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Our ref SBR/16

Contact Eileen Tam
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Dear Simon

Exposure Draft: "Accounting and Reporting by Retirement Benefit Plans"

We have the following comments in respect of the above exposure draft:

- 1 The Appendix lists out certain matters contained in the MPF Guidelines. Including the words "*This Appendix is an integral part of the Standard*" means that it is mandatory to follow the Appendix. However, the MPF Guidelines are not mandatory. In addition, the information in the Appendix is part of the current Accounting Guideline 2.302 and to our understanding, an Accounting Guideline is only an implementation guidance and an indicator of best practice.

We therefore suggest amending the wording to: "*This Appendix accompanies, but does not form part of, the Standard*", following the approach taken in other HKFRSs (such as SSAP 28) and recent IFRSs (such as IAS 39).

2 Paragraphs 1 and 2 of the Appendix

Paragraphs 1 and 2 of the Appendix appear to repeat each other and paragraph 2 of the Appendix is not correct as it states "*The MPFSO and ORSO both contain numerous specific disclosure requirements...therein*". However, the ORSO does not contain numerous specific disclosure requirements.

We therefore suggest amending paragraph 1 of the Appendix to explain the purpose of the Appendix and amending paragraph 2 of the Appendix to explain what else is required of those who prepare financial statements.



We propose the following wordings:

Paragraph 1

"This Appendix sets out additional guidance on preparing financial statements of Mandatory Provident Fund Schemes ("MPF Schemes") and Occupational Retirement Schemes Ordinance Schemes ("ORSO schemes") ("thereafter collectively referred to as "schemes"). Accordingly, it shall be applied in preparing financial statements of such schemes. The guidance in this Appendix should be read in conjunction with the guidance in the Standard". This Appendix is based on the Mandatory Provident Fund Schemes Ordinance ("MPFSO") and the Occupational Retirement Schemes Ordinance ("ORSO") in effect at [31 December 2003]."

Paragraph 2

~~"This Appendix is also intended to assist schemes in meeting the legislative requirements on financial reporting contained in the Mandatory Provident Fund Schemes Ordinance ("MPFSO") and Occupational Retirement Schemes Ordinance ("ORSO"). The MPFSO and ORSO both contains numerous specific disclosure requirements and the preparers of the financial statements of schemes registered under those the Ordinance MPFSO would need to refer to the detailed disclosure requirements contained therein. This Appendix is based on the MPFSO and the ORSO in effect at [31 December 2003]."~~

3 Paragraph 20(d) of the Appendix

The definitions used in the Appendix closely follow those set out in MPF or ORSO regulation. However, for ORSO schemes, according to Gazette no.46/1995, Additional Voluntary Contributions are those payable by an employee. If an employer makes additional voluntary contributions, then these should be termed as "special", not "additional voluntary" i.e. the Appendix is defining Additional Voluntary Contributions more widely than the Ordinance. If this definition is kept for the sake of convenience, then we suggest that paragraph 20(d) of the Appendix makes it clear that strictly speaking the regulation has a separate term for an employer's additional contribution.

4 Paragraph 21 of the Appendix

We suggest including Paragraph 21 of the Appendix at the start of the Appendix in order to define the terms before they appear in the Appendix. Paragraph 21 of the Appendix should be followed by Paragraph 20 of the Appendix (i.e in any event, paragraph 20 of the Appendix should not be before paragraph 21 of the Appendix).

5 Paragraph 22 of the Appendix

Paragraph 22 of the Appendix is not clear and is repetitive. We suggest amending paragraph 22 of the Appendix as follows:

~~"In addition to the report content of a retirement schemes as specified in the Statement, the financial statements of a MPF scheme would comprise a revenue statement, a statement of assets and liabilities and a statement of movement in capital account of the scheme and, for each constituent fund, revenue statement, a statement of assets and liabilities and a statement of movement in capital account. A revenue statement and a statement of movement in capital account of a MPF scheme may be combined in order to form a statement of changes in net assets available for benefits as required under the Statement."~~

6 Paragraphs 27 and 28 of the Appendix

Paragraphs 27 and 28 of the Appendix seem to repeat Paragraphs 24 and 25 of the Appendix. We therefore suggest removing paragraphs 27 and 28 from the Appendix.

7 Paragraph 33(h) of the Appendix

Paragraph 33(h) does not acknowledge the options provided by paragraphs 17(a) and 17(b)(ii) of the main body. It only applies to paragraph 17(b)(i) of the main body. We therefore suggest amending the heading of paragraph 33(h) of the Appendix to:

"Defined benefits schemes (if paragraph 17(b)(i) of the Statement is adopted)"

8 Paragraph 33(k) of the Appendix

Paragraph 33(k) of the Appendix seems contrary to the spirit of paragraphs 24 and 27 of the Appendix as these paragraphs state that the obligations are discharged, whereas paragraph 33(k) requires continuing disclosure of the policies purchased that have discharged the obligations. In addition, there is no requirement to disclose such information under any MPF or ORSO regulation. We therefore suggest removing paragraph 33(k) of the Appendix.

9 Section 81 of the Mandatory Provident Fund Schemes (General) Regulation (“MPF Regulation”)

According to Section 81 of the MPF Regulation, the following will need to be disclosed in the financial statements of an MPF scheme:

- Fees for administrative expenses deducted or deductible by the trustee from the Scheme members’ accounts under the MPF Regulation
- The contributions and contribution surcharge paid and payable by, and recovered from, scheme members and their employers
- The total return derived from investing in the Funds of the scheme
- Total amount of accrued benefits that were paid, and of accrued benefits that became payable but were not paid, to or in respect of scheme members
- The amount of accrued benefits transferred to and from the scheme

The inclusion of this information is essential because of its impact to the end-user, as well as the MPFA. We therefore suggest including an additional paragraph to take the above into account.

Please contact Eileen Tam or myself should you have any queries in respect of the above.

Yours sincerely



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