

The background of the cover features a warm, golden-yellow color palette. The upper portion is filled with a pattern of overlapping, semi-transparent circles in various shades of yellow and white, creating a textured, bubble-like effect. Below this, several broad, sweeping curves in lighter and darker tones of yellow and white sweep across the page, adding a sense of motion and depth. The text is centered and rendered in a bold, serif font with a white outline and a dark purple shadow, making it stand out against the busy background.

**ANNUAL REPORT OF
PROTECTION OF WAGES ON
INSOLVENCY FUND BOARD**

2011-12

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CHAIRMAN'S FOREWORD

I take this opportunity to present the Annual Report of the Protection of Wages on Insolvency Fund Board (the Board) covering the period from 1 April 2011 to 31 March 2012.

In 2011-12, I am glad to see that there was a decrease in company cessation cases owing to the continued steady growth of the local economy. Nevertheless, the Board and the colleagues of Wage Security Division of Labour Department were not complacent. We have dedicated to carrying out the important role of the Fund as safety net in providing timely and appropriate relief to employees affected by employer insolvency. The Fund received a total of 3 814 applications in 2011-12, similar to the figure of 3 910 in 2010-11. In the same year, the Fund approved 3 479 applications, leading to a total payout of ex gratia payment of \$67.9 million, representing a drop of 25% over the preceding year. Thanks to the efforts of the Wage Security Division, the average time for processing applications and effecting ex gratia payment was shortened to 2.1 weeks. During the year, we conducted a customer opinion survey in which the applicants provided positive feedback to our service and performance. We will continue to strive for quality service to the applicants.

All along, the Board has, taking into consideration the financial situation of the Fund and the needs of the society, progressively improved the scope of protection of the Fund. In 2011-12, the Fund accomplished an important task of extending its coverage. In July 2011, the Government introduced a Bill into the Legislative Council (LegCo) to amend the Protection of Wages on Insolvency Ordinance pursuant to a proposal passed by the Board to expand the scope of the Fund to cover pay for untaken annual leave and untaken statutory holidays under the Employment Ordinance. During the scrutiny of the Amendment Bill by the Bills Committee of LegCo, the Board responded positively to LegCo Members' proposal of further extending the scope of coverage. After deliberating several major principles of the Fund and relevant provisions of the Employment Ordinance, the qualifying period for pay for untaken annual leave was extended. I am pleased to report that the Amendment Ordinance was passed in April this year with the acceptance and endorsement of the amendment proposal by the Board. More employees would be benefited upon its commencement on 29 June 2012.

On the financial side, the Fund registered a surplus of \$485.4 million for the 2011-12 financial year and an accumulative surplus reaching \$2,750.7 million by the end of March 2012. The Board had detailed discussion on the level of business registration levy in 2011-12. We reached a consensus in adjusting the levy rate downwards. Relevant consultation work would commence upon the implementation of the Amendment Ordinance. At the same time, the Board is mindful of the changes in the global economy and the possible impacts of the implementation of the Amendment Ordinance on the Fund. In the coming year, the economies of Europe, US and Hong Kong still face various challenges. The Board would closely watch the economic situation; monitor the payout of ex gratia payment arising from the recently passed Amendment Ordinance and continue to manage the Fund with balance and prudence.

Regarding the prevention of abuse of the Fund, the inter-departmental Task Force, comprising representatives of the Labour Department (LD), Commercial Crime Bureau of the Police, Official Receiver's Office (ORO) and Legal Aid Department (LAD), have never slackened their efforts. During 2011-12, 11 persons, including employers and employees, were convicted of fraud, conspiracy to commit false accounting, and evasion of liability by deception pursuant to the Theft Ordinance and the Crimes Ordinance respectively. These prosecution cases demonstrated clearly to the public that we would never tolerate abuse of the Fund.

Finally, I wish to thank sincerely the contributions from all members of the Board for their strenuous efforts in formulating sustainable and feasible measures for the Fund through seeking mutually beneficial and common ground while putting aside differences in the past year. Besides, I would also like to take this opportunity to thank all the working partners for their support to the Fund, namely LD, LAD, ORO, the Police and the Inland Revenue Department. Together we uphold the effective management of the Fund and contribute to a harmonious and stable society.

Clement CHEN Cheng-jen, BBS, JP
Chairman
Protection of Wages on Insolvency Fund Board

September 2012

MEMBERSHIP LIST OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD 2011-12

Chairman

Mr. Clement CHEN Cheng-jen, BBS, JP

Members

Representing employees

Mr. CHAN Wai-lun, MH

Ms. LAM Suk-fun

Mr. HUNG Hing-chu

Representing employers

Mr. Patrick CHAN Kwok-wai

Dr. David WONG Yau-kar, BBS, JP

Mr. Mark LIN, JP

Representing government departments

Assistant Commissioner for Labour of the Labour Department
responsible for wage security matters

Assistant Principal Solicitor of the Official Receiver's Office

Assistant Principal Legal Aid Counsel of the Legal Aid Department
responsible for insolvency matters

Secretary

Senior Labour Officer, Wage Security Division of the Labour Department

**Group Photo of the
Protection of Wages on Insolvency Fund Board 2011-12**



Rear row from left:

Mr. Alan FONG Kim-fung

Assistant Principal Solicitor,
Official Receiver's Office

Mr. Ernest IP Yee-cheung

Assistant Commissioner (Employees' Rights
and Benefits), Labour Department

Mr. Mark LIN, JP

Representing employers

Mr. HUNG Hing-chu

Representing employees

Ms. Doris LUI Wai-lan

Assistant Principal Legal Aid Counsel,
Legal Aid Department

Miss Bonny WONG Wai-man

Secretary

Front row from left:

Dr. David WONG Yau-kar, BBS, JP

Representing employers

Mr. Patrick CHAN Kwok-wai

Representing employers

Mr. Clement CHEN Cheng-jen, BBS, JP

Chairman

Mr. CHAN Wai-lun, MH

Representing employees

Ms. LAM Suk-fun

Representing employees

INTRODUCTION

The Protection of Wages on Insolvency Ordinance (the Ordinance), which came into effect on 19 April 1985, provides for the establishment of a board to administer the Protection of Wages on Insolvency Fund (the Fund). The Ordinance also empowers the Commissioner for Labour to make ex gratia payment from the Fund to employees whose employers have become insolvent.

This report covers the activities of the Protection of Wages on Insolvency Fund Board (the Board) and the operation of the Fund for the financial year ended 31 March 2012.

PROTECTION OF WAGES ON INSOLVENCY FUND BOARD

The Ordinance provides that the Board shall consist of a chairman and not more than 10 members appointed by the Chief Executive. Of the members, there shall be an equal number of persons representing employers and employees and not more than four public officers.

The Board has the following statutory functions:

- (a) to administer the Fund;
- (b) to make recommendations to the Chief Executive with respect to the rate of levy; and
- (c) to review applications upon request from applicants aggrieved by any decision of the Commissioner for Labour in connection with the application for ex gratia payment from the Fund.

PROTECTION OF WAGES ON INSOLVENCY FUND

The Fund is mainly financed by an annual levy of \$450 on each business registration certificate. The levy is collected by the Inland Revenue Department when the business registration fee is paid.

Under the Ordinance, employees who are owed wages, wages in lieu of notice and severance payment by their insolvent employers may apply for ex gratia payment from the Fund. The application should be made in an approved form and supported by a statutory declaration. The application

has to be made within a period of six months from the applicant's last day of service.

Maximum amount of ex gratia payment payable by the Fund

As at 31 March 2012, ex gratia payment from the Fund covers:

- (a) wages of an employee for services rendered to his employer during the four months prior to the last day of service but not exceeding \$36,000 ("wages" include remuneration and earnings and items that could be deemed to be wages, namely, holiday pay, annual leave pay, end of year payment, maternity leave pay and sickness allowance);
- (b) wages in lieu of notice up to one month's wages or \$22,500, whichever is the lesser; and
- (c) severance payment under the Employment Ordinance up to \$50,000 plus 50% of any entitlement in excess of \$50,000.

Prerequisites for making ex gratia payment from the Fund

Section 16(1) of the Ordinance requires the presentation of a winding-up or bankruptcy petition as a pre-condition for payment from the Fund. Under section 18(1) of the Ordinance, the Commissioner for Labour may exercise discretion to make payment without the presentation of a petition in circumstances where:

- (a) the size of employment is less than 20 employees;
- (b) sufficient evidence exists to support the presentation of a petition in that case on the ground –
 - (i) if the employer is a company, that he is unable to pay his debts; or
 - (ii) if the employer is a person other than a company, that he is liable to have a bankruptcy petition presented against him; and
- (c) it is unreasonable or uneconomic to present a petition in that case.

The Commissioner for Labour is also empowered under section 16(1)(a)(ii) of the Ordinance to make ex gratia payment from the Fund to employees who, because of a restriction imposed by the Bankruptcy Ordinance, cannot present a bankruptcy petition against their employer as the aggregate amount of outstanding payment is below \$10,000.

The Commissioner for Labour is empowered by the Ordinance to investigate applicants' claims before making payment from the Fund. For the purpose of verifying applications, the Commissioner for Labour or his authorised officers may require employers and applicants to submit wage and employment records and conduct interviews with them.

Subrogation rights of the Fund

Where ex gratia payment has been made to an applicant in respect of wages, wages in lieu of notice and severance payment, his rights and remedies under the Companies Ordinance or the Bankruptcy Ordinance would, to the extent of the amount of payment, be transferred to the Board. The Board, in exercising these subrogated rights, may file a proof of debt with the Official Receiver or the private liquidator for the purpose of recovering any payment made to the applicant in the course of winding-up or bankruptcy proceedings.

Application of the Fund's reserve

A property was purchased in 1990 to provide office accommodation for the Board. In addition, all cash has been placed in banks approved by the Board as term deposits.

ANNUAL REVIEW OF APPLICATIONS RECEIVED AND PROCESSED

The applications received and processed in this financial year, together with the relevant analyses, are summarised as follows:

Applications received

During the year 2011-12, 3 814 applications involving claims for ex gratia payment of \$221.4 million were received from employees. A total of 576 suspected insolvency cases were recorded. Detailed breakdown of the applications is at **Appendix I**.

Of the 576 suspected insolvency cases, 536 involved less than 20 employees per case, 27 involved 20 to 49 employees per case, 9 involved 50 to 99 employees per case, and the remaining 4 each involved 100 employees or more.

During the year, the food and beverage service activities recorded the largest number of applications, with 1 064 applications involving a total claim of \$19.7 million. This was followed by the construction industry with 537 applications and a total claim of \$15.3 million, and retail trade with 460 applications and a total claim of \$25.9 million. These three trades accounted for 54.0% of all applications and 27.5% of the total amount claimed.

Out of the total 3 814 applicants in the year, 3 343 applied for ex gratia payment on arrears of wages, 2 656 applied for payment on wages in lieu of notice, and 1 411 applied for payment on severance payment. Breakdowns of these applications are at **Appendices II, III and IV**.

Applications processed

A total of 3 479 applications were approved during the year, resulting in payment amounting to \$67.9 million. Out of these, a total payment of \$21.8 million was made to 1 106 applicants under section 16(1)(a)(ii) or section 18(1) of the Ordinance where presentation of a bankruptcy or winding-up petition was not required.

An analysis of ex gratia payment approved is at **Appendix V**. As indicated at **Appendix VI**, the claimed amount was met in full in respect of 75.2% of applicants for arrears of wages, 98.6% of applicants for wages in lieu of notice, and 39.6% of applicants for severance payment.

The Commissioner for Labour rejected 152 applications involving claims totalling \$7.8 million, mostly for reasons such as claims without legal backing, insufficient evidence, or the applicants' status as registered company directors. At the same time, 449 applications involving claims amounting to \$20.5 million were withdrawn, mainly as a result of direct settlement between employees and their employers or liquidators.

Appendices VII and VIII set out the comparative figures on the Fund's performance in the last five to ten years.

MEETINGS OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD

The Board met three times during the year to discuss matters relating to the administration of the Fund. These included the Fund's performance and financial statements, projection of income and expenditure, the progress of the legislative proposal to expand the scope of the Fund to cover pay for untaken annual leave and untaken statutory holidays under the Employment Ordinance and the rate of levy on business registration fee.

FINANCIAL POSITION OF THE PROTECTION OF WAGES ON INSOLVENCY FUND

During the year, the Fund received levy income of \$528.7 million and paid out a total of \$67.9 million in ex gratia payment. The Fund registered a surplus of \$485.4 million, as compared with a surplus of \$429.6 million in the previous financial year. As at 31 March 2012, the Fund's accumulated surplus stood at \$2,750.7 million.

A copy of the independent auditors' report and the audited financial statements for the year ended 31 March 2012 is at **Appendix IX**.

ACTIVITIES HIGHLIGHT

Customer Opinion Survey

The Board has in collaboration with the Labour Department, conducted a customer opinion survey from November 2011 to February 2012. Questionnaires were sent to 1 105 applicants and 223 of them completed and returned the questionnaires. Feedback from these customers showed that they were in general satisfied with the services provided by the Labour Department. The survey findings were presented to the Board in its meeting on 25 June 2012. The Board was satisfied with the result. Despite the satisfactory feedback from customers, the Labour Department will continue to keep its procedures under constant review and introduce improvement measures where necessary.

Publicity and promotion for the Fund

During the year, the Labour Department also continued with various activities to publicise the Fund and the provisions of the Ordinance. Among other things, six exhibitions were staged in different districts covering a number of themes, including an introduction about the Fund and employees' applications for ex gratia payment.



The Fund and the Ordinance were publicised in the exhibitions organised by the Labour Department.

Achievements of the inter-departmental Task Force

The inter-departmental Task Force continued to play an active role in guarding against abuse of the Fund. The Labour Department, the Commercial Crime Bureau of the Hong Kong Police Force, the Official Receiver's Office and the Legal Aid Department acted in concert to proactively pursue and investigate cases involving possible abuse of the Fund by employers and employees.

During the year 2011-12, one construction contractor and seven workers, one restaurant shareholder and one employee, and one company director were convicted of fraud, conspiracy to commit false accounting, and evasion of liability by deception pursuant to the Theft Ordinance and Crimes Ordinance respectively. The penalties imposed on them included 160 to 240 hours of community service order and a fine of \$5,000. Besides, the court disqualified a total of 12 company responsible persons involving abuse of the Fund from being directors, and taking part in the promotion, formation or management of a company, with the disqualification period ranging from two to five years. Apart from the above, the Labour Department adopted a multi-pronged enforcement strategy to alleviate cases of non-payment of wages from proliferating into applications for the Fund. In the same period, there were 722 convicted summonses for wage offences. Of these, 146 convictions were against company directors and responsible persons.



APPENDICES

Operating results of the Protection of Wages on Insolvency Fund in 2011-12

I. Breakdown of applications by result

(1) No. of cases received					576
(2) No. of applications					
(i) b/f last period					1 761
received this period					3 814
reconsidered this period					22
					5 597
(ii) processed					4 080
<i>approved</i>					3 479
<i>refused</i>					152
<i>withdrawn</i>					449
outstanding					1 460
put aside *					57
					5 597
(3) Amount of ex gratia payment (in HK\$'000) applied for	Arrears of wages	Wages in lieu of notice	Severance payment		HK\$'000
(i) b/f last period					87,689
received this period	81,987 +	52,783 +	86,641 =		221,411
reconsidered this period	1,021 +	122 +	1,507 =		2,650
					311,750
(ii) approved	42,309 +	15,928 +	9,688 =		67,925
screened					83,758
refused					7,770
withdrawn					20,498
outstanding } put aside * }					131,799
					311,750
(4) No. of applications seeking review by the Fund Board					0

II. Presentation of petition in relation to applications approved

(1) No. of applications where a winding-up petition has been made	2 194
(2) No. of applications where a bankruptcy petition has been made	179
(3) No. of applications dealt with under S.18(1) of the Protection of Wages on Insolvency Ordinance	1 054
(4) No. of applications dealt with under S.16(1)(a)(ii) of the Protection of Wages on Insolvency Ordinance	52
	3 479

III. Breakdown of cases by employment size

(1) Less than 20 employees	536
(2) 20 ~ 49 employees	27
(3) 50 ~ 99 employees	9
(4) 100 or more employees	4
	576

* Cases pending private settlement or withdrawal.

IV. Breakdown of applications by industry

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applicants		Amount claimed (including wages, wages in lieu of notice and severance payment)
<i>Division C</i>	<i>Manufacturing</i>			
Sub-group				
10	Manufacture of food products	166	(3)	\$ 2,690,460.68
13	Manufacture of textiles	30	(10)	\$ 2,859,212.09
14	Manufacture of wearing apparel	156	(9)	\$ 23,186,764.12
15	Manufacture of leather and related products	4	(2)	\$ 530,896.08
16	Manufacture of wood and of products of wood and cork, articles of straw and plaiting materials (except furniture and toys)	1	(1)	\$ 11,774.99
17	Manufacture of paper and paper products	1	(1)	\$ 60,967.93
18	Printing and reproduction of recorded media	13	(1)	\$ 3,201,416.99
20	Manufacture of chemicals and chemical products	3	(1)	\$ 584,559.21
22	Manufacture of rubber and plastics products (except furniture, toys, sports goods and stationery)	1	(1)	\$ 102,351.32
24	Manufacture of basic metals	17	(2)	\$ 1,270,179.59
26	Manufacture of computer, electronic and optical products	94	(7)	\$ 9,901,998.99
27	Manufacture of electrical equipment	7	(1)	\$ 218,254.89
28	Manufacture of machinery and equipment n.e.c.	1	(1)	\$ 34,843.61
32	Other manufacturing	20	(11)	\$ 1,857,084.34
33	Repair and installation of machinery and equipment	1	(1)	\$ 52,290.24
<i>Division E</i>	<i>Water supply, sewerage, waste management and remediation activities</i>			
Sub-group				
38	Waste collection, treatment and disposal activities; materials recovery	28	(1)	\$ 174,331.28
39	Remediation activities and other waste management services	1	(1)	\$ 9,677.41
<i>Division F</i>	<i>Construction</i>	537	(146)	\$ 15,264,757.50
<i>Division G</i>	<i>Import/export, wholesale and retail trades</i>			
Sub-group				
45	Import and export trade	399	(94)	\$ 37,728,295.78
46	Wholesale	18	(6)	\$ 1,683,441.55
47	Retail trade	460	(27)	\$ 25,860,576.66

Note : Figure in brackets denotes the number of suspected insolvency cases received in this year.

破產欠薪保障基金委員會

Protection of Wages on Insolvency Fund Board

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applicants		Amount claimed (including wages, wages in lieu of notice and severance payment)
<i>Division H</i>	<i>Transportation, storage, postal and courier services</i>			
Sub-group				
49	Land transport	71	(18)	\$ 7,459,500.92
50	Water transport	108	(1)	\$ 4,456,719.44
52	Warehousing and support activities for transportation	8	(6)	\$ 296,769.73
53	Postal and courier activities	8	(4)	\$ 250,547.85
<i>Division I</i>	<i>Accommodation and food service activities</i>			
Sub-group				
55	Short term accommodation activities	1	(1)	\$ 33,170.45
56	Food and beverage service activities	1 064	(109)	\$ 19,716,875.07
<i>Division J</i>	<i>Information and communications</i>			
Sub-group				
58	Publishing activities	11	(6)	\$ 537,525.03
62	Information technology service activities	33	(5)	\$ 1,333,493.26
<i>Division K</i>	<i>Financial and insurance activities</i>			
Sub-group				
64	Financial service activities (except insurance and pension funding)	103	(9)	\$ 32,977,012.97
65	Insurance	1	(1)	\$ 202,666.66
66	Activities auxiliary to financial service and insurance activities	2	(2)	\$ 786,384.14
<i>Division L</i>	<i>Real estate activities</i>	27	(3)	\$ 1,829,559.84
<i>Division M</i>	<i>Professional, scientific and technical activities</i>			
Sub-group				
69	Legal and accounting activities	2	(1)	\$ 17,919.35
70	Activities of head offices; management and management consultancy activities	17	(5)	\$ 2,428,878.08
71	Architecture and engineering activities, technical testing and analysis	7	(2)	\$ 226,353.87
73	Veterinary activities	11	(3)	\$ 579,910.77
74	Advertising and market research	3	(3)	\$ 107,775.33
75	Other professional, scientific and technical activities	19	(4)	\$ 738,072.94

Note : Figure in brackets denotes the number of suspected insolvency cases received in this year.

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applicants		Amount claimed (including wages, wages in lieu of notice and severance payment)
<i>Division N</i>	<i>Administrative and support service activities</i>			
Sub-group				
79	Travel agency, reservation service and related activities	1	(1)	\$ 7,000.00
80	Security and investigation activities	6	(2)	\$ 94,722.31
81	Services to buildings and landscape care activities	7	(2)	\$ 208,378.31
82	Office administrative, office support and other business support activities	56	(4)	\$ 9,526,222.17
<i>Division O</i>	<i>Public administration</i>	1	(1)	\$ 20,500.00
<i>Division P</i>	<i>Education</i>	20	(6)	\$ 461,209.00
<i>Division Q</i>	<i>Human health and social work activities</i>			
Sub-group				
86	Human health activities	62	(2)	\$ 3,230,279.85
87	Residential care activities	5	(2)	\$ 311,590.16
88	Social work activities without accommodation	1	(1)	\$ 76,520.68
<i>Division R</i>	<i>Arts, entertainment and recreation</i>			
Sub-group				
90	Creative and performing arts activities	25	(1)	\$ 750,127.81
93	Sports and other entertainment activities	92	(7)	\$ 3,002,583.44
<i>Division S</i>	<i>Other service activities</i>			
Sub-group				
96	Other personal service activities	62	(16)	\$ 2,263,737.47
<i>Division T</i>	<i>Work activities within domestic households</i>			
Sub-group				
97	Activities of households as employers of domestic personnel	22	(21)	\$ 194,541.55
		Total :	3 814 (576)	\$ 221,410,683.70

Note : Figure in brackets denotes the number of suspected insolvency cases received in this year.

Breakdown of applications for ex gratia payment on arrears of wages received in 2011-12

A. By amount

(including overtime pay and items that could be deemed to be wages)

Amount	No. of applicants	Percentage
No entitlement/Not claimed	471	12.35
\$8,000* or less	1 080	28.32
\$8,001 - \$18,000	1 099	28.81
\$18,001 - \$24,000	344	9.02
\$24,001 - \$27,000	112	2.94
\$27,001 - \$30,000	92	2.41
\$30,001 - \$33,000	57	1.49
\$33,001 - \$36,000 [#]	72	1.89
\$36,001 - \$39,000	58	1.52
More than \$39,000	429	11.25
Total :	3 814	100.00

B. By period of outstanding wages

(excluding overtime pay and items that could be deemed to be wages)

Period	No. of applicants	Percentage
No entitlement/Not claimed	589	15.44
Half month or less	718	18.83
More than 1/2 month to 1 month	827	21.68
More than 1 month to 2 months	1 102	28.89
More than 2 months to 3 months	332	8.70
More than 3 months to 4 months	92	2.41
More than 4 months	154	4.04
Total :	3 814	100.00

* Preferential limit under the Companies Ordinance and the Bankruptcy Ordinance, i.e. wages not exceeding \$8,000 should be paid in priority to other debts in the distribution of the remaining assets of the employer during the winding-up/bankruptcy proceedings.

Maximum amount of ex gratia payment on arrears of wages under the Protection of Wages on Insolvency Ordinance.

Appendix III

**Breakdown of applications for
ex gratia payment on wages in lieu of notice received in 2011-12**

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	1 158	30.36
\$2,000* or less	458	12.01
\$2,001 - \$6,000	714	18.72
\$6,001 - \$10,000	424	11.12
\$10,001 - \$15,000	425	11.14
\$15,001 - \$22,500 [#]	284	7.45
\$22,501 - \$25,000	40	1.05
More than \$25,000	311	8.15
Total :	3 814	100.00

B. By notice period

Notice period	No. of applicants	Percentage
No entitlement/Not claimed	1 158	30.36
1 day - 7 days	1 002	26.27
8 days - 14 days	31	0.81
15 days	5	0.13
16 days - less than 1 month	51	1.34
1 month* [#]	1 447	37.94
More than 1 month	120	3.15
Total :	3 814	100.00

* Preferential limit under the Companies Ordinance and the Bankruptcy Ordinance, i.e. wages in lieu of notice not exceeding one month's wages or \$2,000, whichever is the lesser, should be paid in priority to other debts in the distribution of the remaining assets of the employer during the winding-up/bankruptcy proceedings.

[#] Maximum amount of ex gratia payment on wages in lieu of notice under the Protection of Wages on Insolvency Ordinance, i.e. not exceeding \$22,500 or one month's wages, whichever is the lesser.

Breakdown of applications for ex gratia payment on severance payment[#] received in 2011-12

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	2 403	63.00
\$8,000* or less	164	4.30
\$8,001 - \$36,000	481	12.61
\$36,001 - \$50,000	184	4.82
\$50,001 - \$80,000	236	6.19
\$80,001 - \$110,000	118	3.09
\$110,001 - \$140,000	68	1.78
\$140,001 - \$170,000	41	1.07
\$170,001 - \$200,000	52	1.36
\$200,001 - \$250,000	39	1.02
\$250,001 - \$300,000	17	0.45
\$300,001 - \$350,000	3	0.08
\$350,001 - \$370,000	0	0.00
\$370,001 - \$390,000	8	0.21
More than \$390,000	0	0.00
Total :	3 814	100.00

B. By length of service

Length of service	No. of applicants	Percentage
Not claimed or less than 2 years' service	2 417	63.37
2 - 4.99 years	542	14.21
5 - 5.99 years	143	3.75
6 - 6.99 years	132	3.46
7 - 7.99 years	74	1.94
8 - 8.99 years	68	1.78
9 - 9.99 years	54	1.42
10 - 14.99 years	238	6.24
15 - 19.99 years	97	2.54
20 - 24.99 years	32	0.84
25 - 29.99 years	13	0.34
30 - 34.99 years	2	0.05
35 - 38.99 years	2	0.05
39 - 40.99 years	0	0.00
41 - 42.99 years	0	0.00
43 years' service and over	0	0.00
Total :	3 814	100.00

[#] The maximum amount of payment out of the Protection of Wages on Insolvency Fund is \$220,000.

^{*} Preferential limit under the Companies Ordinance and the Bankruptcy Ordinance, i.e. severance payment not exceeding \$8,000 should be paid in priority to other debts in the distribution of the remaining assets of the employer during the winding-up/bankruptcy proceedings.

Appendix V

Analysis of ex gratia payment approved in 2011-12

A. Analysis of payment approved for arrears of wages

(including overtime pay and items that could be deemed to be wages)

Amount	No. of applicants	Percentage
Not claimed/Not approved	434	12.47
\$4,000 or less	614	17.65
\$4,001 - \$8,000	582	16.73
\$8,001 - \$10,000	294	8.45
\$10,001 - \$12,000	259	7.44
\$12,001 - \$14,000	175	5.03
\$14,001 - \$16,000	145	4.17
\$16,001 - \$18,000	110	3.16
\$18,001 - \$28,000	383	11.01
\$28,001 - \$36,000 [#]	483	13.88
Total :	3 479	100.00

B. Analysis of payment approved for wages in lieu of notice

Amount	No. of applicants	Percentage
Not claimed/Not approved	1 342	38.57
\$2,000 or less	563	16.18
\$2,001 - \$3,000	232	6.67
\$3,001 - \$4,000	228	6.55
\$4,001 - \$5,000	71	2.04
\$5,001 - \$6,000	101	2.90
\$6,001 - \$10,000	312	8.97
\$10,001 - \$22,500 [†]	630	18.11
Total :	3 479	100.00

C. Analysis of payment approved for severance payment

Amount	No. of applicants	Percentage
Not claimed/Not approved	2 576	74.04
\$8,000 or less	519	14.92
\$8,001 - \$22,000	288	8.28
\$22,001 - \$36,000	51	1.47
\$36,001 - \$50,000	28	0.80
\$50,001 - \$80,000	12	0.34
\$80,001 - \$110,000	2	0.06
\$110,001 - \$140,000	2	0.06
\$140,001 - \$170,000	0	0.00
\$170,001 - \$200,000	1	0.03
\$200,001 - \$210,000	0	0.00
\$210,001 - \$220,000 [*]	0	0.00
Total :	3 479	100.00

[#] The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund (the Fund) on arrears of wages.

[†] The maximum amount of ex gratia payment out of the Fund on wages in lieu of notice.

^{*} The maximum amount of ex gratia payment out of the Fund on severance payment.

*Analysis of approved ex gratia payment
as percentage of applicants' claimed amount in 2011-12*

A. Arrears of wages at maximum payment of \$36,000

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	75.17
90% or above	78.43
80% or above	80.84
70% or above	83.47
60% or above	88.41
50% or above	90.94
40% or above	93.59
30% or above	95.91
20% or above	98.20
10% or above	99.57
5% or above	99.91

B. Wages in lieu of notice at maximum payment of \$22,500

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	98.61
90% or above	98.99
80% or above	99.16
70% or above	99.37
60% or above	99.49
50% or above	99.70
40% or above	99.79
30% or above	99.83
20% or above	100.00

C. Severance payment at maximum payment of \$50,000 + 50% of excess entitlement

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	39.57
90% or above	43.33
80% or above	48.60
70% or above	53.66
60% or above	59.89
50% or above	66.13

Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2007-08 to 2011-12

Figure 1

Number of applications received by the Fund from 2007-08 to 2011-12

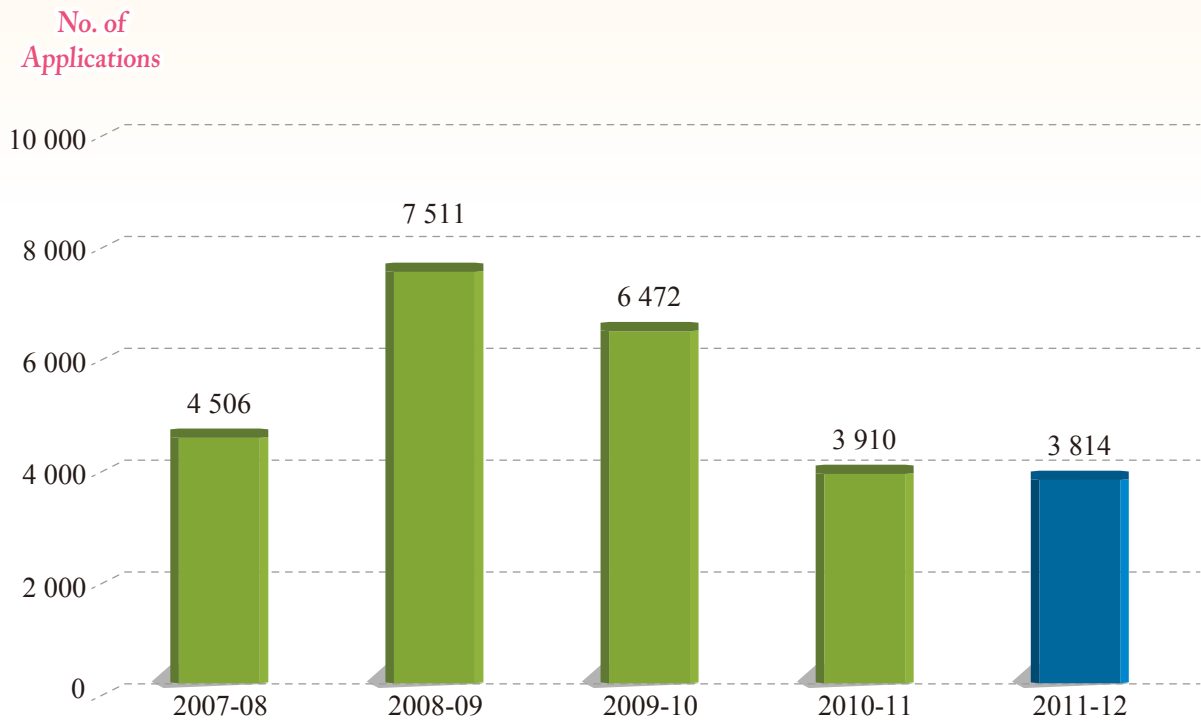


Figure 2

First three industries with the largest number of applications received from 2007-08 to 2011-12

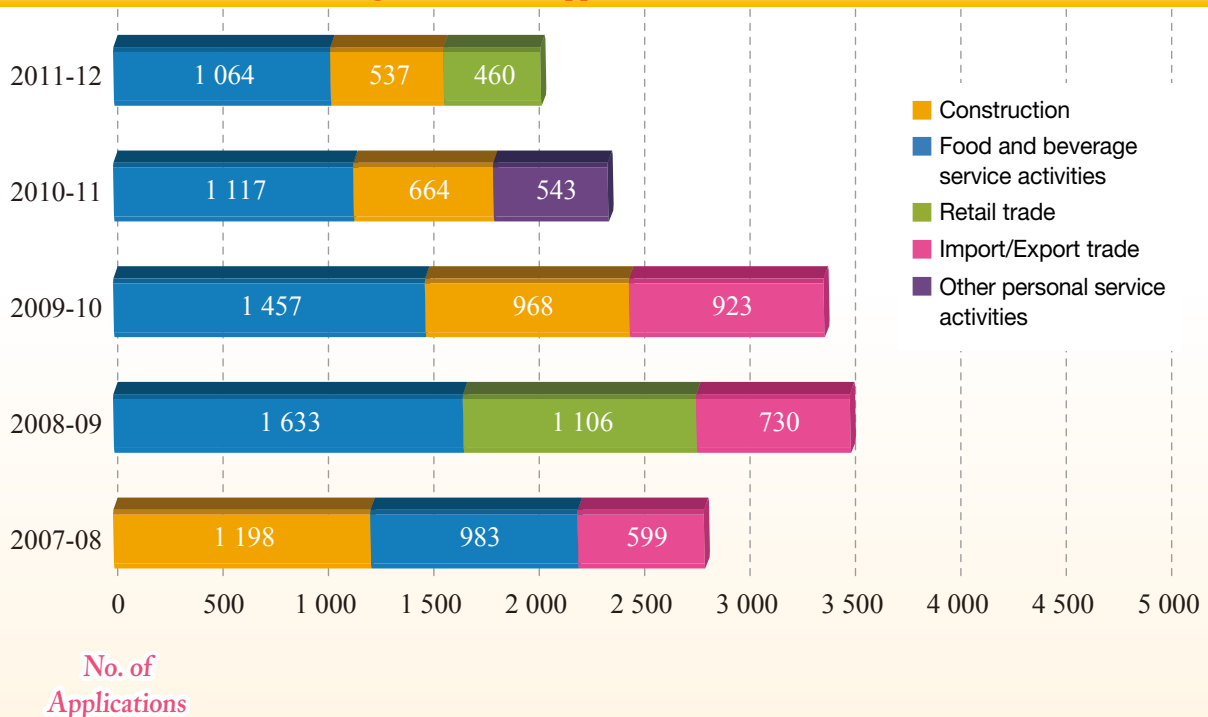


Figure 3

Number of applications and amount of ex gratia payment approved from 2007-08 to 2011-12

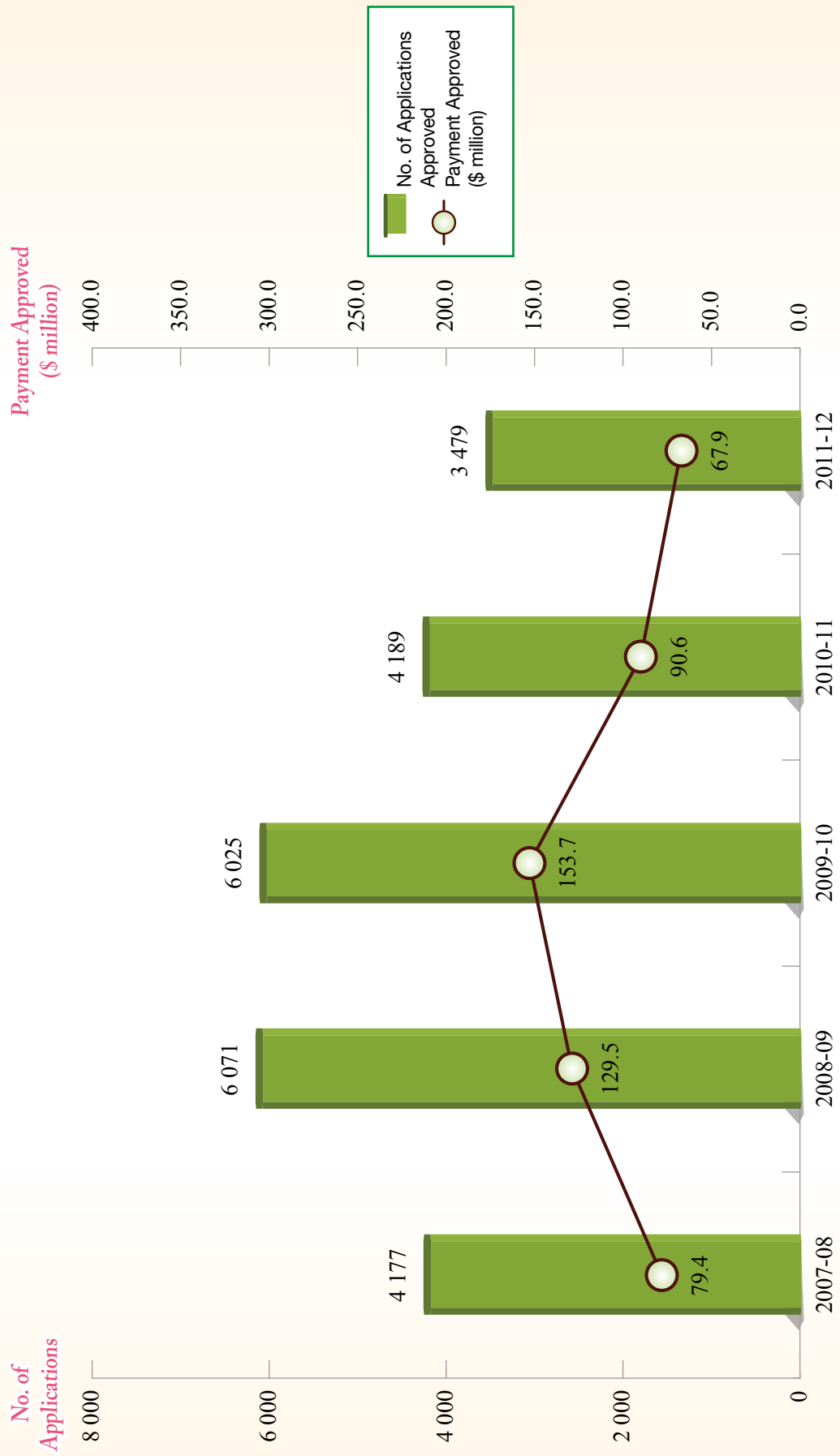


Figure 4

Total income and expenditure of the Fund from 2007-08 to 2011-12

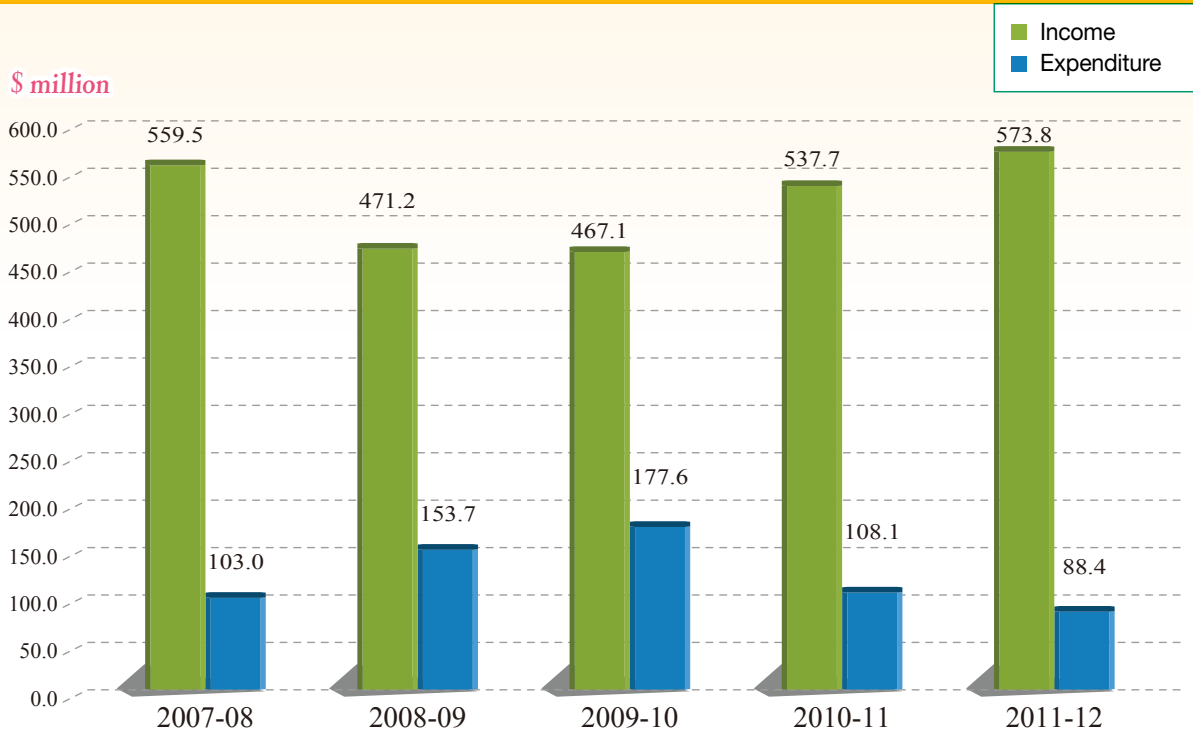
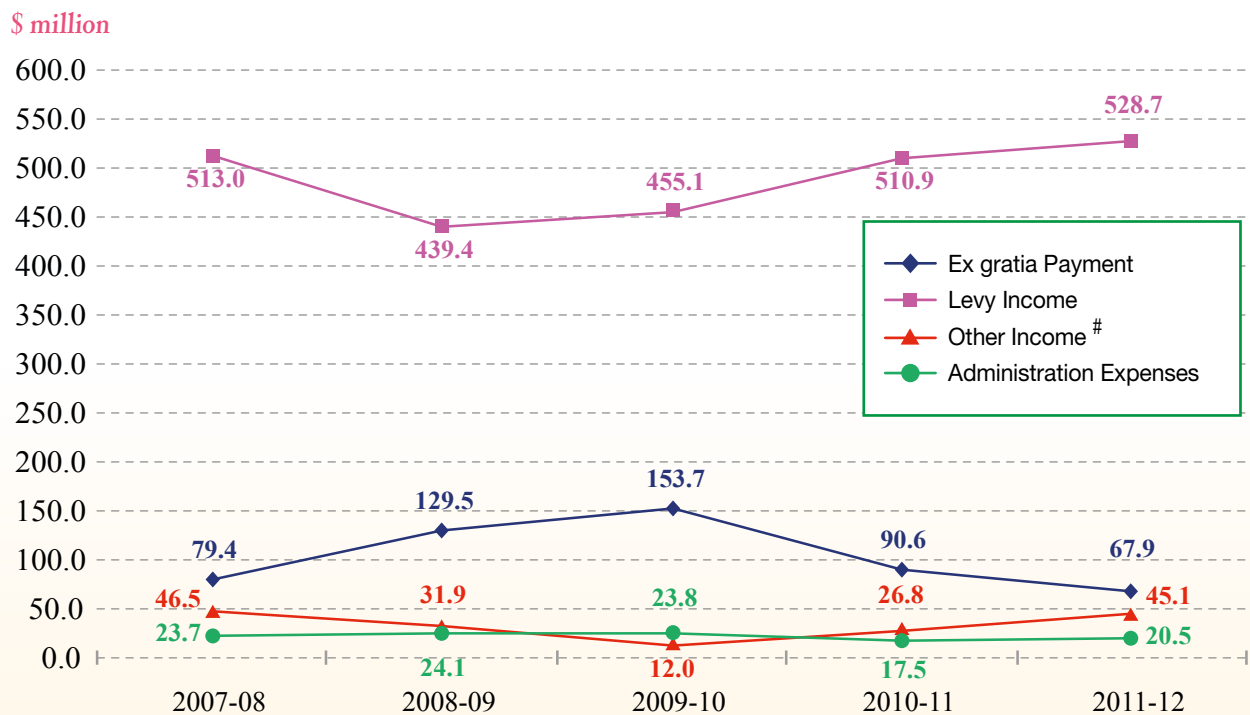


Figure 5

Breakdown of income and expenditure of the Fund from 2007-08 to 2011-12



Bank deposit interests and money recovered through subrogation

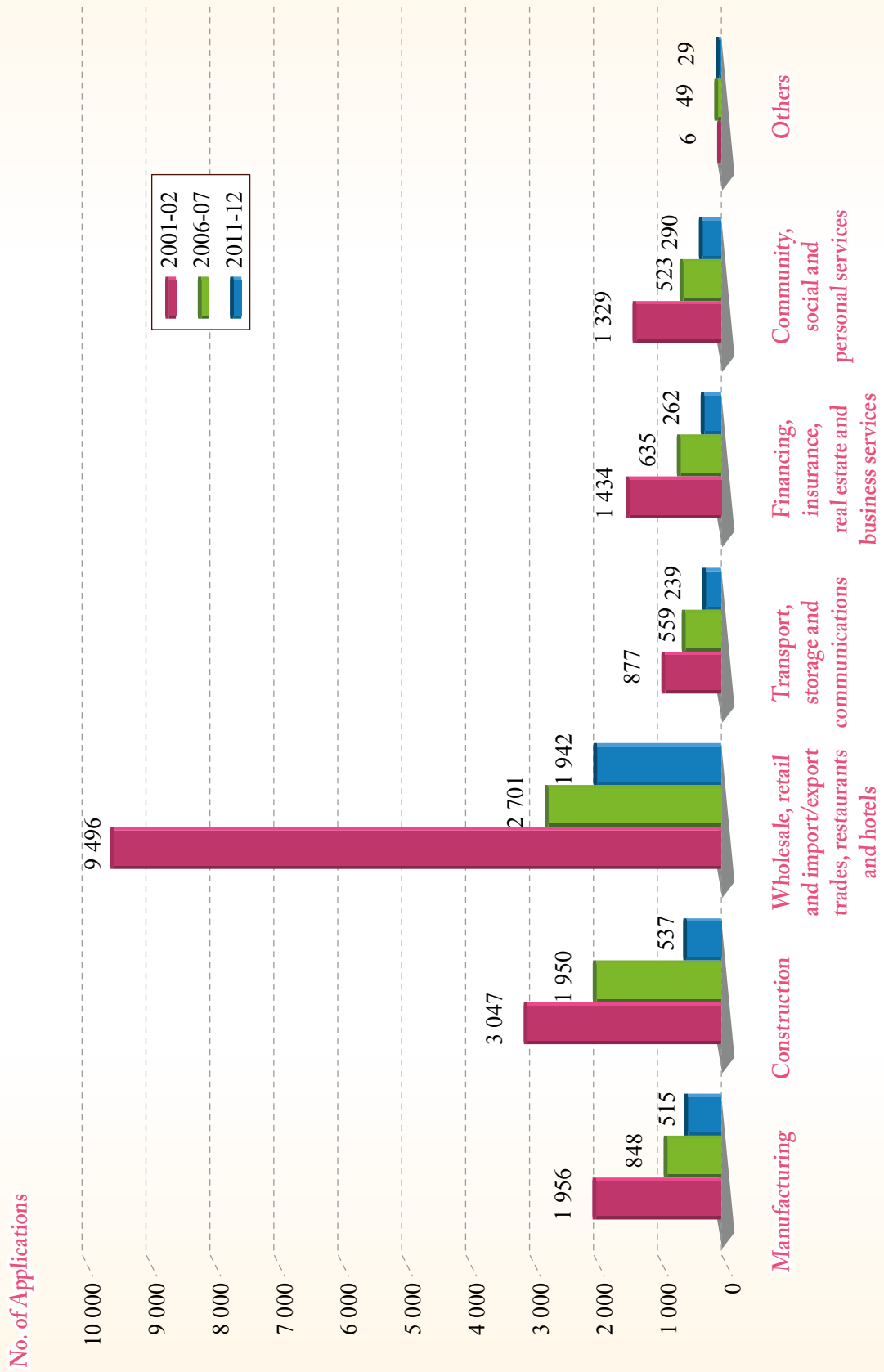
Figure 6

Subrogation income and ex gratia payment of the Fund from 2007-08 to 2011-12



Appendix VIII

Analysis of applications received by economic sector in 2001-02, 2006-07 and 2011-12


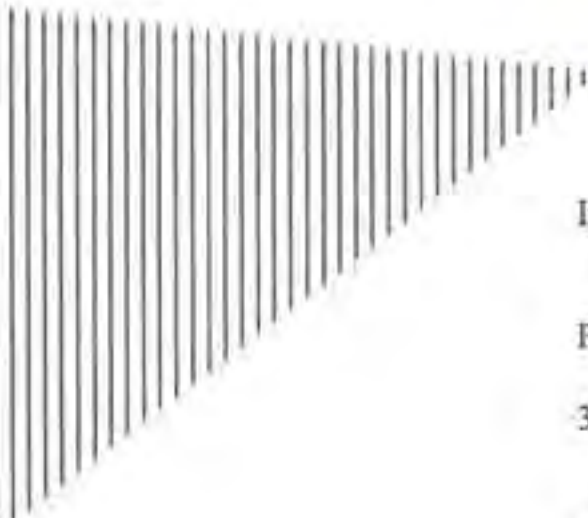


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Protection of Wages on Insolvency Fund Board

Appendix IX

Independent Auditors' Report and Audited Financial Statements
for the year ended 31 March 2011



Independent Auditors' Report and Audited Financial
Statements

PROTECTION OF WAGES ON INSOLVENCY FUND

31 March 2012

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PROTECTION OF WAGES ON INSOLVENCY FUND

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Statement of changes in funds and reserves	5
Statement of cash flows	6
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Independent auditors' report

To the members of Protection of Wages on Insolvency Fund Board
(Established under the Protection of Wages on Insolvency Ordinance)

We have audited the financial statements of the Protection of Wages on Insolvency Fund (the "Fund") set out on pages 3 to 14, which comprise the statement of financial position as at 31 March 2012, and the statement of comprehensive income and expenditure, the statement of changes in funds and reserves, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Protection of Wages on Insolvency Fund Board's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with the Protection of Wages on Insolvency 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.

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

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

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



Independent auditors' report (continued)

To the members of Protection of Wages on Insolvency Fund Board
(Established under the Protection of Wages on Insolvency Ordinance)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Fund as at 31 March 2012, and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Protection of Wages on Insolvency Ordinance.

A handwritten signature in black ink, appearing to be 'Ernst & Young' written in a cursive style.

Certified Public Accountants
Hong Kong
10 September 2012

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Year ended 31 March 2012

	Notes	2012 HK\$	2011 HK\$
INCOME	3	<u>573,799,365</u>	<u>537,731,891</u>
EXPENDITURE			
Claims	4	67,925,226	90,633,352
Supervision fee	5	19,390,782	16,417,322
Auditors' remuneration		75,000	71,000
Rates and building management charges		266,016	266,406
Insurance		6,308	6,313
Printing and stationery		35,300	44,454
Miscellaneous expenses		<u>681,202</u>	<u>648,273</u>
TOTAL EXPENDITURE		<u>88,379,834</u>	<u>108,087,120</u>
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	<u><u>485,419,531</u></u>	<u><u>429,644,771</u></u>

破產欠薪保障基金委員會

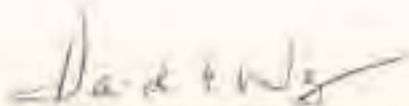
Protection of Wages on Insolvency Fund Board

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	2012 HK\$	2011 HK\$
NON-CURRENT ASSET			
Property	0	-	-
CURRENT ASSETS			
Levies receivable		50,766,600	63,373,150
Interest receivables		6,030,162	2,338,028
Sundry deposits		35,000	35,000
Prepayment		40,417	58,333
Time deposits	10	2,717,100,000	2,220,500,000
Cash at banks	10	124,890	192,097
Total current assets		<u>2,774,097,069</u>	<u>2,286,496,608</u>
CURRENT LIABILITIES			
Approved claims payable		3,893,165	3,791,805
Accrued operation expenses		77,860	98,290
Accrued supervision fee	5	19,400,000	17,300,000
Total current liabilities		<u>23,371,025</u>	<u>21,190,095</u>
NET CURRENT ASSETS		<u>2,750,726,044</u>	<u>2,265,306,513</u>
Net assets		<u>2,750,726,044</u>	<u>2,265,306,513</u>
FINANCED BY:			
Accumulated surplus		2,734,187,257	2,248,767,726
General reserve	11	16,538,787	16,538,787
Total accumulated funds and reserves		<u>2,750,726,044</u>	<u>2,265,306,513</u>



Chairman



Board Member

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CHANGES IN FUNDS AND RESERVES

Year ended 31 March 2012

	Accumulated surplus HK\$	General reserve HK\$	Total accumulated funds and reserves HK\$
At 1 April 2010	1,819,122,955	16,538,787	1,835,661,742
Surplus and total comprehensive income for the year	<u>429,644,771</u>	<u>-</u>	<u>429,644,771</u>
At 31 March 2011 and at 1 April 2011	2,248,767,726	16,538,787	2,265,306,513
Surplus and total comprehensive income for the year	<u>485,419,531</u>	<u>-</u>	<u>485,419,531</u>
At 31 March 2012	<u><u>2,734,187,257</u></u>	<u><u>16,538,787</u></u>	<u><u>2,750,726,044</u></u>

破產欠薪保障基金委員會

Protection of Wages on Insolvency Fund Board

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Notes	2011 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		485,419,531	429,644,771
Adjustments for bank interest income	3	(37,965,786)	(12,745,136)
		447,453,745	416,899,635
Decrease/(increase) in levies receivable		12,606,550	(10,966,500)
Decrease/(increase) in a prepayment		17,916	(58,333)
Increase/(decrease) in approved claims payable		101,360	(524,465)
Increase/(decrease) in accrued operation expenses		(20,430)	15,577
Increase/(decrease) in accrued supervision fee		2,100,000	(300,000)
Net cash flows from operating activities		<u>462,259,141</u>	<u>405,065,914</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		34,273,652	10,790,192
Decrease/(increase) in time deposits with original maturity over three months		6,700,000	(103,611,478)
Net cash flows from/(used in) investing activities		<u>40,973,652</u>	<u>(92,821,286)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>444,092,097</u>	<u>131,847,469</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>947,324,890</u>	<u>444,092,097</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	10	124,890	192,097
Time deposits with original maturity of less than three months when acquired	10	<u>947,200,000</u>	<u>443,900,000</u>
		<u>947,324,890</u>	<u>444,092,097</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

1. GENERAL INFORMATION

The Protection of Wages on Insolvency Fund (the "Fund") was established by the Government of the Hong Kong Special Administrative Region under the Protection of Wages on Insolvency Ordinance of Hong Kong in 1985 for the purpose of providing ex-gratia payments to employees whose employers have become insolvent.

The Fund consists principally of moneys received from the Commissioner of Inland Revenue being an annual levy collected on each business registration certificate issued.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Protection of Wages on Insolvency Ordinance. They have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK\$").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA had issued a number of new and revised HKFRSs which became effective in 2011. There have been no significant changes to the accounting policies of the Fund applied to these financial statements upon the adoption of these new and revised HKFRSs.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Fund has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31 March 2012, in these financial statements. The Fund is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Fund's results of operations and financial position.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and depreciation

The Fund's property is stated at cost less accumulated depreciation and any impairment losses. The cost of the property comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property has been put into operation, such as repairs and maintenance, is normally charged as an expenditure in the year in which it is incurred.

Depreciation is calculated on the straight-line basis to write off the cost of the Fund's property over its estimated useful life, which is the shorter of the lease terms and 20 years from the day the property was first used by the Fund.

Residual value, useful life and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year-end.

A property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised as an income or an expenditure in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Financial instruments

The Fund classifies its financial instruments into the following categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. Regular way purchases and sales of the financial assets are recognised using on the trade date, that is, the date that the Fund commits to purchase or sell the asset.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment allowances. Any changes in their value are recognised in income and expenditure.

The Fund recognises losses for impaired loans and receivables when there is objective evidence that impairment of a loan and receivable or a portfolio of loans and receivables has occurred. Impairment allowances are assessed either individually for individually significant loans and receivables or collectively for portfolios of loans and receivables with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited against expenditures.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Financial liabilities

Financial liabilities of the Fund include approved claims payable, accrued operation expenses and accrued supervision fee. All such financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Fund has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Fund's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise bank balances which are not restricted as to use.

Operating leases

Rentals payable under operating leases are charged as expenditures on the straight-line basis over the lease terms.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as an expenditure.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised on the following bases:

- (a) levy income, on an accrual basis for the cash receipts from the Inland Revenue Department;
- (b) interest income, accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable; and
- (a) money recovered by subrogation, when the amounts are received.

Recognition of claims

Claims are accounted for on an accrual basis upon approval of the Commissioner for Labour.

Employee benefits

Pension scheme

The Fund operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged as expenditures when they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Fund in an independently administered fund. The Fund's employer contributions vest fully with the employees when contributed into the MPF Scheme in accordance with the rules of the MPF Scheme.

3. INCOME

An analysis of income is as follows:

	2012 HK\$	2011 HK\$
Levies	528,674,200	510,853,700
Money recovered by subrogation	7,159,379	14,133,055
Bank interest income	37,965,786	12,745,136
	<u>573,799,365</u>	<u>537,731,891</u>

In accordance with the provisions of Sections 7 and 21 of the Business Registration Ordinance and Section 6 in Part III of the Protection of Wages on Insolvency Ordinance, levies of HK\$450 and HK\$1,350 are imposed on the issuance of one-year and three-year business registration certificates, respectively, according to the Business Registration Ordinance (Amendment: Levy Reduction) Order 2008.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

4. CLAIMS

In accordance with the provisions of Sections 16(1), (2) and (3) and Section 18(1) in Part V of the Protection of Wages on Insolvency Ordinance, the Commissioner for Labour may make ex-gratia payments to applicants out of the Fund of the following amounts:

(a) Wages

Not exceeding HK\$36,000, being wages for services rendered not more than four months prior to an applicant's last day of service.

(b) Wages in lieu of notice

Not exceeding the equivalent of one month's wages of the applicant or HK\$22,500, whichever is the lesser, which became due not more than six months prior to the date of application.

(c) Severance payment

Not exceeding the aggregate of HK\$50,000 and half of the part of the applicant's entitlement in excess of HK\$50,000 being severance payment, the liability for payment of which arose not more than six months prior to the date of application.

5. SUPERVISION FEE

In accordance with the provisions of Section 14 in Part IV of the Protection of Wages on Insolvency Ordinance, the Financial Secretary may determine a supervision fee, which shall be charged against the income of the Fund, at any time determined by him. An agreement has been reached between the Protection of Wages on Insolvency Fund Board (the "Board") and the Government of the Hong Kong Special Administrative Region that the fee will be two-thirds of the Government's cost of administration in respect of the Fund. The Board however reserves its right of re-negotiation.

6. SURPLUS FOR THE YEAR

The Fund's surplus for the year is arrived at after charging:

	2012 HK\$	2011 HK\$
Employee benefit expense:		
Wages and salaries	183,142	144,179
Pension scheme contributions	18,311	13,602
	<u>201,453</u>	<u>157,781</u>
Minimum lease payments under an operating lease of a building	<u>180,000</u>	<u>180,000</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

7. REMUNERATION OF MEMBERS OF THE BOARD

No members of the Board received any fees or other emoluments in respect of their services rendered to the Fund during the year (2011: Nil).

8. INCOME TAX

The Fund is exempt from tax under Section 88 of the Inland Revenue Ordinance.

9. PROPERTY

Land and
building
HK\$

31 March 2012

At 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012:

Cost	27,474,677
Accumulated depreciation	<u>(27,474,677)</u>
Net carrying amount	<u><u>-</u></u>

The property, which is held under a long term lease, represents the Fund's office premises situated in Hong Kong.

10. CASH AT BANKS AND TIME DEPOSITS

	2012 HK\$	2011 HK\$
Bank balances	124,890	192,097
Time deposits with original maturity of:		
3 months or less	947,200,000	443,900,000
More than 3 months but less than 12 months	<u>1,769,900,000</u>	<u>1,776,600,000</u>
	<u><u>2,717,224,890</u></u>	<u><u>2,220,692,097</u></u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

11. GENERAL RESERVE

The levies collected and interest received prior to the establishment of the Fund have been set aside in the general reserve account.

12. OPERATING LEASE COMMITMENTS

The Fund leases a storeroom under an operating lease arrangement with a lease term of two years at fixed monthly rentals.

At 31 March 2012, the Fund had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2012 HK\$	2011 HK\$
Within one year	90,000	180,000
In the second to fifth years, inclusive	<u>-</u>	<u>90,000</u>
	<u>90,000</u>	<u>270,000</u>

13. CONTINGENT LIABILITIES

At 31 March 2012, contingent liabilities in respect of claims received but not yet approved and provided for in the financial statements amounted to HK\$131,798,861 (2011: HK\$87,688,663).

A provision has not been recognised in respect of such possible payments as their existence will be confirmed only upon approval by the Commissioner for Labour.

14. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Fund's financial assets and liabilities approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions.

Levies receivable, interest receivables, time deposits, cash at banks, approved claims payable, accrued operation expenses and accrued supervision fee approximate to their carrying amounts largely due to the short term maturities of these instruments.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2012

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial instruments comprise cash and short term deposits. The Fund has various other financial assets and liabilities such as levies receivable, interest receivables, approved claims payable and accrued supervision fee which arise directly from its operations. The main risks arising from the Fund's financial instruments are credit risk and interest rate risk.

Credit risk

The Fund's receivable balances are monitored on an ongoing basis and the Fund's exposure to bad debts is insignificant. The Fund's maximum exposure on credit risk arising from the default of the counterparty equal to the carrying amounts of these financial assets in the statement of financial position.

Interest rate risk

The Fund's major exposure to the risk of changes in market interest rates relates to the Fund's bank balances with floating daily bank deposits rates. The Fund does not currently have any plan to enter into hedge arrangements to manage its interest rate risk.

Capital management

The primary objective of the Fund's capital management is to safeguard the Fund's ability to continue as a going concern in order to provide ex-gratia payments to employees whose employers have become insolvent.

The Fund manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 2011.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 10 September 2012.

破產欠薪保障基金委員會

Protection of Wages on Insolvency Fund Board