for corporate participation. Volunteer Team members provided service support at the finishing point at the same event.



▲ Participation in Walk for Millions and Sowers Action charity marathon

Outside Hong Kong, through a programme of the China Care Fund, MPFA staff provided financial support to three high school students in Gansu Province in support of their high school studies. Individual staff also joined the programme to contribute personally to funding the education of high school students on the Mainland.

In 2016-17, MPFA staff raised over \$80,000 in charitable donations for the benefit of The Community Chest, a district elderly community centre and students in remote poor areas on the Mainland.

As a signatory organization of the Organ Donation Promotion Charter, MPFA is committed to promoting organ donation. Representatives from the Hong Kong Transplant Sports Association were invited to give a briefing to raise our staff's awareness of organ donation and to encourage prospective donors to voluntarily register in the Centralised Organ Donation Register.



Corporate Social Responsibility

Services and facilities for the public

To provide better service to the public and improve customer experience, new facilities are introduced at the reception area of our offices:



Ticketing machine for triage of visitors and better queue management;



TV panel to provide MPF-related information to visitors awaiting service; and



Enquiry booths for general enquiries and designated interview rooms for discussion of confidential matters.

Ombudsman Awards

The MPFA was chosen by The Ombudsman as one of the three awardees for the 2016 Ombudsman's Award for Public Organisations for its ongoing commitment to providing professional and quality service to the public. It is the second time we receive the award since the last one in 2010.

Also in 2016, two colleagues received The Ombudsman's Award for Officers of Public Organisations. This is the 14th year our colleagues are recognized in the Awards for their service excellence to the public.



"The MPFA believes that each and every complaint provides it with a valuable opportunity to better understand the needs of MPF scheme members and seek ways to improve the MPF System. We are always ready to listen and to look for room for improvement to further enhance the MPF System, making it a retirement savings system that is valued by the people of Hong Kong."

– Mrs Diana Chan, Managing Director, MPFA

We continuously enhance our website with web accessibility design elements to facilitate barrier-free and convenient access to the information and services on the website by members of the public, including those with special needs. For this, MPFA's website was granted a Gold Award in the Web Accessibility Recognition Scheme 2016.

Corporate Social Responsibility

CARING FOR STAFF



Workplace quality

We believe that a quality working environment helps bring about quality work. In addition to observing related labour laws and standards, we have gone extra miles to take care of the physical and mental well-being of our staff.

Filters with NSF 53 certification are installed to reduce lead in potable water. In the head office, staff members can enjoy lunch or organize staff activities in a podium garden amid fresh air and trees. They can also take a short break or hold informal meetings at the breakout areas in a more relaxed manner.

We take into account the needs of staff in different genders and adopt several gender mainstreaming measures in our new head office.



We convert part of the male toilets to female ones to accommodate the higher proportion of female staff; and



we provide nursing mothers with lactation rooms equipped with a refrigerator, comfortable chairs and power sockets. During the year, the capacity of the facility was increased to meet the increasing demand.

Regarding safety at work, a total of 115 assessments were conducted in 2016-17 to comply with the occupational safety and health legislation to assess and re-assess the risks of workstations to the safety and health of staff. Suitable accessories such as keyboard drawers, document holders, footrests, etc. were provided to them accordingly.

A team of staff trained in first-aid is maintained at our offices to provide immediate first-aid assistance to fellow workers in case of emergency. Recruitment of new first-aiders and renewal of certificates of existing first-aiders are arranged when necessary. As at 31 March 2017, there were seven qualified first-aiders in MPFA. Some of them are also trained and equipped with the skills in using the Automated External Defibrillators.

Through regular meetings of the Premises and Facilities Management Committee, comments and suggestions on the working environment are collected from staff working in different offices, with a view to improving premises management as well as information technology and office facilities and provisions.

Employee wellness

In 2016-17, as recognition of MPFA's support for staff in their family role, MPFA was awarded:





the Family-friendly Employer Award and Award for Breastfeeding Support under the "Family-friendly Award Scheme" jointly organized by the Home Affairs Bureau and the Family Council; and



a certificate for continued commitment to the "Say Yes to Breastfeeding" Community Support Campaign initiated by UNICEF HK in collaboration with the Food and Health Bureau and Department of Health.

Corporate Social Responsibility

We also showed our care for staff's personal life through:

-  extending the Employee Assistance Programme¹ to cover staff's parents on top of spouse and children;
-  a retirement planning workshop in which a Certified Financial Planner introduced different retirement planning tools;
-  an investment knowledge series delivered by an experienced financial trader and ex-regulator to share the operation of financial markets and ways to effectively manage personal investments; and



health talks given by professionals on different issues related to personal health care and well-being.

Through our Staff Welfare Committee and interest clubs, we arrange different activities to promote work-life balance. These include regular interest classes such as craft work; festive food-making and a series of stretching exercise workshops; sports activities among staff and basketball competition with other regulators; and an Annual Dinner, etc.

CARING ORGANIZATION

The MPFA was 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.



▲ Staff members showed their talents at the Annual Dinner



¹ Under the Employee Assistance Programme, counselling services are provided to staff members and their family members who wish, on a voluntary and confidential basis, to talk to external qualified professionals when they encounter work, family or personal problems.

Corporate Social Responsibility



▲ *Stretching exercise workshop*



▲ *Bowling Night*



▲ *Supervisory Cup basketball competition with other regulators*



▲ *Mini bonsai plants workshop*

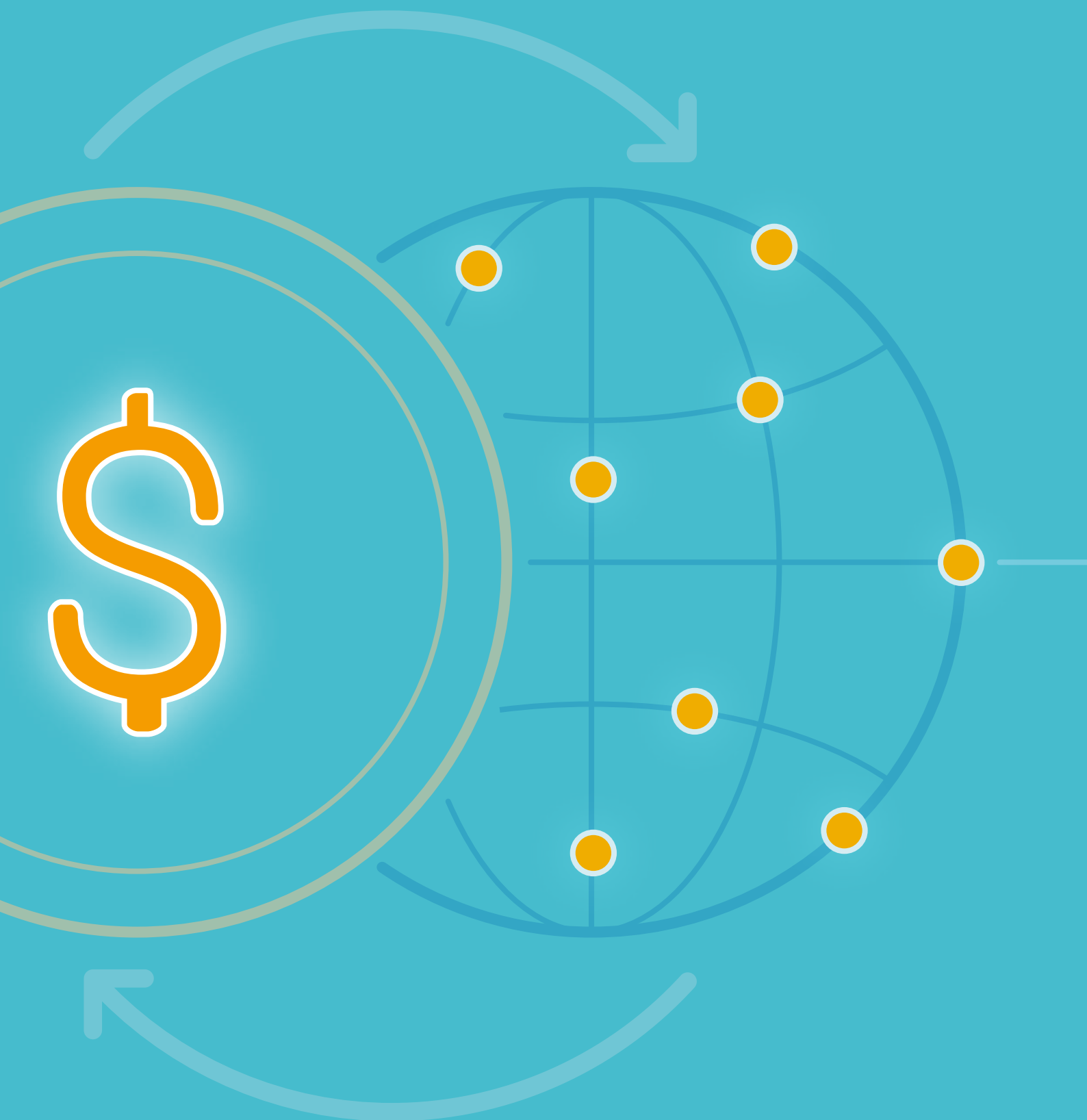


MPE



Globally Diversified

The DIS is made up of mixed assets funds investing in global markets and in different asset classes (e.g. equities, bonds, money market instruments).



Independent Auditor's Report

TO THE MANDATORY PROVIDENT FUND SCHEMES AUTHORITY (THE "MPFA")

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

Opinion

What we have audited

The financial statements of the MPFA set out on pages 79 to 107, which comprise:

- the statement of financial position as at 31 March 2017;
- the income and expenditure account for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in capital and reserve for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the MPFA as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the MPFA in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

Other Information

The MPFA is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the MPFA and the Audit Committee for the Financial Statements

The MPFA is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the MPFA determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the MPFA is responsible for assessing the MPFA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the MPFA either intends to liquidate the MPFA or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the MPFA's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 MPFA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the MPFA.
- Conclude on the appropriateness of the MPFA's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MPFA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the MPFA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19 June 2017

Income and Expenditure Account

For the year ended 31 March 2017

	Notes	2017 HK\$	2016 HK\$
INCOME			
Fees and charges	7	7,856,408	34,711,576
Recoveries from the Mandatory Provident Fund Schemes' Compensation Fund	22	1,109,730	–
Interest income on bank deposits		2,307,993	1,807,427
Net investment income/(loss)	8	160,104,377	(25,545,865)
		171,378,508	10,973,138
Other income		2,805	7,779
		171,381,313	10,980,917
EXPENDITURE			
Staff costs	10	341,880,370	326,837,830
Depreciation and amortisation	13, 14	23,894,220	14,571,016
Premises expenses		60,666,462	107,233,908
Public education and publicity expenses		25,708,838	27,271,446
Investment expenses		10,464,747	11,427,712
Auditor's remuneration		242,000	231,500
Other operating expenses		33,889,734	37,572,714
		496,746,371	525,146,126
DEFICIT FOR THE YEAR		(325,365,058)	(514,165,209)

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

Statement of Comprehensive Income

For the year ended 31 March 2017

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

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

Statement of Financial Position

At 31 March 2017

	Notes	2017 HK\$	2016 HK\$
NON-CURRENT ASSETS			
Property and equipment	13	42,920,567	48,384,406
Intangible assets	14	14,877,260	14,901,377
Projects in progress	15	1,678,166	7,462,642
Other non-current deposits		13,377,729	13,375,704
		72,853,722	84,124,129
CURRENT ASSETS			
Investments designated at fair value	16	3,303,943,083	3,541,601,597
Interest receivable on investments designated at fair value		14,446,143	16,248,960
Derivative financial instruments	17	227,114	1,012,396
Unsettled investments receivable		6,818,424	24,971,662
Debtors, deposits and prepayments		8,105,482	15,810,153
Bank deposits		191,000,000	232,100,000
Cash and cash equivalents		446,875,895	515,634,454
		3,971,416,141	4,347,379,222
NON-CURRENT LIABILITIES			
Other payables		10,759,531	10,759,531
		10,759,531	10,759,531
CURRENT LIABILITIES			
Derivative financial instruments	17	3,076,257	6,652,524
Unsettled investments payable		379,277,013	416,684,347
Creditors and accrued charges		29,684,656	50,538,585
Fees received in advance		3,577,100	3,608,000
		415,615,026	477,483,456
NET ASSETS			
		3,617,895,306	3,943,260,364
CAPITAL AND RESERVE			
Capital grant	18	5,000,000,000	5,000,000,000
Income and expenditure account		(1,382,104,694)	(1,056,739,636)
		3,617,895,306	3,943,260,364

The financial statements on pages 79 to 107 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 19 June 2017 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 2017

	Capital Grant HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2015	5,000,000,000	(542,574,427)	4,457,425,573
Deficit for the year	–	(514,165,209)	(514,165,209)
At 31 March 2016	5,000,000,000	(1,056,739,636)	3,943,260,364
Deficit for the year	–	(325,365,058)	(325,365,058)
At 31 March 2017	5,000,000,000	(1,382,104,694)	3,617,895,306

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

Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK\$	2016 HK\$
OPERATING ACTIVITIES		
Deficit for the year	(325,365,058)	(514,165,209)
Adjustments for:		
Depreciation and amortisation	23,894,220	14,571,016
(Gains)/losses on disposals of property and equipment and intangible assets	(58,422)	114,739
Interest income on bank deposits	(2,307,993)	(1,807,427)
Interest income on investments designated at fair value	(54,476,357)	(59,693,409)
Dividends from investments designated at fair value	(19,285,745)	(20,702,270)
Net (gains)/losses on investments designated at fair value	(76,339,862)	98,984,566
Net (gains)/losses on derivative financial instruments	(8,109,695)	7,846,436
Operating cash flows before movements in working capital	(462,048,912)	(474,851,558)
(Increase)/decrease in other non-current deposits	(2,025)	3,775,715
Decrease/(increase) in debtors, deposits and prepayments	7,868,052	(387,204)
(Decrease)/increase in other payables, creditors and accrued charges	(9,324,238)	42,383,683
Decrease in fees received in advance	(30,900)	(140,400)
NET CASH USED IN OPERATING ACTIVITIES	(463,538,023)	(429,219,764)
INVESTING ACTIVITIES		
Dividends received from investments designated at fair value	18,834,963	21,711,913
Interest received on bank deposits	2,144,612	1,943,912
Interest received from investments designated at fair value	56,279,174	61,051,484
Proceeds on disposals of property and equipment and intangible assets	103,990	12,017
Proceeds on disposals of investments designated at fair value	6,527,114,732	7,952,721,160
Purchase of property and equipment, intangible assets and projects in progress	(24,197,046)	(57,105,990)
Purchase of investments designated at fair value	(6,231,919,670)	(7,495,906,866)
Net settlement of derivative financial instruments	5,318,709	5,799,494
Decrease/(increase) in bank deposits	41,100,000	(28,576,863)
NET CASH FROM INVESTING ACTIVITIES	394,779,464	461,650,261
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(68,758,559)	32,430,497
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	515,634,454	483,203,957
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	446,875,895	515,634,454
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances held for investment purposes	77,331,871	249,428,681
Short term debt securities	364,860,078	256,846,884
Other bank balances and cash	4,683,946	9,358,889
	446,875,895	515,634,454

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

Notes to the Financial Statements

For the year ended 31 March 2017

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 8, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, 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”)

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2016 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.

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for MPFA’s operating leases. However, the MPFA has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the MPFA’s profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the MPFA does not intend to adopt the standard before its effective date.

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.

Notes to the Financial Statements

For the year ended 31 March 2017

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”).

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

Fees and charges consist of application fees, annual fees and financial penalties arising from retirement schemes registered under the Occupational Retirement Schemes Ordinance (“ORSO schemes”) and Mandatory Provident Fund schemes (“MPF 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.

Notes to the Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Impairment of financial assets

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

Objective evidence of impairment could include:

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

For financial assets carried at amortised cost, an impairment loss is recognised in the income and expenditure account when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

3.5 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability. The MPFA's financial liabilities are generally classified as other financial liabilities.

Other financial liabilities, including other payables, 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.

Notes to the Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Notes to the Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 which are not yet completed and not yet subject to depreciation or amortisation. They are capitalised as property and equipment or intangible assets upon completion when the economic benefit can be realised.

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.

Notes to the Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Other payables, creditors and accrued charges

Other payables, creditors and accrued charges are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Other payables, 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 MPF schemes are charged as expenses when employees have rendered services entitling them to the benefits.

Notes to the Financial Statements

For the year ended 31 March 2017

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 2017, 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 2017. 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\$3,421,252 (2016: HK\$3,480,692), 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\$3,421,252 (2016: HK\$3,480,692), 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.

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS

6.1 Categories of financial instruments

	2017 HK\$	2016 HK\$
Financial assets		
At fair value	3,304,170,197	3,542,613,993
Loans and receivables (including bank deposits, cash and cash equivalents and receivables)	674,602,505	812,066,610
Financial liabilities		
At fair value	3,076,257	6,652,524
Other financial liabilities	411,196,566	468,043,537

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, other payables, 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 capitalisation 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.

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

6.3 Credit risk

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

The investment portfolios can only invest in debt securities that have a minimum credit rating of BBB (2016: BBB) by Standard & Poor's Ratings Services ("S&P") and Baa2 (2016: Baa2) 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/A2 (2016: A/A2).

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

Credit rating	2017 HK\$	% of net assets	2016 HK\$	% of net assets
AAA ¹	103,901,664	3	107,878,058	3
AA ²	1,380,268,977	38	1,580,299,361	40
A ³	721,942,492	20	787,079,482	20
BBB ⁴	213,552,610	6	245,877,361	6
	2,419,665,743	67	2,721,134,262	69

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

4 BBB means between BBB and BBB+ by S&P and Baa2 and Baa1 by Moody's

The weighted average credit rating of the total debt securities portfolio is AA-/Aa3 (2016: 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 2017 and 2016, none of the assets is impaired nor past due but not impaired.

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

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 (2016: 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 (2016: 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\$0.6 million (2016: HK\$0.7 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 (2016: 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 (2016: up to two years) above the benchmark duration.

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

	2017 Years	2016 Years
Benchmark duration	5.63	5.27
Portfolio duration	5.06	5.30

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 (2016: 10 basis points) movements. As at the reporting date, if interest rate had fluctuated by 10 basis points (2016: 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	
	2017 HK\$	2016 HK\$
If interest rate were 10 basis points lower	12,243,610	14,435,025
If interest rate were 10 basis points higher	(12,243,610)	(14,435,025)

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

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 2017, if the Equity Market^{Note} had increased or decreased by 10% (2016: 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\$99.6 million (2016: HK\$91.7 million).

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

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

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% (2016: 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% (2016: 10%) of the value of the investments denominated in the same currency and the total over-hedging position must not exceed 1% (2016: 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.

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:

	2017						Total HK\$ equivalent
	HK dollar HK\$ equivalent	%	US dollar HK\$ equivalent	%	Others HK\$ equivalent	%	
Financial assets							
Investments designated at fair value	958,608,398	29%	2,104,049,569	64%	241,285,116	7%	3,303,943,083
Derivative financial instruments	-	0%	225,038,025	90%	25,251,970	10%	250,289,995
Interest receivable on investments							
designated at fair value	4,852,392	34%	9,593,751	66%	-	0%	14,446,143
Unsettled investments receivable	1,312,431	19%	2,566,486	38%	2,939,507	43%	6,818,424
Debtors and deposits	15,462,043	100%	-	0%	-	0%	15,462,043
Bank deposits	191,000,000	100%	-	0%	-	0%	191,000,000
Cash and cash equivalents	8,494,948	2%	438,369,464	98%	11,483	0%	446,875,895
	1,179,730,212	28%	2,779,617,295	66%	269,488,076	6%	4,228,835,583
Financial liabilities							
Derivative financial instruments	-	0%	25,205,207	10%	227,933,931	90%	253,139,138
Unsettled investments payable	2,622,115	1%	375,756,664	99%	898,234	0%	379,277,013
Other payables, creditors and accrued charges	31,917,862	100%	1,691	0%	-	0%	31,919,553
	34,539,977	5%	400,963,562	60%	228,832,165	35%	664,335,704
	1,145,190,235	32%	2,378,653,733	67%	40,655,911	1%	3,564,499,879

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

	2016						
	HK dollar HK\$ equivalent	%	US dollar HK\$ equivalent	%	Others HK\$ equivalent	%	Total HK\$ equivalent
Financial assets							
Investments designated at fair value	1,006,028,864	28%	2,337,639,688	66%	197,933,045	6%	3,541,601,597
Derivative financial instruments	–	0%	222,354,056	79%	59,903,603	21%	282,257,659
Interest receivable on investments designated at fair value	5,810,949	36%	10,438,011	64%	–	0%	16,248,960
Unsettled investments receivable	11,653,968	47%	4,903,296	20%	8,414,398	33%	24,971,662
Debtors and deposits	23,111,534	100%	–	0%	–	0%	23,111,534
Bank deposits	232,100,000	100%	–	0%	–	0%	232,100,000
Cash and cash equivalents	42,345,598	8%	473,194,761	92%	94,095	0%	515,634,454
	1,321,050,913	28%	3,048,529,812	66%	266,345,141	6%	4,635,925,866
Financial liabilities							
Derivative financial instruments	–	0%	59,386,525	21%	228,511,262	79%	287,897,787
Unsettled investments payable	486,177	0%	412,530,732	99%	3,667,438	1%	416,684,347
Other payables, creditors and accrued charges	49,873,294	97%	1,418,391	3%	67,505	0%	51,359,190
	50,359,471	7%	473,335,648	63%	232,246,205	30%	755,941,324
	1,270,691,442	33%	2,575,194,164	66%	34,098,936	1%	3,879,984,542

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

6.7 Liquidity risk

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

The MPFA does not have any borrowing and therefore has no repayment liability owing to debt. The MPFA maintains sufficient short-term liquidity to fund its operations and runs a bank deposit portfolio to achieve reasonable return on cash. Monthly cash flow 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 on bank deposits of HK\$638,387,209 (2016: HK\$748,082,386) 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 financial 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 financial instruments requiring gross settlement, the figures represent undiscounted gross inflows or outflows on these derivatives.

	2017			2016		
	≤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	379,277,013	–	–	416,684,347	–	–
Other payables, creditors and accrued charges	11,857,010	7,204,265	12,858,278	17,970,612	20,319,322	13,069,256
Total	391,134,023	7,204,265	12,858,278	434,654,959	20,319,322	13,069,256
Derivative financial instruments						
Foreign currency forward contracts						
– Inflows	189,755,011	60,534,984	–	282,257,659	–	–
– Outflows	(192,143,861)	(60,995,277)	–	(287,897,787)	–	–
Total	(2,388,850)	(460,293)	–	(5,640,128)	–	–

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.

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

6.8 Fair values

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

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

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

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

6.9 Fair value measurements recognised in the statement of financial position

The 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).

Notes to the Financial Statements

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (continued)

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

	2017			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets				
Equity securities	898,723,483	–	–	898,723,483
Debt securities	1,825,456,573	579,763,027	–	2,405,219,600
Derivative financial instruments	227,114	–	–	227,114
	2,724,407,170	579,763,027	–	3,304,170,197
Financial liabilities				
Derivative financial instruments	3,076,257	–	–	3,076,257

	2016			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Financial assets				
Equity securities	836,716,295	–	–	836,716,295
Debt securities	2,103,733,528	601,151,774	–	2,704,885,302
Derivative financial instruments	1,012,396	–	–	1,012,396
	2,941,462,219	601,151,774	–	3,542,613,993
Financial liabilities				
Derivative financial instruments	6,652,524	–	–	6,652,524

“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 2017 and 2016, no financial assets or financial liabilities were classified under Level 3. During the year ended 31 March 2017, there were a few debt securities being transferred from level 2 to level 1 amounting to HK\$8,414,759 as these debt securities existed more trading activities on 31 March 2017 than on 31 March 2016. During the year ended 31 March 2016, there were a few debt securities being transferred from level 1 to level 2 amounting to HK\$51,013,468 as the trading activities of these debt securities were relatively thinner on 31 March 2016 than on 31 March 2015.

Notes to the Financial Statements

For the year ended 31 March 2017

7. FEES AND CHARGES

Fees and charges consist of application fees, annual fees and financial penalties and other charges arising from ORSO schemes and MPF schemes.

	2017 HK\$	2016 HK\$
Application fees	654,200	323,250
Annual fees	5,496,900	5,605,800
Financial penalties and other charges	1,705,308	28,782,526
	7,856,408	34,711,576

8. NET INVESTMENT INCOME/(LOSS)

	2017 HK\$	2016 HK\$
Interest income on investments designated at fair value	54,476,357	59,693,409
Dividends from investments designated at fair value	19,285,745	20,702,270
Net realised gain on investments designated at fair value ¹	38,006,710	6,993,467
Net change in unrealised gain/(loss) on investments designated at fair value ²	40,225,870	(105,088,575)
Net realised gain on derivative financial instruments	5,318,709	5,799,494
Net change in unrealised gain/(loss) on derivative financial instruments	2,790,986	(13,645,930)
	160,104,377	(25,545,865)

1 The amount included net realised foreign exchange loss of HK\$7,676,125 (2016: HK\$20,466,561) from foreign currency securities.

2 The amount included net change in unrealised foreign exchange gain of HK\$4,220,012 (2016: HK\$28,120,956) from foreign currency securities.

9. 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.

10. STAFF COSTS

	2017 HK\$	2016 HK\$
Salary and performance related remuneration	309,331,665	295,646,174
Contributions to MPF schemes	25,000,110	23,686,933
Staff benefits	7,548,595	7,504,723
	341,880,370	326,837,830

The MPFA operates three MPF schemes for all qualified employees. The assets of the MPF 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 MPF schemes at rates specified in the participation rules. As at 31 March 2017, contributions of HK\$57,778 were due but not yet paid over to the MPF schemes (2016: HK\$355,195).

Notes to the Financial Statements

For the year ended 31 March 2017

11. DIRECTORS' EMOLUMENTS

The emoluments of all directors for the years ended 31 March 2017 and 2016 are set out below:

	2017				
	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	—	4,695,379	539,257	722,185	5,956,821
Cheng Yan-chee	—	3,728,760	421,546	505,476	4,655,782
Alice Law Shing-mui	—	3,809,679	431,536	532,843	4,774,058
Darren Mark McShane ¹	—	4,222,724	391,923	646,192	5,260,839
Cynthia Hui Wai-yee	—	2,854,023	312,889	299,570	3,466,482
Gabriella Yee Gar-bo ²	—	54,290	6,095	9,290	69,675
Non-Executive Directors					
David Wong Yau-kar	—	—	—	—	—
K C Chan	—	—	—	—	—
Chan Kam-lam ³	—	—	—	—	—
Matthew Cheung Kin-chung ⁴	—	—	—	—	—
Ip Kwok-him ⁵	—	—	—	—	—
Bankee Kwan Pak-hoo ³	—	—	—	—	—
Ayesha Macpherson Lau ³	—	—	—	—	—
Paddy Lui Wai-yu ⁵	—	—	—	—	—
John Poon Cho-ming ⁵	—	—	—	—	—
Poon Siu-ping	—	—	—	—	—
Abraham Shek Lai-him	—	—	—	—	—
Stephen Sui Wai-keung ⁶	—	—	—	—	—
Annie Tam Kam-lan ⁷	—	—	—	—	—
Philip Tsai Wing-chung ⁵	—	—	—	—	—
Andrew Wong Ho-yuen ⁸	—	—	—	—	—
Horace Wong Yuk-lun	—	—	—	—	—
Kingsley Wong Kwok	—	—	—	—	—
Simon Wong Kit-lung ³	—	—	—	—	—
	—	19,364,855	2,103,246	2,715,556	24,183,657

1 Retired as from 25 March 2017.

2 Appointed as from 25 March 2017.

3 Appointed as from 17 March 2017.

4 Retired as from 16 January 2017.

5 Retired as from 17 March 2017.

6 Appointed as from 13 February 2017.

7 Alternate to Matthew Cheung Kin-chung and Stephen Sui Wai-keung.

8 Alternate to K C Chan.

Notes to the Financial Statements

For the year ended 31 March 2017

11. DIRECTORS' EMOLUMENTS (continued)

	2016				
	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	–	4,508,898	526,549	789,730	5,825,177
Cheng Yan-chee	–	3,464,423	400,986	567,059	4,432,468
Alice Law Shing-mui	–	3,714,264	429,065	606,760	4,750,089
Darren Mark McShane	–	4,210,090	489,591	734,310	5,433,991
Cynthia Hui Wai-yee	–	2,781,614	317,557	421,250	3,520,421
Non-Executive Directors					
David Wong Yau-kar	–	–	–	–	–
K C Chan	–	–	–	–	–
Matthew Cheung Kin-chung	–	–	–	–	–
Ip Kwok-him	–	–	–	–	–
Paddy Lui Wai-yu	–	–	–	–	–
John Poon Cho-ming	–	–	–	–	–
Poon Siu-ping	–	–	–	–	–
Abraham Shek Lai-him	–	–	–	–	–
Annie Tam Kam-lan ¹	–	–	–	–	–
Philip Tsai Wing-chung	–	–	–	–	–
Andrew Wong Ho-yuen ²	–	–	–	–	–
Kingsley Wong Kwok	–	–	–	–	–
Horace Wong Yuk-lun	–	–	–	–	–
	–	18,679,289	2,163,748	3,119,109	23,962,146

1 Alternate to Matthew Cheung Kin-chung.

2 Alternate to K C Chan.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments at the MPFA, in which four (2016: four) were Executive Directors, whose emoluments are included in note 11 above. The emoluments of the five highest paid individuals were within the following bands:

	2017 No. of employees	2016 No. of employees
HK\$3,500,001 to HK\$4,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	2	1
HK\$5,000,001 to HK\$5,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	1	1
	5	5

Notes to the Financial Statements

For the year ended 31 March 2017

13. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$	Computer equipment HK\$	Office equipment and furniture HK\$	Motor vehicle HK\$	Total HK\$
COST					
At 1 April 2015	33,922,992	34,599,174	22,900,799	529,900	91,952,865
Additions	35,484,530	2,489,038	7,480,087	–	45,453,655
Disposals	(11,076,676)	(3,458,320)	(1,730,065)	–	(16,265,061)
At 31 March 2016	58,330,846	33,629,892	28,650,821	529,900	121,141,459
Additions	4,594,498	2,616,008	3,900,029	–	11,110,535
Disposals	(13,426,509)	(3,673,431)	(2,081,831)	(529,900)	(19,711,671)
At 31 March 2017	49,498,835	32,572,469	30,469,019	–	112,540,323
DEPRECIATION					
At 1 April 2015	31,987,275	27,918,681	21,272,436	364,306	81,542,698
Charge for the year	3,236,747	2,963,142	1,020,296	132,475	7,352,660
Eliminated on disposals	(11,076,676)	(3,458,320)	(1,603,309)	–	(16,138,305)
At 31 March 2016	24,147,346	27,423,503	20,689,423	496,781	72,757,053
Charge for the year	11,118,373	2,685,423	2,691,891	33,119	16,528,806
Eliminated on disposals	(13,426,510)	(3,673,431)	(2,036,262)	(529,900)	(19,666,103)
At 31 March 2017	21,839,209	26,435,495	21,345,052	–	69,619,756
CARRYING AMOUNT					
At 31 March 2017	27,659,626	6,136,974	9,123,967	–	42,920,567
At 31 March 2016	34,183,500	6,206,389	7,961,398	33,119	48,384,406

Notes to the Financial Statements

For the year ended 31 March 2017

14. INTANGIBLE ASSETS

	Computer software licenses HK\$	Software development costs HK\$	Total HK\$
COST			
At 1 April 2015	20,757,362	68,603,741	89,361,103
Additions	1,166,664	5,703,198	6,869,862
Disposals	(2,833,581)	(28,480,763)	(31,314,344)
At 31 March 2016	19,090,445	45,826,176	64,916,621
Additions	1,760,028	5,581,269	7,341,297
Disposals	(634,845)	(8,927,492)	(9,562,337)
At 31 March 2017	20,215,628	42,479,953	62,695,581
AMORTISATION			
At 1 April 2015	18,434,554	55,676,678	74,111,232
Charge for the year	1,259,177	5,959,179	7,218,356
Eliminated on disposals	(2,833,581)	(28,480,763)	(31,314,344)
At 31 March 2016	16,860,150	33,155,094	50,015,244
Charge for the year	1,064,941	6,300,473	7,365,414
Eliminated on disposals	(634,845)	(8,927,492)	(9,562,337)
At 31 March 2017	17,290,246	30,528,075	47,818,321
CARRYING AMOUNT			
At 31 March 2017	2,925,382	11,951,878	14,877,260
At 31 March 2016	2,230,295	12,671,082	14,901,377

15. PROJECTS IN PROGRESS

Projects in progress consisted of expenditure of capital projects not yet completed at 31 March 2017 amounting to HK\$1,678,166 (2016: HK\$7,462,642).

Notes to the Financial Statements

For the year ended 31 March 2017

16. INVESTMENTS DESIGNATED AT FAIR VALUE

	2017 HK\$	2016 HK\$
Equity securities		
Listed	898,723,483	836,716,295
Debt securities		
Listed	1,503,880,727	1,743,134,248
Unlisted	901,338,873	961,751,054
	2,405,219,600	2,704,885,302
Total		
Listed	2,402,604,210	2,579,850,543
Unlisted	901,338,873	961,751,054
	3,303,943,083	3,541,601,597

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Foreign currency forward contracts	227,114	3,076,257	1,012,396	6,652,524

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 2017 was HK\$253,139,138 (2016: HK\$287,897,787). The contractual maturity of these foreign exchange forward contracts was within 12 months.

18. 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.

19. LOANS TO DIRECTORS AND EXECUTIVES

There were no loans to directors or executives during the years ended 31 March 2017 and 2016 and no loans were outstanding at 31 March 2017 and 2016.

Notes to the Financial Statements

For the year ended 31 March 2017

20. 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:

	2017 HK\$	2016 HK\$
Contracted but not provided for	3,717,555	9,302,629
Authorised but not contracted for	100,000	219,353
	3,817,555	9,521,982

21. 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:

	2017 HK\$	2016 HK\$
Within one year	46,092,138	50,858,616
In the second to fifth year inclusive	53,113,817	98,906,147
	99,205,955	149,764,763

22. 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 continues to administer the compensation fund until 31 March 2019. 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 seed money of the compensation fund and the capital grant of the MPFA are both funded by the Government of the Hong Kong Special Administrative Region.

Recoveries from the Mandatory Provident Fund Schemes Compensation Fund ("the Fund") represents the recouping of expenses incurred by the MPFA for its services provided in administering the Fund.

Independent Auditor's Report

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

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

Opinion

What we have audited

The financial statements of the Fund set out on pages 111 to 125, which comprise:

- the statement of financial position as at 31 March 2017;
- the income and expenditure account for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in capital and reserve for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

Other Information

The Administrator is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Administrator and the Audit Committee for the Financial Statements

The Administrator is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, 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.

In preparing the financial statements, the Administrator is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administrator either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Fund's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Administrator.
- Conclude on the appropriateness of the Administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19 June 2017

Income and Expenditure Account

For the year ended 31 March 2017

	Notes	2017 HK\$	2016 HK\$
INCOME			
Interest income on bank deposits		14,660,859	12,661,251
Net investment income/(loss)	6	13,447,296	(8,964,386)
		28,108,155	3,696,865
EXPENDITURE			
Auditor's remuneration		98,900	95,000
Administrative service expenses	11	1,109,730	-
Investment expenses		91,011	87,528
Other operating expenses		218	152
		1,299,859	182,680
SURPLUS FOR THE YEAR		26,808,296	3,514,185

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

Statement of Comprehensive Income

For the year ended 31 March 2017

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 2017

	Notes	2017 HK\$	2016 HK\$
CURRENT ASSETS			
Investments designated at fair value	8	446,119,110	430,875,107
Interest receivable on investments designated at fair value		34,689	937,200
Interest receivable on bank deposits		4,364,825	3,312,167
Bank deposits		1,428,352,289	1,415,914,034
Cash and cash equivalents		193,462	104,883
		1,879,064,375	1,851,143,391
CURRENT LIABILITIES			
Creditors and accrued charges		1,223,859	111,171
NET ASSETS		1,877,840,516	1,851,032,220
CAPITAL AND RESERVE			
Seed money	10	600,000,000	600,000,000
Income and expenditure account		1,277,840,516	1,251,032,220
		1,877,840,516	1,851,032,220

The financial statements on pages 111 to 125 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 19 June 2017 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 2017

	Seed Money HK\$	Income and Expenditure Account HK\$	Total HK\$
At 1 April 2015	600,000,000	1,247,518,035	1,847,518,035
Surplus for the year	–	3,514,185	3,514,185
At 31 March 2016	600,000,000	1,251,032,220	1,851,032,220
Surplus for the year	–	26,808,296	26,808,296
At 31 March 2017	600,000,000	1,277,840,516	1,877,840,516

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

Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK\$	2016 HK\$
OPERATING ACTIVITIES		
Surplus for the year	26,808,296	3,514,185
Adjustments for :		
Interest income on bank deposits	(14,660,859)	(12,661,251)
Interest income on investments designated at fair value	(589,493)	(810,084)
Dividends from investments designated at fair value	(2,245,620)	(2,222,640)
Net (gain) / loss on investments designated at fair value	(10,612,183)	11,997,110
Operating cash flows before movements in working capital	(1,299,859)	(182,680)
Increase in creditors and accrued charges	1,112,687	8,500
NET CASH USED IN OPERATING ACTIVITIES	(187,172)	(174,180)
INVESTING ACTIVITIES		
Dividends received from investments designated at fair value	2,245,620	2,222,640
Interest received on bank deposits	13,608,201	13,346,931
Interest received from investments designated at fair value	1,503,724	499,129
Proceeds on disposals of investments designated at fair value	518,200,000	586,000,000
Purchase of investments designated at fair value	(522,843,539)	(590,173,909)
Increase in bank deposits	(12,438,255)	(11,717,037)
NET CASH FROM INVESTING ACTIVITIES	275,751	177,754
NET INCREASE IN CASH AND CASH EQUIVALENTS	88,579	3,574
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	104,883	101,309
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	193,462	104,883
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances	143,462	54,883
Bank balances held for investment purposes	50,000	50,000
	193,462	104,883

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

Notes to the Financial Statements

For the year ended 31 March 2017

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. The Mandatory Provident Fund Schemes Authority (“the MPFA”) continues to assume the role of the administrator of the Fund. During the year, the MPFA has recouped the expenses incurred in administering the Fund on a cost recovery basis. The MPFA’s office address is Level 8, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, 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”)

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2016 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.

Notes to the Financial Statements

For the year ended 31 March 2017

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.

Notes to the Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and investments designated at fair value, 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.

Notes to the Financial Statements

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in the income and expenditure account 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.

Notes to the Financial Statements

For the year ended 31 March 2017

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

	2017 HK\$	2016 HK\$
Financial assets		
At fair value	446,119,110	430,875,107
Loans and receivables (including bank deposits, cash and cash equivalents and receivables)	1,432,945,265	1,420,268,284
Financial liabilities		
Other financial liabilities	1,223,859	111,171

5.2 Financial risk management objectives and policies

The Fund's major financial instruments include bank deposits, cash and cash equivalents, interest receivable on investments designated at fair value and bank deposits, 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% (2016: 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.

Notes to the Financial Statements

For the year ended 31 March 2017

5. FINANCIAL INSTRUMENTS (continued)

5.3 Credit risk

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

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

The portfolio must invest only 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	2017 HK\$	% of net assets	2016 HK\$	% of net assets
AAA ¹	–	–	37,948,242	2
AA ²	375,762,249	20	333,261,115	18

1 AAA means AAA by Standard & Poor's Ratings Services ("S&P") and Aaa by Moody's Investors Services, Inc. (Moody's)

2 AA means between AA- and AA+ by S&P and Aa3 and Aa1 by 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 2017 and 2016, none of the assets is impaired nor past due but not impaired.

Notes to the Financial Statements

For the year ended 31 March 2017

5. FINANCIAL INSTRUMENTS (continued)

5.4 Interest rate risk

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

The exposure to interest rate risk on bank deposits and cash and cash equivalents carrying interest are limited to the impact of the interest rate fluctuations on the interest income. The Fund adopts a sensitivity test of 10 basis points (2016: 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 (2016: 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 (2016: 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 with maturity up to two years (2016: up to two years).

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

	2017 Years	2016 Years
Portfolio duration	0.26	0.35

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

The Fund adopts a sensitivity test of 10 basis points (2016: 10 basis points) movements. As at the reporting date, if interest rate had fluctuated by 10 basis points (2016: 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	
	2017 HK\$	2016 HK\$
If interest rate were 10 basis points lower	98,624	128,427
If interest rate were 10 basis points higher	(98,624)	(128,427)

Notes to the Financial Statements

For the year ended 31 March 2017

5. FINANCIAL INSTRUMENTS (continued)

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 2017, if the Hong Kong stock market had increased or decreased by 10% (2016: 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\$6.6 million (2016: HK\$5.6 million).

5.6 Currency risk

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

5.7 Liquidity risk

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

As at 31 March 2017, the Fund held cash and deposits including interest receivable on bank deposits of HK\$1,432,910,576 (2016: HK\$1,419,331,084) that were expected to orderly mature. In addition, the Fund held marketable securities of HK\$446,119,110 (2016: HK\$430,875,107), 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 2017, the creditors and accrued charges of the Fund amounted to HK\$1,223,859 (2016: HK\$111,171) 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.

Notes to the Financial Statements

For the year ended 31 March 2017

5. FINANCIAL INSTRUMENTS (continued)

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).

	2017 HK\$	2016 HK\$
Level 1		
Financial assets measured at fair value:		
– Equity securities	70,391,550	60,602,950
– Debt securities	375,727,560	370,272,157
	446,119,110	430,875,107

“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 2017 and 2016, no financial assets were classified under Levels 2 and 3 and there was no transfer among levels.

6. NET INVESTMENT INCOME/(LOSS)

	2017 HK\$	2016 HK\$
Interest income on investments designated at fair value	589,493	810,084
Dividends from investments designated at fair value	2,245,620	2,222,640
Net realised (loss)/gain on investments designated at fair value	(458,351)	80,074
Net change in unrealised gain/(loss) on investments designated at fair value	11,070,534	(12,077,184)
	13,447,296	(8,964,386)

Notes to the Financial Statements

For the year ended 31 March 2017

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

	2017 HK\$	2016 HK\$
Equity securities		
Listed	70,391,550	60,602,950
Debt securities		
Unlisted	375,727,560	370,272,157
Total		
Listed	70,391,550	60,602,950
Unlisted	375,727,560	370,272,157
	446,119,110	430,875,107

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

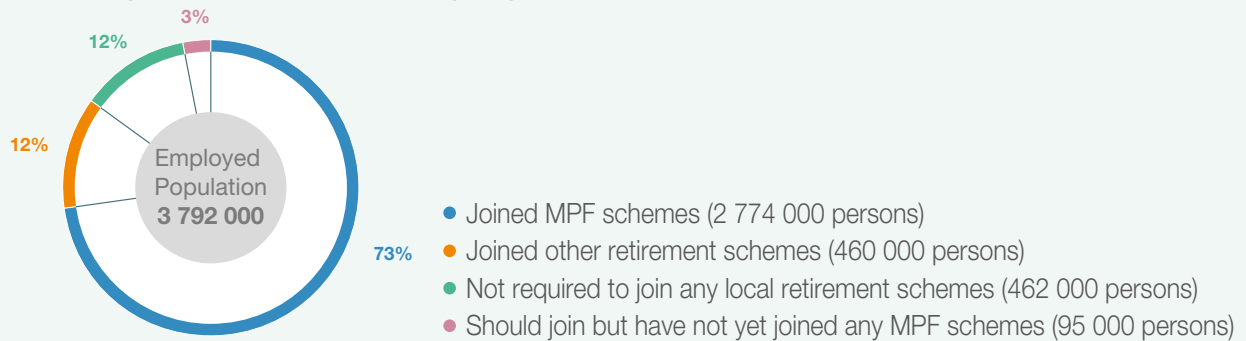
On 12 March 1999, an amount of HK\$600 million was injected by the Government of the Hong Kong Special Administrative Region ("HKSARG") as seed money of the Fund.

11. ADMINISTRATIVE SERVICE EXPENSES

Administrative service expenses represent the expenses incurred by the MPFA, of which its capital grant is also funded by the HKSARG, for its services provided in administering the Fund.

Part A – MPF Scheme Members

1. Employed Population (by Type of Retirement Schemes) (as at 31.3.2017)



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

2. The MPF Universe (as at 31.3.2017)

(a) Number of Employers under the MPF System

Main businesses ¹	361 000
<i>add</i>	
– Owners' corporations with employee(s) that are not covered in the Central Register of Establishments ("CRE") ²	5 000
– Employers engaged in other industries that are not covered in the CRE	7 000
<i>less</i>	
– Businesses with no employees ³	96 000
Employers under the MPF System	278 000

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.

Part A – MPF Scheme Members

(b) Number of 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:

Employees in Hong Kong (excluding those aged below 18 or above 65) ¹	3 417 000
<i>less</i>	
– Civil servants who are covered by the Civil Service Pension Schemes ²	95 000
– Teachers who are covered by the Grant Schools or Subsidized Schools Provident Fund ³	37 000
– Employees who choose to remain as members of MPF exempted ORSO registered schemes ⁴	328 000
– Domestic employees ¹	331 000
– 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	36 000
– Employees who are employed for less than 60 days, excluding employees participating in construction and catering industries ⁶	17 000
Relevant Employees under the MPF System	2 572 000

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.

(c) Number of 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:

SEPs in Hong Kong (excluding those aged below 18 or above 65) ¹	298 000
<i>less</i>	
– SEPs who are licensed hawkers (excluding licensed hawkers aged below 18 or above 65) ²	1 000
SEPs under the MPF System	297 000

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

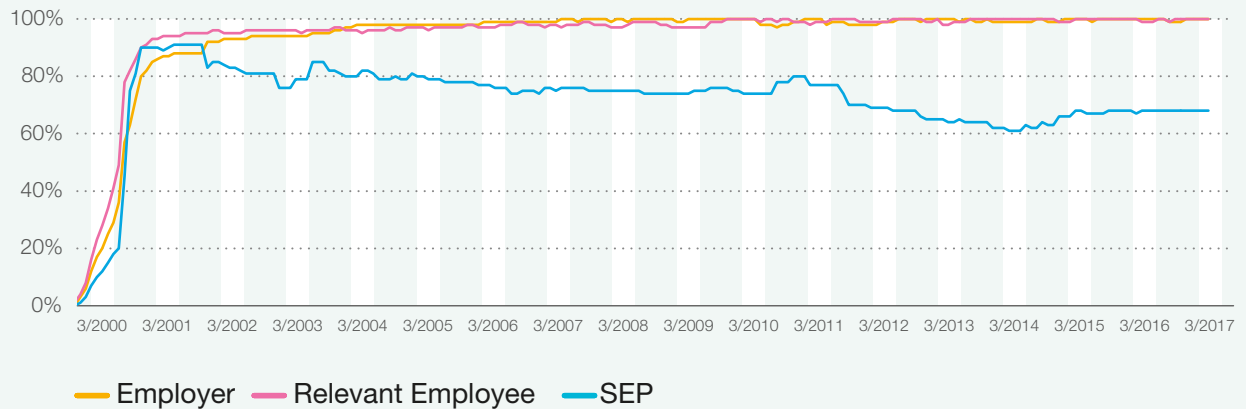
The figures were estimated on the basis of:

- 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.

Part A – MPF Scheme Members

3. Enrolment in MPF Schemes

Enrolment Rate



Estimated figures.

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

As at	Employer		Relevant Employee		SEP		Contribution Accounts ²	Personal Accounts ³
	Participating Employers ¹	Enrolment Rate	Participating Members ¹	Enrolment Rate	Participating Members ¹	Enrolment Rate		
31.03.2016	276 000	100%	2 552 000	99%	205 000	68%	3 786 000	5 191 000
30.06.2016	276 000	100%	2 569 000	100%	204 000	68%	3 821 000	5 237 000
30.09.2016	275 000	99%	2 577 000	100%	203 000	68%	3 843 000	5 296 000
31.12.2016	277 000	100%	2 584 000	100%	202 000	68%	3 866 000	5 362 000
31.03.2017	278 000	100%	2 572 000	100%	202 000	68%	3 880 000	5 394 000

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.
- 3 A Personal Account is primarily used to receive and hold MPF 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 MPF benefits derived from employee mandatory contributions during current employment which are transferred from a Contribution Account by an employee scheme member.

Part A – MPF Scheme Members

5. Contributions Received and Benefits Paid – MPF Schemes

(1.4.2016-31.3.2017)

(HK\$ million)

Quarter	Contributions Received				Benefits Paid			
	Mandatory	Voluntary	Special Voluntary ¹	Total	Mandatory	Voluntary	Special Voluntary ¹	Total
Q2 2016	13,257	2,368	1,888	17,513	3,002	911	1,766	5,679
Q3 2016	13,349	2,383	2,060	17,792	3,475	1,203	1,917	6,595
Q4 2016	13,508	2,423	889	16,820	3,306	1,217	931	5,454
Q1 2017	14,483	2,595	634	17,712	3,826	1,360	605	5,791
Total	54,598	9,769	5,471	69,838	13,608	4,692	5,220	23 519

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

- 1 Special Voluntary Contributions refer 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 MPF benefits is neither tied to employment nor subject to preservation requirements.

6. Amount of MPF Benefits Paid (by Grounds of Withdrawal)

(1.4.2016-31.3.2017)

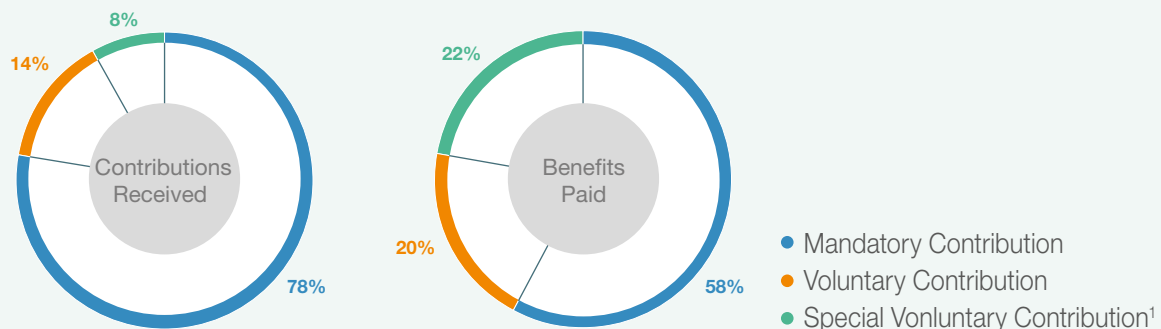
(HK\$ million)

Quarter	Retirement	Early Retirement	Permanent Departure from Hong Kong	Total Incapacity	Terminal Illness	Small Balance Account	Death	Offsetting Severance Payment	Offsetting Long Service Payment
Q2 2016	1,036	451	806	36	22	#	124	569	442
Q3 2016	1,350	514	1,029	47	26	#	137	575	512
Q4 2016	1,433	513	912	46	23	#	142	452	444
Q1 2017	1,688	652	933	42	19	#	165	551	519
Total	5,508	2,130	3,680	171	90	1	567	2,148	1,917

Less than \$0.5 million.

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

7. Percentage Share of MPF Contributions Received and MPF Benefits Paid (by Contribution Type) (1.4.2016-31.3.2017)



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

- 1 Special Voluntary Contributions refer 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 MPF benefits is neither tied to employment nor subject to preservation requirements.

Part B – MPF Intermediaries

1. Number of Registered MPF Intermediaries (as at 31.3.2017)

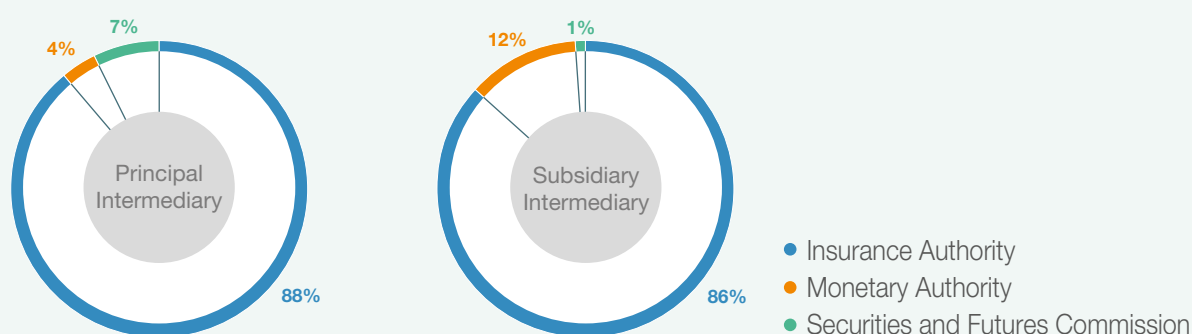
	Principal Intermediary ¹	Subsidiary Intermediary ²	Total
Registered MPF Intermediaries	408	31 871	32 279
By Frontline Regulator ³			30 748
Insurance Authority	361	26 236	26 597
Monetary Authority	18	3 722	3 740
Securities and Futures Commission	29	382	411

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.

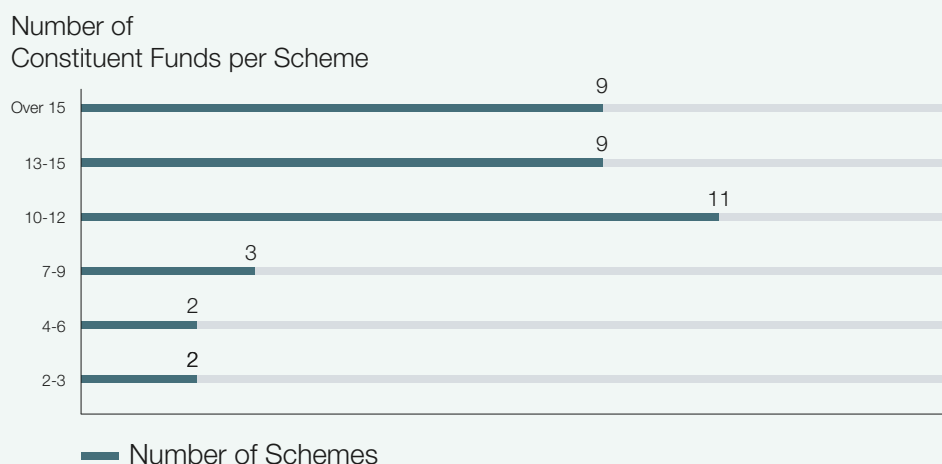
2. Percentage Share of Principal Intermediary and Subsidiary Intermediary (by Frontline Regulator) (as at 31.3.2017)



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 31.3.2017)



2. Registration and Approval of MPF Schemes and Constituent Funds

	as at 31.3.2016	Terminated/ Withdrawn in 2016-17	Registered/ Approved in 2016-17	as at 31.3.2017
Registered Schemes	38	2	0	36
Master Trust Schemes	35	2	0	33
Industry Schemes	2	0	0	2
Employer Sponsored Scheme	1	0	0	1
Approved Constituent Funds	462	36	59	485
Approved Pooled Investment Funds	292	11	26	307
Approved Index-Tracking Collective Investment Schemes ¹	138	10	9	137

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) (as at 31.3.2017)

	Unit Trust	Insurance Policy ¹	Total
Umbrella Funds ²	25	1	26
Internal Portfolios ³	170	1	171
Feeder Funds ⁴	23	8	31
Portfolio Management Funds ⁵	76	3	79
Total	294	13	307

¹ These refer to Class G insurance policy APIFs. A class G insurance policy APIF is an APIF in a form of an insurance policy with capital or return guarantees.

² An umbrella fund is a collective investment scheme or mutual fund which primarily invests in other funds.

³ 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.

⁴ A feeder fund is a fund which invests its assets in a single APIF.

⁵ A portfolio management fund is a fund which invests its assets in more than one APIF.

Part C – MPF Products

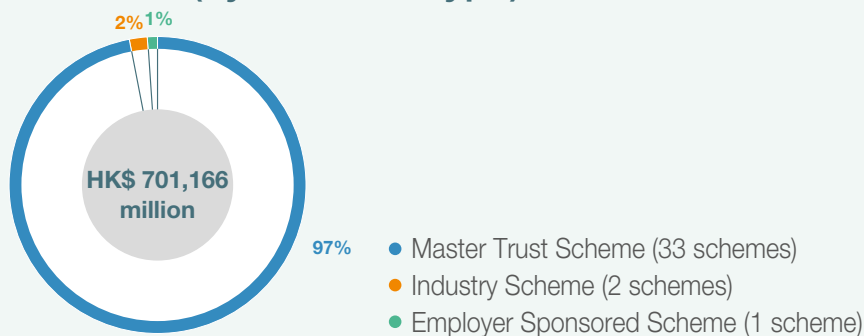
4. Net Asset Values of Approved Constituent Funds (by Scheme Type)

(HK\$ million)

As at	Master Trust Scheme	Industry Scheme	Employer Sponsored Scheme	Total
31.03.2016	576,435	12,004	4,139	592,578
30.06.2016	590,652	12,445	4,234	607,331
30.09.2016	637,867	13,164	4,453	655,485
31.12.2016	628,931	13,046	4,364	646,342
31.03.2017	682,582	13,906	4,677	701,166

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 31.3.2017)



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

6. Net Asset Values¹ of Approved Constituent Funds (by Fund Type)

(HK\$ million)

As at	Equity Fund	Mixed Assets Fund	MPF Conservative Fund	Guaranteed Fund	Bond Fund	Money Market Fund and Others ²	Total
31.03.2016	236,130	223,902	62,206	50,347	17,355	2,637	592,578
30.06.2016	241,857	227,408	64,171	51,969	19,212	2,714	607,331
30.09.2016	267,002	242,989	67,412	54,323	20,928	2,831	655,485
31.12.2016	262,304	238,458	68,018	54,433	20,286	2,842	646,342
31.03.2017	291,372	257,152	71,483	56,914	21,272	2,973	701,166

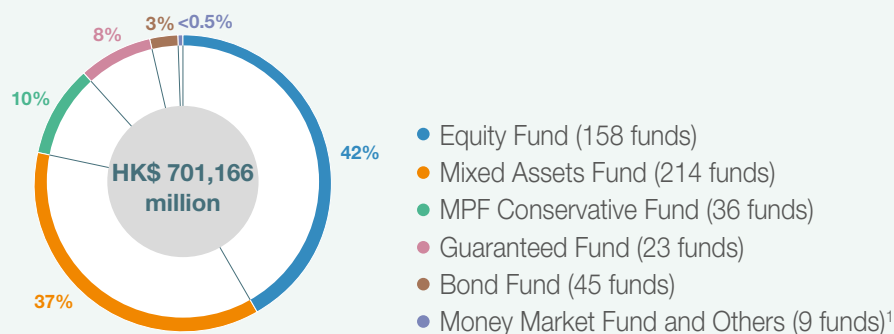
Figures may not sum up to the total due to rounding.

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*.

Part C – MPF Products

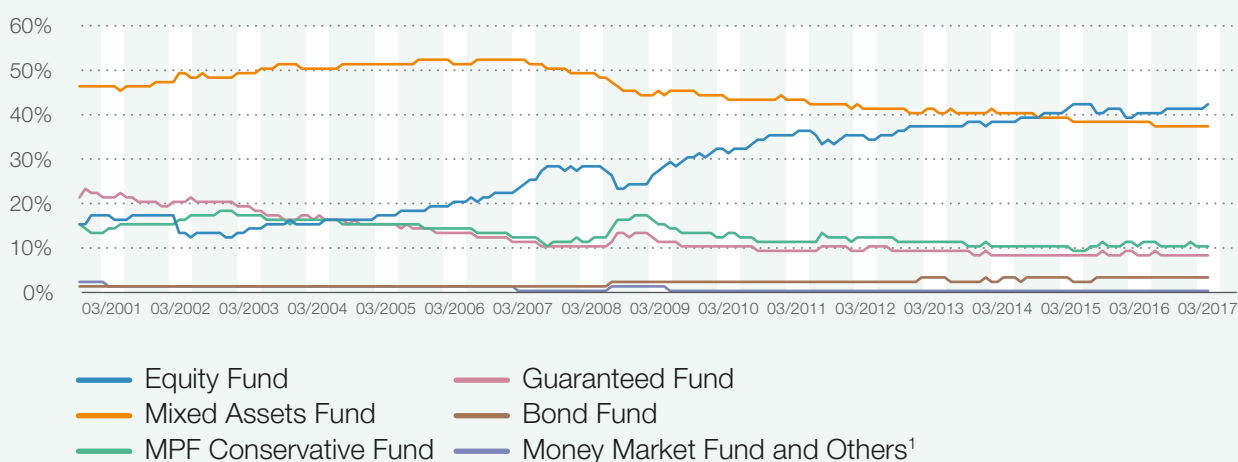
7. Percentage Share of Aggregate Net Asset Values and Number of Approved Constituent Funds (by Fund Type) (as at 31.3.2017)



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*.

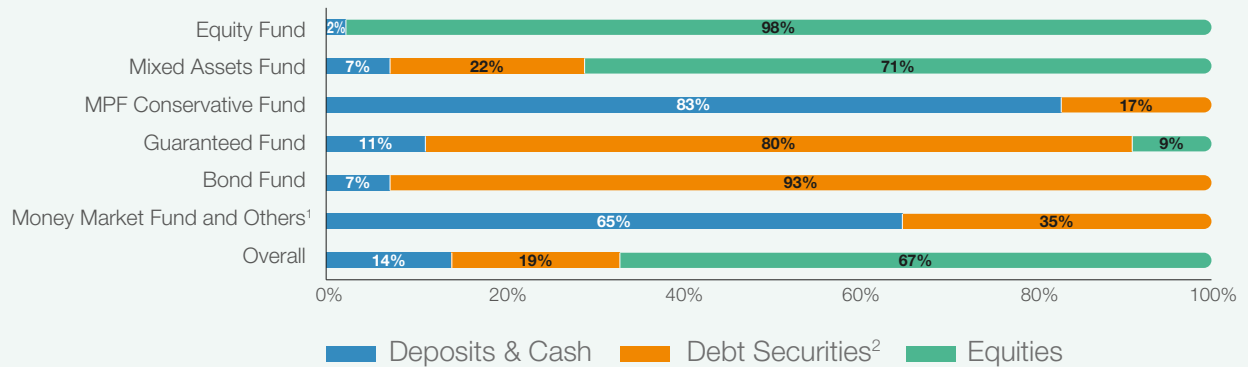
8. Changes in Percentage Share of Net Asset Values of MPF Funds (by Fund Type)



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

Part C – MPF Products

9. Asset Allocation of Approved Constituent Funds (by Fund Type and Asset Class) (as at 31.3.2017)

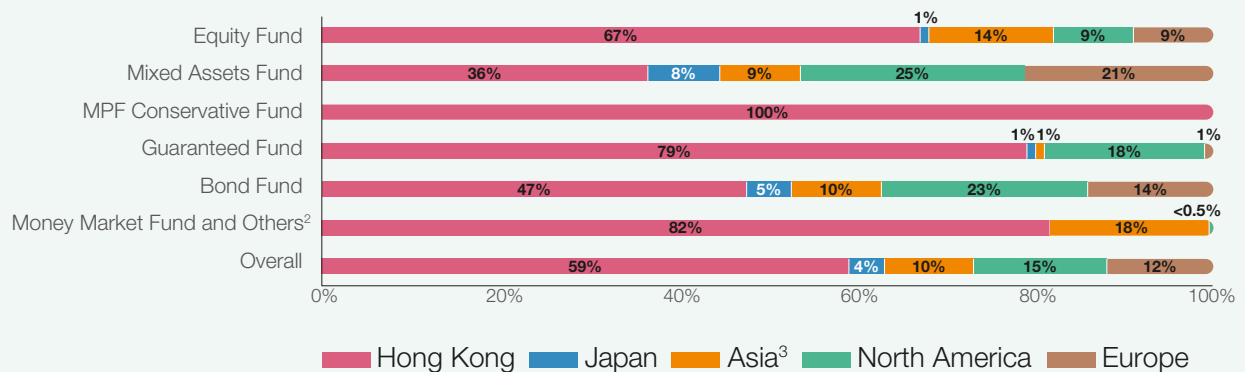


Percentages of each fund type and overall figures may not sum up to 100% due to rounding.

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.

10. Asset Allocation of Approved Constituent Funds (by Fund Type and Geographical Region¹) (as at 31.3.2017)



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.

Part C – MPF Products

11. Allocation of Approved Constituent Funds (by Geographical Region¹ and Asset Class) (as at 31.3.2017)

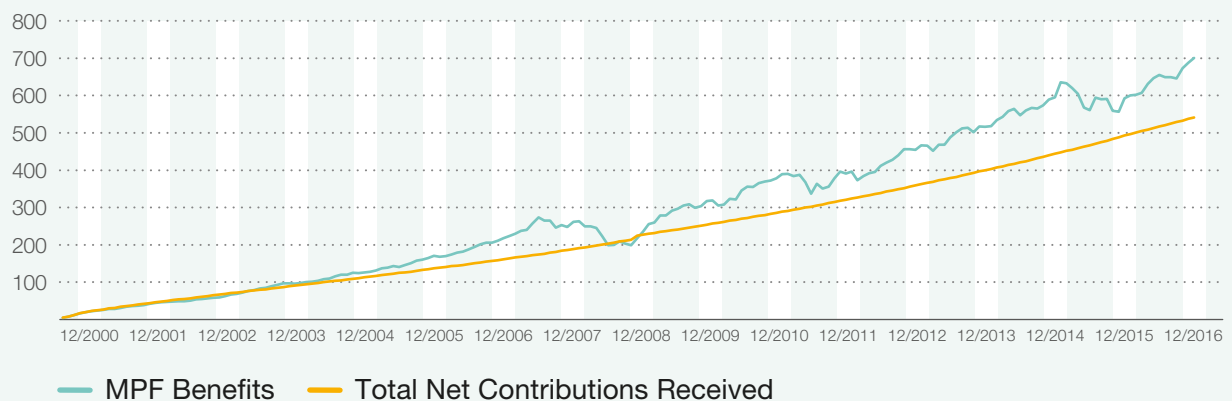
	Deposits & Cash	Debt Securities ²	Equities	Overall
Hong Kong	13%	10%	37%	59%
Japan	\$	1%	3%	4%
Asia ³	\$	1%	9%	10%
North America	1%	5%	10%	15%
Europe	\$	3%	9%	12%
Overall	14%	19%	67%	100%

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.

12. MPF Benefits and Total Net Contributions received since the Inception of the MPF System (1.12.2000-31.3.2017)

HK\$ billion



Part C – MPF Products

13. Annualized Internal Rate of Return¹ (“IRR”) of the MPF System (by Period)

(HK\$ million, unless otherwise specified)

Period	Net Asset Values		Total Net Contributions ² during the Period	Net Investment Return ³ during the Period	Annualized IRR ³
	Period-Beginning (a)	Period-End (b)			
1.12.2000 – 31.3.2002	–	42,125	43,878	-1,753	-4.9%
1.4.2002 – 31.3.2003	42,125	59,305	23,016	-5,837	-10.7%
1.4.2003 – 31.3.2004	59,305	97,041	22,133	15,604	22.0%
1.4.2004 – 31.3.2005	97,041	124,316	22,205	5,070	4.7%
1.4.2005 – 31.3.2006	124,316	164,613	23,435	16,862	12.3%
1.4.2006 – 31.3.2007	164,613	211,199	24,684	21,901	12.4%
1.4.2007 – 31.3.2008	211,199	248,247	26,844	10,205	4.5%
1.4.2008 – 31.3.2009	248,247	217,741	38,503 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%
1.4.2015 – 31.3.2016	594,847	592,578	48,721	-50,990	-8.2%
1.4.2016 – 31.3.2017	592,578	701,166	48,467	60,121	9.7%
Since inception of the MPF System					
1.12.2000 – 31.3.2017	–	701,166	541,266⁴	159,899	3.5%

1 The return of the MPF System was calculated by way of the 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.

Part C – MPF Products

14. Annualized Return¹ of Approved Constituent Funds (by Fund Type and Period) (as at 31.3.2017)

	Past 1 year	Past 3 years	Past 5 years	Since 1.12.2000
Equity Fund	15.9%	4.0%	5.1%	4.4%
Mixed Assets Fund	9.0%	2.0%	3.9%	4.0%
MPF Conservative Fund	0.0%	0.1%	0.1%	0.7%
Guaranteed Fund	0.6%	0.5%	0.6%	1.2%
Bond Fund	-1.7%	-0.1%	0.1%	2.7%
Money Market Fund and Others ²	-0.5%	-0.1%	0.0%	0.5%
Change of the Consumer Price Index (“CPI”) for the Same Periods				
Annualized Composite CPI % Change ³	0.5%	2.6%	3.1%	1.8%

- 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.
- Includes Money Market Funds that are not MPF Conservative Funds and Uncategorized Funds as per the *Performance Presentation Standards for MPF Investment Funds*.
- Calculated on the basis of the 2014/15-based Composite CPI compiled by the Census and Statistics Department.

15. Average, Highest and Lowest Fund Expense Ratios (“FER”) of Constituent Funds¹ (by Fund Type) (as at 31.3.2017)

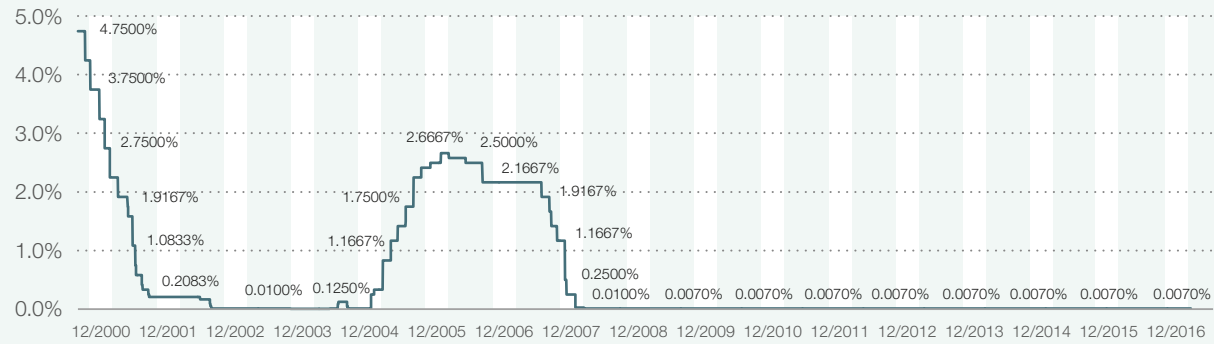
	Number of Funds	Average FER	Highest FER	Lowest FER
Equity Fund	181	1.56%	2.55%	0.67%
Mixed Assets Fund	249	1.73%	2.13%	0.78%
Bond Fund	50	1.34%	1.89%	0.77%
Guaranteed Fund	25	2.08%	3.48%	1.30%
Money Market Fund – MPF Conservative Fund	38	0.58%	0.92%	0.21%
Money Market Fund – non-MPF				
Conservative Fund	10	1.02%	1.35%	0.56%
Others	4	1.29%	1.39%	1.02%
Overall	557²	1.56%	3.48%	0.21%

- 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 2015 to 30 June 2016.
- 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.

Part C – MPF Products

16. Published Prescribed Savings Rates¹ (1.12.2000 – 31.3.2017)

Prescribed Savings Rates



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 31.3.2017)

	Defined Contribution		Defined Benefit		Total	
Registered Scheme	3 649	90%	211	46%	3 860	85%
MPF exempted	3 072	76%	193	43%	3 265	72%
Non-MPF exempted	577	14%	18	4%	595	13%
Exempted Scheme	419	10%	243	54%	662	15%
MPF exempted	125	3%	95	21%	220	5%
Non-MPF exempted	294	7%	148	33%	442	10%
Total	4 068	100%	454	100%	4 522	100%

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

2. Number of MPF Exempted ORSO Schemes (as at 31.3.2017)

	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(a) MPF Exempted ORSO Schemes approved (as at 31.3.2016)	3 372	247	3 619
(b) New applications approved ¹ (1.4.2016 – 31.3.2017)	5	0	5
(c) Withdrawals of MPF Exemption Certificates (1.4.2016 – 31.3.2017)	112	27	139
(d) MPF Exempted ORSO Schemes (as at 31.3.2017) [i.e. (d) = (a) + (b) – (c)]	3 265	220	3 485

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 31.3.2017)

	Defined Contribution		Defined Benefit		Total	
MPF exempted	207 000	62%	125 000	38%	332 000	100%
Non-MPF exempted	37 000	88%	5 000	12%	42 000	100%
Total	244 000	65%	130 000	35%	374 000	100%

Part D – ORSO Schemes

4. Annual Contribution Amount to ORSO Registered Schemes (by Employers and Employees) (as at 31.3.2017)

	MPF Exempted		Non-MPF Exempted		Total	
	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)
Employer's contributions	20,764	78	661	64	21,425	78
Ordinary	15,889	60	625	61	16,514	60
Initial/Special	4,875	18	36	3	4,911	18
Employee's contributions	5,839	22	368	36	6,207	22
Total	26,603	100	1,029	100	27,632	100

Source: The latest annual returns in respect of 3 800 ORSO registered schemes.

5. Annual Contribution Amount to ORSO Registered Schemes (by Benefit Type) (as at 31.3.2017)

	Defined Contribution		Defined Benefit		Total	
	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)
MPF exempted	18,547	67.1	8,056	29.2	26,603	96.3
Non-MPF exempted	951	3.4	78	0.3	1,029	3.7
Total	19,498	70.5	8,134	29.5	27,632	100

Source: The latest annual returns in respect of 3 800 ORSO registered schemes.

6. Asset Size of ORSO Registered Schemes (By Benefit Type) (as at 31.3.2017)

	Defined Contribution		Defined Benefit		Total	
	(HK\$ million)	(%)	(HK\$ million)	(%)	(HK\$ million)	(%)
MPF exempted	183,811	60.1	108,462	35.5	292,273	95.6
Non-MPF exempted	10,891	3.6	2,675	0.9	13,566	4.5
Total	194,702	63.7	111,137	36.4	305,839	100

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

Source: The latest annual returns in respect of 3 800 ORSO registered schemes.

7. Asset Arrangements on Termination of the ORSO Registered Schemes (1.4.2016 – 31.3.2017)

	Number of Schemes		Asset Size	
		(%)	(HK\$ million)	(%)
Asset transferred to MPF scheme	27	20	161	19
Asset transferred to another ORSO scheme	4	3	29	3
Asset paid out to scheme members	107	78	667	78
Total	138	100	857	100

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

Part E – Enquiries and Complaints

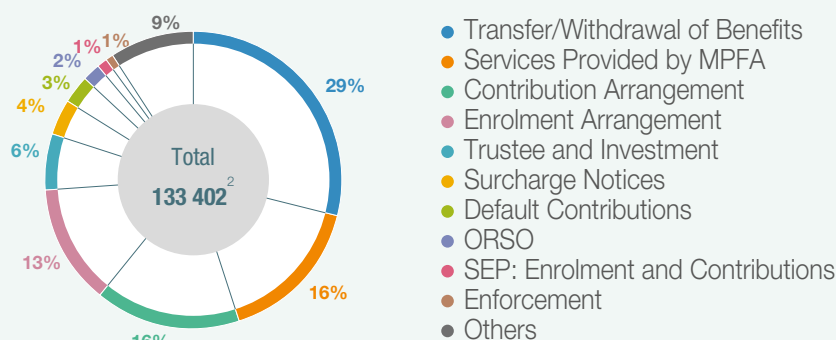
1. Number of Enquiries Received¹ (by Enquirer Type) (1.4.2016 – 31.3.2017)

Enquirer	Number of Enquiries	
Employee	52 237	51%
Employer	31 133	30%
SEP	1 062	1%
Service Provider	4 706	5%
Others/Unknown	13 986	14%
Total	103 124	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 – Number of Personal Account Enquiries Received (by Enquirer Type).

2. Nature of Enquiries¹ (1.4.2016 – 31.3.2017)



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 – Number of Personal Account Enquiries Received (by Enquirer Type).

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

3. Number of Personal Account Enquiries Received (by Enquirer Type) (1.4.2016 – 31.3.2017)

Enquirer	Number of Enquiries	
Authorized Person of a Scheme Member	121 723	76%
Scheme Member	36 395	23%
Personal Representative or Persons Entitled to the Administration of the Estate of a Deceased Scheme Member	1 009	1%
Total	159 127	100%

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

Part E – Enquiries and Complaints

4. Number of Complaints Received (by Industry of Complainee)

(1.4.2016 – 31.3.2017)



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

5. Number of Complaints Received (by Complainee Type)

(1.4.2016 – 31.3.2017)

Complainee	Number of Complaints
Employers (MPF and ORSO)	3 399
MPF Trustees and Service Providers	295
MPF Intermediaries	15
ORSO Administrators	18
Others	84
Total	3 811

6. Nature of Complaints Received (by Complainee Type and by Issue)

(1.4.2016 – 31.3.2017)

Complainee and Issue	Number of Issues
Employers (MPF and ORSO)	4 821
Default Contribution	3 097
Non-enrolment	1 361
Others	363
MPF Trustees and Service Providers	407
Scheme Administration	368
Others	39
MPF Intermediaries	16
Conduct	16
ORSO Administrators	26
Scheme Administration	23
Others	3
Others	89
Total	5 359¹

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

Membership Lists of Committees and Appeal Boards

(as at 31.3.2017)

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 (*until 16.3.2017*)

Members

Dr David Wong Yau-kar, BBS, JP
Hon Poon Siu-ping, BBS, MH
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 (*until 16.3.2017*)

Members

Hon Ip Kwok-him, GBS, JP (*until 16.3.2017*)
Mr Philip Tsai Wing-chung, JP (*until 16.3.2017*)
Mr Kingsley Wong Kwok, JP

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 (*until 16.3.2017*)

Members

Dr David Wong Yau-kar, BBS, JP
Dr John Poon Cho-ming, BBS, JP (*until 16.3.2017*)
Mrs Diana Chan Tong Chee-ching, JP
Mr Cheng Yan-chee

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

Mr Darren Mark McShane (*until 24.3.2017*)
Ms Candy Yuen Shui-fan
Mrs Sally Wong Chi-ming
Ms Cynthia Chung Wing-suet
Mr Bonn Liu Yun-bonn
Ms Lau Ka-shi, BBS
Mr David Adams

Membership Lists of Committees and Appeal Boards

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

Dr David Wong Yau-kar, BBS, JP

Members

Hon Ip Kwok-him, GBS, JP (*until 16.3.2017*)

Ms Paddy Lui Wai-yu, BBS, JP (*until 16.3.2017*)

Mr Philip Tsai Wing-chung, JP (*until 16.3.2017*)

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

Dr John Poon Cho-ming, BBS, JP (*until 16.3.2017*)

Members

Hon Abraham Shek Lai-him, GBS, JP

Mr Cheng Yan-chee

An Executive Director/a Head responsible for the subject under consideration

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

Dr David Wong Yau-kar, BBS, JP

Members

Hon Ip Kwok-him, GBS, JP (*until 16.3.2017*)

Dr John Poon Cho-ming, BBS, JP (*until 16.3.2017*)

Mr Philip Tsai Wing-chung, JP (*until 16.3.2017*)

Membership Lists of Committees and Appeal Boards

MPF Schemes Appeal Board

Chairman

Mr William Duncan Stone, SBS (until 31.10.2016)

Mr Stewart Wong Kai-ming, SC (from 1.11.2016)

Deputy Chairman

Ms Giovanna Kwong Fung-ping

Panel Members

Mr Kenny Chan Ngai-sang

Ms Agnes Chan Sui-kuen

Mr Ng Chau-pei

Ms Ng Wai-yee, MH, JP

Mr Jeff Wong Kwan-kit

Ms Lau Yuk-kuen

Mr Gerry Ng Joo-yeow

Ms Belinda Luk Kwai-sim

Ms Cecilia Lee Sau-wai, JP

Ms Miranda So Man-wah

Occupational Retirement Schemes Appeal Board

Chairman

Ms Cynthia Chung Wing-suet

Deputy Chairman

Ms Giovanna Kwong Fung-ping

Panel Members

Dr Stella Cho Lung Pui-lan (*until 30.9.2016*)

Ms Cecilia Lee Sau-wai, JP (*until 30.9.2016*)

Ms Ivy Cheung Wing-han

Ms Miranda So Man-wah

Mr Kenny Chan Ngai-sang (*from 1.10.2016*)

List of 18 MPF Trustees

(as at 31.3.2017)

AIA Company (Trustee) Limited
AXA Financial Services Trustees Limited
Bank Consortium Trust Company Limited
Bank of Communications Trustee Limited
Bank of East Asia (Trustees) Limited
BOCI-Prudential Trustee Limited
China Life Trustees Limited
Cititrust Limited
FWD Pension Trust Limited
HSBC Institutional Trust Services (Asia) Limited
HSBC Provident Fund Trustee (Hong Kong) Limited
Manulife Provident Funds Trust Company Limited
MassMutual Trustees Limited
Principal Trust Company (Asia) Limited
Principal Trust Company (Hong Kong) Limited
RBC Investor Services Trust Hong Kong Limited
Royal Bank of Canada Trust Company (Asia) Limited
Sun Life Trustee Company Limited

List of 36 Registered MPF Schemes and 485 Constituent Funds

(as at 31.3.2017)

Trustee	MPF Scheme	Underlying Constituent Funds
AIA Company (Trustee) Limited	AIA MPF – Prime Value Choice	<ol style="list-style-type: none"> 1. Age 65 Plus Fund 2. Allianz Capital Stable Fund 3. Allianz Growth Fund 4. Allianz Stable Growth Fund 5. American Fund 6. Asian Bond Fund 7. Asian Equity Fund 8. Balanced Portfolio 9. Capital Stable Portfolio 10. China HK Dynamic Asset Allocation Fund 11. Core Accumulation Fund 12. Eurasia Fund 13. European Equity Fund 14. Fidelity Capital Stable Fund 15. Fidelity Growth Fund 16. Fidelity Stable Growth Fund 17. Global Bond Fund 18. Greater China Equity Fund 19. Green Fund 20. Growth Portfolio 21. Guaranteed Portfolio 22. Hong Kong and China Fund 23. Hong Kong Equity Fund 24. Japan Equity Fund 25. Manager's Choice Fund 26. MPF Conservative Fund 27. North American Equity Fund 28. World Fund
Bank Consortium Trust Company Limited	Allianz Global Investors MPF Plan	<ol style="list-style-type: none"> 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 Age 65 Plus Fund 9. Allianz MPF Conservative Fund 10. Allianz MPF Core Accumulation Fund 11. Allianz Oriental Pacific Fund 12. Allianz RMB Money Market Fund 13. Allianz Stable Growth Fund

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
Bank Consortium Trust Company Limited	AMTD MPF Scheme	1. AMTD Allianz Choice Balanced Fund
		2. AMTD Allianz Choice Capital Stable Fund
		3. AMTD Allianz Choice Dynamic Allocation Fund
		4. AMTD Allianz Choice Growth Fund
		5. AMTD Allianz Choice Stable Growth Fund
		6. AMTD Invesco Age 65 Plus Fund
		7. AMTD Invesco Asia Fund
		8. AMTD Invesco Core Accumulation Fund
		9. AMTD Invesco Europe Fund
		10. AMTD Invesco Global Bond Fund
		11. AMTD Invesco Hong Kong and China Fund
		12. AMTD Invesco MPF Conservative Fund
		13. AMTD Invesco Target 2018 Retirement Fund
		14. AMTD Invesco Target 2028 Retirement Fund
		15. AMTD Invesco Target 2038 Retirement Fund
		16. AMTD Invesco Target 2048 Retirement Fund
Bank Consortium Trust Company Limited	BCT (MPF) Industry Choice	1. BCT (Industry) Absolute Return Fund
		2. BCT (Industry) Age 65 Plus Fund
		3. BCT (Industry) Asian Equity Fund
		4. BCT (Industry) Core Accumulation Fund
		5. BCT (Industry) E30 Mixed Asset Fund
		6. BCT (Industry) E50 Mixed Asset Fund
		7. BCT (Industry) E70 Mixed Asset Fund
		8. BCT (Industry) Global Bond Fund
		9. BCT (Industry) Global Equity Fund
		10. BCT (Industry) Hong Kong Equity Fund
		11. BCT (Industry) MPF Conservative Fund
		12. BCT (Industry) RMB Bond Fund
Bank Consortium Trust Company Limited	BCT (MPF) Pro Choice	1. BCT (Pro) Absolute Return Fund
		2. BCT (Pro) Age 65 Plus Fund
		3. BCT (Pro) Asian Equity Fund
		4. BCT (Pro) China and Hong Kong Equity Fund
		5. BCT (Pro) Core Accumulation Fund
		6. BCT (Pro) E30 Mixed Asset Fund
		7. BCT (Pro) E50 Mixed Asset Fund
		8. BCT (Pro) E70 Mixed Asset Fund
		9. BCT (Pro) E90 Mixed Asset Fund
		10. BCT (Pro) European Equity Fund
		11. BCT (Pro) Global Bond Fund
		12. BCT (Pro) Global Equity Fund
		13. BCT (Pro) Greater China Equity Fund
		14. BCT (Pro) Hang Seng Index Tracking Fund
		15. BCT (Pro) Hong Kong Dollar Bond Fund
		16. BCT (Pro) Hong Kong Equity Fund
		17. BCT (Pro) International Equity Fund
		18. BCT (Pro) MPF Conservative Fund
		19. BCT (Pro) RMB Bond Fund

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
		20. BCT (Pro) SaveEasy 2020 Fund 21. BCT (Pro) SaveEasy 2025 Fund 22. BCT (Pro) SaveEasy 2030 Fund 23. BCT (Pro) SaveEasy 2035 Fund 24. BCT (Pro) SaveEasy 2040 Fund 25. BCT (Pro) World Equity Fund
Bank Consortium Trust Company Limited	Invesco Strategic MPF Scheme	1. Age 65 Plus Fund 2. Asian Equity Fund 3. Balanced Fund 4. Capital Stable Fund 5. Core Accumulation Fund 6. Global Bond Fund 7. Growth Fund 8. Guaranteed Fund 9. Hong Kong and China Equity Fund 10. Invesco Hang Seng Index Tracking Fund 11. MPF Conservative Fund 12. RMB Bond Fund
Bank of Communications Trustee Limited	BCOM Joyful Retirement MPF Scheme	1. BCOM Age 65 Plus Fund 2. BCOM Asian Dynamic Equity (CF) Fund 3. BCOM Balanced (CF) Fund 4. BCOM China Dynamic Equity (CF) Fund 5. BCOM Core Accumulation Fund 6. BCOM Dynamic Growth (CF) Fund 7. BCOM Global Bond (CF) Fund 8. BCOM Greater China Equity (CF) Fund 9. BCOM Guaranteed (CF) Fund 10. BCOM Hong Kong Dynamic Equity (CF) Fund 11. BCOM HSI Tracking (CF) Fund 12. BCOM MPF Conservative Fund 13. BCOM Stable Growth (CF) Fund
Bank of East Asia (Trustees) Limited	BEA (MPF) Industry Scheme	1. BEA (Industry Scheme) Age 65 Plus Fund 2. BEA (Industry Scheme) Asian Equity Fund 3. BEA (Industry Scheme) Balanced Fund 4. BEA (Industry Scheme) Core Accumulation Fund 5. BEA (Industry Scheme) Greater China Equity Fund 6. BEA (Industry Scheme) Growth Fund 7. BEA (Industry Scheme) Hong Kong Equity Fund 8. BEA (Industry Scheme) MPF Conservative Fund 9. BEA (Industry Scheme) RMB & HKD Money Market Fund 10. BEA (Industry Scheme) Stable Fund 11. BEA China Tracker Fund 12. BEA Hong Kong Tracker Fund

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
Bank of East Asia (Trustees) Limited	BEA (MPF) Master Trust Scheme	1. BEA (MPF) Age 65 Plus Fund
		2. BEA (MPF) Asian Equity Fund
		3. BEA (MPF) Balanced Fund
		4. BEA (MPF) Conservative Fund
		5. BEA (MPF) Core Accumulation Fund
		6. BEA (MPF) European Equity Fund
		7. BEA (MPF) Global Bond Fund
		8. BEA (MPF) Global Equity Fund
		9. BEA (MPF) Greater China Equity Fund
		10. BEA (MPF) Growth Fund
		11. BEA (MPF) Hong Kong Equity Fund
		12. BEA (MPF) Japan Equity Fund
		13. BEA (MPF) Long Term Guaranteed Fund
		14. BEA (MPF) North American Equity Fund
		15. BEA (MPF) RMB & HKD Money Market Fund
		16. BEA (MPF) Stable Fund
		17. BEA China Tracker Fund
		18. BEA Hong Kong Tracker Fund
Bank of East Asia (Trustees) Limited	BEA (MPF) Value Scheme	1. BEA Age 65 Plus Fund
		2. BEA Asian Equity Fund
		3. BEA Balanced Fund
		4. BEA Core Accumulation Fund
		5. BEA Global Bond Fund
		6. BEA Global Equity Fund
		7. BEA Greater China Equity Fund
		8. BEA Greater China Tracker Fund
		9. BEA Growth Fund
		10. BEA Hong Kong Tracker Fund
		11. BEA MPF Conservative Fund
		12. BEA Stable Fund
BOCI-Prudential Trustee Limited	BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme	1. BOC-Prudential Age 65 Plus Fund
		2. BOC-Prudential Asia Equity Fund
		3. BOC-Prudential Balanced Fund
		4. BOC-Prudential Bond Fund
		5. BOC-Prudential China Equity Fund
		6. BOC-Prudential Core Accumulation Fund
		7. BOC-Prudential CSI HK 100 Tracker Fund
		8. BOC-Prudential European Index Tracking Fund
		9. BOC-Prudential Global Equity Fund
		10. BOC-Prudential Growth Fund
		11. BOC-Prudential Hong Kong Equity Fund
		12. BOC-Prudential Japan Equity Fund
		13. BOC-Prudential MPF Conservative Fund
		14. BOC-Prudential MPF RMB & HKD Money Market Fund
		15. BOC-Prudential North America Index Tracking Fund
		16. BOC-Prudential Stable Fund

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
BOCI-Prudential Trustee Limited	My Choice Mandatory Provident Fund Scheme	1. My Choice Age 65 Plus Fund
		2. My Choice Asia Equity Fund
		3. My Choice Balanced Fund
		4. My Choice China Equity Fund
		5. My Choice Core Accumulation Fund
		6. My Choice Global Bond Fund
		7. My Choice Global Equity Fund
		8. My Choice Growth Fund
		9. My Choice HKD Bond Fund
		10. My Choice Hong Kong Equity Fund
		11. My Choice Hong Kong Tracking Fund
		12. My Choice MPF Conservative Fund
		13. My Choice RMB & HKD Money Market Fund
		14. My Choice Stable Fund
China Life Trustees Limited	China Life MPF Master Trust Scheme	1. China Life Age 65 Plus Fund
		2. China Life Balanced Fund
		3. China Life Core Accumulation Fund
		4. China Life Growth Fund
		5. China Life Guaranteed Return Fund
		6. China Life Hong Kong Equity Fund
		7. China Life MPF Conservative Fund
		8. China Life Retire-Easy Balanced Fund
		9. China Life Retire-Easy Capital Stable Fund
		10. China Life Retire-Easy Global Equity Fund
		11. China Life Retire-Easy Guarantee Fund
FWD Pension Trust Limited	FWD MPF Master Trust Basic Scheme	1. FWD MPF Basic Scheme Age 65 Plus Portfolio
		2. FWD MPF Basic Scheme Balanced Growth Portfolio
		3. FWD MPF Basic Scheme Capital Guaranteed Portfolio
		4. FWD MPF Basic Scheme Core Accumulation Portfolio
		5. FWD MPF Basic Scheme Hong Kong Equity Portfolio
		6. FWD MPF Basic Scheme International Equity Portfolio
		7. FWD MPF Basic Scheme MPF Conservative Portfolio
		8. FWD MPF Basic Scheme Stable Growth Portfolio
		9. FWD MPF Basic Scheme US & Hong Kong Equity Portfolio

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
FWD Pension Trust Limited	FWD MPF Master Trust Comprehensive Scheme	<ol style="list-style-type: none"> 1. FWD MPF Comprehensive Scheme Age 65 Plus Portfolio 2. FWD MPF Comprehensive Scheme Asian Equity Portfolio 3. FWD MPF Comprehensive Scheme Balanced Growth Portfolio 4. FWD MPF Comprehensive Scheme Capital Guaranteed Portfolio 5. FWD MPF Comprehensive Scheme Core Accumulation Portfolio 6. FWD MPF Comprehensive Scheme Growth Portfolio 7. FWD MPF Comprehensive Scheme Hong Kong Equity Portfolio 8. FWD MPF Comprehensive Scheme International Equity Portfolio 9. FWD MPF Comprehensive Scheme MPF Conservative Portfolio 10. FWD MPF Comprehensive Scheme Stable Growth Portfolio 11. FWD MPF Comprehensive Scheme Stable Portfolio 12. FWD MPF Comprehensive Scheme US & Hong Kong Equity Portfolio
HSBC Institutional Trust Services (Asia) Limited	Fidelity Retirement Master Trust	<ol style="list-style-type: none"> 1. Age 65 Plus Fund 2. Asia Pacific Equity Fund 3. Balanced Fund 4. Capital Stable Fund 5. Core Accumulation Fund 6. Fidelity Hong Kong Tracker Fund 7. Fidelity SaveEasy 2020 Fund 8. Fidelity SaveEasy 2025 Fund 9. Fidelity SaveEasy 2030 Fund 10. Fidelity SaveEasy 2035 Fund 11. Fidelity SaveEasy 2040 Fund 12. Fidelity SaveEasy 2045 Fund 13. Fidelity SaveEasy 2050 Fund 14. Global Equity Fund 15. Growth Fund 16. Hong Kong Bond Fund 17. Hong Kong Equity Fund 18. MPF Conservative Fund 19. RMB Bond Fund 20. Stable Growth Fund 21. World Bond Fund

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
HSBC Institutional Trust Services (Asia) Limited	Haitong MPF Retirement Fund	<ol style="list-style-type: none"> 1. Haitong Age 65 Plus Fund 2. Haitong Asia Pacific (excluding HK) Fund 3. Haitong Core Accumulation Fund 4. Haitong Global Diversification Fund 5. Haitong Hong Kong SAR Fund 6. Haitong Korea Fund 7. Haitong MPF Conservative Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	Hang Seng Mandatory Provident Fund – SimpleChoice <i>(Merged into Hang Seng Mandatory Provident Fund – ValueChoice with effect from 1.7.2016)</i>	<ol style="list-style-type: none"> 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 <i>(Merged into Hang Seng Mandatory Provident Fund – SuperTrust Plus with effect from 1.7.2016)</i>	<ol style="list-style-type: none"> 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	Hang Seng Mandatory Provident Fund – SuperTrust Plus	<ol style="list-style-type: none"> 1. Asia Pacific Equity Fund 2. Balanced Fund 3. Chinese Equity Fund 4. European Equity Fund 5. Flexi-Managed Fund <i>(Name changed to Age 65 Plus Fund with effect from 1.4.2017)</i> 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 <i>(Name changed to Core Accumulation Fund with effect from 1.4.2017)</i>

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
HSBC Provident Fund Trustee (Hong Kong) Limited	Hang Seng Mandatory Provident Fund – ValueChoice	<ol style="list-style-type: none"> 1. Age 65 Plus Fund 2. Global Bond Fund 3. Global Equity Fund 4. Hang Seng H-Share Index Tracking Fund 5. Hang Seng Index Tracking Fund 6. MPF Conservative Fund 7. ValueChoice Asia Pacific Equity Fund 8. ValueChoice Balanced Fund 9. ValueChoice European Equity Fund 10. ValueChoice Stable Growth Fund (Name changed to Core Accumulation Fund with effect from 1.4.2017) 11. ValueChoice US Equity Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	HSBC Mandatory Provident Fund – SimpleChoice (Merged into HSBC Mandatory Provident Fund – ValueChoice with effect from 1.7.2016)	<ol style="list-style-type: none"> 1. Global Bond Fund 2. Global Equity Fund 3. MPF Conservative Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	HSBC Mandatory Provident Fund – SuperTrust (Merged into HSBC Mandatory Provident Fund – SuperTrust Plus with effect from 1.7.2016)	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 1. Asia Pacific Equity Fund 2. Balanced Fund 3. Chinese Equity Fund 4. European Equity Fund 5. Flexi-Managed Fund (Name changed to Age 65 Plus Fund with effect from 1.4.2017) 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 (Name changed to Core Accumulation Fund with effect from 1.4.2017)

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
HSBC Provident Fund Trustee (Hong Kong) Limited	HSBC Mandatory Provident Fund – ValueChoice	<ol style="list-style-type: none"> 1. Age 65 Plus Fund 2. Global Bond Fund 3. Global Equity Fund 4. Hang Seng H-Share Index Tracking Fund 5. Hang Seng Index Tracking Fund 6. MPF Conservative Fund 7. ValueChoice Asia Pacific Equity Fund 8. ValueChoice Balanced Fund 9. ValueChoice European Equity Fund 10. ValueChoice Stable Growth Fund (Name changed to Core Accumulation Fund with effect from 1.4.2017) 11. ValueChoice US Equity Fund
HSBC Provident Fund Trustee (Hong Kong) Limited	Sun Life MPF Master Trust	<ol style="list-style-type: none"> 1. Schroder MPF Age 65 Plus Fund 2. Schroder MPF Asian Portfolio 3. Schroder MPF Balanced Investment Portfolio 4. Schroder MPF Capital Guaranteed Portfolio 5. Schroder MPF Capital Stable Portfolio 6. Schroder MPF Conservative Portfolio 7. Schroder MPF Core Accumulation Fund 8. Schroder MPF Global Fixed Income Portfolio 9. Schroder MPF Growth Portfolio 10. Schroder MPF Hong Kong Portfolio 11. Schroder MPF International Portfolio 12. Schroder MPF RMB and HKD Fixed Income Portfolio 13. Schroder MPF Stable Growth Portfolio
Manulife Provident Funds Trust Company Limited	Manulife Global Select (MPF) Scheme	<ol style="list-style-type: none"> 1. Manulife MPF 2020 Retirement Fund 2. Manulife MPF 2025 Retirement Fund 3. Manulife MPF 2030 Retirement Fund 4. Manulife MPF 2035 Retirement Fund 5. Manulife MPF 2040 Retirement Fund 6. Manulife MPF 2045 Retirement Fund 7. Manulife MPF Age 65 Plus Fund 8. Manulife MPF Aggressive Fund 9. Manulife MPF China Value Fund 10. Manulife MPF Conservative Fund 11. Manulife MPF Core Accumulation Fund 12. Manulife MPF European Equity Fund 13. Manulife MPF Fidelity Growth Fund 14. Manulife MPF Fidelity Stable Growth Fund 15. Manulife MPF Growth Fund 16. Manulife MPF Hang Seng Index Tracking Fund 17. Manulife MPF Healthcare Fund 18. Manulife MPF Hong Kong Bond Fund 19. Manulife MPF Hong Kong Equity Fund 20. Manulife MPF Interest Fund 21. Manulife MPF International Bond Fund

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
		22. Manulife MPF International Equity Fund 23. Manulife MPF Japan Equity Fund 24. Manulife MPF North American Equity Fund 25. Manulife MPF Pacific Asia Bond Fund 26. Manulife MPF Pacific Asia Equity Fund 27. Manulife MPF RMB Bond Fund 28. Manulife MPF Smart Retirement Fund 29. Manulife MPF Stable Fund
MassMutual Trustees Limited	MASS Mandatory Provident Fund Scheme	1. Age 65 Plus Fund 2. Asian Balanced Fund 3. Asian Pacific Equity Fund 4. Core Accumulation Fund 5. European Equity Fund 6. Global Bond Fund 7. Global Equity Fund 8. Global Growth Fund 9. Global Stable Fund 10. Greater China Equity Fund 11. Guaranteed Fund 12. Hong Kong Equities Fund 13. MPF Conservative Fund 14. US Equity Fund
Principal Trust Company (Asia) Limited	Principal MPF – Simple Plan	1. Principal – Fidelity Asia Pacific Equity Fund 2. Principal – Fidelity Global Equity Fund 3. Principal – MPF Conservative Fund 4. Principal – Templeton Global Bond Fund 5. Principal Age 65 Plus Fund 6. Principal Balanced Fund 7. Principal Core Accumulation Fund 8. Principal Dynamic Hong Kong Equity Fund 9. Principal Growth Fund 10. Principal Stable Fund
Principal Trust Company (Asia) Limited	Principal MPF – Smart Plan	1. Principal – Fidelity Asia Pacific Equity Fund 2. Principal – Fidelity Global Equity Fund 3. Principal – Hang Seng Index Tracking Fund 4. Principal – JPMorgan Asian Bond Fund 5. Principal – JPMorgan Greater China Equity Fund 6. Principal – MPF Conservative Fund 7. Principal – Templeton Global Bond Fund 8. Principal Age 65 Plus Fund 9. Principal Balanced Fund 10. Principal Cash Fund 11. Principal Core Accumulation Fund 12. Principal Dynamic Hong Kong Equity Fund 13. Principal Growth Fund 14. Principal Guaranteed Fund 15. Principal Stable Fund

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
Principal Trust Company (Asia) Limited	Principal MPF Scheme Series 600	<ol style="list-style-type: none"> 1. Principal Age 65 Plus Fund 2. Principal Aggressive Strategy Fund 3. Principal Asian Bond Fund 4. Principal Core Accumulation Fund 5. Principal Global Growth Fund 6. Principal Hang Seng Index Tracking Fund 7. Principal HK Dollar Savings Fund 8. Principal Long Term Accumulation Fund 9. Principal Long Term Guaranteed Fund 10. Principal MPF Conservative Fund 11. Principal Stable Yield Fund
Principal Trust Company (Asia) Limited	Principal MPF Scheme Series 800	<ol style="list-style-type: none"> 1. Principal Age 65 Plus Fund 2. Principal Asian Equity Fund 3. Principal Capital Guaranteed Fund 4. Principal China Equity Fund 5. Principal Core Accumulation Fund 6. Principal Global Growth Fund 7. Principal Hang Seng Index Tracking Fund 8. Principal HK Dollar Savings Fund 9. Principal Hong Kong Bond Fund 10. Principal Hong Kong Equity Fund 11. Principal International Bond Fund 12. Principal International Equity Fund 13. Principal Long Term Accumulation Fund 14. Principal Long Term Guaranteed Fund 15. Principal MPF Conservative Fund 16. Principal Stable Yield Fund 17. Principal US Equity Fund
RBC Investor Services Trust Hong Kong Limited	Manulife MPF Plan – Advanced	<ol style="list-style-type: none"> 1. Allianz Choice Balanced Fund 2. Allianz Choice Capital Stable Fund 3. Allianz Choice Growth Fund 4. Fidelity Global Investment Fund – Balanced Fund 5. Fidelity Global Investment Fund – Capital Stable Fund 6. Fidelity Global Investment Fund – Growth Fund 7. HSBC MPF “A” – Balanced Fund 8. HSBC MPF “A” – Hong Kong and Chinese Equity Fund 9. HSBC MPF “A” – Stable Fund 10. Invesco Global Balanced Fund 11. Invesco Global Equities Fund 12. Invesco MPF Bond Fund 13. Manulife Balanced Fund – Advanced 14. Manulife Bond Fund – Advanced 15. Manulife Career Average Guaranteed Fund – Advanced 16. Manulife Growth Fund – Advanced

List of 36 Registered MPF Schemes and 485 Constituent Funds

Trustee	MPF Scheme	Underlying Constituent Funds
		17. Manulife MPF Age 65 Plus Fund – Advanced 18. Manulife MPF Conservative Fund – Advanced 19. Manulife MPF Core Accumulation Fund – Advanced 20. Manulife Stable Fund – Advanced 21. Principal Hong Kong Equity Fund 22. Schroder MPF Asian Fund 23. Schroder MPF Balanced Investment Fund 24. Schroder RMB and HKD Fixed Income Fund 25. Templeton MPF Asian Balanced Fund 26. Templeton MPF Global Bond Fund 27. Templeton MPF Global Equity Fund
RBC Investor Services Trust Hong Kong Limited	Manulife MPF Plan – Basic	1. Manulife Balanced Fund – Basic 2. Manulife Bond Fund – Basic 3. Manulife Career Average Guaranteed Fund – Basic 4. Manulife Growth Fund – Basic 5. Manulife MPF Age 65 Plus Fund – Basic 6. Manulife MPF Conservative Fund – Basic 7. Manulife MPF Core Accumulation Fund – Basic 8. Manulife Stable Fund – Basic
RBC Investor Services Trust Hong Kong Limited	SHKP MPF Employer Sponsored Scheme	1. Allianz Choice Balanced Fund 2. Allianz Choice Stable Growth Fund 3. Fidelity Balanced Fund 4. Fidelity Stable Growth Fund 5. Invesco Global Stable Fund 6. Manulife Career Average Guaranteed Fund – SHKP 7. Manulife MPF Conservative Fund – SHKP 8. Schroder MPF Age 65 Plus Fund 9. Schroder MPF Core Accumulation Fund 10. SHKP MPF Fund
Sun Life Trustee Company Limited	Sun Life Rainbow MPF Scheme	1. Sun Life FTSE MPF Hong Kong Index Fund 2. Sun Life MPF Age 65 Plus Fund 3. Sun Life MPF Asian Equity Fund 4. Sun Life MPF Balanced Fund 5. Sun Life MPF Conservative Fund 6. Sun Life MPF Core Accumulation Fund 7. Sun Life MPF Global Bond Fund 8. Sun Life MPF Global Equity Fund 9. Sun Life MPF Greater China Equity Fund 10. Sun Life MPF Growth Fund 11. Sun Life MPF Hong Kong Dollar Bond Fund 12. Sun Life MPF Hong Kong Equity Fund 13. Sun Life MPF RMB and HKD Fund 14. Sun Life MPF Stable Fund

List of Corporate Administrators who Administer Pooling Agreements for ORSO Schemes

(as at 31.3.2017)

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.
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
Principal Trust Company (Bermuda) Limited
Principal Trust Company (Hong Kong) Limited
RBC Investor Services Trust Hong Kong Limited
Shanghai Commercial Bank Trustee Limited
Sun Life Trustee Company Limited
Zetland Trust Limited

Abbreviations

Abbreviations	stand for
APIF	approved pooled investment fund
BFAC	Business Facilitation Advisory Committee
CEO	chief executive officer
CFP	Certified Financial Planner
CPD	continuing professional development
CPI	Consumer Price Index
CRE	Central Register of Establishments
CSR	corporate social responsibility
DIS	default investment strategy
ED	executive director
FAQ	frequently asked question
FER	fund expense ratio
Fintech	financial technology
HKMA	Hong Kong Monetary Authority
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSARG	Hong Kong Special Administrative Region Government
HKSFA	Hong Kong Society of Financial Analysts
ICAC	Independent Commission Against Corruption
IOPS	International Organisation of Pension Supervisors
IRR	internal rate of return
ITCIS	index-tracking collective investment schemes
MPF	mandatory provident fund
MPFA	Mandatory Provident Fund Schemes Authority
MPFSO	Mandatory Provident Fund Schemes Ordinance
NED	non-executive director
OECD	Organisation for Economic Cooperation and Development
ORSO	Occupational Retirement Schemes Ordinance
PRP	Process Review Panel in relation to the Regulation of Mandatory Provident Fund Intermediaries
SEP	self-employed person
SFC	Securities and Futures Commission
TOLG	Trustees Operations Liaison Group

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