

APERCU



UPDATE TO THE LATEST AMENDMENTS OF HONG KONG MPF LEGISLATION

In our March 2015 publication on MPF updates, we highlighted the amendments on the Hong Kong MPF system which were incorporated in the MPF Schemes (Amendment) Bill 2014 and approved by the Legislative Council on 21 January 2015.

The Mandatory Provident Fund Schemes Authority (MPFA) has since implemented a number of amendments effective from **1 August 2015**. A summary of these amendments is detailed in **Table 1** below.

Table 1

Particular of amendment	Relevant to employers	Relevant to employees and self-employed persons
Replacement of the <i>Participation Certificate</i> with the <i>Notice of Participation</i> issued by the appointed MPF trustee	✓	N/A
Replacement of two existing documents, <i>Membership Certificate</i> and <i>Notice of Acceptance</i> , with the <i>Notice of Participation</i> issued by the appointed MPF trustee	N/A	✓
Terminal illness (note 1) added as additional grounds for applying for an early withdrawal of the accrued benefits under MPF schemes and/or minimum MPF benefits for MPF exempted ORSO registered schemes.	N/A	✓

Note 1: Terminal illness refers to an illness, which threatens a scheme member's life making his/her life expectancy 12 months or less.

CONTENTS

- 01** Update to the latest amendments of Hong Kong MPF legislation
- 03** 13% increase in revenues strengthens BDO'S position as the leading mid-tier global accounting and consulting network
- 04** BDO global outsourcing wins international payroll award

BDO international tax webinar series - tap into worldwide tax insights
- 05** Asian real estate - BDO predictions for 2016
- 06** BDO global network development at a glance
- 07** BDO supports the CHKLC Director Training Series for the sixth consecutive year

BDO Hong Kong new appointment
- 08** Recent BDO publications

Table 2

Particular of amendment	Relevant to employers	Relevant to employees and self-employed persons
Employees and self-employed persons (retirees) who have reached the age of 65, or who have reached the age of 60 and have decided to retire early (Note 2) can opt to withdraw MPF benefits by instalments or in a lump sum, or retain all MPF benefits in their accounts for continuous investment.	N/A	✓

Note 2: To be eligible for withdrawal of MPF benefits on the grounds of early retirement, employees and self-employed persons must be at least 60 years old and declare that they have ceased all employment and self-employment and have no intention of becoming employed or self-employed again.

The MPFA recently announced an additional change for enhancement of the MPF system in accordance with the MPF Schemes (Amendment) Ordinance 2015 (the amendment), which takes effect from **1 February 2016** (See Table 2).

According to the amendment, the retirees can enjoy more flexibility when managing their MPF benefits upon retirement or early retirement. Retirees who have reached the age of 65, or who have reached the age of 60 and have decided to retire early (before the age of 65), can opt to either withdraw their MPF benefits by instalments or in a lump sum, or retain all their MPF benefits in their accounts for continuous investment.

If retirees choose to withdraw their MPF benefits by instalments, they can submit their applications at any time, according to their personal needs. There is also no limit on the amount of each instalment or the number of withdrawals.

The said amendment also sets restrictions upon the approved trustees of the schemes to refrain them from doing any of the following for the payment of accrued benefits in a lump sum or by instalments for the first four instalments every year:

- charging any handling fee;
- imposing any penalty; or
- making any deduction from the retiree's account (except for those necessary transaction costs).

The retirees are required to follow the necessary procedures and submit the necessary documentation for application of withdrawal of their accrued benefits in one lump sum or by instalments. Upon receipt of the relevant withdrawal documents, the trustees are required to pay retirees their MPF benefits and issue a benefit payment statement within 30 days of the date on which the retirees submit all the required documents.

If retirees choose to retain all their MPF benefits in their accounts, no application is required. Their MPF benefits will continue to be invested in the mutual fund(s) they have selected. Retirees should also note that the value of their MPF assets remaining in their MPF accounts may change due to market fluctuations, and that their accounts will be subject to management fees and other charges imposed by the trustees.

Upcoming enhancement of the MPF system

Readers of Apercu may recall, our article "Can the proposed universal retirement protection scheme work?" published in January 2015, described the shortcomings of the MPF system and proposed changes to enhance the MPF system so as to protect the retirement savings of the Hong Kong employees.

The MPF system, since its launch on 1 December 2000, has now been running for 15 years. In its latest publication "Towards Retirement Security", the MPFA marks the major initiatives for further refining the MPF system in enhancing measures for protection of the retirement savings of the Hong Kong working population at large. Those initiatives include:

1. The introduction of a Standardised Default Investment Strategy (DIS) in each MPF scheme with management fees capped at 0.75% of assets per annum. The DIS would be implemented by the end of 2016 and subject to the completion of the necessary legislative process and preparation work; and
2. The introduction of an electronic means for centralisation of members' access to all relevant information concerning their MPF accounts, automation on calculation of MPF contribution, and submission of contribution information to trustees as well as processing of MPF payments and clearance among trustees.

The above-mentioned initiatives proposed by the MPFA are in response to the criticisms of the MPF system received from the 2.6 million Hong Kong employees, such as, high fees and low returns, administrative inefficiency, etc, and short-term and long-term reforms will continue to be provided. Unfortunately, the said initiatives did not address the employees' call for immediate and major change of the whole MPF system, such as, the removal of rules that allow employers to offset Severance Payment/Long Service Payment against MPF/ORSO accrued benefits for employees, full MPF portability arrangement, the partial retrieval of MPF accrued benefits for other uses (like purchase of own residential property, tuition fees for further studies, etc) of members before age 65, etc.

The MPFA announced on 26 January 2016 that the annualised investment return for the past 15 years since its inception (from 1 December 2000 to 30 November 2015) is 3.1%, which the Authority claimed is higher than the inflation rate of 1.8% for the same period. A large number of Hong Kong employees and interested groups have since criticised the preceding announcement as the volatility in the Hong Kong and China equity market and global economic situations subsequent to the period have certainly eroded the investment return.

There is a long road ahead in terms of the evolution of the existing MPF system to an efficient and effective one for the protection of the retirement savings of the Hong Kong work population.

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13% INCREASE IN REVENUES STRENGTHENS BDO'S POSITION AS THE LEADING MID-TIER GLOBAL ACCOUNTING AND CONSULTING NETWORK

BDO is pleased to announce a total combined fee income for the year ended 30 September 2015 of US\$ 7.3 billion. This represents a year on year growth of 12.95%, at constant exchange rates.

The IAB 2015 Network of the Year Award winner now has representation in 154 territories, the result of expanding the network's global footprint to offer clients a full service offering in the countries that are key for them. The number of offices has risen over 6% to 1,408 and BDO's global headcount numbers 64,303, an increase of 8.2%.

The network's growth can be attributed to:

- The consolidating accountancy profession
- An effective expansion strategy in all regions, resulting in a large number of mergers, many significant, and tangible growth in the revenues of each region: EMEA +3%, Americas +22%, Asia Pacific +10%
- Sustained organic growth in the developed, as well as emerging economies
- A number of new firms, together with the strengthening of firms in existing territories

These factors bring new people, talent and expertise to the BDO network. Taken together with an impressive partner to professional staff ratio of 1 to 9, they further enable us to deliver the exceptional client service for which we are known.

NB. all the above statistics include BDO's exclusive alliances



Revenues up
12.95%



Strategic mergers
19



Growth of US firm continues: a 29% rise in revenues takes BDO USA over US\$ 1 billion
29%



Focus on emerging markets reaps rewards

BDO GLOBAL OUTSOURCING WINS INTERNATIONAL PAYROLL AWARD

BDO is pleased to announce that BDO Global Outsourcing team has recently been awarded the International Payroll Award at the 2015 Payroll World Awards.

The glittering awards ceremony in central London saw more than 550 people gather from across the industry to honour those that have demonstrated excellence in their profession during the last year.

With stiff competition from the larger networks and major payroll specialists across many categories, the BDO Global Outsourcing team is particularly proud to have won the most prestigious international award.

The judging panel commented that BDO Global Outsourcing were "...one step ahead and truly global in its integration and reach, providing value for money and making a great impression with customers, as strong testimonials prove."

BDO's global CEO Martin Van Roekel said, "this award shows how BDO is a truly international network, working for businesses across the world, and is testament to the excellent work of over three thousands BDO payroll staff across the BDO network in 154 countries, who are all committed to delivering a consistently exceptional payroll service."



BDO INTERNATIONAL TAX WEBINAR SERIES - TAP INTO WORLDWIDE TAX INSIGHTS

BDO is hosting a series of webinars on international tax. The webinars are presented by BDO tax specialists from around the world and cover a range of topics of relevance to businesses operating internationally.

The first webinar "International tax structuring" was broadcasted on 1 March 2016. Our speakers have discussed the following topics:

- When and why you should consider holding companies
- The importance of both legal structure and commercial substance in determining where profits are taxed
- Transfer Pricing and Value Chain

Upcoming webinars

All the webinars will last one hour and will start at 16.00 GMT.

Date	Topic
Tuesday 7 June 2016	Transfer pricing update
Tuesday 20 September 2016	Tax compliance - how to manage tax compliance across multiple jurisdictions
Tuesday 6 December 2016	Investing into UK/US

If you would like to register for the upcoming webinars, or would like to watch the recording of the first webinar, please visit BDO International website at <http://www.bdointernational.com/Services/Tax/tax-webinars/Pages/BDO-Intl-Tax-webinars.aspx>

The webinars are free, but numbers are limited so please sign up early to ensure a place.





ASIAN REAL ESTATE - BDO PREDICTIONS FOR 2016

At the end of last year, BDO's global Real Estate & Construction team surveyed real estate partners from 14 of our Asia Pacific member firms for their opinions on the Asian real estate market in the year to come. Partners from Malaysia, India, Singapore and China then analysed the survey results and have drawn the following conclusions.

Overarching prediction:

2016 is set to be a year of uncertainty for the Asian real estate market, with US interest rates and China's economic slowdown rocking the positive foundations laid in 2015. But some doors to opportunity will remain open, especially when it comes to non-traditional assets. Local knowledge and detailed understanding of the sector in each market will be key to unlocking growth in 2016.

US interest rates

Unsurprisingly, the increase of interest rates by the US Federal Reserve is top of the watch list. Thankfully for the property market, the short term impact of the rate hike will be minimal as the impacts of interest rate rises will have already been factored in by investors, so investors and developers should be taking a long term view on their assets.

Dato' Feizal of BDO Malaysia noted that the strengthening of the dollar is not necessarily a bad thing. Though it will have a negative effect on local currencies, this means the US investment dollar goes further in emerging markets, bringing some fluidity to the market and leading to an upturn in the second half of 2016. Capital is invested where it goes further, so when US rates were at zero, investors looked further afield to ensure they got more for their money. India saw major investment from the west, as have Asian hub cities such as Manila and Bangkok.

The US rate change will affect the stock market and local currencies, meaning investors' returns get lower. By the second half of 2016, it is expected to see an uplift in the market. Peter Leong (BDO Singapore) noted that local financing is more easily available, so urges investors to ride out lower yields initially and look forward to capital gains on savvy investments.

Slowdown of China's economy

China's slowdown has been hot on the lips of investors and business leaders through the end of 2015 and it is expected it will rightly occupy the minds of those looking at the Asian real estate sector in 2016. In particular, Singapore will see a flood of properties coming available as money and demand from the People's Republic declines.

In India, it will impact supply-side as commodity price shifts reduce the cost of construction materials. With affordable housing set to be a key growth area in 2016, lower production costs will only catalyse this opportunity for investors and developers alike.

Non-traditional asset classes

In a sluggish market, it's important for investors to think of what type of property they are looking for, and also where that property is. The old cliché location, location, location is as relevant as ever, particularly in slower markets. In Malaysia, for example, it is a very good time to accumulate a residential portfolio in desirable areas because of Malaysia's My Second Home (MM2H) scheme, where foreign investors can buy multiple residential properties providing they meet certain criteria.

In December, BDO Australia released its Annual A-REIT survey which ranks the highest performing REITs in Australia. It identified a surge in investments in Non Traditional Assets (NTAs) such as pubs, healthcare and educational facilities.

This trend is taking hold across the region. Nidhi Seksaria (BDO India) commented that BDO India is advising on an increasing number of NTA transactions, particularly around affordable or low cost homes and industrial & warehousing parks. It is expected these to be key growth areas in 2016, driven by favourable demographics of the growing Indian Middle Class and government thrust to infrastructure and manufacturing. The plans for a regulatory body for the Real Estate industry - which currently does not exist - is a step towards transparency & speedy redressal of challenges making India more attractive to investors.

Investors should look at Asian market with caution. There are pockets of opportunity despite challenges from the West (US) and the East (China) as we enter the first half of 2016, and the region continues to have an excellent long term outlook, with Malaysia continuously ranking within the top 20 countries globally in terms of ease of doing business according to the World Bank. BDO's local knowledge and understanding of local dynamics and regulatory practices will be key to unlocking those doors across traditional and non-traditional assets.

BDO GLOBAL NETWORK DEVELOPMENT AT A GLANCE

BDO appoints new member firm in Ivory Coast, Niger and Togo

BDO is pleased to announce the appointment of BDO Francophone West Africa (FWA), effective 1 December 2015. The new firm sees BDO establish a local presence in three territories: Ivory Coast, Niger and Togo. Present in Ivory Coast since 1982, with the offices in Togo and Niger following rapidly, the firms were previously part of the PKF network and are today headquartered in the Ivory Coast capital, Abidjan, with further offices in Lomé (Togo) and Niamey (Niger).

BDO FWA has eight partners with strong capabilities within audit, tax and advisory. BDO FWA has extensive capabilities in IT consulting and business advisory services serving local and international companies as well as international development and local governmental agencies across West Africa.

Managing Partner Antoine Lawson is keenly anticipating collaborating with BDO, confident that joining the network will fuel future development.

Anders Heede, CEO of BDO EMEA, welcomes BDO FWA to join the network. The expansion ensures BDO can better serve our local international clients' growing interests in West Africa, a key commercial hub and one through which can further active collaboration amongst our other African and global firms.

BDO appoints new member firm in South Korea

BDO is pleased to announce the appointment of E-Hyun Accounting Corporation and E-Hyun Tax Corporation as its new member firm in South Korea, effective 1 April 2016, and collectively trading as BDO Korea.

This new member firm is a leading audit, tax and advisory firm in Korea, providing specialist services to 7 of the top 10 largest conglomerates in the country. It will bring a strong, focused leadership with a vision for growth and excellence in service and one that is committed to investing significantly in new infrastructure in anticipation of the firm's future growth.

Managing Partner, Mr Man-Sik An, is proud of the firm's growth over the past 8 years. He is confident that, as a member firm of BDO International Limited, the firm will achieve its goal of leading the country's mid-tier accounting and advisory firms by 2020.

Stephen Darley, CEO of BDO Asia Pacific, adds: "I am very pleased to have had the opportunity to meet with Mr Man Sik An and his skilled partners and professionals. Their vision for the firm and for the profession as a whole in Korea is completely in line with BDO's vision to be the leader for exceptional client service. We look forward to a new chapter for BDO in Korea and the opportunity to work with some of the largest Korean conglomerates, which are continuing to invest globally and into markets where BDO has significant presence."

BDO SUPPORTS THE CHKLC DIRECTOR TRAINING SERIES FOR THE SIXTH CONSECUTIVE YEAR

Running from April to November, the programme comprises six sessions dealing with the important aspects of directorships for a listed company, ranging from corporate governance, risk management to the latest updates in various applicable rules and laws. The programme will also address common issues faced by directors.

BDO Director of Risk Advisory Services **Ricky Cheng**, Director & Head of Corporate Secretarial **Teresa Lau**, Principal of Risk Advisory Services **Jason Wong** and Senior Manager of Risk Advisory Services **Vivian Chow** are invited to speak on some of the important aspects of directorship for a listed company.

The schedule and topics for the forthcoming sessions are shown below:

Date	Topic
26 April 2016	Creating your first board of directors
24 May 2016	Stay tuned with corporate sustainability and reporting
15 July 2016	Annual regulatory update
13 September 2016	Directors' and officers' responsibility and accountability under the New Companies Ordinance
11 October 2016	Effective application of COSO enterprise risk management
15 November 2016	Personal data privacy compliance

If you are interested in attending, please enroll with CHKLC directly. For more information, please visit their website www.chkcl.org



BDO HONG KONG NEW APPOINTMENT



GARY CHENG
Principal
Technical and
Training

Gary Cheng is a principal of the Technical and Training Department and is responsible for HKFRS reviews for listed issuers in Hong Kong.

He has substantial experience in providing HKFRS reviews for listed issuers in Hong Kong, with a major accounting firm prior to joining BDO Hong Kong.

Gary is a Hong Kong Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants.

Welcome on board!

RECENT BDO PUBLICATIONS



HKFRS/IFRS Updates 2015/11
HKFRSs/IFRSs, HK(IFRICs)/
IFRICs and amendments that
are mandatory for the first time
for 31 December 2015 year ends



HKFRS/IFRS Updates 2016/01
HKFRSs/IFRSs, HK(IFRIC)
INTs/IFRICs and amendments
available for early adoption for
31 December 2015 year ends



Hong Kong Budget Highlights
2016-2017



World Wide Tax News Issue
40/2016



Transfer Pricing News Issue
19 - March 2016



Horizons Q1-2016
Global view of mid-market
deal activity

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