INDEPENDENT AUDITOR'S REPORT

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

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

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

THE ADMINISTRATOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 184 of the Mandatory Provident Fund Schemes (General) Regulation and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2013

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2013

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

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

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

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

STATEMENT OF FINANCIAL POSITION

at 31 March 2013

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

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

Diana Chan
Managing Director

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

STATEMENT OF CHANGES IN CAPITAL AND RESERVE

for the year ended 31 March 2013

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

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

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. PURPOSE AND CLAIM FOR PAYMENT

The Mandatory Provident Fund Schemes Compensation Fund ("the Fund") was established under section 17 of the Mandatory Provident Fund Schemes Ordinance ("the Ordinance") which came into effect on 12 March 1999 for the purpose of compensating members of registered Mandatory Provident Fund schemes and other persons who have beneficial interests in those schemes for losses of accrued benefits that are attributable to misfeasance or illegal conduct committed by the approved trustees of those schemes or by other persons concerned with the administration of those schemes.

The application for compensation from the Fund has to be made to a court of law in accordance with the Ordinance. The Administrator shall then make the compensation fund payment pursuant to the decisions of the court. During the year, the Mandatory Provident Fund Schemes Authority ("the MPFA") was the Administrator of the Fund. The MPFA has not charged any administration fee to the Fund during the year 2012 and 2013. The MPFA's office address is Level 16, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, and in accordance with HKFRSs issued by the HKICPA.

3.1 Revenue recognition

Levy fee consists of fees charged to the approved trustees of registered Mandatory Provident Fund schemes and is accounted for on an accrual basis.

Interest income from a financial asset is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount.

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

3.2 Financial instruments

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

3.3 Financial assets

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

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

Financial assets at fair value through profit or loss

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

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

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

(b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(c) it forms part of the contract containing one or more embedded derivatives and HKAS 39 permits the entire combined contract (asset or liability) to be designated at fair value.

Investments designated at fair value recognised in the statement of financial position are categorised as financial assets designated at fair value through profit or loss. Subsequent to initial recognition, financial assets at fair value are measured at fair value, with changes in fair value arising from remeasurement recognised directly in the income and expenditure account in the period in which they arise. The net investment income/loss recognised in the income and expenditure account includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables, including levy fees receivable, bank deposits and cash and cash equivalents, are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

3.4 Impairment of financial assets

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

Objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty;

(b) a breach of contract, such as default or delinquency in interest or principal payments;

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation;

(d) the disappearance of an active market for that financial asset because of financial difficulties; or

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

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

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

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

3.5 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability. The Fund's financial liabilities are generally classified as other financial liabilities, they are subsequently measured at amortised cost using the effective interest method.

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

3.6 Derecognition

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

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

3.7 Cash and cash equivalents

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

3.8 Creditors and accrued charges

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

4. CAPITAL MANAGEMENT

The Fund's objectives when managing capital are:

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

(b) to support the Fund's stability and growth to provide benefits under its statutory function.

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

5. FINANCIAL INSTRUMENTS

5.1 Categories of financial instruments

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

5.2 Financial Risk Management Objectives and Policies

The Fund's major financial instruments include bank deposits and cash and cash equivalents, levy fees receivable, equity and debt securities investments. The strategic investment allocation was set using a statistical approach. A set of Investment Guidelines approved by the MPFA's Management Board is in place to lay down limits and restrictions on currency risk, interest rate risk, credit risk and general activities. Regular reviews on the Investment Guidelines will be conducted. The Finance Committee, one of the standing committees of the MPFA, is responsible for overseeing the investments of the Fund.

The Fund maintains a fairly high percentage of cash investment, i.e. HK dollar deposits. Debt securities investments are of short maturity and therefore are subject to relatively low price risk. The investment in equities accounted for less than 5% (2012: less than 5%) of the total investments (including bank deposits). Equity securities are managed with a passive investment style and their weightings are re-balanced to maintain the strategic asset allocation within the tolerance limit. The investment performance is reported to the Finance Committee and the Management Board on a regular basis.

5.3 Credit risk

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

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

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

Credit rating	2013 HK$	% of net assets	2012 HK$	% of net assets
AA [Note]	**333,889,846**	**19**	306,286,686	19

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

5. FINANCIAL INSTRUMENTS (Continued)

5.4 Interest rate risk

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

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

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

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

	2013 Years	2012 Years
Portfolio duration	0.29	0.42

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

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

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

5.5 Price risk

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

As at 31 March 2013, if the Hong Kong stock market had increased or decreased by 10% with all other variables held constant and all the equity instruments move according to the historical relationship with the Hong Kong stock market, income for the year would have been HK$6.1 million higher or lower (2012: HK$5.6 million).

5.6 Currency risk

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

5.7 Liquidity risk

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

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

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

5. FINANCIAL INSTRUMENTS (Continued)

5.8 Fair values

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

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

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

5.9 Fair value measurements recognised in the statement of financial position

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

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

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

6. NET INVESTMENT GAIN/(LOSS)

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

7. TAXATION

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2013

8. INVESTMENTS DESIGNATED AT FAIR VALUE

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

9. LEVY SUSPENSION

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

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

(b) The levy would be suspended if the NAV of the Fund has exceeded HK$1.4 billion.

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

10. SEED MONEY

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