Independent Auditor's Report

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of the Mandatory Provident Fund Schemes Authority (the "MPFA") and its subsidiary (collectively referred to as the "Group") set out on pages 121 to 164, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated income and expenditure account, the consolidated statement of comprehensive income, consolidated statement of changes in capital and reserve and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 March 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 17 May 2023.

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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Those Charged with Governance for the Consolidated Financial Statements

The MPFA is responsible for the preparation of the consolidated 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 determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the MPFA is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, 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 HKSAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the MPFA.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 June 2024

Consolidated Income and Expenditure Account

For the year ended 31 March 2024

	Notes	2024 HK$	2023 HK$
INCOME			
Fees and charges	8	**354,937,916**	377,661,525
Recoveries from the Mandatory Provident Fund Schemes Compensation Fund	28	**1,133,020**	1,213,267
Interest income on bank deposits		**39,083,725**	22,462,594
Net investment income/(loss)	9	**61,912,793**	(36,736,098)
Other income	10	**15,190,200**	99,185,077
		472,257,654	463,786,365
EXPENDITURE			
Staff costs	12	**468,557,840**	429,987,232
Depreciation and amortization	15–17	**73,492,646**	68,098,103
Premises expenses		**6,495,532**	13,396,406
Public education and publicity expenses		**23,971,819**	19,654,685
Investment expenses		**4,348,071**	4,353,167
Auditor's remuneration		**399,000**	621,800
Other operating expenses	14	**53,942,204**	48,509,279
Finance cost	16	**7,231,193**	2,073,464
		638,438,305	586,694,136
DEFICIT FOR THE YEAR	7	**(166,180,651)**	(122,907,771)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	2024 HK$	2023 HK$
DEFICIT FOR THE YEAR	**(166,180,651)**	(122,907,771)
OTHER COMPREHENSIVE EXPENSE:		
Item that will not be reclassified to income or expenditure:		
Remeasurement of long service payment obligation	**(5,042)**	–
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	**(5,042)**	–
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(166,185,693)**	(122,907,771)

Consolidated Statement of Financial Position

At 31 March 2024

	Notes	2024 HK$	2023 HK$
NON-CURRENT ASSETS			
Property and equipment	15	**78,222,883**	21,501,887
Right-of-use assets	16	**189,446,856**	218,112,364
Intangible assets	17	**12,133,044**	15,763,301
Projects in progress	18	**12,587,596**	83,139,389
Other non-current deposits		**9,357,621**	9,981,738
eMPF Platform	22	**398,024,504**	381,648,285
		699,772,504	730,146,964
CURRENT ASSETS			
Financial investments	19	**1,224,277,642**	1,287,302,595
Derivative financial instruments	20	**1,570,468**	285,284
Unsettled investments receivable		**9,555,093**	1,735,923
Debtors, deposits and prepayments	24	**171,406,909**	163,298,699
Bank deposits		**621,650,769**	763,990,000
Cash and cash equivalents		**1,344,117,523**	1,210,856,759
		3,372,578,404	3,427,469,260
NON-CURRENT LIABILITIES			
Lease liabilities	16	**161,235,691**	183,469,872
Deferred income	24	**392,754,007**	390,489,808
Other payables	25	**16,321,575**	17,168,535
		570,311,273	591,128,215
CURRENT LIABILITIES			
Lease liabilities	16	**31,208,225**	21,262,738
Derivative financial instruments	20	**499,123**	968,365
Unsettled investments payable		**7,694,046**	23,016,976
Grant for the eMPF Platform project	22	**1,000,408,306**	995,293,875
Creditors, other payables and accrued charges	22.2 & 25	**255,629,170**	156,169,853
Deferred income	24	**124,952,624**	121,942,368
		1,420,391,494	1,318,654,175
NET ASSETS		**2,081,648,141**	2,247,833,834
CAPITAL AND RESERVE			
Capital grant	21	**5,000,000,000**	5,000,000,000
Reserve		**(2,918,351,859)**	(2,752,166,166)
		2,081,648,141	2,247,833,834

The consolidated financial statements on pages 121 to 164 were approved and authorized for issue by the Mandatory Provident Fund Schemes Authority on 25 June 2024 and are signed on its behalf by:

Cheng Yan-chee
Managing Director

Consolidated Statement of Changes in Capital and Reserve

For the year ended 31 March 2024

	Capital grant (note 21) HK$	Reserve HK$	Total HK$
At 1 April 2022	5,000,000,000	(2,629,258,395)	2,370,741,605
Deficit for the year	–	(122,907,771)	(122,907,771)
At 31 March 2023	5,000,000,000	(2,752,166,166)	2,247,833,834
Deficit for the year	–	(166,180,651)	(166,180,651)
Other comprehensive expense for the year	–	(5,042)	(5,042)
Total comprehensive expense for the year	–	(166,185,693)	(166,185,693)
At 31 March 2024	**5,000,000,000**	**(2,918,351,859)**	**2,081,648,141**

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	2024 HK$	2023 HK$
OPERATING ACTIVITIES		
Deficit for the year	**(166,180,651)**	(122,907,771)
Adjustments for:		
Depreciation and amortization	**73,492,646**	68,098,103
Finance cost	**7,231,193**	2,073,464
Grant income for the eMPF Platform project	**(8,707,207)**	(94,091,798)
Loss on write-off of property and equipment	**141,766**	–
Interest income on bank deposits[1]	**(39,083,725)**	(22,462,594)
Interest income on financial investments	**(32,452,855)**	(21,790,537)
Dividends from financial investments	**(10,098,650)**	(9,818,176)
Net (gains)/losses on financial investments	**(13,478,618)**	73,713,564
Net gains on derivative financial instruments	**(6,478,431)**	(4,268,923)
Operating cash flows before movements in working capital	**(195,614,532)**	(131,454,668)
Increase in debtors, deposits and prepayments	**(12,173,930)**	(8,635,423)
Increase in creditors, other payables and accrued charges	**148,541,948**	70,110,620
Increase/(decrease) in deferred income	**6,273,087**	(10,081,622)
NET CASH USED IN OPERATING ACTIVITIES	**(52,973,427)**	(80,061,093)
INVESTING ACTIVITIES		
Refund of rental deposits	**13,507,770**	–
Payments for reinstatement of office	**(16,700,000)**	–
Dividends received from financial investments	**10,090,105**	9,687,595
Interest received on bank deposits	**38,432,809**	17,484,869
Interest received from financial investments	**31,350,777**	21,106,506
Proceeds on disposals of financial investments	**1,259,715,942**	1,975,690,276
Purchase of property and equipment, intangible assets, projects in progress and right-of-use assets	**(62,901,424)**	(76,621,004)
Payments in relation to eMPF Platform project	**(11,929,108)**	(195,071,188)
Purchase of financial investments	**(1,205,243,848)**	(2,045,235,025)
Net settlement of derivative financial instruments	**4,724,005**	4,190,410
Maturity of bank deposits[1]	**1,863,265,323**	1,969,909,613
Placement of bank deposits[1]	**(1,720,926,092)**	(1,786,939,000)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**203,386,259**	(105,796,948)
FINANCING ACTIVITIES		
Contribution received and associated interest from the grant for the eMPF Platform project	**12,823,006**	625,480,000
Principal element of lease payments	**(22,743,881)**	(45,901,376)
Interest element of lease payments	**(7,231,193)**	(1,866,115)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(17,152,068)**	577,712,509
NET INCREASE IN CASH AND CASH EQUIVALENTS	**133,260,764**	391,854,468
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,210,856,759**	819,002,291
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,344,117,523**	1,210,856,759
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances in connection with the eMPF Platform project[2]	**1,087,937,801**	1,019,116,234
Bank balances with original maturities at or within 3 months	**36,540,366**	36,470,755
Short term debt securities	**48,654,370**	17,949,144
Other bank balances and cash	**170,984,986**	137,320,626
	1,344,117,523	1,210,856,759

1 As at 31 March 2024, bank deposits with original maturities of more than 3 months amounted to HK$621,650,769 (2023: HK$763,990,000).

2 As at 31 March 2024, it includes balance received from the contractor engaged for the design, build and operation of the eMPF Platform and the cash balance received for the purpose of the eMPF Platform project in accordance with the grant agreement dated 30 December 2019 entered into between the Government and the MPFA (the Grant Agreement).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1. Background and Functions of the Mandatory Provident Fund Schemes Authority (The MPFA) and its Subsidiary (Collectively "The Group")

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 MPFA holds 100% of the shareholding of the eMPF Platform Company Limited (the Company) since its incorporation on 5 March 2021.

The statutory functions of the MPFA and the Company are stated in the Ordinance. The Ordinance also stipulates the MPFA's oversight role in respect of the Company and has empowered the MPFA, as the holding entity and the sole shareholder of the Company, to oversee the operation of the eMPF Platform and supervise the performance of the Company. Details of MPFA's interest in the Company are set out in Note 23.

The office address of the Group was Level 8, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong until 23 April 2023 and has been changed to Level 12, Tower 1, The Millennity, 98 How Ming Street, Kwun Tong, Hong Kong with effect from 24 April 2023.

The consolidated financial statements of the Group are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (HKFRSs) and Change in Other Accounting Policy

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (HKFRSs) and Change in Other Accounting Policy (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the Practice Statement) is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

There is no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in consolidated financial statements that are subject to measurement uncertainty". An accounting policy may require items in consolidated financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (HKFRSs) and Change in Other Accounting Policy (continued)

Change in accounting policy

Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (MPF) – Long Service Payment (LSP) offsetting mechanism in Hong Kong

The Group operates in Hong Kong and is obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustees who administer the assets held in trusts solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR (the Government) gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the Amendment Ordinance) which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the Abolition). The Government has announced that the Abolition will take effect on 1 May 2025 (the Transition Date). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (HKFRSs) and Change in Other Accounting Policy (continued)

Change in accounting policy (continued)

Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (MPF) – Long Service Payment (LSP) offsetting mechanism in Hong Kong (continued)

Accordingly, the Group has recognized a cumulative catch-up adjustment in income or expenditure for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 March 2024, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

There is no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The Group anticipates that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. Material Accounting Policy Information

Basis of preparation of financial statements

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

The preparation of consolidated 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 consolidated financial statements are disclosed in Note 4.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

Material accounting policy information

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

3.1 Investment in subsidiary

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Revenue recognition

Fees and charges consist of application fees, annual registration fees (ARF) and other annual fees, and financial penalties and other charges arising from retirement schemes registered under the Occupational Retirement Schemes Ordinance (ORSO schemes) and the Mandatory Provident Fund Schemes Ordinance (MPF schemes). Annual registration and other annual fees are accounted for on a straight-line basis over the period covered whereas application fees, financial penalties and other charges are recognized as and when determined and imposed. Revenue stream deferred income, or "contract liability" under HKFRS 15, is recognized when the ARF is due and is accounted for as revenue on a straight-line basis over the period covered.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.3 Interest and dividend income

Interest income from a non-grant 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. Interest income includes interest from bank deposits and interest from financial assets at fair value through income or expenditure, which is recognized as part of net investment income.

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

3.4 Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Financial assets 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 recognized immediately in the consolidated income and expenditure account.

(a) Recognition and measurement

The Group's financial assets include financial assets at fair value through income or expenditure and financial assets measured at amortized cost.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through income or expenditure, transaction costs that are directly attributable to the acquisition of the financial asset.

Effective interest method is used to calculate the amortized 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 recognized on an effective interest basis.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.4 Financial instruments (continued)

(b) Classification

The Group classifies its financial assets into the below categories based on the Group's business model for managing the asset and, where required, subsequent analysis of cash flow characteristics on individual financial assets.

The business model reflects how the Group manages particular groups of assets in order to generate future cash flows. Where the business model is to hold the assets to collect contractual cash flows the Group subsequently assesses whether the financial assets cash flows represent solely payments of principal and interest. The Group considers whether the cash flows represent basic lending arrangements. Where contractual terms introduce exposure to risk or volatility inconsistent with a basic lending arrangement the financial asset is classified and measured at fair value through income or expenditure.

(i) Financial assets at fair value through income or expenditure

All the Group's financial assets measured at fair value through income or expenditure, including financial investments and derivative financial instruments, are mandatorily measured at fair value. Gains or losses will be recorded in the consolidated income and expenditure account including any dividend or interest earned on the financial asset and is included in the "net investment income/(loss)" line item.

(ii) Financial assets at amortized cost

Financial assets at amortized cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost mainly consist of debtors, deposits, unsettled investments receivable (including dividends receivable and amounts due from brokers), bank deposits and cash and cash equivalents, excluding the short term debt securities.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.5 Impairment of financial assets

The Group measures the expected credit losses equal to 12 months expected credit loss, unless there has been a significant increase in credit risk by comparing the risk of a default as at the reporting date and the initial recognition date, in which case the Group recognizes lifetime expected credit loss. The Group assesses on forward looking basis the expected credit losses associated with its financial assets measured at amortized cost. The Group's measurement of expected credit losses is unbiased and is the probability weighted amount that has been determined by evaluating a range of possible outcomes as well as incorporating the time value of money. The Group has considered reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses. The financial assets are considered as significant increase in credit risk and credit-impaired when they are past due more than 30 days and 90 days respectively.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For debtors, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the debtors. When assessing whether the exposures have experienced a significant increase in credit risk since initial recognition, the Group has considered, where available without undue cost or effort, reasonable and supportable forward-looking information when making this assessment. Note 6.3 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

Any gain or loss on derecognition and impairment losses are recognized in the consolidated income and expenditure account.

3.6 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

The Group's financial liabilities, including other payables and creditors, unsettled investments payable and grant for the eMPF Platform project, are subsequently measured at amortized cost, using the effective interest method, except for derivative financial instruments.

Effective interest method is used to calculate the amortized 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. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.7 Derivative financial instruments

Derivative financial instruments (primarily foreign exchange contracts) are used in hedging currency exposure in the investments mandatorily measured at fair value. Such derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

For derivative financial instruments that do not qualify for hedge accounting, they are financial assets or liabilities mandatorily measured at fair value. Changes in fair values of such derivatives are recognized directly in the consolidated income and expenditure account.

3.8 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, when the financial assets are transferred and the Group 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 recognized in the consolidated income and expenditure account.

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

3.9 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income and expenditure account during the financial period in which they are incurred.

Depreciation is provided to write-off the cost of items of property and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.9 Property and equipment (continued)

Property and equipment are depreciated on a straight-line basis as follows:

Leasehold improvements	Over the remaining terms of the leases or 4 years, whichever is shorter
Computer equipment	3–4 years
Office equipment and furniture	4 years

An item of property and equipment is derecognized 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 consolidated income and expenditure account in the year in which the item is derecognized.

3.10 Intangible assets

Computer software licenses

Acquired computer software licenses are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized into consolidated income and expenditure account over their estimated useful lives, which do not exceed 4 years.

Software development costs

Costs associated with maintaining computer software programmes are recognized 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 Group are recognized 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 capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.10 Intangible assets (continued)

Software development costs (continued)

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

Computer software development costs recognized as assets are amortized into consolidated income and expenditure account over their estimated useful lives, which does not exceed 4 years.

3.11 Projects in progress and eMPF Platform

Projects in progress and eMPF Platform consist of expenditure of capital projects which are not yet completed and not yet subject to depreciation or amortization. They are transferred into property and equipment or intangible assets upon completion when they are ready for use.

3.12 Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial 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 recognized 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 recognized for the asset in previous years. A reversal of an impairment loss is recognized as income immediately.

3.13 Cash and cash equivalents

In the consolidated 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.

3.14 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.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.15 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Provisions for reinstatement costs are provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognized at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

3.16 Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the functional currency of the Group are recorded in its functional currency (that is the currency of the primary economic environment in which the Group 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 recognized in the consolidated 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 consolidated income and expenditure account for the period.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.17 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

(a) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

(b) makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct costs; and

(d) restoration costs.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

3. Material Accounting Policy Information (continued)

Material accounting policy information (continued)

3.18 Employee benefits

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

Salaries and other employee benefits such as annual leave and contract gratuity are accounted for as they accrue.

The Group accounts for the employer's MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation. The Group applies the practical expedient in HKAS 19.93(b) to account for employer's MPF voluntary contributions as the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered. For mandatory contributions, the Group applies HKAS 19.93(a) and attributes the contributions to period of services for the purpose of calculation of the negative service costs. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees.

Actuarial gains and losses due to liability experience and assumption changes are recognized in the consolidated statement of changes in capital and reserve through "other comprehensive expense" in the period they arise. Service cost and net interest expense are recognized in the consolidated income and expenditure account in the period in which they were incurred.

3.19 Government grants

The government grant is recognized at fair value when there is a reasonable assurance that the Group will comply with the conditions attaching to it, and that the government grant will be received.

The government grant is recognized as other income in the consolidated income and expenditure account over the periods in which the Group recognizes the related costs of the eMPF Platform project and other government subsidies as expenses for which the government grants are intended to compensate.

The government grant related to the assets capitalized for the eMPF Platform project and the fixed assets under other government subsidies shall be presented in the consolidated statement of financial position as deferred income. The government grant related to depreciable assets are recognized in consolidated income and expenditure account over the periods and in the proportions in which depreciation expense on those capitalized assets is recognized.

4. Critical Accounting Estimates and Judgments

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 Group 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.

Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in office premises leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Impairment of eMPF Platform

eMPF Platform is stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including the expected future platform fee income, payment to contractors and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 March 2024, the carrying amount of eMPF Platform subject to impairment assessment was HK$398,024,504 (2023: HK$381,648,285). Taking into account the impairment assessment, no impairment loss of eMPF Platform has been recognized for current and prior years.

5. Capital Management

The Group's objectives when managing capital are:

(a) to safeguard the Group'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 Group's stability and growth to provide benefits for stakeholders.

The Group actively and regularly reviews and manages its capital and reserve to ensure optimal returns, taking into consideration the future resources requirements of the Group, projected capital expenditures and projected receipt of ARF.

6. Financial Instruments

6.1 Categories of financial instruments

	2024 **HK$**	2023 HK$
Financial assets		
Measured at fair value through income and expenditure	**1,274,502,480**	1,305,537,023
At amortized cost	**2,079,219,753**	2,108,853,365
Financial liabilities		
Measured at fair value through income and expenditure	**499,123**	968,365
At amortized cost	**1,230,730,248**	1,104,281,413

Financial assets as disclosed in the consolidated statement of financial position, including unsettled investments receivable, debtors and deposits, bank deposits and cash and cash equivalents excluding the short term debts which are measured at fair value, are carried at amortized cost; their carrying values are a reasonable approximation of fair value.

Financial liabilities as disclosed in the consolidated statement of financial position, including other payables, unsettled investments payable, grant for the eMPF Platform project, creditors, are carried at amortized cost; their carrying values are a reasonable approximation of fair value.

6.2 Financial risk management

The Group's major financial instruments include bank deposits, cash and cash equivalents, financial investments, unsettled investments receivable and payable, debtors and deposits, other payables, creditors, derivative financial instruments, lease liabilities and grant for the eMPF Platform project.

6. Financial Instruments (continued)

6.2 Financial risk management (continued)

The MPFA adopts a statistical approach for strategic asset allocation of its investments. The strategic asset allocation is set within a specific risk tolerance level and after consideration of the risk-return trade-off. MPFA's investment portfolio includes cash, debt and equity securities with a target weighting for each asset class. A set of investment guidelines (the Investment Guidelines) approved by its Finance Committee 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 an external fund manager who makes investments in accordance with the global balanced mandates. The fund manager is mandated to invest prudently to achieve principal protection and above-benchmark return.

Permissible investments should satisfy requirements in credit rating, concentration limits, listing, minimum market capitalization and marketability as detailed in the Investment Guidelines. Apart from proactive contributions to stock selection, interest rate and currency risk management, the 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 manager's 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 portfolio's status as well as the general financial market conditions.

6.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group assesses credit risk and expected credit losses by considering probability of default, exposure at default and loss given default. Both historical and forward looking information are considered in assessing the expected credit loss.

6. Financial Instruments (continued)

6.3 Credit risk (continued)

The main concentration of credit risk to which the Group is exposed arises from the Group's investments in debt securities. The Group is also exposed to counterparty credit risk on the transactions in bank deposits, cash and cash equivalents, unsettled investments receivable, debtors, deposits and derivative financial instruments.

To manage the credit risk, the investment portfolio can only invest in debt securities that have a minimum credit rating of BBB (2023: BBB) by Standard & Poor's Ratings Services (S&P) and Baa2 (2023: 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 (2023: A/A2).

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

	2024		2023	
Credit rating	**HK$**	**% of net assets**	HK$	% of net assets
AAA[1]	**–**	**0%**	6,061,723	0%
AA[2]	**318,368,553**	**15%**	462,328,264	21%
A[3]	**318,053,754**	**15%**	311,987,306	14%
BBB[4]	**92,596,281**	**5%**	56,716,340	2%
	729,018,588	**35%**	837,093,633	37%

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

All transactions in securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once the counterparty has received payment. Payment is made on a purchase once the securities have been received by the counterparty. The trade will fail if either party fails to meet its obligation.

6. Financial Instruments (continued)

6.3 Credit risk (continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's credit risk exposure to bank deposits, cash and cash equivalents, unsettled investments receivable 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. Moreover, the counterparties have a strong capacity to meet their obligations in the near term and therefore the probability of default of the counterparties is considered to be close to zero. As a result, the expected credit losses for the assets subject to 12 months expected credit loss measurement is minimal. The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the consolidated statement of financial position.

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 Group adopts a sensitivity test of 75 basis points (2023: 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 75 basis points (2023: 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$14.7 million (2023: HK$2.0 million).

The investment portfolio is exposed to the interest rate risk in relation to holdings in debt securities. The fund manager may mitigate such risk by reducing the weighting of debt securities in the portfolio and holding either more cash or equities within the permitted deviation margins from the target weighting. The fund manager 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 (2023: 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 manager may also increase duration risk by up to two years (2023: up to two years) above the benchmark duration.

6. Financial Instruments (continued)

6.4 Interest rate risk (continued)

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

	2024 Years	2023 Years
Benchmark duration	**4.87**	4.93
Portfolio duration	**5.09**	5.23

The Group 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 Group adopts a sensitivity test of 75 basis points (2023: 10 basis points) movements. As at the reporting date, if interest rate had fluctuated by 75 basis points (2023: 10 basis points) and all other variables were held constant, the impact on the Group's income would have been as follows.

	Increase/(decrease) in the Group's income	
	2024 HK$	2023 HK$
If interest rate were 75 basis points lower in 2024 (10 basis points lower in 2023)	**27,815,529**	4,379,495
If interest rate were 75 basis points higher in 2024 (10 basis points higher in 2023)	**(27,815,529)**	(4,379,495)

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 portfolio is financial investments and is 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 portfolio is 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.

6. Financial Instruments (continued)

6.5 Price risk (continued)

As at 31 March 2024, if the Equity Market[Note] had increased or decreased by 10% (2023: 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$51.2 million (2023: HK$52.4 million).

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

6.6 Currency risk

Currency risk is the risk of loss on an asset or liability denominated in foreign currency due to changes in the foreign exchange rates. Apart from investment portfolio, most of the Group's assets and liabilities are in HK dollar or US dollar and minimal currency risk is expected due to the linked exchange rate system in Hong Kong.

MPFA's Investment Guidelines for the investment portfolio only allow investments in assets denominated in Renminbi or freely convertible currencies. The investment portfolio must maintain a currency exposure of over 85% (2023: 85%) in HK dollar and US dollar with the remaining in foreign currency securities but not through currency trading. To meet this requirement, the fund manager is permitted to hedge related currency risks by acquiring forward currency contracts. However, the over-hedging position for each foreign currency must not exceed 10% (2023: 10%) of the value of the investments denominated in the same currency and the total over-hedging position must not exceed 1% (2023: 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, the Group'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, Renminbi, 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.

6. Financial Instruments (continued)

6.6 Currency risk (continued)

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

	2024						
	HK dollar HK$ equivalent	%	US dollar HK$ equivalent	%	Others HK$ equivalent	%	Total HK$ equivalent
Assets							
Financial investments	566,981,912	46%	538,199,264	44%	119,096,466	10%	1,224,277,642
Derivative financial instruments	90,789,660	25%	151,748,609	41%	125,750,201	34%	368,288,470
Unsettled investments receivable	3,629,599	38%	3,017,478	32%	2,908,016	30%	9,555,093
Debtors and deposits	152,550,738	100%	–	0%	–	0%	152,550,738
Bank deposits	621,650,769	100%	–	0%	–	0%	621,650,769
Cash and cash equivalents	1,281,175,041	95%	62,685,604	5%	256,878	0%	1,344,117,523
	2,716,777,719	73%	755,650,955	20%	248,011,561	7%	3,720,440,235
Liabilities							
Derivative financial instruments	45,878,791	12%	80,301,566	22%	241,036,768	66%	367,217,125
Unsettled investments payable	2,844,100	37%	3,719,300	48%	1,130,646	15%	7,694,046
Other payables and creditors	222,608,797	100%	19,099	0%	–	0%	222,627,896
Grant for the eMPF Platform project	1,000,408,306	100%	–	0%	–	0%	1,000,408,306
Lease liabilities	192,443,916	100%	–	0%	–	0%	192,443,916
	1,464,183,910	82%	84,039,965	5%	242,167,414	13%	1,790,391,289
	1,252,593,809	65%	671,610,990	35%	5,844,147	0%	1,930,048,946

6. Financial Instruments (continued)

6.6 Currency risk (continued)

	2023						
	HK dollar HK$ equivalent	%	US dollar HK$ equivalent	%	Others HK$ equivalent	%	Total HK$ equivalent
Assets							
Financial investments	556,824,715	43%	623,148,978	49%	107,328,902	8%	1,287,302,595
Derivative financial instruments	86,106,350	46%	58,412,941	31%	43,758,862	23%	188,278,153
Unsettled investments receivable	835,019	48%	695,554	40%	205,350	12%	1,735,923
Debtors and deposits	150,219,827	100%	–	0%	–	0%	150,219,827
Bank deposits	763,990,000	100%	–	0%	–	0%	763,990,000
Cash and cash equivalents	1,170,660,243	97%	40,079,501	3%	117,015	0%	1,210,856,759
	2,728,636,154	76%	722,336,974	20%	151,410,129	4%	3,602,383,257
Liabilities							
Derivative financial instruments	43,187,757	23%	666,573	0%	145,106,904	77%	188,961,234
Unsettled investments payable	724,444	3%	22,292,532	97%	–	0%	23,016,976
Other payables and creditors	85,943,671	100%	26,891	0%	–	0%	85,970,562
Grant for the eMPF Platform project	995,293,875	100%	–	0%	–	0%	995,293,875
Lease liabilities	204,732,610	100%	–	0%	–	0%	204,732,610
	1,329,882,357	88%	22,985,996	2%	145,106,904	10%	1,497,975,257
	1,398,753,797	66%	699,350,978	33%	6,303,225	1%	2,104,408,000

6.7 Liquidity risk

Liquidity risk is the potential that the Group 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 Group does not have any borrowing and therefore has no repayment liability owing to debt. The Group 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 Group held cash and cash equivalents, bank deposits and deposits including interest receivable on bank deposits of HK$1,972,210,091 (2023: HK$1,980,637,643) that are highly liquid. Therefore, liquidity risk is considered to be minimal.

6. Financial Instruments (continued)

6.7 Liquidity risk (continued)

The following table summarizes the contractual maturity in relation to non-derivative financial liabilities (excluding the Grant for eMPF Platform project) 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 Group 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.

			2024		
	On demand HK$	**< 3 months HK$**	**3 months–1 year HK$**	**1–5 years HK$**	**> 5 years HK$**
Non-derivative financial liabilities					
Unsettled investments payable[1]	–	7,694,046	–	–	–
Other payables and creditors	179,870,458	41,784,199	973,239	–	–
Lease liabilities	–	9,570,561	27,873,543	146,783,148	28,915,688
Total	179,870,458	59,048,806	28,846,782	146,783,148	28,915,688
Derivative financial instruments					
Foreign currency forward contracts					
– Inflows	–	368,288,470	–	–	–
– Outflows	–	(367,217,125)	–	–	–
Total	–	1,071,345	–	–	–

			2023		
	On demand HK$	< 3 months HK$	3 months–1 year HK$	1 –5 years HK$	> 5 years HK$
Non-derivative financial liabilities					
Unsettled investments payable[1]	–	23,016,976	–	–	–
Other payables and creditors	–	84,774,728	1,195,834	–	–
Lease liabilities	–	838,140	27,381,456	139,426,032	64,025,472
Total	–	108,629,844	28,577,290	139,426,032	64,025,472
Derivative financial instruments					
Foreign currency forward contracts					
– Inflows	–	188,278,153	–	–	–
– Outflows	–	(188,961,234)	–	–	–
Total	–	(683,081)	–	–	–

1 The fund manager is not allowed to borrow money for the managed portfolio or hold a negative cash position on a trade date basis.

6. Financial Instruments (continued)

6.7 Liquidity risk (continued)

Regarding the Grant for eMPF Platform project, the unspent balance of the Grant, at the request of the Government, shall be returned to the Government upon expiry or termination of the Grant Agreement.

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 amortized costs approximate the corresponding carrying amounts.

6.9 Fair value measurements recognized in the consolidated statement of financial position

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

6. Financial Instruments (continued)

6.9 Fair value measurements recognized in the consolidated statement of financial position (continued)

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

	2024 Level 1 HK$	 Level 2 HK$	 Level 3 HK$	 Total HK$
Financial assets				
Cash and cash equivalent	–	**48,654,370**	–	**48,654,370**
Equity securities	**495,259,054**	–	–	**495,259,054**
Debt securities	**136,557,916**	**592,460,672**	–	**729,018,588**
Derivative financial instruments	–	**1,570,468**	–	**1,570,468**
	631,816,970	**642,685,510**	–	**1,274,502,480**
Financial liabilities				
Derivative financial instruments	–	**499,123**	–	**499,123**

	2023 Level 1 HK$	 Level 2 HK$	 Level 3 HK$	 Total HK$
Financial assets				
Cash and cash equivalent	–	17,949,144	–	17,949,144
Equity securities	450,208,962	–	–	450,208,962
Debt securities	266,888,753	570,204,880	–	837,093,633
Derivative financial instruments	–	285,284	–	285,284
	717,097,715	588,439,308	–	1,305,537,023
Financial liabilities				
Derivative financial instruments	–	968,365	–	968,365

During the years ended 31 March 2024 and 2023, no financial assets or financial liabilities were classified under Level 3. During the years ended 31 March 2024 and 2023, there was no transfer between levels.

7. Deficit for the Year

The Group's deficit for the year of HK$166.18 million was mainly attributable to a deficit of HK$115.51 million incurred by the Company, which was incurred after its total expenditure of HK$126.56 million. During the year, the Company was unable to generate fee income from the eMPF Platform due to the delay of the eMPF Platform project caused by the contractor who was awarded the eMPF Platform project (the Core Contractor) and was not delivering the eMPF Platform in accordance with the original development schedule. A substantial part of the total expenditure of HK$126.56 million comprising staff costs and other operating expenditures relates to the delayed project. The Core Contractor made a payment of HK$178.03 million to the Company after the Company made a claim under the liquidated damages clause according to the agreement entered into between the MPFA and the Core Contractor in January 2021 and the amount received has been and will be utilized by the Company to cover costs incurred and to be incurred due to the project delay.

8. Fees and Charges

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

	2024 **HK$**	2023 HK$
Application fees	**2,384,390**	2,349,620
Annual fees		
– ARF (Note)	**327,976,725**	338,535,977
– other annual fees	**14,533,792**	14,889,637
Financial penalties	**9,694,057**	21,389,454
Other charges	**348,952**	496,837
	354,937,916	377,661,525
Timing of revenue recognition		
A point in time	**12,427,399**	24,235,911
Over time	**342,510,517**	353,425,614
	354,937,916	377,661,525

Note: Subsequent to the passage of the MPF Schemes (Amendment) Bill 2019 by the Legislative Council on 17 July 2020, the charging of ARF came into effect on 1 October 2020. Thereafter, MPF trustees are required to pay ARF to the MPFA at a rate of 0.03% on the respective schemes' net asset value. For the year ended 31 March 2024, ARF of HK$327,976,725 (2023: HK$338,535,977) was recognized in the consolidated income and expenditure account and the amount receivable of HK$125.04 million (2023: HK$116.20 million) was recognized in the consolidated statement of financial position.

9. Net Investment Income/(Loss)

	2024 HK$	2023 HK$
Interest income on financial investments	**32,452,855**	21,790,537
Dividends from financial investments	**10,098,650**	9,818,176
Net realized loss on financial investments[1, 3]	**(9,945,157)**	(73,073,251)
Net unrealized gain on financial investments[2, 3]	**22,828,014**	459,517
Net realized gain on derivative financial instruments[4]	**4,724,005**	4,190,409
Net unrealized gain on derivative financial instruments[4]	**1,754,426**	78,514
	61,912,793	(36,736,098)

1 The amount included net realized foreign exchange loss of HK$2,431,838 (2023: HK$2,114,436) from foreign currency securities.

2 The amount included net unrealized foreign exchange loss of HK$3,832,198 (2023: unrealized foreign exchange gain of HK$1,086,043) from foreign currency securities.

3 The MPFA contracts out the management of debt and equity securities to the external fund manager who makes investments in accordance with the global balanced mandates. Details of the Group's financial risk management objectives and policies are set out in Note 6.2.

4 The derivative financial instruments were held for hedging purpose (Note 6.6).

10. Other Income

Other income mainly included (i) government grant in relation to the eMPF Platform project of HK$8.71 million (2023: HK$94.09 million); and (ii) government grant in relation to the Anti-epidemic Fund (AEF) of HK$6.16 million (2023: HK$5.02 million). Please refer to Note 22 for further information about government grant for eMPF Platform project.

11. Taxation

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the MPFA is exempt from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance. With the passage of the Mandatory Provident Fund Schemes (Amendment) Bill 2021 on 22 October 2021, section 6(4) of the Ordinance also exempts the Group from Hong Kong taxes.

12. Staff Costs

	2024 HK$	2023 HK$
Salary and performance related remuneration	**427,781,618**	391,908,133
Contributions to MPF schemes (Note)	**30,407,156**	27,848,594
Staff benefits	**10,369,066**	10,230,505
	468,557,840	429,987,232

Note: The Group operates three MPF schemes for all qualified employees. The assets of the MPF schemes are held separately from those of the Group and are under the control of trustees. The total expenses recognized in the consolidated income and expenditure account represent contributions paid or payable to the MPF schemes at rates specified in the participation rules.

Staff costs include directors' emoluments as disclosed in Note 13.

13. Directors' Emoluments

The aggregate emoluments of MPFA's senior staff members (Executive Directors) are set out below:

	2024 HK$	2023 HK$
Salary and other benefits	**12,120,270**	11,892,041
Contributions to MPF schemes	**1,367,561**	1,328,113
Provision for variable pay	**1,749,119**	1,661,091
	15,236,950	14,881,245

The emoluments of the senior staff members (Executive Directors) of MPFA were within the following bands:

	2024 No. of employees	2023 No. of employees
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$6,000,000	**1**	1
	5	4

14. Other Operating Expenses

Other operating expenses consisted of legal and professional expenses of HK$16.31 million (2023: HK$15.76 million) and other expenses of HK$37.63 million (2023: HK$32.75 million).

15. Property and Equipment

	Leasehold improvements HK$	Computer equipment HK$	Office equipment and furniture HK$	Total HK$
COST				
At 1 April 2022	51,580,916	41,531,589	24,403,317	117,515,822
Additions	5,457,832	9,601,922	3,530,447	18,590,201
Write-off	(2,890,614)	(4,649,136)	(734,646)	(8,274,396)
At 31 March 2023	54,148,134	46,484,375	27,199,118	127,831,627
Additions	57,667,930	1,943,753	24,928,206	84,539,889
Write-off	(48,395,699)	(3,503,255)	(21,078,792)	(72,977,746)
At 31 March 2024	63,420,365	44,924,873	31,048,532	139,393,770
DEPRECIATION				
At 1 April 2022	50,977,706	33,983,161	23,344,061	108,304,928
Charge for the year	1,491,565	3,875,468	932,175	6,299,208
Eliminated on write-off	(2,890,614)	(4,649,136)	(734,646)	(8,274,396)
At 31 March 2023	49,578,657	33,209,493	23,541,590	106,329,740
Charge for the year	16,229,237	4,054,124	7,393,766	27,677,127
Eliminated on write-off	(48,395,699)	(3,491,505)	(20,948,776)	(72,835,980)
At 31 March 2024	17,412,195	33,772,112	9,986,580	61,170,887
CARRYING AMOUNT				
At 31 March 2024	**46,008,170**	**11,152,761**	**21,061,952**	**78,222,883**
At 31 March 2023	4,569,477	13,274,882	3,657,528	21,501,887

Note: A loss on write-off of property and equipment of HK$141,766 (2023: Nil), was due to office relocation, included under "other operating expenses".

16. Leases

This note provides information for leases where the Group is a lessee.

16.1 Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2024 HK$	2023 HK$
Right-of-use assets		
Office premises and storage space	**189,446,856**	218,112,364
Lease liabilities		
Current	**31,208,225**	21,262,738
Non-current	**161,235,691**	183,469,872
	192,443,916	204,732,610

During the year ended 31 March 2024, additions to the right-of-use assets amounted to HK$10,607,280 (2023: HK$238,292,423), of which HK$10,455,187 (2023: HK$214,998,947) is related to the present value of lease of new office being effective during the year. As at 31 March 2024, the discount rates applied to lease liabilities range from 1.32% to 4.05% (2023: from 0.07% to 4.05%).

16.2 Amounts recognized in the consolidated income and expenditure account

The consolidated income and expenditure account shows the following amounts relating to leases:

	2024 HK$	2023 HK$
Depreciation charge of right-of-use assets		
– Office premises and storage space	**39,272,788**	55,558,671
Interest expense on lease liabilities (included in finance cost)	**7,231,193**	2,073,464

16. Leases (continued)

16.2 Amounts recognized in the consolidated income and expenditure account (continued)

Reconciliation of lease liabilities arising from financing activities

	HK$
At 1 April 2022	35,427,690
New leases entered	214,998,947
Interest expense	2,073,464
Financing cash flows	(47,767,491)
At 31 March 2023 and 1 April 2023	204,732,610
New leases entered	10,455,187
Interest expense	7,231,193
Financing cash flows	(29,975,074)
At 31 March 2024	**192,443,916**

16.3 The Group's leasing activities and how these are accounted for

The Group leases various office premises and storage space. Rental contracts are typically made for fixed periods of two to seven years (2023: two to seven years), but may have extension options as described in the paragraph below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension options

Extension options are included in a number of leases of office premises and storage space across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposure to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarized below:

	Potential future payment not included in lease liabilities as at 31 March (undiscounted)	
	2024	2023
	HK$	HK$
Leased property with options within three years	**125,071,632**	119,815,632

17. Intangible Assets

	Computer software licenses HK$	Software development costs HK$	Total HK$
COST			
At 1 April 2022	30,451,154	56,882,658	87,333,812
Additions	2,876,507	5,532,980	8,409,487
At 31 March 2023	33,327,661	62,415,638	95,743,299
Additions	2,052,947	859,527	2,912,474
Write-off	(1,883,466)	–	(1,883,466)
At 31 March 2024	33,497,142	63,275,165	96,772,307
AMORTIZATION			
At 1 April 2022	24,369,219	49,370,555	73,739,774
Charge for the year	2,645,267	3,594,957	6,240,224
At 31 March 2023	27,014,486	52,965,512	79,979,998
Charge for the year	2,789,121	3,753,610	6,542,731
Eliminated on write-off	(1,883,466)	–	(1,883,466)
At 31 March 2024	27,920,141	56,719,122	84,639,263
CARRYING AMOUNT			
At 31 March 2024	**5,577,001**	**6,556,043**	**12,133,044**
At 31 March 2023	6,313,175	9,450,126	15,763,301

18. Projects in Progress

Projects in progress consists of expenditure of capital projects including IT projects which were not yet completed and not yet available for use as at 31 March 2024 amounting to HK$12,587,596 (2023: HK$83,139,389).

During the year ended 31 March 2024, projects in progress amounting to HK$82,525,337 and HK$859,527 (2023: HK$6,391,233 and HK$5,532,980) were transferred into property and equipment and intangible assets respectively upon ready for use.

19. Financial Investments

	2024 HK$	2023 HK$
Equity securities		
Listed	**495,259,054**	450,208,962
Debt securities		
Listed	**362,997,948**	495,114,412
Unlisted	**358,693,568**	335,754,227
Interest receivables	**7,327,072**	6,224,994
	729,018,588	837,093,633
Total		
Listed	**858,257,002**	945,323,374
Unlisted	**358,693,568**	335,754,227
Interest receivables	**7,327,072**	6,224,994
	1,224,277,642	1,287,302,595

20. Derivative Financial Instruments

	2024		2023	
	Assets HK$	**Liabilities HK$**	Assets HK$	Liabilities HK$
Foreign currency forward contracts	**1,570,468**	**499,123**	285,284	968,365

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 payables as at 31 March 2024 was HK$367,217,125 (2023: HK$188,961,234). The notional principal amount of the outstanding foreign currency forward contracts receivables as at 31 March 2024 was HK$368,288,470 (2023: HK$188,278,153). The contractual maturity of these foreign exchange forward contracts was within 12 months.

21. 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.

22. Grant for the eMPF Platform Project

22.1 Grant for the eMPF Platform project

According to the Grant Agreement, funding support (the Grant) has been provided by the Government to the MPFA for carrying out the eMPF Platform project by the MPFA jointly with or through the Company. The Grant is to be disbursed in relation to reimbursement of expenses already incurred by the MPFA for the eMPF Platform project, as well as to be disbursed on an annual basis in accordance with the annual Budget and Work Plan (BWP) of the eMPF Platform project approved by the Government, and paid into a separate bank account (the Designated Account) which the cash balance in the Designated Account should only be used for the purpose of the eMPF Platform project. Upon expiry or termination of the Grant Agreement and at the request of the Government, the MPFA shall return to the Government all accumulated unspent balance including unspent bank interest income.

In January 2021, the MPFA entered into an agreement (the Core Contract) with the Core Contractor and subsequently the MPFA also entered into contracts with other contractors in relation to the eMPF Platform (the Other Contracts). The MPFA and the Company have been steering and monitoring the contractors in developing the eMPF Platform.

The Company was established on 5 March 2021. According to an agreement (Undertaking Agreement) entered into between the MPFA and the Company on 14 December 2021, (a) the MPFA agrees to provide funding from the Grant for the payment of the relevant expenditure upon the Core Contract and Other Contracts having been novated from the MPFA to the Company (Contract Novation) and (b) the Company obliges to comply with the terms and conditions of the Grant Agreement and the approved BWP.

On 1 January 2022, the Core Contract, and the Other Contracts in relation to the eMPF Platform project and the relevant assets have been novated and transferred from the MPFA to the Company (Contract Novation). Since then, the transactions with the contractors in relation to Contract Novation have been reflected in the books and records of the Company.

During the year ended 31 March 2023, fund available for the eMPF Platform project of HK$1,290.48 million was transferred from the MPFA to the Company after the Company's bank account was opened for the eMPF Platform project in July 2022.

As at 31 March 2024, the balance of the Grant was HK$1,000.41 million (2023: HK$995.29 million). During the year ended 31 March 2023, a total grant of HK$625.48 million was received by the Group in accordance with the Grant Agreement, covering BWP for 2023–24.

On 28 March 2024, the Government approved the funding in connection with BWP 2024–25 and the related funding was received in early April 2024.

22. Grant for the eMPF Platform Project (continued)

22.1 Grant for the eMPF Platform project (continued)

During the year ended 31 March 2024, the grant income in relation to the eMPF Platform project amounted to HK$8.71 million (2023: HK$94.09 million) with the same corresponding amount of expenditures covered by the Grant recognized in the consolidated income and expenditure account.

As at 31 March 2024, the assets capitalized in relation to the eMPF Platform project covered by the Grant amounted to HK$395.57 million (2023: HK$396.57 million) and the same corresponding amounts of deferred income was recognized in the consolidated statement of financial position as at 31 March 2024 and 2023.

The movement of the unspent balance of the Grant in relation to the eMPF Platform project for the years ended 31 March 2024 and 2023 is as follows:

	2024 HK$ million	2023 HK$ million
Balance, beginning of year	**995.29**	668.14
Government grant received during the year (Note)	**–**	625.48
Government grant utilized in respect of operating expenditure incurred during the year	**(3.20)**	(92.08)
Amount recognized as deferred grant income in relation to assets acquired for the eMPF Platform project	**(4.50)**	(210.13)
Interest income from the Designated Account	**12.82**	3.88
Unspent balance	**1,000.41**	995.29

Note: The Government grant received during the year ended 31 March 2023 included a one-off cash advance of HK$195.50 million for the eMPF Platform project, which should be repaid to the Government in subsequent years with forecast surplus.

22.2 eMPF Platform

The eMPF Platform balance of HK$398.02 million (2023: HK$381.65 million) consisted of milestone payments made to the Core Contract for the development of eMPF Platform amounting to HK$352.24 million (2023: HK$352.24 million) and costs of setting up and operating data centre for eMPF Platform during development phase amounting to HK$40.59 million (2023: HK$29.21 million), as well as costs of tools and services directly attributable to developing the eMPF Platform amounting to HK$5.19 million (2023: HK$0.20 million). The eMPF Platform project was not yet completed as at 31 March 2024.

22. Grant for the eMPF Platform Project (continued)

22.2 eMPF Platform (continued)

Additionally, the Core Contractor was unable to deliver a functional eMPF Platform in accordance with the original development schedule and requirements of the agreement with the Company. In this regard, the Core Contractor made a payment of HK$178.03 million to the Company after the Company made a claim under the liquidated damages clause of the Core Contract, and the payment was recorded under creditors, other payables and accrued charges of the consolidated statement of financial position as at 31 March 2024.

23. Investment in eMPF Platform Company Limited

Nature of entity	Place of business/ incorporation	% of ownership interest		Carrying amount	
		2024	2023	**2024**	2023
		%	%	**HK$**	HK$
eMPF Platform Company Limited	Hong Kong	**100**	100	**10,000**	10,000

The Company is a limited liability company incorporated on 5 March 2021. The principal activities are to design, build and operate a common electronic platform, the eMPF Platform, to standardize, streamline and automate the administration processes of the MPF schemes of Hong Kong. The Company is accounted for as an entity following its formation with an issued share capital of HK$10,000 and wholly owned by the MPFA.

24. Annual Registration Fee Receivable and Deferred Income

Included in the debtors, deposits and prepayments was a balance of HK$125.04 million (2023: HK$116.20 million and 2022: HK$130.24 million) relating to ARF due from trustees as at 31 March 2024. The balance will be settled within 6 months and there is no past due as at year end.

During the year ended 31 March 2024, ARF and other annual fees of HK$342.51 million (2023: HK$353.43 million) (Note 7) was recognized in the consolidated income and expenditure account and balance of deferred income of HK$121.94 million (2023: HK$115.46 million) was recorded in the consolidated statement of financial position as at 31 March 2024. The Group recognized income of HK$113.87 million (2023: HK$127.93 million) during the year that was included in the balance of deferred income at the beginning of the year. The revenue stream deferred income recognized in the consolidated statement of financial position is expected to be recognized into the consolidated income and expenditure account within one year.

24. Annual Registration Fee Receivable and Deferred Income (continued)

	2024 **HK$ million**	2023 HK$ million
Revenue stream		
ARF	**111.52**	104.67
Other annual fees	**10.42**	10.79
Other income		
Grant for eMPF Platform project	**395.57**	396.57
AEF	**0.19**	0.40
Total deferred income	**517.70**	512.43
Non-current portion	**392.75**	390.49
Current portion	**124.95**	121.94
Total	**517.70**	512.43

As at 31 March 2024 and 2023, the deferred grant income represented balances in relation to eMPF Platform, property and equipment, intangible assets, projects in progress, prepayments, the amounts of which will be recognized in the consolidated income and expenditure account when the eMPF Platform is ready for use or on a straight-line basis over the useful lives of the related assets in subsequent financial periods. During the year ended 31 March 2024, the deferred income of HK$5.51 million (2023: HK$2.01 million) in relation to the eMPF Platform project was recognized into "other income" in the consolidated income and expenditure account.

25. Creditors, Other Payables and Accrued Charges

	2024 **HK$**	2023 HK$
Creditors, other payables and accrued charges (Note)	**76,756,906**	139,478,253
Provision for reinstatement costs	**17,160,135**	33,860,135
Balance received from the Core Contractor (Note 22.2)	**178,033,704**	–
	271,950,745	173,338,388
Current portion	**255,629,170**	156,169,853
Non-current portion	**16,321,575**	17,168,535
Total	**271,950,745**	173,338,388

Note: Default contribution claims payable is included in creditors, other payables and accrued charges. According to section 18 of the Ordinance, the mandatory contributions that are not paid by the employers of the MPF schemes within the period prescribed by the Ordinance would become due to the MPFA by the employers of the MPF schemes on the expiry of that period. The MPFA may, by proceedings brought in a court of competent jurisdiction, recover as a debt due to the MPFA. The MPFA must pay any arrears or contribution surcharge paid to or recovered by the MPFA to the approved trustee of the registered MPF schemes.

As at 31 March 2024, the default contribution claims payable amounting to HK$30.06 million (2023: HK$20.13 million) were recognized in the creditors and accrued charges, representing the mandatory contributions which was received or at best estimated will be received by the MPFA and in turn, payable to the approved trustees for allocation to scheme members' MPF accounts with above mentioned. At the same time, the Group recognized the default contribution claims receivable amounting to HK$20.08 million (2023: HK$11.88 million), included in the debtors, deposits and prepayments, as the MPFA expects the recovery or the reimbursement from the employers to the estimated provision is virtually certain.

26. Loans to Directors and Executives

There were no loans to directors or executives during the years ended 31 March 2024 and 2023 and no loans were outstanding at 31 March 2024 and 2023.

27. Capital Commitments

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

	2024 **HK$**	2023 HK$
Contracted but not provided for	**851,621,936**	863,341,543

28. 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 2025 (2023: until 31 March 2025). 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.

Recoveries from the Mandatory Provident Fund Schemes Compensation Fund represent the recouping of expenses incurred by the MPFA for its services provided in administering the compensation fund.